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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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SEDRICK D. BLAKE, CPA
Audit/Fiscal Executive

May 3, 2007

Richard E. Hrabko, AAE
Director of Airports
Lambert-St. Louis International Airport
P.O. Box 10212
St. Louis, MO 63145

RE: Review of Professional Service Agreement #AL-126 (Project #2006-06)

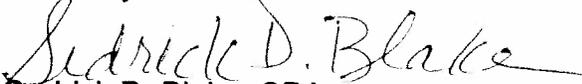
Dear Mr. Hrabko:

Enclosed is a report of our review of the Central Parking System Professional Services Agreement #AL-126 to provide management and operational services for the Lambert - St. Louis International Airport parking facilities. Our review covered the period from July 1, 2003 through June 30, 2005. The objective of this review was to ensure the Contractor performed the work and submitted its billings in accordance with the terms and conditions of the contract, the City of St. Louis has not been overcharged for work performed and errors in application or methodology are corrected on a prospective basis. Our fieldwork was substantially completed on April 15, 2006. We received management responses to our observations and recommendations in a letter dated July 14, 2006. These responses have been incorporated in our report.

This review was made under the authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the International Standards for Professional Practice of Internal Auditing.

If you have any questions, please contact me at (314) 589-6132.

Sincerely,


Sedrick D. Blake, CPA
Audit/Fiscal Executive

Enclosure

cc: Ronald Smith, City Operations Manager, Mayor's Office
Gerard Slay, Airport Deputy Director
Kenneth Below, Airport Assistant Director, Finance and Accounting



CITY OF ST. LOUIS

AIRPORT AUTHORITY

REVIEW OF CENTRAL PARKING SYSTEM
PROFESSIONAL SERVICE AGREEMENT #AL-126

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
PARKING OPERATIONS
JULY 1, 2003 THROUGH JUNE 30, 2005

PROJECT #2006-06

DATE ISSUED: MAY 3, 2007

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

**CITY OF ST. LOUIS
AIRPORT AUTHORITY
REVIEW OF CENTRAL PARKING SYSTEM
PROFESSIONAL SERVICE AGREEMENT #AL-126
LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT
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EXECUTIVE SUMMARY

Purpose

The objective of this review was to ensure the Contractor performed the work and submitted its billings in accordance with the terms and conditions of the contract, the City of St. Louis has not been overcharged for work performed and errors in application or methodology are corrected on a prospective basis.

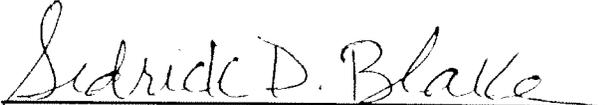
Conclusion

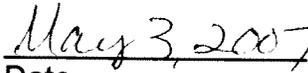
The opportunity exists to ensure compliance with the agreement. Following are the observations resulting from our review along with the associated costs:

1. Opportunity to Improve Procedures to Track Budget Line Items (\$160,831)
2. Opportunity to Improve Financial Reporting Of Parking Operations (\$57,345)
3. Opportunity to Improve Controls Over Petty Cash Expenditures
4. Opportunity to Improve Contract Language
5. Opportunity to Improve Development and Review of Parking Operational Budget
6. Opportunity to Reduce Bank Charges for Parking Operations
7. Opportunity to Improve the Reconciliation of Parking Fund Receipts

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.


Sedrick D. Blake, CPA
Audit/Fiscal Executive


Date

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INTRODUCTION

Background

Professional Services Agreement (PSA) #AL-126 is a contract between the City of St. Louis, Lambert-St. Louis International Airport and Central Parking System (Contractor) to provide management services for the parking facilities at Lambert-St. Louis International Airport. The contract includes an annual management fee of \$633,600 plus reimbursement for operating expenses. This contract was authorized by Ordinance No. 62882.

The objective of this review was to ensure that the Contractor performed the work and submitted its billings in accordance with the terms and conditions of the contract, the City of St. Louis has not been overcharged for work performed and errors in application or methodology are corrected on a prospective basis.

Scope and Methodology

We confined our review of the terms and conditions of PSA #AL-126, billings submitted by the Contractor and its policies and procedures in maintaining compliance with the agreement. Our procedures included inquiries of the management of Central Parking System, Lambert Airport Properties and Finance and Accounting Departments. We reviewed billings totaling approximately \$2,982,655 for the period July 1, 2003 through June 30, 2005.

We evaluated the appropriateness and accuracy of individual cost elements billed as outlined in PSA #AL-126. We performed a limited review of the revenue reporting and collection processes, and conducted a payroll distribution test on March 24, 2006.

Exit Conference

An exit conference was held on April 19, 2006. Michael Coleman, Resident Manager, Gregory Lockett, General Manager, and Paul Young, Assistant Manager Accounting, represented Central Parking System. Ted LaBoube, Risk Manager, Lambert Airport Properties, Kenneth Below, Airport Assistant Director, and Jim Fox, Airport Audit Manager, represented Lambert Airport. Mohammad Adil, Internal Audit Manager, Charles Schroeder, Internal Audit Supervisor, and Leonard E. Bell, Jr., Auditor In-Charge, represented the Internal Audit Section.

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Management's Response

Management's responses dated July 14, 2006 was received and has been incorporated or attached to the audit report (see Attachments A & B).

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OBSERVATIONS

Status of Prior Observations

The Internal Audit Section had not previously reviewed this contract. Therefore, there were no prior observations.

Summary of Current Observations

The opportunity exists for the Contractor and the Airport Authority to ensure compliance with the terms and conditions of the agreement. The following observations are the result of our review.

1. Opportunity to Improve Procedures to Track Budget Line Items (\$160,831)
2. Opportunity to Improve Financial Reporting Of Parking Operations (\$57,345)
3. Opportunity to Improve Controls Over Petty Cash Expenditures
4. Opportunity to Improve Contract Language
5. Opportunity to Improve Development and Review of Parking Operational Budget
6. Opportunity to Reduce Bank Charges for Parking Operations
7. Opportunity to Improve the Reconciliation of Parking Fund Receipts

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS
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1. Opportunity to Improve Procedures to Track Budget Line Items (\$160,831)

Contract section 407 requires the Contractor to obtain written approval of the Airport Director when expenditures exceed the approved budget line item.

We reviewed the expenditures for each budget line item for the period under review and noted:

- For Fiscal Year 2004, eleven (11) line item expenditures exceeded the approved budget by **\$55,541**.
- For the Fiscal Year 2005, nine (9) line item expenditures exceeded the approved budget by **\$105,290**.

The contract stipulates that when expenditures are exceeded without the written approval of the Airport Director, they are not subject to reimbursement by the City. We were not provided with any documents verifying that these excess expenditures were approved; however, we were informed that an informal agreement allowed for budget line item changes as long as the total budget was not exceeded. Failure to comply with section 407 resulted in \$192,182 being expended without written approval as required by the contract.

Recommendation

We recommend the Contractor obtain written approval from the Airport Director before exceeding a budget line item as required by the contract.

Management's Response

The Central Parking System did comply with the Operating Agreement by requesting and receiving "written approval" from the Airport to transfer funds from one line item to another so that no single line item was expensed beyond the approved amount (see Attachment A-1).

Auditor's Comment

The Contractor provided additional documents supporting its claim that the Airport management properly approved all budget line item excesses. This observation is now considered resolved.

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2. Opportunity to Improve Financial Reporting of Parking Operations (\$57,345)

During our review of the Contractor's monthly management reports and general ledger, we noted:

- The Contractor used the cash basis of accounting; however, it was neither consistently applied nor adequately documented.
- Expenditures were not always posted to the correct line item on the management reports or to the correct account in the Contractor's general ledger.
- Invoices were not canceled to prevent duplicate entries to the management reports and general ledger as well as duplicate payments.
- Unallowable late fees were submitted for reimbursement.
- Cellular and telephone invoices were not reviewed to separate business from non-business use.

We identified questioned costs of \$57,345 in the following areas:

• Lack of support documents	\$19,825
• Duplicate invoices	\$ 828
• Charges in excess of monthly cellular telephone fees	\$ 8,349
• Items specifically not allowed by the contract	<u>\$28,343</u>
Total questioned costs (see Appendix for details)	<u>\$57,345</u>

Recommendation

We recommend the Contractor repay the City \$57,345 in questioned costs.

In addition, we recommend the Contractor establish controls to ensure:

- The basis of accounting is appropriately documented, communicated to all appropriate personnel and consistently applied.
- Expenditures are appropriately posted to the management report and general ledger.
- Invoices are properly canceled after payment.
- Late fees are not submitted for reimbursement.
- Cellular telephone invoices are reimbursed only for the business usage of the service.

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2. Continued...

Management's Response

The Central Parking System management agrees with the recommendations regarding financial reporting of parking operations and partially agrees with the questioned costs noted in our report (see Attachments A-1 and A-2).

Auditor's Comment

The Contractor agrees with the recommendations regarding financial reporting of parking operations and partially agrees with the questioned cost noted in the report. The questioned cost of \$9,919 remains unresolved.

3. Opportunity to Improve Controls Over Petty Cash Expenditures

The custodianship of the petty cash was not segregated from the duties of authorizing and approving petty cash expenditures. In addition, the Contractor's policies and procedures manual does not provide sufficient direction to identify what items may be purchased through petty cash.

Recommendation

We recommend that in order to improve controls over the petty cash expenditures, the Contractor establish procedures to ensure that:

- The custodianship of petty cash is assigned to an employee who is not responsible for authorizing and approving petty cash expenditures or maintaining other accounting records.
- A specific amount of cash on-hand is maintained and replenished as funds are disbursed.
- Petty cash tickets support all petty cash disbursements.
- Petty cash expenditures submitted for reimbursements comply with the contract.

Management's Response

The Central Parking System management agrees with the recommendation (see Attachment A-3).

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4. Opportunity to Improve Contract Language

During our review of the contract for the scope of services to be provided by the Contractor in accordance with the term and conditions of the contract, we noted:

- Allowable expenses were not clearly defined. Section 402 of the contract contains terminology 'reasonable under the circumstances' for the expenses allowable under the contract.
- Section 705 of the contract does not clearly define the meaning of reimbursable telephone utilities expenses.
- Invoices supporting the monthly management reports were not organized in such a manner to allow quick and timely processing for payment.
- The duties regarding the collection of returned bank items including checks and credit card transactions were not clearly defined.
- The bid development and selection process for reimbursable capital expenditures, sub-contractors, and professional service agreements are not provided for in the contract.

In addition, we noted that the contract terms and conditions needed additional clarity with regard to the following matters:

- Current contract development process does not incorporate personnel from the accounting, purchasing and treasury functions to ensure that contract language provides an adequate level of clarity to minimize cost overruns and misunderstandings that may arise in the performance and evaluation of contractual agreements.

The lack of adequate contract language increases the risk of cost overruns and misunderstandings regarding the allowability of the expenses incurred under the contract.

Recommendation

We also recommend that the contract language be improved provide clarity to Sections 402, 421 and 705 of the contract. We also recommend that the Airport Authority improve the contract development process by including personnel from the accounting, treasury and purchasing to ensure the accounting, treasury and purchasing requirements of the contract are clearly identified.

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4. Continued...

Management's Response

Central Parking System Management agrees with the recommendation.

Airport Properties Section: Agree. The current contract was developed with input from the Airport Authority's Internal Audit Section. The Properties Section will continue to obtain input from Airport Authority departments/City departments in the development of the next contract's language.

The current contract provides for refinement or clarification of the operating costs in Section 402. Therefore, the Properties Section and Central Parking System will develop policy guidelines concerning various operational procedures and costs to clarify which operating expenses will be considered appropriate to the parking operation and therefore, reimbursable.

Airport Finance and Accounting Section: Agree. While the current contract language does not address the contractor's provision of supporting documentation, procedures have been developed to insure that all invoices and other supporting documents will be provided in a well-organized and timely manner.

While the current language does not address the duties of accounting for and the reconciling of returned checks and credit card revenue, the duties have been assigned to the Airport Authority Internal Audit Section. The Airport Internal Audit Section does and will continue to work with the contractor to ensure that all revenues pertaining to the parking operations are reported and recorded accurately.

5. Opportunity to Improve the Development of the Budget

In our review of the parking operations budget preparation process, we noted that:

- Only a statement of estimated expenditures is prepared for review and approval.
- No profit structure is in place to determine the break-even point for parking.
- There are no direct labor costs to revenue relationship analysis prepared on a periodic basis.
- No comparable data is obtained regarding similar parking operations to assess how the parking operations compare to industry standards.

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5. Continued...

Inquiries with the Contractor revealed that such information is neither required by the contract nor requested by the Airport management.

Recommendation

We recommend that the Airport Authority require the Contractor to develop a plan for improving the parking operations by implementing procedures to ensure that:

- A statement of the estimated revenue and expenditures is prepared annually and compared to the actual results of the parking operations.
- The profit centers and the break-even points of the parking operations are identified to monitor the profitability of the various segments of the operations.

Management's Response

The Central Parking System management disagrees with the recommendation (see Attachment A-3).

Airport Properties Section: Agree. The budget expenditures of the annual budget are compared to the actual expenditures each month.

Properties will work with Central Parking System and Airport Accounting to develop a revenue forecast starting with the next budget fiscal year ending 2007.

Currently the monthly operating statements break out the direct and indirect payroll costs, material costs and operational costs to the individual parking facility cost centers.

Properties will look at augmenting the current management report, prepared by Central Parking System, with additional financial and operational management tools. An example of this would be reports covering financial detail of parking operations.

Airport Finance & Accounting: Agree. The Airport Authority Internal Audit Section produces spreadsheets and graphs that track revenues, expenses and profitability for each cost center, by month and fiscal year. These documents are available for review during budget approval.

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6. Opportunity to Improve Contract Monitoring

Our review of the Professional Services Agreement AL-126 consisted of several inquiries and meetings with the consultant and relative Airport Properties personnel regarding the monitoring of the contract deliverables.

We noted the Airport Authority does not have monitoring procedures in place to ensure if the Contractor:

- Utilized twenty percent (20%) of the bonus to initiate programs to boost local management and employee morale (Section 421 of the contract).
- Made reasonably diligent efforts to collect towing fees from the operators of towed vehicles (Section 511 of the contract).
- Complied with the prevailing wage rates as mandated by City Ordinance #62124 (Section 1320 of the contract).
- Complied with the applicable Department of Transportation regulations (DOT) regarding random drug testing of employees.
- Established marketing programs that contribute to the profitability of parking operations.
- Maintained applicable warranties and guarantees for its capital equipment.

Recommendation

We recommend that monitoring of PSA #AL-126 be improved to address the areas of performance other than the associated costs and revenue.

Management's Response

The Central Parking System disagrees with the recommendation (see Attachment A-3).

Airport Properties (Marketing Program): Disagree. Section does not agree with the recommendation. The best method to determine if a marketing program is working is to look at the changes in gross revenue. Since we started the Super Park marketing program, parking revenue growth has exceeded the Airport's planned growth. With an annual parking budget of \$250,000 in fiscal year, ended June 30, 2005, parking revenue increased by \$2,791,533. This growth in parking revenue happened without a rate increase.

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6. Continued...

Airport Properties (Capital Equipment Purchases): Disagree. When Central Parking System has purchased major equipment that equipment belongs to the City. All warranties and guarantees offered by the vendors extend to the City.

Auditor's Comment

The Contractor's compliance with non-costs and revenue criteria should be documented and retained within the Airport Properties Section's files.

7. Opportunity to Reduce Bank Processing Fees of Parking Operations

The Airport incurred \$22,717 and \$17,861 in bank fees for Fiscal Years 2004 and 2005, respectively. We determined the Airport could have realized cost savings of \$13,872 in bank fees for the review period by adopting online banking and the "Fed Ready Deposit Basis" process.

The process developed by the Federal Reserve Bank requires banks to have deposits prepared in a certain order before being accepted by the Federal Reserve. Commercial banks charge less to process deposits if their customer prepares the deposit to meet the Federal Reserve Bank's criteria.

The Airport Authority has converted to online access for review of parking fund daily activity and implemented the "Fed Ready" deposit process.

Management's Response:

Not required. Corrective measures are already in place.

8. Opportunity to Improve Reconciliation of the Parking Funds

The Financial Accounting and Reporting Section's reconciliations are limited to ensuring that Contractor's daily cash summary reports agree to their daily bank deposits. This limited test increases the risk that:

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8. Continued...

- Timing differences due to month ending closing are not identified.
- Actual revenue earned by month is not identified.
- Credit card charge backs and returned checks are not identified and recovered in a timely manner (\$15,266 for Fiscal Years 2004 and 2005).

Recommendation

We recommend that the Airport Authority's reconciliation of the parking revenue funds should include the following activities:

- Reconcile the month ending bank statement to the Contractor's monthly management report.
- Identify the outstanding deposits on a monthly basis.
- Identify the actual revenue earned from parking on a monthly basis.
- Identify credit card charge-backs to assist in timely collection of lost funds.

In addition, we recommend the Airport Authority evaluate current technologies that change checks into debit card transactions. This could eliminate returned checks.

Management's Response

Airport Finance & Accounting: Agree. Procedures have been developed and implemented to reconcile parking revenue reported on the management report to revenue deposited. This includes credit card revenues as well as cash. Differences will be explained.

The Airport Authority will evaluate the option of replacing personal check transactions with debit card transactions and the technologies available to do so.

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APPENDIX

SCHEDULE OF QUESTIONED COSTS (OBSERVATION #2)

Description	Fiscal Year 2004	Fiscal Year 2005	Total	Remaining Unresolved Questioned Costs
Missing invoices	-	\$19,825	\$19,825	\$ 756
Duplicate Invoices	\$ 72	\$ 756	\$ 828	\$ 72
Cellular Billings (net of monthly service fees)	\$ 4,608	\$ 3,741	\$ 8,349	\$ 8,349
Unallowable Items:				
1. Employee Awards	\$ 6,050	\$ 3,581	\$ 9,631	-
2. Late Fees	689	54	743	743
3. Employee Functions	869	560	1,429	-
4. Legal Fees	8,087	1,840	9,927	-
5. General and Administrative	539	501	1,040	-
6. Charitable Contributions	5,109	271	5,380	-
7. Travel	178	-	178	-
8. Fines and Penalties	15	-	15	-
Total Questioned Costs Per Unallowable Items	<u>\$21,536</u>	<u>\$ 6,807</u>	<u>\$28,343</u>	\$ 743
Total Questioned Costs	<u>\$ 26,216</u>	<u>\$31,129</u>	<u>\$57,345</u>	<u>\$ 9,920</u>

Attachment A-1



May 1, 2006

Ted LaBoube
 Airport Risk Manager
 St. Louis International Airport
 P.O. Box 10212
 St. Louis, Mo. 63145

Dear Ted:

On Wednesday April 19, 2006 we met with the Comptroller's Audit team to review their "Detailed Observations, Recommendations" report. From this meeting Central Parking System (CPS) was asked to provide a "Management's Response" to the items marked with a "Central" notation, see section 1. This letter is provided as Central Parking System's "Management's Response" to the audit findings identified for the operating period July 1, 2003 through June 30, 2005. Specifically, items #1, #2, #3, #5 and #6 contained in the attached report.

We wish to thank the Airport and the Comptroller's staff for the opportunity to respond to the concerns and recommendations contained in this audit.

Observation

Item	Bullet	Subject	Management's Response
#1	All	Budgeted line items overspent	CPS did comply with the Operating Agreement by requesting and receiving "written approval" from the Airport to transfer funds from one line item to another so that no single line item was expensed beyond the approved amount. In Section 2: For each fiscal year you will find a copy of the approved budget and a copy of the final summary statement. On the final summary statement the "check mark" represents line items that had documented (airport approved) line item transfers. Copies of the required Airport approval letters are included. CPS did not exceed the initial approved amount. CPS does not owe the reported "\$160,831.00.
#2	#1	Financial reporting	Throughout the audit period July 1, 2003 through June 30, 2005 CPS used an Airport approved hybrid cash basis reporting system. Starting in the fourth quarter of 2005 CPS began to transition to a formal "cash basis" method. This process should be completed by third quarter 2006.
#2	#2, #3	Duplicate payments and invoices	The report identifies that some invoices were booked to the wrong Line Item or that duplicate invoices and payments were discovered. However, as reported "payments were recovered". Please note that the CPS payable system does not allow the entry of duplicate invoice number from a vendor. The few occurrences had some unusual circumstances that CPS will audit at a closer level going forward to avoid any duplicate processing of invoices or payments.

Attachment A - 2

Obtained from

Item	Bullet	Subject	Management's Response
#2	# 4	Late Fees paid	<p>Late payment fees to vendors can be attributed to two main factors.</p> <ol style="list-style-type: none"> 1.) The local management team created a checks and balance invoice approval program prior to any invoice paid. As an example, Once an invoice is date stamped into the office it is sent out to the person who ordered the product or service who must initial the invoice. That person's immediate supervisor must confirm receipt of the product or service and sign off on the invoice. The invoice then goes to the Operations Director who must sign off, they then forward to the accountant who will sign off prior to the signature and final approval of the General Manager. This program was created to assure both the Operator and the Airport that all products and services purchased were received. It was discovered that in many cases one or more of the appropriate people would be on vacation or in one case on medical leave and the invoice sat. Since this discovery we have streamlined the process with required dates for processing of each party to avoid any future late payments. 2.) In many cases vendors received late payments due to the City's delay in reimbursing CPS for operating and payroll costs. Please review the CPS letter to the Airport dated November 28, 2005. See Section 3.
#2	# 5 & # 8	Cellular and Telephone	<p>CPS added additional cell phones into the operation without adjusting the overall cell phone program causing minutes to be charged over the allowable program. Additionally, CPS conducted a random audit of the cell phone bills and concluded that there may have been some personal calls made causing the company to implement a new cell phone use policy. See section 4.</p>
#2	#6 & #7	Inadequate documentation	<p>Brief history, in September of 2005 the audit team began their audit looking at \$985,743 in reported expenses. In February 2006 the audit scope was expanded to look at an additional \$393,763 in expenses a grand total of \$1,379,506. At the meeting on April 19, 2006 Appendix A of the auditors report showed that all but \$20,289.94 was reconciled.</p> <p>On April 21, 2006 a final review of the audited invoices was conducted with Leonard Bell. On April 27, 2006 CPS submitted a final report supporting the expenses in question.</p> <p>Over 2,000 invoices were requested and reviewed during the audit.</p> <p>For Fiscal year ending June 2004, there were no (Zero) invoices lacking. The only issue was three keying errors with a total amount of \$148.00.</p> <p>For Fiscal year ending June 2005, there were no (Zero) invoices lacking. The only issue was that CPS double paid a \$72.00 invoice to BJC for a drug test.</p> <p>Of the \$1,379,506 in audited expenses CPS is confident that we provided EVERY requested invoice, with only \$220.00 in expenses that might be considered reimbursable back to the Airport.</p>

Attachment A-3

Observation

			Another item flagged was The Walk For a Cure program where Central purchased trash can liners at a marked up price to participate in their semiannual fund raiser. This program has been stopped. See section 6.
		Travel	This expense was tied to a rental car bill that was split between CPS and the Airport. The vehicle was rented to replace an Airport owned vehicle that was out of service for repairs. The Airport was not charged for the portion where the vehicle was driven to Kansas City International Airport to discuss with the Airport Executive staff the benefits of converting to Super Park. See section 7.
		Fines and Penalties	Due to overcrowded conditions in the Main Terminal Short Term some customers will park illegally and receive a parking ticket from the Airport Police. In extreme circumstances where CPS and the Properties Department feels that the issue may cause negative publicity on TV, radio and newspaper, with Airport approval we reimburse the customer the cost of the ticket.
#3	All	Petty Cash	CPS is in agreement that the Petty Cash Procedures needed to be modified. Please see section 8.
#5	All	Budget development	The local Lambert - St. Louis CPS management team does track expenses to revenue and looks at the profitability of each location through customized spreadsheets to the Lambert operation. Currently these reports are used internally by the local CPS management team but of course CPS will work with the Airport to revise, create and maintain any reports requested by the Airport. Similar parking operations; Please know that a comparison of expenses and revenue to other airports can paint a distorted picture. Example, airports with large multi level garage structures that house short term and long term patrons with no shuttle costs will have a very high net revenue per transaction figure. Whereas Lambert has one of the highest cost per transaction figures in the Country due to the property constraints in the County. Each Airport is unique in its own way making it difficult for apples to apples comparisons. With that said please know that CPS is willing to share revenue and expenses figures from the other airports we operate (with client approval).
#6	#1	Bonus	CPS did distribute 20% of the bonus backed to the local Lambert employees as described in the Airport Approval letters in section 9.
	#2	Towing	CPS does not collect towing fees from the customer. If a customer has their vehicle towed they pay us the parking fee and the tow company the tow bill. Other tow bills may be related to tows at the request of the Airport Police Department or when we must tow a vehicle from a new construction area.
	#3	Hourly Wage	CPS operates the Lambert operation under a Union contract with Local 618. The Union contract supersedes the Living Wage Ordinance.
	#4	Random Drug testing	Technically the passenger capacity of the shuttles is less than what the DOT would require for drug testing. However as a deterrent and to provide the safe travel of the Airport's customers we do perform pre-screen and random testing. For random, CPS contracts with an outside firm that places the Lambert employees into a lottery pool, the firm notifies us as to who is to be tested. This program has meet with the requirements of the Union contract.

Attachment A - 4

Observations

#2	#9	Items not allowed <u>Appendix A</u>	CPS does not agree that the expenses identified are not allowed. Over the past 10 - 20 years the expenses associated with the following programs have been reimbursed. Through the approval process of the Proposed Operating budget as identified in Section 407 of the agreement, CPS did receive tacit approval for these expenses.
#2	#9	Employee Awards	Since 1981 the Parking Operators have issued Service Award Pins and gifts to employees who celebrate employment anniversaries with the Lambert St. Louis International Airport parking operation. The Airport hire date is used not the date they started with the current parking operator. In the past, employees complained that each time the Airport switched operators they lost their seniority. This program is designed to boost employee morale. Detailed documentation is provided to the Airport listing each employee who received the award. Additionally, CPS implemented an Above and Beyond program to recognize the employees who go the extra mile for Super Park. These employees receive awards as described in the Newsletter. See section 5
#2	#9	Items not allowed <u>Appendix A</u> Employee functions	Since 1990, Holiday lunches. The Company was approached by the employees to offer holiday meals to the employees who worked on the holiday. The employees bring in side dishes and the company paid for the meat and soft drinks. This has been done to maintain a high level of employee morale.
		Legal Fees	For at least the past 20 years the Airport has approved a Legal Expense line item within the approved operating budget. From this budget the operator requests prior approval for legal expenses that revolve around labor arbitration's pursued by the Union. CPS recalls that the contract language in our agreement with Lambert revolved around the Airport not wishing to reimburse the operator for legal expenses related to Corporate matters. We believe this may be found in the pre-bid minutes.
		General and Admin.	Similarly, for at least the past 20 years the Airport has approved all General and Administrative expenses that are necessary for the local Lambert operation. We do not believe that the expenses in question are CPS Corporate G&A expenses. Again, CPS recalls that the contract language revolved around the Airport not wishing to reimburse the operator for G&A expenses related to Corporate matters. We believe this may be found in the pre-bid minutes.
		Charitable Contribution	Since 2003 when Super Park was introduced at Lambert, the Airport used the annual Boys Club golf tournament to promote Super Park to the local business community. Although the check was made payable to the Boys Club of St. Louis, CPS works with the Boys Club of St. Louis to co-sponsor the annual golf tournament where we are allowed to set up a Super Park booth next to the registration table. We advertise "Support Lambert Airport use Super Park". There are over 400 participants who are at the Senior Executive level representing over 100 of St. Louis's largest employers. This event was a tremendous success for signing up new business accounts.

Attachment A-5

In closing, the audit mentions in section 4 that they discovered "Allowable expenses were not clearly defined". CPS would like to recommend that the Airport and CPS utilize the contract language found in Section 514 Procedures Manual to better identify what is and what is not reimbursable.

In section 10 of this reply we have provided an example of three new sections that we propose to add to the current procedures manual, "Employee Morale Programs", "Customer Appreciation Programs" and "Long Distance and Cell Phone Use Policy and Procedures". By updating this Procedures Manual allowable expenses can be more clearly defined.

Please let me know if you need any additional information or would like to have CPS begin to update the Procedures Manual to include this information.

Thank you



Mike Coleman
Resident Manager

Attachment BKevin C. Doliolo
Director**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT®***City of St. Louis Airport Authority*P. O. BOX 10212 • ST. LOUIS, MISSOURI 63145-0212 • U.S.A.
TELEPHONE: (314) 426-8000 • WEBSITE: www.lambert-stlouis.comFrancis G. Slay
Mayor
City of St. Louis**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT'S
RESPONSE TO SELECTED AUDIT FINDINGS RELATING TO
CENTRAL PARKING SYSTEMS**

I have reviewed and signed off on the items listed below for the period of July 1, 2003 through June 30, 2005. These programs were initially requested by the Central Parking System and approved by Airport Management prior to their implementation.

If you have any questions, comments or concerns, I will be happy to discuss them with you at your earliest convenience.

Employee Awards: Since 1981, the parking operators have issued service award pins and gifts to employees who celebrate employment anniversaries with the Lambert-St. Louis International Airport parking operation. The Airport hire date is used, not the date they started with the current parking operator. In the past, employees complained that each time the Airport Authority switched operators they lost their seniority. This program is designed to boost employee morale. Detailed documentation is provided to the Airport Authority listing each employee who received the award. Additionally, CPS implemented an Above-and-Beyond program to recognize the employees who go the extra mile for Super Park. These employees receive awards as described in the newsletter.

Total Amount Expended: \$9,631.00

Employee Functions/Holiday Lunches: CPS was approached by the employees to offer holiday meals to the employees who worked on the holidays. The employees bring side dishes and CPS provides the meat and soft drinks. This has been done to maintain a high level of employee morale.

Total Amount Expended: \$1,429.00

Legal Fees: For at least twenty years, the Airport Authority has approved a legal expense line item within the approved operating budget. From this line item, the operator requests prior approval for legal expenses that revolve around labor arbitrations pursued by the Union.

Total Amount Expended: \$9,927.00

Attachment B

General and Administrative: For at least twenty years, the Airport Authority has approved all G & A expenses that are necessary for the local Lambert-St. Louis International Airport operation. We do not believe that the expenses in question are CPS Corporate G & A expenses. CPS believes that the contract language in the Agreement addresses the Airport Authority's unwillingness to reimburse the operator for G & A expenses to related Corporate matters. We believe this can be resolved by reviewing the pre-bid minutes.

Total Amount Expended: \$1,040.00

Charitable Contributions: Since 2003 when Super Park was introduced at Lambert, the Airport Authority has used the annual Boys Club golf tournament to promote Super Park to the Community. Although the check was made payable to the Boys Club of St. Louis, CPS works with the Boys Club of St. Louis to co-sponsor the annual golf tournament in where we are allowed to set up a Super Park booth next to the registration table. We advertise "Support Lambert Airport - Use Super Park". There are over 400 participants who are at the Senior Executive level representing over 100 of St. Louis's largest employers. This event was a tremendous success for signing up new business accounts. However, the Airport Authority will not participate in this activity in the future. See Exhibit 4.

Total Amount Expended: \$5,380.00

Travel: This expense was tied to a rental car bill that was split between CPS and the Airport Authority. The vehicle was rented to replace an Airport owned vehicle that was out of service for repairs. The Airport Authority was not charged for the trip to Kansas City International Airport to discuss with the Airport Executive staff the benefits of converting to Super Park.

Total Amount Expended: \$178.00

Fines and Penalties: To reduce negative publicity (via TV, radio and newspaper), the Airport Authority, in extreme circumstances, may waive payment of parking tickets issued to vehicles that were illegally parked due to overcrowded conditions in the Main Terminal Short Term lot.

Total Amount Expended: \$15.00

Grand Total of Expenditures: \$27,600.00

APPROVAL:


Gerard M. Slay
Deputy Airport Director

Date

Attachment B



Kevin C. Dilliole
Director

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT®

City of St. Louis Airport Authority

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Francis G. Slay
Mayor
City of St. Louis

July 14, 2006

Mohammad H. Adil, CPA – Internal Audit Manager
Internal Audit Section
Carnahan Courthouse
1114 Market Street, Room 608
St. Louis, MO 63101

Dear Mr. Adil:

Airport management reviewed the findings contained in the audit report relating to the Central Parking Systems (CPS) contract at Lambert St. Louis International Airport (Audit). The Airport also reviewed CPS's response to the findings contained in the Audit report. After the Airport's review of the justification provided by CPS, the Audit identified \$57,345.00 of potential over-payments and reimbursements that appeared to be in violation of the terms of the contract. However, the amount of potential over-payments and reimbursements were further reduced by either the reconciliation of certain additional expenses or the elimination of certain items that had received prior approval of Airport management. Listed below are Airport Management's proposed responses and recommended actions pertaining to those findings found to be in violation of the contract:

Total amount of over-payments and reimbursements	\$57,345.00
The Airport has completed its review and concurs that reimbursement for certain items in the amount of \$27,600.00 were justified. These items were approved by Airport management and believed to have been made in the best interest of the parking program (see attached).	(\$27,600.00)
Total of \$19,462.00 in missing invoices were found and reconciled and therefore no longer represent potential over-payments.	(\$19,462.00)
Internal Audit adjustment	(\$ 364.00)
Total amount owed the Airport. (see attached).	\$ 9,919.00

Attachment B

As indicated above, the Airport believes the total amount owed after adjustments is \$9,919.00. Although approval of certain expenditures was received, that approval was not always provided in writing. Therefore, as of the date of this letter, any approval of expenditures which are not a part of the approved budget will only be granted by the Director of Airports in writing.

Airport management is very pleased with the recent parking system improvements and realizes that the incentives and employee recognition programs are a critical part of the overall strategy to increase the visibility and profitability of the Airport's parking system. Airport management thanks CPS for a job well done.

If you have any questions or comments pertaining to this letter, please feel free to give me a call at (314) 426-8026.

Sincerely,



Kenneth L. Below
Airport Assistant Director
Finance & Accounting Department

cc: Kevin C. Dolliole
Gerard M. Slay
Brian D. Kinsey

Attachment B

**CENTRAL PARKING
GARAGE
Payment Due To City**

Duplicate Invoice	\$	72.00
Late Fees		742.00
Missing Invoices		756.00
Cell Phone		8,349.00
Total Owed	\$	9,919.00