

REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

AUDIT OF REGIONAL AIRPORT, PARKING CONTRACT

INTERNAL AUDIT REPORT 140107-06

December 12, 2007



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Councilman Joe Shyne
Chairman, Shreveport City Council

Dear Councilman Shyne:

Subject: IAR 140107-06 - Audit of Regional Airport, Parking Contract

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Graham, CPA, CIA
City Internal Auditor

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EXECUTIVE SUMMARY
AUDIT OF REGIONAL AIRPORT, PARKING CONTRACT
INTERNAL AUDIT REPORT (IAR) 140107-06

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

INTRODUCTION

Nationwide Car Rental System provides services for customer parking at the Regional Airport. There are two parking areas: the main lot for the long-term and short-term parking; and the premium lot (p-lot) for convenient parking next to the terminal. Nationwide Car Rental System has been operating the parking lot areas since July 11, 2002.

RECOMMENDATION EVALUATION RISK CRITERIA

The chart below summarizes the recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were determined based on the possible results for the entity if the recommendation is not implemented.

<i>Risk Levels</i>	<i>Recommendations</i>
<p style="text-align: center;">High Risk</p> <p>Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; Adverse publicity.</p>	<ul style="list-style-type: none"> · Monitor shift reports for double voids and account for the number of cars exiting, tickets paid and cash register drawer openings. (Finding 1) · Provide sequential transaction numbers for tickets paid and increase controls over cash registers. (Finding 1) · Increase booth security and security over cash. (Finding 2)
<p style="text-align: center;">Medium Risk</p> <p>Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.</p>	<p>Increase accountability over tickets issued and provide management review. (Finding 3)</p>
<p style="text-align: center;">Low Risk</p> <p>Possibility of continuing operating inefficiencies and some low-level non-compliance issues.</p>	<p>No recommendations are applicable.</p>

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FINDINGS

Risk Factor

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AUDIT OF REGIONAL AIRPORT, PARKING CONTRACT INTERNAL AUDIT REPORT (IAR) 140107-06

OBJECTIVES

We have completed an audit of Regional Airports, Parking Contract. The objective of the audit was to review and evaluate the economy and efficiency of operations.

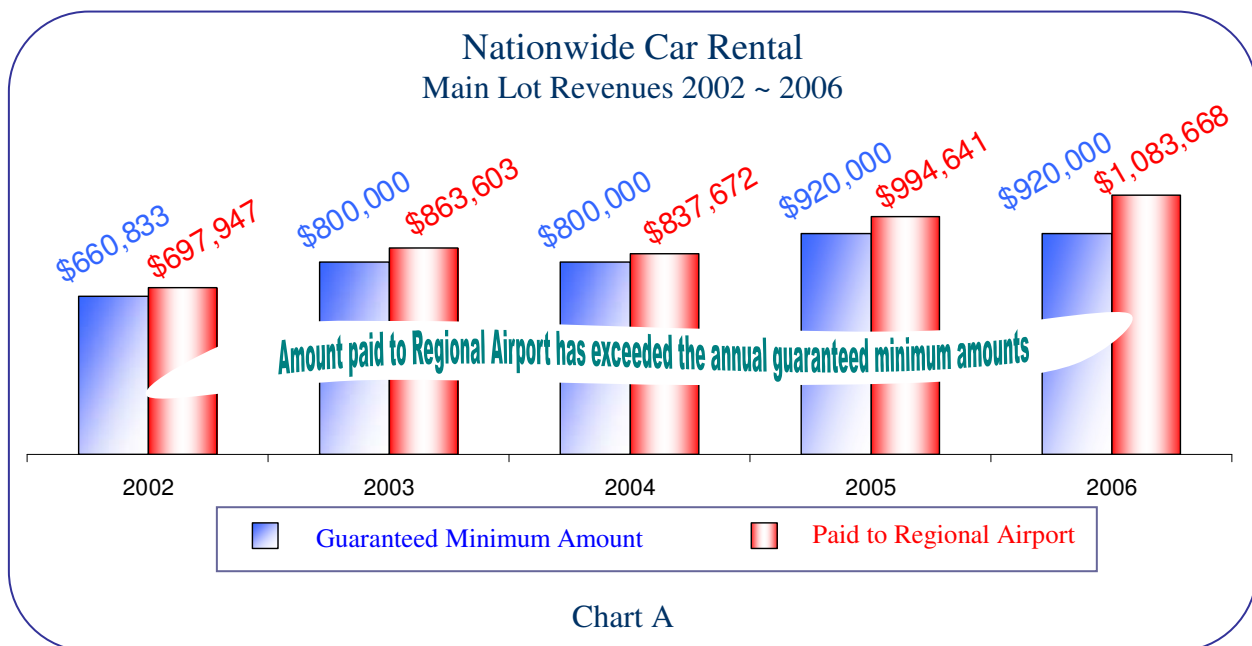
SCOPE AND METHODOLOGY

Our audit, which covered fiscal years 2005 through September of 2007, was performed in accordance with applicable generally accepted governmental auditing standards as defined in Section A.20 of the Internal Audit Office Operating Instructions Manual. The scope of the study of internal controls was limited to the general controls surrounding our objectives. General audit procedures included, but were not limited to:

- Interviewing appropriate personnel.
- Observing operations and ongoing activities.

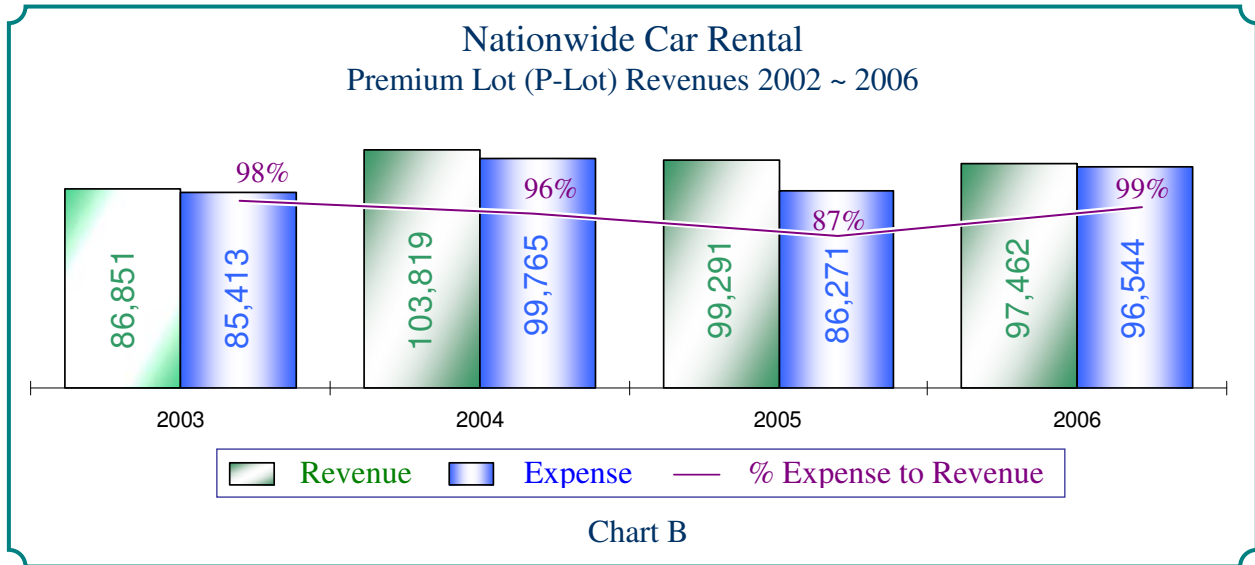
BACKGROUND

Nationwide Car Rental System has been operating the customer parking lots at the Regional Airport since July 11, 2002. The main lot is the long-term and short-term parking; and the premium lot is convenient parking next to the terminal. The main lot revenues remitted to the Regional Airport are currently the greater of 70% of total revenues or a guaranteed minimum amount set at \$920,000 per year. As shown below in *Chart A*, the revenues for the main lot have exceeded the annual minimum guaranteed amount.



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The premium lot (p-lot) revenue pays for the cost of personnel and equipment. The average revenue for the past four years (2003 through 2006) for the p-lot is \$96,856 with an average net profit of \$4,857. As shown below in *Chart B*, the p-lot revenue covers the expenses.



CONCLUSIONS/FINDINGS/RECOMMENDATIONS

The Internal Audit Office would like to offer its appreciation for the courtesy, patience, and cooperation extended to us during the audit by the staff of Regional Airports and the employees of Nationwide Car Rental System.

Based on our review, we believe management could enhance the efficiency and control environment by addressing the following concerns:

- Enhance the reconciliation of paid and complimentary tickets to cars exited.
- Enhance booth and cash handling security.
- Provide dollar values of the complimentary tickets.
- Periodically review reconciliations and summary reports.

1. Cashier Shift Report and Cash Register Controls

Background: At the end of each shift the cashier completes the “Cashier Shift Report” by detailing: the number of cars that exited at the booth based on the booth car counter that is triggered by cars passing through the exit gate; the number of tickets paid and voided based on the cash register tape; and the ticket number for the complimentary and voided tickets.

Criteria: Cashier shift report and cash register summary should provide accountability for tickets processed and voided.

Condition: During a review of the cashier shift report and cash register controls, we noted the following:

Cashier Shift Report

- Double voids were noted on the cashier shift report at the p-lot. We found 5 different instances in 2007 in which the same tickets were voided on two different shifts.
- The number of exited cars from the booth counter is not reconciled to the number of paid tickets.
- The number of cash register openings indicated on the cash register tape above the number of tickets processed on the cashier shift report is not explained.

Cash Register Controls

- The main lot exit booths do not have ticket validators which would aid in accounting for tickets paid. (The ticket validator stamps the back of the ticket with a sequential transaction number that is recorded on the cash register.)
- The p-lot cash register does not include the dollar value of the voids on the cash register tape which would aid in the reconciliation of complimentary and voided tickets to tickets paid.
- A main lot exit booth does not display to the customers the dollar amount owed.
- Receipts are not required to be given to customers.

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Effect:

- Decrease in tracking tickets paid and voided.
- Decrease in controls over payment transactions.

Cause: Management had not addressed the deficiencies.

Recommendation: We recommend that management:

Cashier Shift Report

- a. Monitor shift reports for double voids. Instances should be explained and followed up.
- b. Account for differences between the number of exited cars to tickets paid.
- c. Account for the number of cash register openings that are above the number of transaction processed.

Cash Register Controls

- d. Install validators that will stamp the tickets with a sequential transaction number for the main lot.
- e. Include the dollar amount of voids on the p-lot register tape.
- f. The amount owed should be displayed to customers.
- g. Provide receipts to customers.

Management Plan of Action:

Cashier Shift Report

We agree with this finding. Management shall monitor the cashier shift reports and will follow-up on any discrepancies as stated in the audit.

Cash Register Controls

We agree with this finding. Per the current contract, the Concessionaire is responsible for the expenses of the main lot which includes the purchasing of additional equipment. Management will ensure that the current concessionaire is aware of this finding and will request the installation of validators that will stamp the tickets with a sequential transaction number in the main lot. Management shall also ensure that the amount is displayed to customers and the concessionaire provides receipts to all customers.

Per the current contract, the Airport is responsible for expenses in p-lot and purchased the current case register that is installed in the lot. Management will follow-up with the concessionaire to determine what is needed to provide the dollar amount on the voids on the p-lot register tape.

Timetable: March 31, 2008

2. Booth Security and Cash Controls

Criteria: Controls should be in place to protect personnel, assets, and cash.

Condition: During our review of booth security and cash controls, we noted the following:

- There is not a working panic button for the main lot. (The panic button would notify the airport police of an emergency.)
- There is video surveillance with recording capabilities for the main lot, but there is no tape for recording. There is no video surveillance for the p-lot.
- No one accompanies the individual who makes the cash deposit.
- The change fund is kept in an unsecured zippered bag.

Effect:

- Inadequate booth security.
- Inadequate security over cash.

Cause: Management had not addressed the deficiencies.

Recommendation: We recommend that management:

- a. Provide a working panic button to the main lot exit booths.
- b. Record video surveillance for the p-lot and main lot exit booths.
- c. Provide more security over the cash deposits.
- d. Secure the change fund.

Management Plan of Action: We agree with this finding. Management shall ensure that the panic button is operational in both the main lots exit booths and provide video surveillance for the p-lot and main lot exit booths.

Management shall inform the concessionaire that security is required over the cash deposits and the change fund should be secured immediately.

Timetable: The panic button and the video surveillance for the p-lot will be installed by March 31, 2008.

3. Ticket Controls and Management Review

Criteria: As part of the control system, reports and reconciliations should be in place and reviewed by management.

Condition: During review of ticket controls we noted the following:

- There is no reconciliation of tickets issued at the entrance gate to the paid, voided, lost, and complimentary tickets. A spreadsheet existed that would be used for reconciliation, but had not been used. Below in *Chart C* is a summary of tickets for 2006:

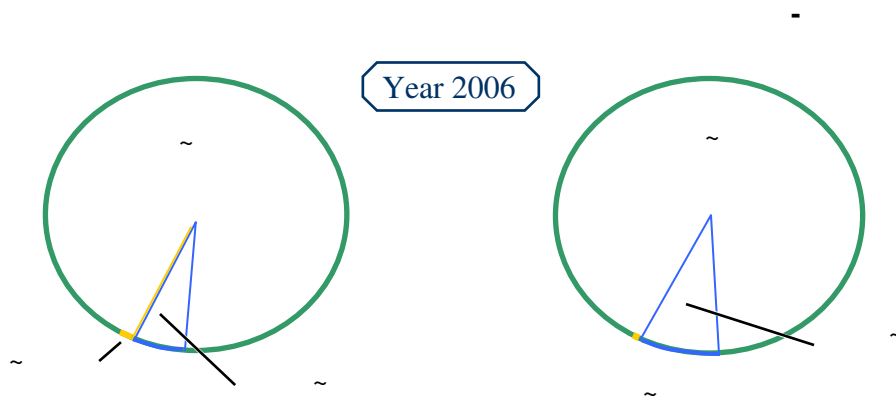


Chart C

- The reporting for the complimentary tickets issued could be improved. Currently, only a summary of the total number of complimentary tickets is provided to the Shreveport Regional Airport management and no dollar amount is shown. As *Chart C* above illustrates, for 2006 the main lot had 5.4% in complimentary tickets and the p-lot had 8.5% complimentary tickets. The dollar value of the complimentary tickets would detail the revenue lost to complimentary tickets.
- Shreveport Regional Airport management does not periodically perform reviews of the following reports and operations:
 - Cashier shift report to tickets processed.
 - Reconciliation of tickets issued to paid, lost, and complimentary tickets.
 - Dollar value of complimentary tickets.

Effect:

- Provide accountability over all tickets issued.
- Independent review would help ensure that proper controls are in place and functioning.

Cause: The reconciliation procedures and summary reports had not been developed.

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Recommendation: We recommend the following:

- a. Nationwide Car Rental System management reconcile tickets issued at the entrance gate to paid, voided, lost, and complimentary tickets. Shreveport Airport Authority management should consider a penalty for lost tickets based on an agreed upon percentage.
- b. Nationwide Car Rental System management should enhance the summary of the number of complimentary by providing the dollar value of the complimentary tickets.
- c. Shreveport Airport Authority Management should periodically perform reviews of reports, but not limited to the following: the cashier shift report, ticket reconciliation, and the summary of complimentary tickets.

Management Plan of Action: We agree with this finding. Management shall ensure that proper reconciliations are performed by the concessionaire. Management shall institute a policy requiring the dollar value of the complimentary tickets from concessionaire. Management shall also perform monthly reviews of reports including, but not limited to, the cashier shift report, ticket reconciliations and the summary of complimentary tickets.

Timetable: March 31, 2008

Prepared by:

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City Internal Auditor

BP

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