



# ***City of Albuquerque***

## **Office of Internal Audit**

FOLLOW-UP OF THE  
MANAGEMENT OF OFF-SITE PARKING REVENUE –  
AVIATION DEPARTMENT

**Report #21-18-101F**

Date: October 20, 2021

### **INTRODUCTION**

The Office of Internal Audit (OIA) issued Audit No. 18-101, Management of Off-Site Parking Revenue – Aviation Department on September 13, 2018. OIA completed a follow-up to determine the corrective actions that the Aviation Department (Aviation) has taken in response to the report. The report contains three recommendations, two of which have been implemented and are now considered closed and one which remains open.

### **BACKGROUND**

OIA completed a performance 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:

- Does Aviation have an effective process for managing off-site parking revenue?
- Are Aviation's off-site parking fees 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.

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.

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### **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 August 30, 2021.

### **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, two have been implemented and are now considered closed. One recommendation remains open. See ATTACHMENT 1.

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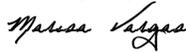
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## ATTACHMENT 1

Recommendations	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determination
<p><u>Recommendation #1</u></p> <p>Aviation should review and update each of the four off-site parking contracts and address the following areas:</p> <ul style="list-style-type: none"> <li>- The \$100,000 annual exemption (\$8,333.33/month) and the resultant supplementation of the operators' revenue. <ul style="list-style-type: none"> <li>o If the annual exemption is to continue, Aviation should update the contract language to expressly prohibit the operators from passing along the airport fee to their customers.</li> <li>o If the annual exemption is discontinued, Aviation should update the contract language and expressly</li> </ul> </li> <li>- Ensure that the contracts are complete and contain: <ul style="list-style-type: none"> <li>o The current company DBA name of each operator; and</li> <li>o A statement regarding the provisions of the Inspector General Ordinance</li> </ul> </li> </ul>	Aviation Department	<p>The Aviation Department drafted a new Commercial Lane Operating Agreement (CLOA) applicable to off-site parking contracts. The annual exemption of \$100,000 was discontinued, the percentage of Gross revenue Fee was increased, and provisions for City inspection of accounting records were expanded.</p> <p><b>Documentation:</b> A copy of the Draft CLOA is provided in Appendix A.</p> <p><b>Completion:</b> The worldwide outbreak of COVID-19 caused significant disruptions to domestic and international airline passenger travel as well as the conduct of day-to-day business in the City of Albuquerque. Airlines, concessionaires, and rental car companies operating at the Sunport experienced substantial financial hardship with passenger numbers decreasing by more than 95% compared to the prior year.</p> <p>Due to the financial strain experienced by the off-site parking providers, the Aviation</p>	<p>OIA obtained a copy of the draft Commercial Lane Operating Agreement (CLOA) applicable to off-site parking contracts that is set to be implemented in January 2022. Per the Aviation Department (Aviation), the COVID-19 Pandemic caused a delay in the release of the new CLOA and as such the current version has been extended on a month to month basis.</p> <p>OIA verified the draft CLOA and ensured the \$100,000 annual exemption (\$8,333.33/month) has been discontinued and the language has been updated accordingly. Furthermore, the Gross Revenue Fee rate increased from 2% to 3.5%. The Gross Revenue Fee is scheduled to increase a second time to a rate of 5.5% effective January 1, 2023.</p> <p>In addition, OIA verified that the draft CLOA language has been updated to include the legal company name, operator, company contact, and business certified main and personal delivery</p>	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested

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Recommendations	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determination
		<p>Department extended the existing CLOAs on a month to month basis. Rollout of the Draft CLOA is planned for January 1, 2022.</p>	<p>information. Additionally, OIA verified the draft CLOA now contains the City of Albuquerque's required Inspector General Ordinance, §2-17-1 et seq. R.O.A. 1994.</p>	
<p><u>Recommendation #2</u> 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> <li>- Recoup the dwell time surcharges missed due to the system upgrade by: <ul style="list-style-type: none"> <li>o Reviewing the Commercial Lane access reports from the point of</li> </ul> </li> </ul>	<p>Aviation Department</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Aviation considered the application of late fees for late payments, however given the financial strain</li> </ul>	<p>OIA requested any available drafts of the updated policies and procedures for management and monitoring of off-site parking revenue contracts. Aviation responded that policies and procedures specific to the CLOA are not yet available in a draft form and will be prepared prior to the execution of the new agreements.  OIA verified the audit clause contained in the off-site parking revenue contracts was activated and Aviation hired the services of McHard Accounting Consulting LLC, an independent forensic CPA firm. The CPA's report was issued May 24, 2019 and found adjustments to three of the four operators' gross revenue fees.  In addition, Aviation provided OIA documentation that the</p>	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

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Recommendations	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determination
<p>the upgrade (circa February 2018);</p> <ul style="list-style-type: none"> <li>o Calculating the number of dwell times for each operator;</li> <li>o Multiplying the total by 20 cents; and</li> <li>o Sending an invoice to each operator for the calculated undercharge.</li> </ul> <p>- 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 contracts, which is currently two times the access fee.</p> <p>- 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.</p> <p>- 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).</p>		<p>caused by the COVID-19 pandemic the implementation of late charges was postponed.</p> <p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>• The McHard Accounting Consulting LLC special procedures final report is provided in Appendix B</li> </ul> <p><b>Completion:</b></p> <ul style="list-style-type: none"> <li>• New policies and procedures specific to off-site parking contract management will be completed by December 31, 2021.</li> <li>• Forensic accounting confirmation of off-site parking revenue was completed May 24, 2019.</li> <li>• Application of late charges and alternate payment methods was postponed, and will be re-evaluated in December 2021.</li> </ul>	<p>software utilized by Aviation has been updated to better align with the needs of the department. Aviation now has the ability to periodically test and confirm that all transponder activity is accurately reported on the Commercial Lane access report as well as ensure that both the entrance and exit time as well as the duration period are properly captured and documented on the reports used for transponder and operator review.</p> <p>Additionally, per inquiry with Aviation, OIA noted that the software used to calculate the dwell time rate will be updated to reflect the rate adjustment on January 1, 2022. OIA further obtained a screenshot of the software and the proposed rate adjustment for verification purposes.</p> <p>Finally, 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. OIA further noted that Aviation will</p>	

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<p><u>Recommendation #3</u> Aviation should:</p> <ul style="list-style-type: none"> <li>- Review the fees charged and consider adjusting the fees to be more aligned with other medium hub airports nationwide, including trip fees at passenger drop-off.</li> </ul>	Aviation Department	<p>The Draft CLOA incorporates adjustments to fee structures that more closely align Support operations to those of other medium hub airports.</p> <p><b>Documentation:</b> A copy of the Draft CLOA is provided in Appendix A.</p> <p><b>Completion:</b> The worldwide outbreak of COVID-19 caused significant disruptions to domestic and international airline passenger travel as well as the conduct of day-day business in the City of Albuquerque. Airlines, concessionaires, and rental car companies operating at the Sunport experienced substantial financial hardship with passenger numbers decreasing by more than 95% compared to the prior year. Due to the financial strain experienced by the off-site parking providers, the Aviation Department extended the</p>	<p>be re-evaluating the policy of charging late fees on late payments with the implementation of the CLOA in December 2021.</p>	
			<p>OIA obtained a copy of the draft CLOA applicable to off-site parking contracts that is set to be implemented in January 2022.</p> <p>Per Aviation, the new fee structure has been adjusted to more closely align with medium hub airports nationwide by allowing for fee escalations in the calculated percentage of the gross revenue fee (GRF) structure. The escalations to the GRF will then ensure that the off-site parking revenue contracts are in line with other operating agreements in place at the airport.</p> <p>OIA acknowledges the fee changes have been incorporated into the GRF.</p>	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested

### ATTACHMENT 1

Recommendations	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determination
		existing Commercial Lane operating agreements on a month to month basis. The planned rollout of the new agreements is January 1, 2022.		