

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

**Contract Compliance Audit:
Charles M. Schulz – Sonoma County Airport
Parking Management**

For the Period
January 15, 2022 to January 15, 2023

Engagement No: 3045
Report Date: December 15, 2023



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Page

Executive Summary 1

Introduction, Background & Staff Acknowledgement 3

Objective, Scope, & Methodology..... 4

Results 5

Findings, Recommendations & Management Responses 6

Other Matters..... 9

Appendix A – Report Item Risk Classification 12

Appendix B – Computerized Parking Control System & Reporting 13

Appendix C – Review Procedure for Statement of Monthly Gross Receipts 14

Appendix D – Management Response 15

Executive Summary

At the request of the Charles M. Schulz Sonoma County Airport (Airport) management, Internal Audit (IA) performed an audit of the gross parking receipts reported to the Airport between January 15, 2022 and January 15, 2023, by its parking management operator, SP Plus Corporation (SP Plus). The objectives of this audit were to determine if 1) SP Plus's records adequately support their monthly gross receipts reported to the County and rent owed is properly paid and 2) SP Plus has complied with certain other financial provisions such as accounting methods, furnishing of the statement of monthly gross receipts, and statement of annual gross receipts to the County as per the parking services agreement (Agreement).

The Airport's current Agreement with SP Plus has a term from January 15, 2020 to January 31, 2025. SP Plus collects all public parking fees and charges, including the processing of credit card charges, pay-on-foot transactions, payments from online reservations, monthly parking tenants and commuter passes. SP Plus is required to pay the County each month the gross rents collected less the agreed upon management fees and processing fees paid to the credit card companies. The management fee is a fixed fee which increases by 3% per year throughout the term of the Agreement. In 2022, the gross parking revenues totaled \$2,781,863, out of which approximately \$433,978 was retained by SP Plus as management fees. Since the beginning of the contract term on January 15, 2020, the County has received \$5,369,886 in gross parking, out of which approximately \$770,450 was retained by SP Plus as management fees.

Eighty five percent of the parking revenue is collected and reported to the County via HUB Parking Technology, a computerized parking control system. We tested the daily summary reports generated from the HUB system and found that controls around the HUB system appear to be functioning adequately. The risk that collections from this source will be underreported we believe is low.

Online parking sales is managed by Manchester Airports Group Parking Management LLC (MAG), a subcontractor of SP Plus together with online sales from parking.com which is operated by SP Plus, and direct billing to Airport tenants and public commuters. The online sales managed by MAG represent 13% of total collection while the remaining 2% account for online sales from parking.com and direct billings to monthly tenants and public commuters. The weaknesses in controls we noted related to the online sales managed by the subcontracted vendor and direct billings to monthly parking tenants and commuters.

The following is a summary of our recommendation. A more detailed discussion is provided in the body of the report.

- 1) Require SP Plus to strengthen its billings and collections function for monthly parking tenants to ensure all revenue are collected and reported on a timely basis. Require SP Plus to review its Standard Operating Procedures (SOP) to include provisions on monthly parking billing and collections and reporting protocols on non-collection of revenue.**
- 2) Require SP Plus to provide monthly transactional bookings generated from the subcontracted vendor's reservation system as an additional backup. SP Plus should be required to submit a reconciliation between the online sales subcontractor system produced collection report and the amount remitted to the Airport. The Airport staff should review the above reconciliation and follow up on any reconciling items that are not adequately explained.**
- 3) Require SP Plus to provide a list of all active, issued, and disabled proxy cards as support for collection from commuter passes sold. SP Plus should be required to perform a reconciliation between the list of proxy cards and the amount remitted to the Airport and provide reasons for differences. The Airport staff should ensure that collections for active cards have been properly reflected in its collections reports and included in the total collection remitted.**

Executive Summary

- 4) **The Airport should document its review of the statement of monthly gross receipts and statement of annual gross receipts submitted by SP Plus. A recommended review procedure is included on Appendix C of this report that includes additional recommended procedures.**
- 5) **The Airport's policy of not charging for the first two hours of parking should be discontinued unless an operational or a financial benefit to the County can be clearly demonstrated. Based on our analysis, the Airport forgoes approximately \$300,000 annual revenue as a result of this policy.**
- 6) **Pilot projects such as the valet parking services should be evaluated timely to minimize unnecessary costs. Over the duration of the pilot period, the Airport lost \$117,000.**

Introduction, Background & Staff Acknowledgement

Introduction

At the request of the County Airport management, we performed an audit of the gross parking receipts reported and paid to the County by its parking management operator, SP Plus. We conducted the audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* (Standards). These standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained during this audit provides a reasonable basis for the results, findings, and recommendations contained in our report. The primary purpose of our engagement is to furnish management with independent and objective analysis, recommendations, and other information concerning the activities reviewed.

Background

The County of Sonoma owns and controls the Airport as outlined in the County Ordinance Chapter 3 - Airport. The Airport's parking facility includes two long-term lots, one short-term lot and street parking, for a total of 1,089 parking spaces¹. These automobile parking spaces are for use by the traveling public and users of the Airport. The Airport also started a valet services from August 5, 2021, for an initial trial period of six months up to March 31, 2022.

Parking Revenue, Collection Systems & Reporting

In 2022, the Airport received \$2,781,863 in parking revenues, net of \$433,978 in SP Plus's management fees and operating expenses. Under the terms of the Agreement, SP Plus is responsible for collecting parking fees and charges from the following sources:

- **Self Service on Premises:** Parking tickets are purchased via the following mediums.
 - **Parking lot entry gates:** The parking activity and revenue collection are monitored via the HUB system which issues and redeems parking tickets at the point of sale without any SP Plus employee involvement. The HUB system generates daily reports which are reconciled to collections and manually entered into SP Plus's AS400 system. Reports from the AS400 system are summarized into monthly reports submitted to the County. Refer to Appendix B for workflow.
 - **Self-service device (or Pay on Foot Machine):** This device allows customers to pay with cash or credit. After payments are made, the parking ticket is validated to allow exit from the parking lot. Cash generated from the parking fees is required to be deposited each weekday into SP Plus's bank account.
- **Online Reservation System:** The Airport has a parking reservation system on its website which is managed by MAG, a subcontractor of SP Plus together with online sales from parking.com which is operated by SP Plus. MAG remits the collection less reservation fees and the related parking activity reports to SP Plus who then remits it to the County together with collections from parking.com.
- **SP Plus Direct Billing:** SP Plus collects monthly parking revenues from the Airport's tenants, employees, and public commuters via direct billings.

Each month, SP Plus is required to remit parking revenues to the Airport and provide monthly reports that support the gross sales generated from the revenue control system and SP Plus's accounting system. Under the Agreement, SP Plus deducts its monthly management fee, valet payroll expenses, credit card processing fees and a security services advance, from gross parking receipts remitted to the Airport. During the audit, we did not review the security services advance that was advanced to SP Plus as per Section 2.1.5 of the Agreement.

Staff Acknowledgement

We would like to thank the management and staff of the Airport and SP Plus for their time, information, and cooperation throughout the review.

¹ **963 Long-term and 126 Short-term parking spaces.**

Objective, Scope & Methodology

Objectives

The objectives of this audit were to determine if:

1. SP Plus's records adequately support their monthly gross receipts reported to the County and rent owed is properly paid; and
2. SP Plus has complied with certain other financial provisions of the Agreement, such as accounting methods, statement of monthly gross receipts, and statement of annual gross receipts.

Scope and Methodology

The audit covered the period January 15, 2022 to January 15, 2023. We selected the months of June and December 2022 for testing, however, we performed tests covering the entire 12 months where we noted weaknesses in controls. The scope of our work included but was not limited to the following:

- A review of the monthly revenue and expense reports submitted by SP Plus to the Airport to gain an understanding of how remittances are supported.
- Tests of a sample transactions to gain assurance that the monthly gross receipts reported to the County are adequately supported and rents owed are paid timely.
- A review of the Airport Master Fees Schedule applicable to the period under review.
- A review of the Agreement which contains the scope of work.
- A walkthrough of the parking facility, HUB system, fee server and computer located at the site.
- Interview with SP Plus staff to understand the operating environment and revenue reporting process.

Scope Limitation

We were unable to determine if SP Plus accurately reported the collections from the sale of commuter passes. SP Plus did not provide requested list of monthly commuter parking passes issued (including active and disabled proxy cards) for 2022.

Results

In line with the audit objectives, the results of our audit tests are provided below:

Objective 1: Determine whether SP Plus's records adequately support their monthly gross receipts reported to the County and rent owed is properly paid.

We found that collections monitored by the HUB system, accounting for approximately 85% of the total collection, were adequately supported. We noted instances where collections from online sales and direct bills to the Airport's tenant, accounting for approximately 15% of the total parking revenue, were not adequately supported.

The parking activity and revenue collection for long-term A, B and short-term parking lots are monitored via the HUB system. Reports are entered into SP Plus's AS400 system which are used to generate the monthly and year-to-date revenue and ticket summaries reported to the Airport. We verified and reconciled the daily reports captured in the HUB system against the monthly gross receipts reported to the Airport for the months of June and December 2022 and did not find any discrepancies.

The total gross revenue for June and December 2022 were \$246,623 and \$199,401, which represent 89% and 84% of the Airport's total gross revenue. During our review, we found that controls around the HUB system appear to be functioning as intended. The issuance of tickets, calculation of amounts due and collection are fully automated. The collections are reconciled daily with the HUB system produced collection reports.

We found exceptions in the parking revenue collected and reported outside the HUB system which are from the monthly parking tenants and online reservations managed by SP Plus's subcontracted vendor. These are discussed in the Findings and Recommendations section of the Report, beginning on page 6.

Objective 2: Determine whether SP Plus has complied with certain other financial provisions of the Agreement, such as accounting methods, statement of monthly gross receipts, and statement of annual gross receipts.

As per Section 2.3 of the Agreement, SP Plus is required to furnish to the County a statement of gross sales which shall be signed and certified to be correct by its authorized representative. SP Plus shall keep full and accurate books of accounts, records, cash receipts, and other pertinent data showing its gross sales. Such statement of gross sales shall correspond to daily gross revenues and gross receipts as generated by a revenue control system and SP Plus's accounting system.

We conducted walkthroughs of the procedures over the parking facility, HUB system including the fee server and computer located at the site and interviewed SP Plus to gain an understanding of the operating environment and revenue reporting process.

Generally, SP Plus has a SOP in place which documents its accounting procedures and administrative reports of its parking operations at the Airport. The responsibilities for compliance with financial, auditing and accounting procedures are divided between SP Plus's facility manager based at the Airport, regional manager and corporate staff based at its Head Office.

During the audit, we found exceptions in SP Plus's collections process for monthly parking revenue. We could not determine whether these exceptions were picked up during SP Plus's operational and procedural audits as per their SOP. These are discussed in the Findings and Recommendations section of the Report, beginning on page 6.

Findings, Recommendations & Management Responses

The following are our findings and recommendations, and management responses.

Finding #1: Missed monthly parking payments and lack of monitoring resulted in uncollected revenue from a commercial tenant (Risk Classification C: Control Weakness).

SP Plus collects and reports monthly parking revenue for some of the Airport's tenants. In 2022, SP Plus reported gross receipts of \$24,000 in parking fees instead of an agreed \$48,000, for one of the Airport's commercial tenant. We found that checks were issued by the tenant to SP Plus however some were not cashed by SP Plus. We could not confirm whether there were any attempts made by SP Plus to collect the funds due or whether the missing monthly parking revenue was highlighted by SP Plus to Airport management during the year. The missed parking revenue and lack of monitoring and reconciliations by SP Plus resulted in the missing parking revenue of \$24,000 and ultimately noncompliance with the Agreement.

Recommendation #1:

The Airport should:

- a) Require SP Plus to collect and remit the outstanding \$24,000 due by the commercial tenant to the County as per the Agreement.
- b) Require SP Plus to review its SOP to include provisions for monthly parking billing and collections and reporting protocols on non-collection of revenue.
- c) Critically review the monthly backup by analyzing the month over month revenue trend by tenant, querying any missing or late payments and following up with SP Plus on outstanding balances due to the County.

Management Response #1:

Airport agrees with the recommendations.

- a) The airport will request the remittance of the outstanding \$24,000.
- b) The Airport will require SP Plus to review its SOP provisions for monthly parking billing and collections and reporting protocols on non-collection of revenue.
- c) Item "c" is already being practiced and is the reason the audit request was initiated.

Finding #2: Partial parking refunds and amendments not picked up by SP Plus's subcontracted vendor led to mismatches in online reservations revenue collected and reported to the County (Risk Classification C: Control Weakness).

The Airport's online reservation system is managed by MAG, SP Plus's subcontracted vendor, who collects gross sales for long-term parking and valet bookings and transfers the amount (net of fees) to SP Plus who then remits the parking revenue to the County. For 2022, we found that the gross parking sales generated from the third-party vendor's reservation system did not match the backup reports submitted by SP Plus to the County. Furthermore, the current backup received by the County does not include the actual transaction bookings from the third-party vendor's reservation system (SP Plus provided a summary prepared from reports from the subcontractor's system). SP Plus's subcontracted vendor stated that the differences were due to partial refunds and amendments not being picked up correctly in 2022. We were unable to confirm whether parking refunds and amendments (including fees already collected) were correctly adjusted by SP Plus's subcontracted vendor. SP Plus was also unable to provide reasonable assurance that the matter has been resolved.

Recommendation #2:

The Airport should:

- a) Require SP Plus to perform and provide to the County a reconciliation of the online reservations revenues

Findings, Recommendations & Management Responses

reported in the backup for 2022 to the adjusted actual transactions bookings reported by the subcontracted vendor to ensure that the transfer amounts to the County are correct.

- b) Require SP Plus to submit monthly transactional bookings generated from the subcontracted vendor's reservation system as an additional backup and part of the monthly backup checklist.
- c) The Agreement should be modified to require SP Plus to reconcile remittances from the subcontracted vendor to its system reports.

Management Response #2:

- a) The Airport will require SP Plus to provide a reconciliation of online reservations for the calendar year 2022.
- b) The Airport will require SP Plus to submit monthly transactions generated from the online reservation system effective immediately.
- c) The agreement with SP Plus already contains provisions that oblige SP Plus to reconcile remittances from the subcontracted vendor (e.g., Section 1.2 "Cooperation with County; Section 1.3 Performance Standard, etc.).

Finding #3: Inconsistent and missing payments for monthly commuter passes issued could result in uncollected revenue, if left undetected (Risk Classification C: Control Weakness).

SP Plus is responsible for collecting and reporting parking revenues generated from monthly commuter passes issued via proxy cards. These passes are issued to both Airport and tenant employees and public commuters. Commuter parking pass revenue is collected outside of the HUB system via an online payment set up for the commuter and then collected by SP Plus and entered into their financial accounting system to generate monthly reports.

We noted instances where collections from commuter passes dropped from one month to the next for which SP Plus could not provide explanations or support. These variances could be due to cancelation of passes or under collection of amounts due. We were unable to obtain from SP Plus the full inventory of passes in order to explain the variances. We also could not confirm if SP Plus is performing reconciliations to ensure collections are made on all issued passes.

Recommendation #3:

The Airport should:

- a) Require SP Plus to provide a list of all proxy cards that are active/inactive, issued and disabled each month as an additional backup and part of the monthly backup checklist.
- b) Require SP Plus to perform a reconciliation between the list of proxy cards and the amount remitted to the Airport and provide reasons for differences.
- c) Critically review the monthly backup by analyzing the month over month revenue trend by commuter, querying any missing or late payments and following up with SP Plus on outstanding balances due to the County.

Management Response #3:

- a) The airport will require SP Plus to provide a list of all proxy cards that are active/inactive, issued and disabled each month as an additional backup and part of the monthly backup checklist.
- b) The airport will require SP Plus to perform a reconciliation between the list of proxy cards and the amount remitted to the Airport and provide reasons for differences.
- c) The airport will carefully review the monthly backup by analyzing the month over month revenue trend by commuter, querying any missing or late payments and following up with SP Plus on outstanding balances due to the County.

Findings, Recommendations & Management Responses

Finding #4: Reporting for monthly gross receipts needs to be critically reviewed by the County (Risk Classification C: Control Weakness).

SP Plus is required to provide records that adequately support their monthly gross receipts reported to the County to ensure that parking rent owed is properly paid. For 2022, we noted missing backup for credit card fee billings in some months and mathematical errors caught by the Airport during their review which was communicated to SP Plus. In its effort to mitigate these risks, the Airport rolled out a checklist in October 2022 to ensure that all backup records are submitted with the monthly statements reported to the County. Nonetheless, opportunities exist to improve controls and help facilitate the monitoring of the Agreement considering our recommendations on findings 1, 2 and 3, which have highlighted the need for the County to critically review the monthly statements and backup submitted by SP Plus.

Recommendation #4:

The Airport should:

- a) Document its review of the statement of monthly gross receipts and statement of annual gross receipts submitted by SP Plus. A recommended review procedure is included on Appendix C of this report that includes additional recommended procedures.

Management Response #4:

- a) The airport will document the review of the statement of monthly gross receipts and statement of annual gross receipts submitted by SP Plus. A recommended review procedure is included on Appendix C of this report that includes additional recommended procedures.

Other Matters

The following are other matters we noted during the audit, although these were not part of the audit objectives, they could lead to revenue enhancements and or cost savings and deserve management's attention.

A. Non-Revenue Parking Tickets (Risk Classification D: Opportunity for Improvement).

The Airport offers the first two hours in the short-term and long-term parking lots as free. This arrangement was initially put in place to accommodate the parking needs for one of the Airport's tenants. When parking tickets with less than 2 hours are scanned at the exit gates, these tickets are not charged but captured by the HUB system as non-revenue tickets.

During the review of the daily summary reports, we found that non-revenue tickets account for at least 33% of tickets issued in 2022. Considering its materiality, we analyzed the data and found that there is little to no control over the issuance and monitoring of non-revenue tickets as there is no validation system in place to confirm which customers associated with the tenant required the free parking. Based on the reports from the HUB system, there was a total of 37,857 non-revenue tickets issued in 2022. Using the \$2 per 30 minutes rate, we estimate that the Airport has forgone \$302,856 in revenue under this arrangement (Table 1). If the Airport continues with the 2-hour free parking arrangement, it is expected to forego an additional estimated \$600,000 in revenue for the remainder of the term of Agreement with SP Plus.

Table 1: Forgone Revenue from 2-hour Free Parking Policy

2022	Parking Lot			
	Short-Term	Long-Term A	Long-Term B	Total
No. of Non-Revenue Tickets ¹	1,896	23,296	12,665	37,857
No. of Free Parking Hours (at 2hrs)	3,792	46,592	25,330	75,714
Parking Rate per Hour	\$4	\$4	\$4	\$4
Revenue Lost for Calendar Year²	\$15,168	\$186,368	\$101,320	\$302,856

Note:

¹Each non-revenue ticket represents 2 hours in free parking. Factors that could inflate the number of non-revenue tickets are: one vehicle can enter and exit parking lot more than once and use new tickets for each trip, public use of tickets to pick-up rental cars, employees, storage parking, etc.

²Calculation uses \$2 per 30 minutes rate effective 07/01/2022. Rate is multiplied to the number of free parking hours. The non-revenue parking tickets is revenue forgone by the County.

Source: The number of non-revenue tickets are sourced from SP Plus Daily Summary Reports by Parking Lot for 2022.

We understand that the Airport's reasoning for a free two-hour parking policy included a desire to attract the public to use the Airport as a preferred option for travelling and to accommodate one of the Airport's tenants, however, there is no clear correlation between the financial benefits of offering this program and the parking revenue being forgone.

Recommendation #5:

The Airport should:

- a) Consider discontinuing its policy of not charging for the first two hours of parking unless an operational or financial benefit to the County can be clearly demonstrated.
- b) Investigate and consider implementing a validation system for its tenants or stakeholders. For example, an authorized Airport Administration personnel or technology can validate a ticket for a County employee parking at the Airport on County business, and a discount can be received if appropriate criteria are met when a customer eats at the restaurant located in the Airport.

Other Matters

Management Response #5:

- a) The Airport attempts to make it convenient for traveling passengers to utilize our facilities. Creating a two-hour window for local residents to help their friends and family navigate the terminal, enjoy a meal together or just extend their visit is a benefit that the Airport has provided for many years. An effort to demonstrate operational or financial benefit to the County will be prepared by the airport in the form of a report.
- b) The Airport will investigate and consider implementing a validation system for its tenants or stakeholders.

B. Valet Services Program (Risk Classification D: Opportunity for Improvement).

The County entered a trial period with SP Plus to determine if a valet program is financially viable. The valet services were to run for a trial period of beginning August 5, 2021 and ending March 31, 2022. After this trial period, the Agreement between the County and SP Plus indicated the parties were to determine if the valet program is financially viable. Despite a loss every month during the eight-month trial period which led to a loss of \$78,039 during the trial period, the valet services continued seven additional months until October 31, 2022, incurring an additional loss of \$39,255. Since its launch, the County incurred a total net loss of \$117,294 (Table 2). The County could have given a 30 days' notice at any time during this period, to cancel the valet program as per the Agreement however, we were unable to determine whether this was done.

A closer look at the valet billable hours shows that staffing billable hours (i.e., valet expenses) were two to three times the valet parking revenues from August 2021 to October 2022. While the valet billable hours have been discontinued beginning November 2022 and absorbed into the management fees, at no extra cost to the County, the project was not financially viable and resulted in lost parking revenue.

Table 2: Forgone Revenue from Valet Parking Project

2022	Trial Period ¹	Post-Trial Period ²	Total
Valet Revenue	\$30,160	\$6,641	\$36,801
Valet Expenses	\$(108,199)	\$(45,896)	\$(154,095)
Net Loss	\$(78,039)	\$(39,255)	\$(117,294)

Note:

¹Trial period was from 08/05/2021 to 03/31/2022.

²Post trial period was from 04/01/2022 to 10/31/2022. The valet billable hours have been discontinued from 11/01/2022 and absorbed into the management fees. Valet services are now only offered via reservations made online which is managed by MAG.

Source: SP Plus Statement of Revenue and Expenses for periods reported.

Recommendation #6:

The Airport should:

- a) Evaluate pilot projects such as the valet parking services in a timely manner to minimize unnecessary costs.
- b) Require SP Plus to continue to report valet service parking revenue separately in its monthly revenue and expenses report despite it being captured and consolidated in the online parking reservations revenue managed by MAG.
- c) Review and update the valet services section of the Agreement and other related policies, accordingly.

Management Response #6:

The Airport evaluated the program several times and made adjustments to it in response to the evaluations.

- a) The valet pilot program was evaluated each month by the Airport in conjunction with SP Plus during operational meetings. Valet parking was allowed to continue for an extended period, not based upon revenue, but based upon ADA requirements and construction constraints. The construction of the front of the terminal specifically

Other Matters

during the terminal expansion and modernization phase created many operational issues for the Airport. One of the challenges was aiding families, persons with disabilities, and elderly passengers. The Airport determined that the costs of assisting passengers outweighed the revenue, however it was necessary to offer these services by increasing SP Plus staff during construction.

- b) The Airport will require SP Plus to continue reporting valet income separately.
- c) The Airport will continue to review and update the valet services program and other policies.

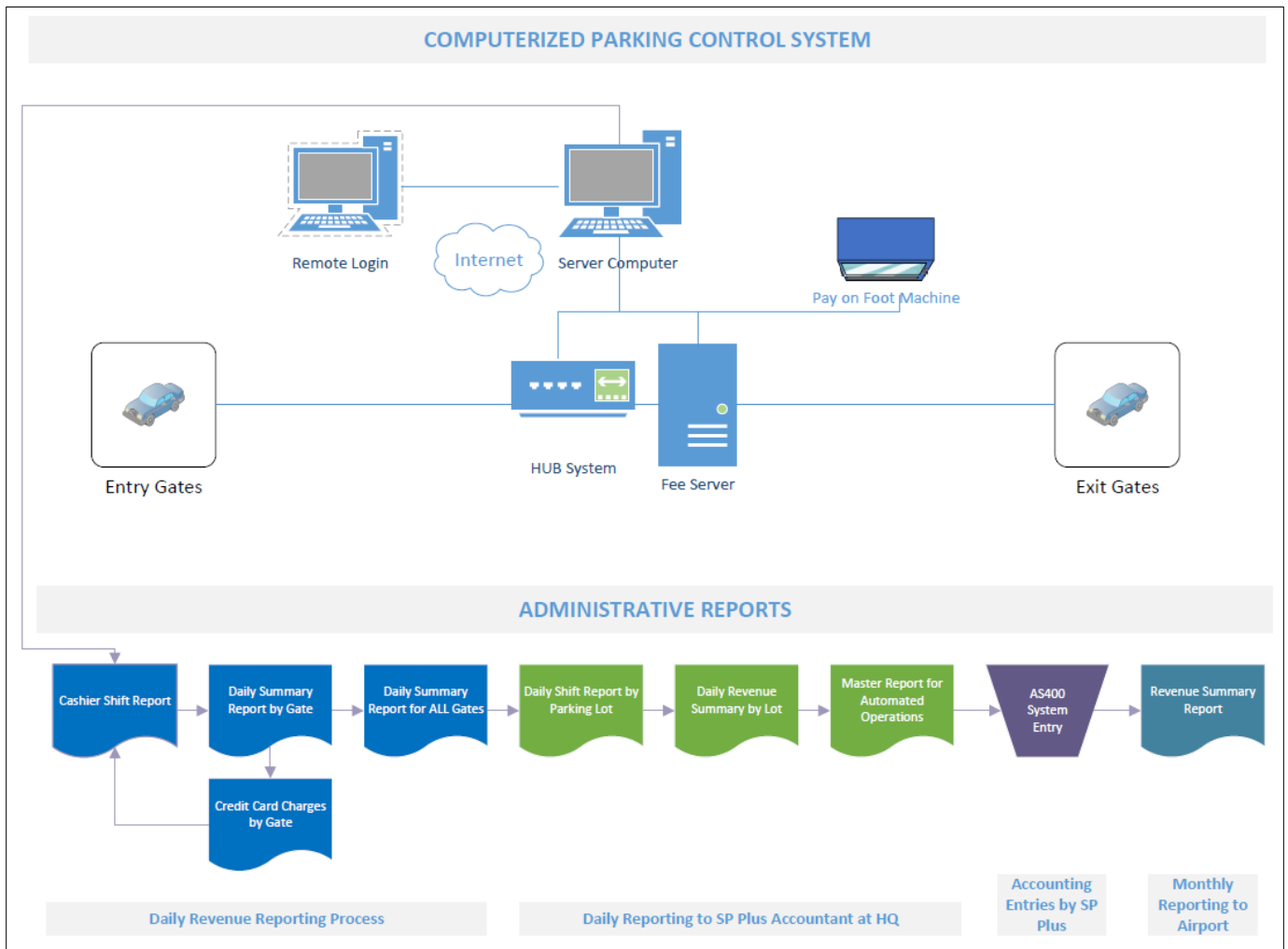
Appendix A – Report Item Risk Classification

For purposes of reporting our audit findings and recommendations, we classify audit report items into three distinct categories to identify the perceived risk exposure:

- **Risk Classification A: Critical Control Weakness:**
Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.
- **Risk Classification B: Significant Control Weakness:**
Audit findings or a combination of Control Weaknesses that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.
- **Risk Classification C: Control Weakness:**
Audit findings concerning internal controls, or compliance issues that require management’s corrective action to implement or enhance processes and internal controls. Control Weaknesses are expected to be addressed within our follow-up process.
- **Risk Classification D: Opportunity for Improvement:**
Audit findings concerning opportunities for improvement or efficiency/effectiveness issues that require management’s consideration to implement or enhance processes. Opportunities for improvement are expected to be addressed within our follow-up process.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weakness findings will be followed up between six months and one year of the date of the report.

Appendix B – Computerized Parking Control System & Reporting



Note:

* The parking activity and revenue collection for long-term A, B and short-term parking lots are monitored via the HUB software which interfaces with the system’s computer and fee computer. There is also a self-service device (or Pay on Foot Machine) in the parking kiosk which allows customers to pay with cash or credit. This kiosk interfaces with the HUB system. The system generates daily reports which are used to compile the monthly reports submitted to the County.

**This diagram excludes parking revenues collected via online reservations and to some extent, monthly parking from commuters and tenants.

***Auditor working.

Appendix C – Review Procedure for Statement of Monthly Gross Receipts

1. Monthly Payment (Sec. 2.1.1)	Ensure SP Plus pays the gross sales minus the management fee and credit card processing fees on or before the 10 th day of the following calendar month of which the gross sales were received.
2. Statement of Gross Sales (Sec. 2.3)	Ensure the Checklist is signed and certified to be true. The preparer and reviewer should sign off and date the Checklist. Ensure all backups are provided for each revenue and expense line item reported to the County.
3. Revenue Line Items	Minimum Checks
<ul style="list-style-type: none"> • Monthly Parking 	<ul style="list-style-type: none"> • Review Payment Listing for period by tenant, commuter and amount received by SP Plus. Analyze month over month movement and query any unusual movement. • Critically review and confirm any Airport tenant that is expected to pay a standard monthly amount for allocated parking spaces. Refer to the most recent Master Fee Schedule of Rates & Charges. • Review the list of active, issued, and disabled proxy cards for commuter passes. Email SP Plus for missing or inconsistent payments noted. All communications should be documented for audit trail purposes. • Discuss with management any reporting irregularities noted during the month.
<ul style="list-style-type: none"> • Long-Term A • Long-Term B • Short Term Parking 	<ul style="list-style-type: none"> • Sum individual daily revenue collected and reconcile the monthly amount against the amounts reported in the Statement of Revenue and Expense. • If numbers do not match, Airport staff can request for the daily summary reports generated from the HUB System located SP Plus office in the Airport. • Critically review the number of tickets and query for any unusual movement in tickets data. Analyze month over month movement and query for any unusual movement. • Airport staff can perform random mini audits by requesting daily summary reports from the HUB System and reconciling them against the Statement of Revenue and Expense under review. • Email SP Plus for missing or inconsistent payments noted. All communications should be documented for audit trail purposes. • Discuss with management any reporting irregularities noted during the month.
<ul style="list-style-type: none"> • MAG Revenue • Valet Parking 	<ul style="list-style-type: none"> • Sum transactional bookings generated from the third-party vendor's reservation system and reconcile the monthly amount against the amounts reported in the Statement of Revenue and Expense. Check if SP Plus has performed the reconciliation. Analyze month over month movement and query for any unusual movement. • Check and confirm bank payments reported in Cash Transfer backup matches. • Email SP Plus for missing or inconsistent payments noted. All communications should be documented for audit trail purposes. • If there are discrepancies with SP Plus's third-party vendors, request SP Plus to communicate any reporting issues in writing for audit trail purposes. • Discuss with management any reporting irregularities noted during the month.
<ul style="list-style-type: none"> • Parking.com 	<ul style="list-style-type: none"> • Sum transactional bookings in parking.com backup and reconcile the monthly amount against the amounts reported in the Statement of Revenue and Expense. • Email SP Plus for missing or inconsistent payments noted. All communications should be documented for audit trail purposes. • Discuss with management any reporting irregularities noted during the month.
4. Expense Line Items	Minimum Checks
<ul style="list-style-type: none"> • Fixed Management Fee (Sec. 2.1.1) 	Ensure Management Fee is correct. Note: The Management Fee shall increase by 3% on January 15 of each year during the term of the Agreement.
<ul style="list-style-type: none"> • Credit Card 	<ul style="list-style-type: none"> • Sum credit card statement backup and reconcile the monthly amount against the amounts reported in the Statement of Revenue and Expense. • Email SP Plus for unusual transactions or missing backup noted. All communications should be documented for audit trail purposes. • Discuss with management any reporting irregularities noted during the month.

Note: These are additional review procedures which could be performed by Airport staff on a monthly basis.

Appendix D – Management Response

Management Response #1:

Airport agrees with the recommendations.

- a) The airport will request the remittance of the outstanding \$24,000.
- b) The Airport will require SP Plus to review its SOP provisions for monthly parking billing and collections and reporting protocols on non-collection of revenue.
- c) Item “c” is already being practiced and is the reason the audit request was initiated.

Management Response #2:

- a) The Airport will require SP Plus to provide a reconciliation of online reservations for the calendar year 2022.
- b) The Airport will require SP Plus to submit monthly transactions generated from the online reservation system effective immediately.
- c) The agreement with SP Plus already contains provisions that oblige SP Plus to reconcile remittances from the subcontracted vendor (e.g., Section 1.2 “Cooperation with County; Section 1.3 Performance Standard, etc.).

Management Response #3:

- a) The airport will require SP Plus to provide a list of all proxy cards that are active/inactive, issued and disabled each month as an additional backup and part of the monthly backup checklist.
- b) The airport will require SP Plus to perform a reconciliation between the list of proxy cards and the amount remitted to the Airport and provide reasons for differences.
- c) The airport will carefully review the monthly backup by analyzing the month over month revenue trend by commuter, querying any missing or late payments and following up with SP Plus on outstanding balances due to the County.

Management Response #4:

- a) The airport will document the review of the statement of monthly gross receipts and statement of annual gross receipts submitted by SP Plus. A recommended review procedure is included on Appendix C of this report that includes additional recommended procedures.

Management Response #5:

- a) The Airport attempts to make it convenient for traveling passengers to utilize our facilities. Creating a two-hour window for local residents to help their friends and family navigate the terminal, enjoy a meal together or just extend their visit is a benefit that the Airport has provided for many years. An effort to demonstrate operational or financial benefit to the County will be prepared by the airport in the form of a report.
- b) The Airport will investigate and consider implementing a validation system for its tenants or stakeholders.

Management Response #6:

The Airport evaluated the program several times and made adjustments to it in response to the evaluations.

- a) The valet pilot program was evaluated each month by the Airport in conjunction with SP Plus during operational meetings. Valet parking was allowed to continue for an extended period, not based upon revenue, but based upon ADA requirements and construction constraints. The construction of the front of the terminal specifically during the terminal expansion and modernization phase created many operational issues for the Airport. One of the challenges was aiding families, persons with disabilities, and elderly passengers. The Airport determined that the costs of assisting passengers outweighed the revenue, however it was necessary to offer these services by increasing SP Plus staff during construction.
- b) The Airport will require SP Plus to continue reporting valet income separately.
- c) The Airport will continue to review and update the valet services program and other policies.