



Internal Audit Report

Comprehensive Operational Audit
Parking Parking—Aviation Landside Operation
Jan. 1, 2010 to Dec. 31, 2010

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Transmittal Letter

We have completed a comprehensive operational audit of Public Parking—Aviation Landside Operation. The purpose of the audit was to determine if management has adequate controls to ensure effective parking operations in compliance with applicable requirements. The audit focused on a one-year period from January 1, 2010 to December 31, 2010.

Management has the primary responsibility to establish and implement effective controls over parking operations. Our audit objective was to examine and test those controls in order to establish whether the controls were adequate and operating effectively.

We conducted the audit using due professional care. We planned and performed the audit to obtain reasonable assurance that the risk of ineffective parking operations was sufficiently mitigated.

Management controls over electronic transactions are adequate. However, we noted that controls over exception parking transactions (e.g., lost and unreadable tickets) are not working effectively as intended.

We extend our appreciation to management and staff for their assistance and cooperation during the audit.



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Director, Internal Audit

Executive Summary

Audit Scope and Objective The purpose of the audit was to determine if management has adequate controls to ensure effective parking operations in compliance with applicable requirements. Specifically, whether monitoring controls are working effectively as intended in the following areas:

- Complete and proper processing of high-risk transactions
- Overtime compensation was proper and for actual time worked

The scope of the audit included a one-year period from January 1, 2010 to December 31, 2010.

Background The Port of Seattle owns and operates the Seattle-Tacoma International Airport (STIA) Public Parking Garage. Landside – Public Parking, an operating department of the Aviation Division, oversees airport public parking. The mission of public parking systems is to provide a quality parking system that is safe, self-sustained, and convenient access for the residents, business owners, and visitors to Seattle-Tacoma Airport.

Public parking fees at the airport are assessed based on the parking duration in accordance with the Commission approved tariff. Public Parking generates approximately \$50 million in revenues annually, which is the single largest Port-operated revenue stream. Public Parking revenue has been decreasing from \$54 million in 2008 to \$45 million in 2010. The decline is contributable to competition around the airport.

Public parking has staff of approximately thirteen non-representatives and eighteen representative employees from Teamsters Local Union No. 117. The department incurs approximately \$5.7 million annually in operating expense. Payroll & benefits account for over 50% of the total operation expenses.

Audit Result Summary Management has established adequate and effective controls related to overtime compensation. Moreover, management controls over electronic transactions are adequate. We, however, noted that although management has established and implemented monitoring controls related to exception parking transactions (e.g., lost and unreadable tickets), the controls were not operating effectively, as intended, to ensure complete assessment or proper waiver of parking fees.

Background

The Port of Seattle owns and operates the Seattle-Tacoma International Airport (STIA) public parking garage. Landside – Public Parking operates the airport public parking garage as well as off-site parking lots for tenant employees. Parking fee at the public parking garage is assessed based on the parking duration in accordance with the Commission approved tariff. The Public parking garage offers 13,000 parking spaces and the off-site lot offers 3,320. Additionally, the department has a number of discount-based parking programs designed primarily to offer fast and convenient way in and out of the airport for frequent travelers and airport tenant employees.

Airport Public Parking has thirteen full time and eighteen Parking Service and Revenue Control Representatives (PSRR). Full time staff includes:

- Nine supervisors who coordinate and oversee the PSRR.
- Two parking assistant auditors who monitor daily parking activities, especially exception transactions such as lost and unreadable tickets.

Public parking utilizes an automated parking revenue system, Scheidt Bachmann (S&B), to process and report parking operations. Below are 2010 parking transaction counts by type.

	Count	%
Pay parking	1,859,040	97%
Lost ticket	11,636	1%
Unreadable	19,226	1%
Cancellation	4,707	0%
Validation	21,822	1%
Other*	2,197	0%
Total	1,918,628	100%

Source: Scheidt Bachmann

*includes ISF (insufficient funds) and money value

Financial Highlights

The department's revenues and expenses for the past three years are as follows.

	2008	2009	2010
Parking Revenues	\$ 53,547,682	\$ 44,797,161	\$ 45,059,981
Operating Expenses	\$ 6,450,358	\$ 5,628,084	\$ 5,704,952

Source: PeopleSoft

The decline in revenues is contributable, among other things, to competition around the airport.

Audit Objectives

The purpose of the audit was to determine if management has adequate controls to ensure effective parking operations in compliance with applicable requirements. Specifically, whether monitoring controls are working effectively as intended in the following areas:

- Complete and proper processing of the following high-risk parking transactions:
 - ✓ Lost ticket
 - ✓ Unreadable ticket
 - ✓ Cancellation ticket
 - ✓ Validation ticket
 - ✓ Cash receipts
 - ✓ Petty cash and change fund
 - ✓ Money value
- Overtime compensation was proper and for actual time worked.

The scope of the audit included a one-year period from January 1, 2010 to December 31, 2010.

Highlights and Accomplishments

During the audit, we observed the department's continuing efforts to enhance controls in the following areas:

- City of SeaTac Parking Tax flowchart and narratives to promote and maintain accurate tax calculations.
- S&B system training for 31 Electronic Technicians (ETs) for a minimum of three months to increase institutional knowledge and maintain consistent system support.
- Step-by-step instruction manual for parking revenue monitoring to promote consistent and complete application.
- Random surprise cash counts to prevent potential misappropriation.
- Installation of an ID badge terminal with fingerprint analyzer to restrict physical access to Toll Plaza.

Audit Scope and Methodology

We conducted the audit to determine whether management controls surrounding high risk parking transactions and overtime are adequate to provide reasonable assurance of effective operations and compliance with Port policy/procedure. Our approach to the audit was risk-based from planning to test sampling. We reviewed and assessed risks associated with processes, policies, and other procedures that have been established to effectively manage parking operations.

We applied additional detailed audit procedures to areas with the highest likelihood of significant negative impact. We considered the nature of the activity and evaluated it within the context of our audit objectives. Our consideration included control (both manual and system driven) assessment and control testing, as necessary.

Our additional detailed audit procedures can be grouped and summarized into exception parking transactions and overtime compensation. We approached each audit area with the following methodology:

1. Exception Parking Transactions

In order to determine whether management controls over high risk transactions are working effectively as intended, we applied the following procedures.

a. Lost Ticket

We calculated a number of parking days for individual lost ticket transactions based on the entrance and exit time. We applied average parking rates between general and hourly parking to the number of days to compute an approximate parking charge. We compared the resulting parking charge to parking fees actually collected. Our intent was to isolate a population of transactions with higher likelihood of incorrect assessment. We reviewed the list and selected seventeen lost ticket transactions for our testing.

Our testing consisted of tracing transactions from Scheidt Bachmann to the following systems reports and management forms to ensure proper assessment:

- Daily Shift Statement
- Lost Ticket Summary
- Daily overnight vehicle inventory

b. Unreadable Ticket

We reviewed the overall distribution of unreadable tickets by month for unusual trends. We noted a spike in September 2010, and randomly selected a block of transactions from September 2, 2010 through September 9, 2010.

c. Cancellation Ticket

There were approx. 4,700 cancellation transactions in 2010. We selected seventeen transactions with highest cancellation amounts, ranging from \$600 to \$7,000.

d. Validation Ticket

We reviewed all validation types and analyzed for increase/decreases in usage from prior year. Based on the analysis, we selected the following validation types for our testing:

- Validation 33 – Port Job
- Validation 45 – AOB
- Validation 50 – Lost and Found
- Validation 48 – Towing
- Validation 49 – US Air
- Validation 71 – USO

e. Money Value

There were nineteen instances where public parking issued money value tickets to the Airport Office Building (AOB) conference center. Each instance consisted of a number of tickets, ranging from two to one hundred. We reviewed all instances to ensure proper accounting of all issued tickets.

f. Cash Receipts and Petty/Change Funds

To ensure that management has adequate controls over cash handling and petty/change funds, we randomly selected a date and performed a surprise cash count.

2. Overtime

To determine whether overtime compensation was proper, we reviewed and analyzed 2010 overtime compensation for the following unusual trends:

- Above and below average overtime in 2010

- Increase/decreases from prior year

We selected seven employees based on the initial analysis. We conducted further analysis of the selected employees' monthly overtime earnings activities and sampled sixty-seven individual overtime hours for testing. Our testing involved the examination of supporting document and inquiries with management/staff to ensure:

- Compensation was proper in accordance with applicable Port policies and labor agreements.
- Management controls were working as intended.

Conclusion

Management has established adequate and effective controls related to overtime compensation. Moreover, management controls over electronic transactions are adequate. We, however, noted that although management has established and implemented monitoring controls related to exception parking transactions (e.g., lost and unreadable tickets), the controls were not operating effectively, as intended, to ensure complete assessment or proper waiver of parking fees.

Schedule of Findings and Recommendations

1. **Incomplete Management Monitoring of Exception Parking Transactions**

This is a repeat audit finding from two prior audits conducted in 2003 and 2007.

Parking operations at Seattle-Tacoma International Airport (STIA) utilize a parking revenue control system called Scheidt Bachmann (S&B). The system processes the majority of the parking transactions automatically. However, some transactions such as lost tickets and unreadable tickets require manual processing by Parking Service and Revenue Control Representatives (PSRR). Such transactions are collectively referred to as exception transactions. Because these exception transactions are processed manually, they are high risk and subject to additional operating as well as management monitoring procedures. The additional monitoring procedures are intended to ensure that fees are charged and accounted for accurately and properly.

We noted that although management performed monitoring activities, the extent of the monitoring was less than complete. Management monitoring consisted mainly of simple counts of supporting documents against the number of transactions in the statement. There was no review or follow-up of the supporting document for accuracy and reasonableness.

The incomplete monitoring resulted in instances of noncompliance with the department procedures as follows:

a. Lost Parking Ticket

The Commission approved tariff requires customers be charged a daily rate minimum for lost tickets. Additionally, department procedures require lost ticket transactions below the daily minimum to be logged in the Lost Ticket Approval Form and approved by supervisor. At exit, lost ticket transactions are required to be checked and verified against the overnight vehicle inventory to establish a correct fee.

- Three (18% of the sample) transactions below the daily minimum were neither listed in the Lost Ticket Approval Form nor approved by supervisor.
- We noted 14 transactions where management did not seek clarification or additional information that was necessary to establish a correct fee.

Management Response:

- *Manager, Public Parking will meet with the supervisory group to ensure that all lost tickets, below the daily minimum are approved and signed off by the supervisors.*
- *Manager, Public Parking will meet with the Assistant Auditor and the Temporary Auditor to ensure they have a clear understanding of their role and looking for clarification or additional information to ensure accuracy of the transaction*

b. Unreadable Parking Ticket

The system cannot read certain tickets for various reasons (e.g., demagnetization). Department procedures require the PSRR to retain the ticket, exit time, and charge information for verification purposes at a later time.

- We noted eight exceptions where the required document and/or supervisor approval was not present.

Management Response:

- *Manager, Public Parking will work with Supervisors and PSRR's to ensure all documentations are approved appropriately*

c. Cancellation Parking Ticket

Transactions often need to be cancelled for various legitimate reasons including human errors. Department procedures require the S&B receipt, sufficient explanation, and supervisor approval as adequate evidence of proper cancellations.

- We noted that 47% of the cancelled transactions tested did not have sufficient detail to verify that they were proper.

Management Response:

- *In reviewing the documentations the majority of transactions had a supervisors initials and some explanation, but additional detail is needed for management and the auditors to clearly understand why the cancellation transpired. Manager, Public Parking will work with the Supervisors to ensure sufficient detail is placed on each cancellation*

d. Validated Parking Tickets

Validations are essentially free parking offered to those with legitimate Port related business at the airport. US Air is an exception in that their validations are billable. Department procedures require the PSRR to retain the validation/receipt and to collect for additional hours beyond the authorized duration.

- Public Parking has inadequate systems to ensure proper usage or track outstanding validations.
- We noted that a management review missed US Air billings in November and December 2010.

Management Response:

- *Manager, Public Parking will re-evaluate their auditing of validations and develop a standard operating procedure. Landside is in the early stages of bringing on a new revenue control system. The new system should improve the validation tracking process.*
- *Two US Air validations were missed for billing, one in November and one in December due to having a temporary auditor that had not been trained to forward these validations to the Billing Admin. We have revisited our training process to prevent future issues.*

e. Money Value

Money value tickets are issued to customers who attend an event at the Airport Office Building (AOB) conference center. It is similar to validations in that customers receive free parking for a specified duration. Money value differs from validation in that AOB Management bills the event sponsor.

- Management currently has no policies and procedures to address Money Value.

Management Response:

- *Since the audit, Management has corrected the process of verifying the amount of used and returned tickets and comparing them to the amount the customer was charged. A Standard Operating Procedure is in the process of being developed.*

In all aforementioned instances under various transaction types, a management review was performed; however, the monitoring procedures failed to detect these exceptions. The observed deficiencies are the results of inadequate monitoring practices. Effective monitoring should not only recount transactions to ensure completeness but should also include reviewing the supporting documentation to ensure the complete assessment of parking fees and/or proper waiver.

Recommendation

We recommend management strengthen controls to ensure that monitoring activities over exception transactions are complete and effective as intended.

Management Response:

- *Management is in the process of picking a vendor to replace the revenue control system. With this replacement some of the exception transactions will be much easier to audit and track, thus some of these issues will be eliminated.*
- *Manager, Public Parking is currently working with the Landside Auditing Team and the Landside Supervisors to ensure that we continue to strengthen the existing monitoring controls. We have scheduled supervisor and landside auditor meetings, to go over these findings and continue to improve the exception process.*
- *Management would like to note that in early 2010 the landside operations Senior Auditing Specialist went out on medical leave and has not returned as of yet. Due to her absence the Assistant Auditor was tasked with the role of handling all the public parking auditing. Late in November of 2010, Landside Management brought on a temporary employee to assist the Assistant Auditing Specialist with auditing requirements that were difficult to complete.*
- *Management would also like to suggest a return of the Internal Audit team within the next 6-9 months to review the additional auditing processes that have been put in place since the 2010 review period.*