

INTERNAL AUDIT REPORT

OPERATIONAL AUDIT
EMPLOYEE PARKING – AIRPORT GARAGE

November 1, 2015 – October 31, 2017

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Employee Parking Audit – Airport Garage

11/1/2015 – 10/31/2017



INTERNAL AUDIT

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EXECUTIVE SUMMARY

Internal Audit (IA) completed an audit of Employee Parking at the Seattle-Tacoma International Airport (STIA) for the period November 2015 through October 2017. The audit was performed to evaluate internal controls and compliance with Port Policy.

Employee Parking encompasses parking for Port employees, contractors, consultants, and tenants (i.e. Concessionaires). Revenue generated from Employee Parking was approximately \$9.3 million in 2016 and increased to \$9.6 million in 2017.

In general, we concluded that management needs to evaluate processes and identify controls to reduce the likelihood of exceptions. Because policy documents provide useful information and are the foundation of an internal control environment, we recommend memorializing requirements into policy documentation.

We identified one medium rated issue related to internal controls and one medium rated issue regarding motorcycle parking. These issues are discussed in more detail on page(s) seven through nine of the report.

- 1) Processes related to Employee Parking at the STIA Garage do not always incorporate internal controls to reduce the likelihood of errors and policy exceptions. Opportunities also exist to streamline processes, thereby increasing efficiencies.
- 2) A process for motorcycle parking needs to be developed and consistently enforced.

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



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RESPONSIBLE MANAGEMENT TEAM

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BACKGROUND

The Seattle-Tacoma International Airport (STIA) Parking Garage is owned and operated by the Port of Seattle, a municipal corporation, organized under statutory authority of the State of Washington. The garage is the largest parking facility in the region with more than 13,000 stalls. The garage offers General parking and Terminal Direct parking. General parking is available on floors one through three and five through eight. Terminal Direct parking is available on the fourth floor and provides direct access to the main terminal via sky bridges at a slightly higher cost.

In 2017, ParkingSoft was implemented replacing the Scheidt & Bachmann parking system. ParkingSoft includes automated entrance and exit gates and processes prepaid tickets and credit cards. It also monitors the available parking capacity.

Landside Operations includes four business units:

- Employee Parking
- Public Parking
- Ground Transportation
- Airport Transit Operations

Employee Parking encompasses parking for Port employees, contractors, consultants, and tenants (i.e. Concessionaires). As of November 2017, a total of 2,671 parking access cards were issued. Revenue generated from Employee Parking was approximately \$9.3 million in 2016 and increased to \$9.6 million in 2017.

Landside's Public Parking business operates a facility with approximately 13,000 spaces and is a primary contributor of non-aeronautical revenues. Public parking revenue was \$70 million in 2016 and increased to \$75 million in 2017. The garage generates 2.1 million public parking transactions annually.

The Ground Transportation operation oversees transportation service including taxi, airporters, and technology network companies. In 2017, the business managed more than three million trips with revenues of more than \$15 million.

Airport Transit Operations is responsible for transporting rental car customers between the Airport's main terminal and the consolidated Rental Car Facility. This operation transported more than five million customers in 2017.

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AUDIT SCOPE AND METHODOLOGY

We conducted this operational audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives.

The period audited was November 1, 2015 through October 31, 2017. We utilized a risk-based audit approach from planning to testing. We gathered information through interviews, observations, and reviews of Department policies and procedures. Our audit included the following procedures:

1) Deactivation of Access Cards

- Performed testing procedures around 86 terminated Port employees to determine if parking cards issued to these employees were deactivated and collected upon termination.
- Tested a sample of 10 contractors, eight consultants, and eight tenants whose contract or lease had ended with the Port, to determine if the parking cards assigned to them had been deactivated and collected.

2) Inactive Access Cards

- Tested a sample of 15 employees, 15 contractors/consultants and 15 tenants to determine if inactive parking cards (cards not used within 30 consecutive days) were deactivated as stated in the Port's Parking Policy.

3) Parking Policy Guidelines

- Tested a sample of 15 contractors/consultants and 15 tenants, to determine if they had parked overnight for two or more consecutive nights by reviewing their daily parking activity during the period January 1, 2017 through October 31, 2017.
- Tested a sample of 15 contractors/consultants to determine if the expiration date of the parking cards assigned to these card holders were restricted to 12 months as stated in Port Policy.

4) Motorcycle Parking

- Toured the STIA Parking Facility, including the third floor non-designated motorcycle parking area, employee parking lots, and toll plaza.

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- Compared the amount, if any, charged for motorcycle parking by contacting the following Airports:
 - ✓ Los Angeles International Airport (LAX)
 - ✓ Hollywood Burbank Airport (BUR)
 - ✓ McCarran International Airport (LAS)
 - ✓ Vancouver International Airport (YVR)
 - ✓ George Bush Intercontinental Airport (IAH)
 - ✓ San Francisco International Airport (SFO)
 - ✓ Portland International Airport (PDX)

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

1) RATING: MEDIUM

Processes related to Employee Parking at the STIA Garage do not always incorporate internal controls to reduce the likelihood of errors and policy exceptions. Opportunities also exist to streamline processes thereby increasing efficiencies.

In general, we identified opportunities for management to enhance processes to increase accuracy and efficiency. We also observed that management oversight, review, and approval, is generally not incorporated into processes.

Below we provide three examples that illustrate opportunities to refine procedures:

- 1) Overnight or extended parking (vacation, training) is limited to Port employees. However, we identified contractors, consultants and tenants who had parked at the Garage for an extended period. Management indicated that monitoring to verify that this benefit is limited to employees, is not performed. We noted that:
 - Two contractors out of a sample of 15 selected for testing, had parked their vehicles at the Garage for more than two consecutive nights on multiple occasions.
 - Three tenants out of a sample of 15 selected for testing, had parked their vehicles at the Garage for more than two consecutive nights on multiple occasions.
- 2) Although not captured formally into Policy documents, management indicated that parking cards for Contractors and Consultants are issued for a 12 month term. However, we identified one contractor out of the 15 samples tested; whose parking card had an initial term of 36 months.
- 3) When an individual's employment with the Port has ended, parking cards are not always deactivated. We identified seven individuals, out of a sample of 86, who no longer worked at the Port, but whose parking cards were still active. Also, three contractors from a sample of 10 contractors, still had an active access card though their contract with the Port had ended.

Recommendation:

Management should evaluate the Parking Policies and revise them to include provisions that are current and relevant.

Once Policy requirements have been established, internal controls including management review should be implemented.

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Management Response/Action Plan:

1. Complimentary parking cards are available to a variety of Port partners, including tenants, contractors, and consultants. The reporting system that indicates card presence is unable to define how a card is being used. We have restrictions on personal travel for consultants and contractors. Access control system limitations make it difficult to monitor extended parking stays. Since cards are assigned to vehicles as well as individuals, at times the vehicle presence (with cards) exceeds 24 hours even though a person is not at the worksite.
2. Consultant and contractor parking privileges are requested by Port staff sponsors. There is a procedure in place wherein the Port staff member makes a formal request on behalf of the consultant or contractor which includes details such as:
 - a. Company
 - b. Vehicle identification
 - c. Duration of contract or project

Some consultants or contractors have defined projects that commit the Port for more than a 12-month period. As such, the Employee Parking team generally honors requests that exceed 12 months even with a preference for a shorter term.

3. Employee Parking has a process in place to deactivate cards after an employee's separation from service. This process requires the Landside Customer Service Specialists to manually deactivate the card. Operations identified five of the seven tested cards as being active, but not in use. The two remaining cards had either been deactivated as required, or available to an active employee. We acknowledge that this manual cancellation is prone to error and would benefit from additional oversight. We will implement a Billing Specialist review over this process by March 31, 2018 to reduce the likelihood of future errors.

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2) RATING: MEDIUM

A process for motorcycle parking needs to be developed and consistently enforced.

When approaching the airport, signage guiding motorcyclists to enter the garage does not exist. As a result, not all motorcyclists enter the garage the same way. Some enter on the first floor, and pay \$30, while others bypass the gated entry and enter via Arrivals on the third floor, thus not paying a fee. During the audit, we researched how other airports charge motorcyclists. What we found was some airports charged a reduced fee, while others provided complimentary motorcycle parking. However, free motorcycle parking could be considered a violation of the Washington State Constitution and Federal Regulations.

Once in the garage, motorcyclists use two unofficial parking locations. These locations require the owner to either drive their motorcycle over a curb, use a small asphalt ramp, or enter using access points designed for individuals with luggage carts. Additionally, motorcycles entering and exiting, at the south end of the third floor, are at risk of accidents with TNC's, taxicabs and courtesy vehicles. Although unlikely, if an accident were to occur, the Port would most likely be liable for not providing an easily accessible and official parking space.

Establishing a sustainable and repeatable process is important as airport parking demand grows and space becomes increasingly limited.

Recommendation:

Management should consider a reduced fee for motorcycle parking after assessing the impact on revenue. Regardless of the decision, a consistent point of entry should be established. Most likely, signage will need to be added when approaching the garage to guide motorcyclists to the correct point of entry.

Management should also consult with Risk Management. This consultation should evaluate the likelihood and financial impact if an accident were to occur in an unofficial motorcycle parking area.

Management Response/Action Plan:

The recommendation of the Auditor is appreciated. Current policy provides that public customers are responsible to pay appropriate parking fees as indicated by entry, and exit signs, as well as the tariff associated with the airport's parking facility. Port Legal had previously provided an opinion that there is no legal justification for complimentary public motorcycle parking. At issue is the area on the third floor of the garage where access controls are lacking. This area had been authorized for tenant and employee motorcycle parking. It is assumed that these motorcycle parkers are included in other parking programs (complimentary or fee-based) and have access to the parking garage. Management will consult with the Port's Risk Department and review previous recommendations to register tenant motorcyclists in a more formalized program by April 30, 2018.

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APPENDIX A: RISK RATINGS

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Port. Items deemed “Low Risk” will be considered “Exit Items” and will not be brought to the final report.

Rating	Financial	Internal Controls	Compliance	Public	Port Commission/ Management
HIGH	Large financial impact Remiss in responsibilities of being a custodian of public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, State, and Local Laws, or Port Policies	High probability for external audit issues and/or negative public perception	Important Requires immediate attention
MEDIUM	Moderate financial impact	Partial controls Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, State, and Local Laws, or Port Policies	Potential for external audit issues and/or negative public perception	Relatively important May or may not require immediate attention
LOW/ Exit Items	Low financial impact	Internal controls in place but not consistently efficient or effective Implementing/enhancing controls could prevent future problems	Generally complies with Federal, State and Local Laws or Port Policies, but some minor discrepancies exist	Low probability for external audit issues and/or negative public perception	Lower significance May not require immediate attention
Efficiency Opportunity	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient				