

# *City of Albuquerque*

## **Office of Internal Audit**

FOLLOW-UP OF THE

Management of Off-Site Parking Revenue – Aviation

Department

Report 23-18-101F

Date: December 14, 2022



### **INTRODUCTION**

The Office of Internal Audit (OIA) issued Audit No. 18-101, Management of Off-Site Parking Revenue – Aviation Department on September 13, 2018. The original report contained three recommendations. OIA completed follow-ups to determine the corrective actions that the Aviation Department (Aviation) has taken in response to the report. The first follow-up report, issued on October 20, 2021, found that one recommendation was open and in progress and the other two had been implemented and were closed. This is the second follow-up performed by OIA regarding the original audit report and OIA determined that all three recommendations have now been closed.

### **BACKGROUND**

According to Aviation, “the City’s agreement with airlines requires the City to operate the Airport with due regard for the interests of the public and in such a manner as to produce revenues from concessionaires, other tenants, public parking operations, and other commercial users of the Airport of a nature and amount as would reasonably be produced by a prudent operator of an Airport of similar size, use, and activity, consistent with sound management principles and applicable law, in the interest of protecting the financial integrity of the Airport.”

Off-site parking revenue contracts allow off-site parking entities to access the airport to pick-up and drop off airport passengers who park at their facilities. The contracts establish minimum standards, operating procedures, and rates and charges.

OIA completed an audit of Aviation’s management of off-site parking revenue contracts. This audit was included in OIA’s fiscal year 2018 audit plan. The audit objectives were to determine whether:

- Aviation has an effective process for managing off-site parking revenue and
- Aviation’s off-site parking fees are aligned with comparable medium hub airports.

Further information pertaining to the audit scope, limitations and methodology can be found in Appendix A of the original audit report.

The audit found that the City’s off-site parking contract fees are not aligned with other medium hub airports with similar contracted fee structures. Rather, at two percent of gross revenue, 20 cents per trip fee, and an annual \$100,000 revenue exemption, Albuquerque has the lowest rates encountered. Of the nine other medium hub airports with similar fee structures, the average fee was nine percent gross receipts/revenue and per trip fees between \$1 and \$6.75.

Additionally, the audit found that by updating the key information in the four off-site parking contracts, Aviation will be able to clarify contract information to address inadvertently supplementing operators’ revenue and ensure that the contracts contain up-to-date, accurate, and relevant information.

## Follow-Up

Management of Off-Site Parking Revenue - Aviation Department

23-108-101F

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**FOLLOW-UP OBJECTIVE**

The objective of this follow-up was to determine whether Aviation has taken the corrective actions recommended in OIA's September 13, 2018 audit. Consistent with Government Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purpose of audit reports includes facilitating a follow-up to determine whether appropriate corrective actions have been taken. This field follow-up is a non-audit service. Government Auditing Standards do not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, Aviation is responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in fact, and appearance, to make an informed judgment on the results of the non-audit service. OIA limited our scope to actions taken to address our audit recommendation from the original audit report dated September 13, 2018 through the submission of actions on December 2, 2022.

**METHODOLOGY**

To achieve the objective, OIA:

- Obtained documentary evidence from Aviation.
- Interviewed Aviation staff to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations that Aviation had reported as implemented.

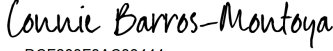
**RESULTS**

Of the three recommendations addressed in the original audit report, all have been implemented and are now considered closed. See **ATTACHMENT 1**.

Follow-Up  
Management of Off-Site Parking Revenue - Aviation Department  
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## ATTACHMENT 1

Recommendations	Responsible Department	First Follow-Up Department Response	Second Follow-Up Department Response	OIA Conclusion	OIA Use Only Status Determination
<p>2. Aviation should:</p> <ul style="list-style-type: none"> <li>Establish and implement policies and procedures specific to the management of its off-site parking revenue contracts, including frequency of independent review of operators' reported revenue and fees paid.</li> <li>Activate the audit clause contained in the contracts and hire an independent CPA firm to confirm reported revenue and fees paid to Aviation over the past three years</li> <li>Periodically test and confirm that all transponder activity is accurately reported on the Commercial Lane access report</li> </ul>	<p>Aviation Department</p>	<p>New policies and procedures for management and monitoring of off-site parking revenue contracts will be completed prior to the implementation of the Draft CLOA.</p> <p>The Aviation Department activated the audit clause in the contracts and obtained the services of an independent forensic CPA to confirm reported revenue and fees paid from 2015-2017.</p> <p>Aviation overcame the difficulties with software system noted in the audit. Amano Parking addressed the problems with the system and all transponders were replaced. Prior period adjustments to revenue were not pursued.</p> <p>Aviation considered the application of late fees for late payments, however given the financial strain caused by the</p>	<p>The procedures for management and monitoring of the CLOA have been incorporated in the CLOA. A separate standard operating procedure document will be completed prior to the January 1, 2023, implementation of the Final CLOA, which is attached.</p> <p>The draft CLOA was circulated to the off-airport parking companies in 2022, and a protracted negotiation period followed. Negotiations were completed in October 2022. The Aviation Department is in the process of circulating the CLOA to the off-airport parking companies for signature, and providing notice to all commercial lane users that the new agreement must be signed by January 1 to continue access to the commercial lane.</p> <p>The Aviation Department activated the audit clause in the contracts and obtained the services of an independent forensic CPA to confirm reported revenue and fees paid from 2015-2017.</p> <p>Aviation overcame the difficulties with software system noted in the audit. Amano parking addressed the problems with the</p>	<p>OIA verified in the first follow-up audit completed October 20, 2021 that Aviation addressed bullet points two through six through the corrective actions implemented and considers them closed. As a result, OIA performed follow-up on the first and last bullet points of Recommendation #2 during the course of this second follow-up. Please find OIA's conclusions below.</p> <p>OIA obtained a copy of the new Commercial Lane Operating Agreement (CLOA) for management and monitoring of off-site parking revenue contracts. OIA reviewed the documentation and noted that verbiage addresses independent review of revenue and fees paid which states "the agreement shall be subject to renewal upon update of contract provisions, review and analysis of rates and charges, and of reported</p>	<p><input type="checkbox"/> Open</p> <p><input checked="" type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>

## ATTACHMENT 1

Recommendations	Responsible Department	First Follow-Up Department Response	Second Follow-Up Department Response	OIA Conclusion	OIA Use Only Status Determination
<ul style="list-style-type: none"> <li>• Recoup the dwell time surcharges missed due to the system upgrade by:               <ul style="list-style-type: none"> <li>○ Reviewing the Commercial Lane access reports from the point of the upgrade (circa February 2018);</li> <li>○ Calculating the number of dwell times for each operator;</li> <li>○ Multiplying the total by 20 cents; and</li> <li>○ Sending an invoice to each operator for the calculated undercharge.</li> </ul> </li> <li>• Contact the appropriate software vendor and request: That the subsequent dwell time rate be corrected from 20 cents (\$0.20) to 40 cents (\$0.40) to match the calculation defined in the off-airport parking</li> </ul>		<p>COVID-19 pandemic the implementation of late charges was postponed.</p> <p><b>Documentation:</b> The McHard Accounting Consulting LLC special procedures final report is provided in Appendix B.</p> <p><b>Completion:</b> New policies and procedures specific to off-site parking contract management will be completed by December 31, 2021.</p> <p>Forensic accounting confirmation of off-site parking revenue was completed May 24, 2019.</p> <p>Application of late charges and alternate payment methods was postponed, and will be re-evaluated in December 2021.</p>	<p>system and all transponders were replaced. Prior period adjustments to revenue were not pursued.</p> <p>Aviation considered the application of late fees for late payments, however given the financial strain caused by the COVID-19 pandemic the implementation of late charges was postponed.</p> <p><b>Documentation:</b> The McHard Accounting Consulting LLC special procedures final report is provided in Appendix B.</p> <p><b>Completion:</b> The procedures for management and monitoring of the CLOA have been incorporated in the CLOA. A separate standard operating procedure document will be completed prior to the January 1, 2023, implementation of the Final CLOA, Attached.</p> <p>The draft CLOA was circulated to the off-airport parking companies in 2022, and a protracted negotiation period followed. Negotiations were completed in October 2022. The Aviation Department is in the process of circulating the CLOA to the off-airport parking companies for signature, and providing notice to all commercial lane users that the new</p>	<p>revenue and fees paid.” The CLOA also addresses graduated fee increases and adjustments to “keep pace with inflation and administrative requirements” and becomes effective January 1, 2023.</p> <p>In the first follow-up audit, OIA noted that Aviation chose not to pursue prior period adjustments to revenue or late fees as recommended in part due to the COVID-19 pandemic. Aviation has since incorporated requirements regarding the application of late charges in the new CLOA which states “if the fees required in this Agreement are not received by the City on or before the day specified by this Section, the Operator shall pay an interest charge of 1.5 percent per month (18 percent annually) for each month or partial month that any payment due is not paid.” Per Aviation management,</p>	

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Recommendations	Responsible Department	First Follow-Up Department Response	Second Follow-Up Department Response	OIA Conclusion	<u>OIA Use Only</u> Status Determination
<p>contracts, which is currently two times the access fee.</p> <ul style="list-style-type: none"> <li>• That the software be corrected so that both the entrance and exit times in addition to the duration period are captured and documented properly on the reports.</li> <li>• Charge a late fee for late payments or require the operators provide a credit card or bank account so that payments may be processed automatically (For example as required by the Jacksonville Intl airport).</li> </ul>			<p>agreement must be signed by January 1 to continue access to the commercial lane.</p> <p>Forensic accounting confirmation of off-site parking revenue was completed May 24, 2019.</p> <p>Application of late charges is addressed in the new Final CLOA, Exhibit B 2.2.4 Late Payment Charges.</p> <p>Aviation does not store credit card data; however, collection efforts include contacting commercial lane operators for payment by credit card. They are encouraged to maintain a credit balance on the account.</p>	collections efforts will be pursued when payments have not been received.	