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AIRPORTS DEPARTMENT PARKING REVENUE

AUGUST 28, 2018

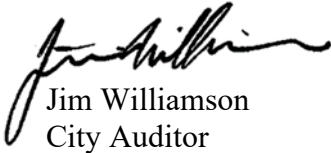August 28, 2018

The Mayor and City Council:

The Office of the City Auditor has completed an audit of management controls ensuring Airport parking revenues were accurate and complete during the five months ended February 28, 2018.
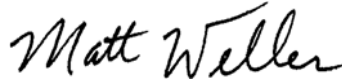
Based on the results of our audit, we believe that during the five months ended February 28, 2018, established controls were adequate to ensure the accuracy of collected and deposited Airport parking revenues, but they were not adequate to ensure the completeness of the revenues.

Recommendations for improving oversight of Airport parking revenues discussed in more detail in the attached report, are summarized as follows:

- The Airport should work with the parking contractor to ensure all processed parking exits are distinctly and accurately reported. See Recommendation 1.

- The Airport should ensure parking contractor reported revenues are reasonably complete by assessing the reasonableness of the reported revenues given accurate and complete collected ticket counts verified using the parking access system. See Recommendation 2.

- The Airport should contract with a parking facility consultant or utilize the recently created Revenue Auditor position to perform periodic, comprehensive audits of revenues collections by the parking contractor. See Recommendation 5.

All comments, recommendations, suggestions and observations arising from our audit have been discussed in detail with appropriate representatives from management. These discussions were held to assure a complete understanding of the content and emphasis of items in this report. Responses to this report from management are attached.

Jim Williamson
City Auditor

Matt Weller
Assistant City Auditor

Brett Rangel
Audit Manager

AIRPORTS DEPARTMENT
PARKING REVENUE

AUDIT OBJECTIVE, BACKGROUND, SCOPE, AND METHODOLOGY

The objective of this audit was to evaluate the adequacy and determine the effectiveness of management controls ensuring airport parking revenues were accurate and complete during the five months ended February 28, 2018.

The Oklahoma City Airport Trust (Trust) manages all City-owned and Trust-financed airport facilities. Fiscal year 2017 airport parking revenues were $11.8 million (20%) of total Trust operating revenues. The Trust contracts with ABM Parking Services, Inc. (ABM) to manage the daily operation of parking facilities at Will Rogers World Airport. The Airports Department (Airport) administers the ABM contract, ensuring the accuracy and completeness of parking revenue collections and compliance with operating, expenditure, and reporting requirements.

In July 2017, the Airport began implementing the Skidata parking gate access system (Skidata system) used by ABM to manage parking access and report related parking revenues. The new Skidata system allows direct access to system reports, enhancing Airport oversight of ABM operations. Installation of Skidata system equipment was complete in October 2017.

Throughout the audit period, the Airport was actively identifying reports from the new system and developing procedures using the information included in those reports to ensure the accuracy and completeness of parking revenues reported by ABM. While early detection of control weaknesses is a benefit of auditing new systems during or shortly after implementation, such timing often does not allow management an opportunity to self-identify and correct control weaknesses through the normal course of business.

Procedures performed during this audit included interviews with management and ABM personnel; review of the ABM contract and Airport parking fee schedules; review and assessment of ABM cash-handling and Skidata system controls; testing of selected daily parking revenue collections and deposits by ABM; reviews of Skidata system reports, monthly ABM reports and monthly Airport reconciliation procedures. Our audit was limited to Airport parking transactions processed by ABM, representing nearly all parking revenues.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following recommendations are intended to provide constructive suggestions to improve Airport oversight of parking revenues. Management responses are included in the body of this report and attached to the report in their entirety.

RESULTS OF WORK PERFORMED

The results of our audit indicate that established controls were adequate to ensure the accuracy of recorded Airport parking revenues collected and deposited by ABM from October 1, 2017 through February 28, 2018, but were not adequate to ensure the completeness of those revenues.

Airport Parking Revenue Completeness Controls

The Airport receives a daily parking activity recap from ABM to use in monitoring the accuracy and completeness of collected parking revenues. The daily parking activity recap:

- Summarizes parking revenues and tickets collected from ABM cashier shift reports.

- Includes a calculation of tickets issued for the day according to Skidata system counts and collected ticket counts and revenue amounts for the day from the Skidata system.

- Includes a calculation of unaccountable tickets using opening and closing physical counts of parked vehicles and Skidata system totals of tickets issued and tickets collected for the day.

The Airport also receives monthly reports from ABM that include Skidata system revenue amounts and transaction[1] counts by location, separate counts of non-revenue transactions, and unaccountable ticket calculations from the daily parking activity recaps.

Comment 1

ABM daily parking activity recaps and monthly reports do not include all parking exits processed by ABM and do not distinctly and accurately report all information necessary to reasonably assess the completeness of parking revenues collected and deposited. The following weaknesses were noted:

- ABM supervisory overrides of the Skidata system to open parking exit gates for customers without collecting a related payment or ticket in certain situations are not reported[2].

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[1] Transaction counts in monthly reports equate to Skidata system collected ticket counts in daily parking activity recaps.
[2] ABM management stated supervisory override of the Skidata system should be limited to rare emergencies, Skidata system testing, customer failure to exit before the gate closes after making payment, or malfunction of the parking exit gates. After the conclusion of our audit, the Airport, working with Skidata, identified a system report that included a count of overrides during the audit period which totaled 78.

- Differing counts of grace period tickets are reported in the daily parking activity recaps and a count of those tickets is not distinctly reported in monthly reports[3].

- New tickets issued to replace lost, damaged, or unreadable tickets reported in daily parking activity recaps are inaccurate and a count of those tickets is not distinctly reported in the monthly reports.

Unreasonable increases in these parking exits, possibly indicating abuse, fraud, or Skidata system issues, could occur without detection if not reported by ABM. Reasonably assessing the completeness of parking revenues collected and deposited requires a full accounting from ABM of processed parking exits.

Recommendation 1

The Airport should work with ABM to ensure all processed parking exits, including supervisory overrides, grace period tickets, and replacement tickets issued, are distinctly and accurately reported in daily parking activity recaps and monthly reports.

Management Response 1

Agree with recommendation. By December 31, 2018, the airport will work with ABM to ensure all processed parking exits, including supervisory overrides and replacement tickets issued are distinctly and accurately reported in ABM daily parking activity recaps and monthly reports. These counts are currently being delivered to Airport staff via automated Skidata reports by email. We will however, not report any grace period tickets on the ABM daily parking activity recaps and monthly reports as these accounted for in the Skidata reports and do not require additional reporting. We have two grace periods. The first is for 20 minutes or less to locate a parking spot. If a customer does not locate a spot in any lot or garage within 20 minutes they may exit the lot or garage without any charges. Another grace period ticket that we have is for anything less than 60 minutes in the hourly parking. The reason for this grace period is that any time under an hour in hourly parking is free. There is not a system over-ride or validation required to clear the grace period tickets.

Comment 2

The Airport verifies collected parking revenues reported in ABM's daily parking activity recap agree to parking revenues recorded in the Skidata system. However, the Skidata system counts of collected tickets reported by ABM in their daily parking activity recap are not:

- Reconciled by ABM to counts of collected tickets from cashier shift reports,

- Verified for accuracy by the Airport using Skidata system reports, or

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[3] Grace period tickets are those collected from customers parked for less than 1 hour for which there is no parking fee charged.

- Used by the Airport to assess the reasonableness of reported parking revenue collections and deposits.

Determining if reported ABM parking revenue collections and deposits are reasonably complete given collected tickets is not possible without accurate and complete collected ticket counts.

Recommendation 2

The Airport should improve controls ensuring ABM reported parking revenues collected and deposited are reasonably complete by:

- Working with ABM to ensure collected ticket counts from cashier shift reports are reconciled to Skidata system collected ticket counts in the daily parking recaps,

- Developing and using Skidata system reports to verify the accuracy of collected tickets reported in ABM's daily parking recap and monthly reporting, and

- Assessing the reasonableness of revenue given the verified collected ticket counts.

Management Response 2

Agree with recommendation. The airport will improve controls ensuring ABM reported parking revenues collected are reasonably complete by doing the following: By December 31, 2018, the Airport will work with ABM to ensure collected ticket counts from cashier shift reports are reconciled to Skidata system collected ticket counts in the daily parking recaps. The airport is already using Skidata system reports to verify the accuracy of collected tickets reported in ABM's daily parking recap and monthly reporting, as this was implemented during the audit. Airports is also already assessing the reasonableness of revenue given the verified collected ticket counts by utilizing the Car Park Balance Sheet Skidata report as this was implemented during the audit.

Comment 3

The unaccountable ticket calculation included in ABM's daily parking activity recap is calculated as depicted in Table 1. The ABM contract in effect during the audit imposed a charge for an unaccountable ticket ratio exceeding 1% during a month.

We noted days during the audit period where the closing physical count of parked vehicles exceeded the calculated number of parked vehicles,

Table 1:

Unaccountable Ticket Calculation
Opening Physical Count of Parked Vehicles
+ Skidata Count of Tickets Issued
-   Skidata Count of Tickets Collected
= Calculated Parked Vehicles
-   Closing Physical Count of Parked Vehicles
= **Unaccountable Tickets**

suggesting a greater number of parked vehicles than tickets issued. ABM stated possible reasons for this result included overstatements of physical counts resulting from inclusion of vehicles entering without pulling a ticket, vehicles exiting via override of the Skidata system, or movement of vehicles during physical counts.

The Airport does not currently review ABM's unaccountable ticket calculation because of these concerns regarding reliability. Unaccountable tickets and related revenue losses could increase without detection if not routinely reviewed by the Airport.

Recommendation 3

The Airport should routinely review the calculation to ensure unaccountable tickets remain at an acceptable level.

Management Response 3

Agree with recommendation. By October 31, 2018 Airports will develop a process to routinely review the calculation to ensure unaccountable tickets remain at an acceptable level.

ABM Validation, Override, and Replacement Ticket Exit Controls

Comment 4

ABM obtains required supporting documentation for ticket validations, supervisory overrides, and new tickets issued to replace lost, damaged, or unreadable tickets recorded in daily logs. However, not all ticket validations, supervisory overrides, and replacement tickets issued during the audit period were logged and supported by required documentation.

Ticket validations, supervisory overrides, and replacement ticket issuances could be abused, resulting in undetected parking revenue losses, if controls ensuring those transactions are adequately supported are not carried out.

Recommendation 4

The Airport should work with ABM to ensure all ticket validations, supervisory overrides, and replacement ticket issuances are logged and supported by required documentation. ABM should periodically confirm this control is being carried out by comparing counts of logged and supported transactions to related transaction counts from the Skidata system.

Management Response 4

Agree with recommendation. Airports started working with ABM during the audit to ensure all ticket validations, supervisory overrides, and replacement ticket issuance are logged and

supported by required documentation. There is a specific set of rules for validations that must be followed by ABM and are reported to airport staff via an automated Skidata system report delivered by email daily. All replacement tickets for damaged tickets are reported to the Airport via an automated system report delivered by email daily. All lost ticket replacements are documented on a manual log by ABM. This log is emailed to Airport staff daily. Airport staff also receives an automated system report delivered by email daily. All supervisory overrides for manual gate openings require a comment in the Skidata system. The supervisory manual gate opening overrides are reported to Airport staff via an automated Skidata report delivered by email daily.

Oversight of ABM Parking Revenue Collection Processes

Comment 5

The Airport contracts with their external auditor to perform certain agreed upon revenue verification procedures for more than 500 lease tenants, including ABM, on a rotational basis. However, the procedures currently performed are not sufficiently comprehensive given the complexity of parking revenue collection processes to substantively enhance Airport oversight. The Airport added a Revenue Auditor position to their 2019 budget to audit these lease tenants.

Systemic weaknesses could occur and result in undetected parking revenue losses without periodic, comprehensive audits.

Recommendation 5

The Airport should contract with a parking facility consultant or utilize the new Revenue Auditor position to perform periodic, comprehensive audits of ABM parking revenue collections.

Management Response 5

Agree with recommendation. The airport is currently in the process of hiring a full-time Revenue Auditor position to perform periodic, comprehensive audits of ABM parking revenue collections.

TO: Jim Williamson, City Auditor

THROUGH: Jim Couch, City Manager

FROM: Mark Kranenburg, Airport Director

DATE: August 10, 2018

SUBJECT: Airports Parking Audit

Following are management's responses to recommendations outlined in the recent Airports Department Parking Revenue Audit.

1. Agree with recommendation. By December 31, 2018, the airport will work with ABM to ensure all processed parking exits, including supervisory overrides and replacement tickets issued are distinctly and accurately reported in ABM daily parking activity recaps and monthly reports. These counts are currently being delivered to Airport staff via automated Skidata reports by email. We will however, not report any grace period tickets on the ABM daily parking activity recaps and monthly reports as these accounted for in the Skidata reports and do not require additional reporting. We have two grace periods. The first is for 20 minutes or less to locate a parking spot. If a customer does not locate a spot in any lot or garage within 20 minutes they may exit the lot or garage without any charges. Another grace period ticket that we have is for anything less than 60 minutes in the hourly parking. The reason for this grace period is that any time under an hour in hourly parking is free. There is not a system over-ride or validation required to clear the grace period tickets.

2. Agree with recommendation. The airport will improve controls ensuring ABM reported parking revenues collected are reasonably complete by doing the following: By December 31, 2018, the Airport will work with ABM to ensure collected ticket counts from cashier shift reports are reconciled to Skidata system collected ticket counts in the daily parking recaps. The airport is already using Skidata system reports to verify the accuracy of collected tickets reported in ABM's daily parking recap and monthly reporting, as this was implemented during the audit. Airports is also already assessing the reasonableness of revenue given the verified collected ticket counts by utilizing the Car Park Balance Sheet Skidata report as this was implemented during the audit.

3. Agree with recommendation. By October 31, 2018 Airports will develop a process to routinely review the calculation to ensure unaccountable tickets remain at an acceptable level.

4. Agree with recommendation. Airports started working with ABM during the audit to ensure all ticket validations, supervisory overrides, and replacement ticket issuances are logged and supported by required documentation. There is a specific set of rules for validations that must be followed by ABM and are reported to airport staff via an automated Skidata system report delivered by email daily. All replacement tickets for damaged tickets are reported to the Airport via an automated system report delivered by email daily. All lost ticket replacements are documented on a manual log by ABM. This log is emailed to Airport staff daily. Airport staff also receives an automated system report delivered by email daily. All supervisory overrides for manual gate openings require a comment in the Skidata system. The supervisory manual gate opening overrides are reported to Airport staff via an automated Skidata report delivered by email daily.

5. Agree with recommendation. The airport is currently in the process of hiring a full-time Revenue Auditor position to perform periodic, comprehensive audits of ABM parking revenue collections.