



PETER HUGHES, Ph.D, CPA, CIA, CFE, CITP
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INTERNAL AUDIT DEPARTMENT

Audit No. 2348

December 18, 2003

TO: Alan Murphy, Airport Director
John Wayne Airport

SUBJECT: Limited Review of Parking Concepts, Inc.
Parcel PM 1121-400-17

We have performed a limited review of certain records and documents for the year ended July 31, 2003, pertinent to the parking facilities operating agreement (Agreement) between the County of Orange (County) and Parking Concepts Inc. (PCI), dated January 9, 2003. The Agreement is for the operation of the parking facilities at John Wayne Airport (JWA).

The primary purpose of our review was to determine whether PCI's records adequately supported gross receipts submitted to the County. We also reviewed compliance with certain other provisions of the Agreement, such as allowed uses and payment procedures.

Based on our review, we find that PCI has retained sufficient documentation to adequately support monthly gross receipts reported to the County, except for a key reconciliation as discussed in item 1 below. We also identified three areas for improvement as presented below.

1. Reconciliation of Daily Tickets Issued and Collected

A key reconciliation that should be performed by PCI is a daily reconciliation between tickets issued and collected to a physical inventory count of the cars left in the parking lot overnight (layover inventory). This is an important reconciliation because significant differences in ticket counts could indicate a control weakness and/or lost revenue to the County.

During our review, we noted that no differences existed on each of the 10 daily ticket reconciliations we sampled. Minor differences are expected to occur due to the timing of when the layover inventory is performed and because clerical errors can occur when layover inventory is performed. Upon discussion with PCI, it was determined that PCI did not use the actual layover inventory amounts in the reconciliation and instead made the counts agree. Therefore, in effect, the tickets and layover inventory counts were not being reconciled by PCI. When we revised the 10 sample reconciliations to include the actual layover inventory amounts, the difference in ticket counts ranged from an absolute value of 1 to 75 per lot.

Since PCI was not reporting the actual inventory counts in the ticket reconciliation, the ticket reconciliations could not be properly monitored by JWA/Accounting to identify potential control weaknesses and/or potential lost revenue.

Recommendation No. 1.A: We recommend that JWA require PCI to use the actual daily layover counts in the daily ticket reconciliations.

JWA Response: Concur. Effective August 20, 2003 PCI has implemented using actual physical inventory to reconcile tickets issued. Please see item no. 1 of attached letter from PCI.

Recommendation No. 1.B: We also recommend that JWA review the daily ticket reconciliation to ensure ticket count differences are within acceptable limits.

JWA Response: Concur. JWA will monitor daily ticket reconciliation prepared by PCI.

2. Monthly Parking Permit Hangtags

PCI does not deposit hangtag revenue to the County's bank account immediately upon receipt. Hangtag revenue collected throughout the month is held until the end of the month before deposited. Clause 11 of the Agreement requires "All gross receipts received by Operator in its operation of the Parking Facilities at the Airport shall become, immediately upon the collection and receipt thereof, the property of County."

Recommendation No. 2: We recommend that JWA require PCI to deposit hangtag revenue to the County's account immediately upon receipt.

JWA Response: Concur. PCI is now depositing hangtag revenue the day following receipt of payment instead of the end of the month. Please see item no. 2 of attached letter from PCI.

3. Ticket Documentation

We reviewed the validated, lost, and discounted tickets from a sample of 8 days to ensure that the parking booth attendant obtained the required customer documentation. Below are the results:

- Validated (Free Parking) Tickets: PCI's Operations Manual requires a JWA airport validation stamp, a PCI parking sticker, or an employee's signature and organization as evidence of proper validation. For 16 out of approximately 320 validated tickets sampled, complete documentation to support the validation was not obtained. Of the 16 tickets, 14 contained the person's signature but not the organization name.
- Lost Tickets: PCI's Operations Manual requires the parking booth attendant to obtain and document customer information in the event a parking ticket is lost. Information such as the vehicle license number is compared to the daily license plate inventory reports to determine the number of days the car was in the lot so the correct fee can be charged. For 6 out of approximately 40 lost tickets sampled, the required customer information was not documented.
- Discount Tickets: PCI provides discount rates to handicap customers. According to PCI's unwritten policy, the parking booth attendant must obtain documentation on the ticket such as the

customer's signature and handicap tag number. For 1 out of approximately 40 discount tickets sampled, the required customer information was not documented.

Adequate documentation helps support that the reduced revenue to the County was legitimate and allowable.

Recommendation No. 3: We recommend that JWA require PCI to obtain complete documentation for validated, lost, and discounted tickets.

JWA Response: Concur. PCI is conducting additional training with cashiers and plaza supervisors. PCI will also conduct internal audits of its employees' ticket documentation. Please see item no. 3 of attached letter from PCI.

4. Written Procedures

Written cash receipting procedures were not maintained at any of the three parking attendant booths sampled. Written procedures provide instruction and help to ensure approved procedures are consistently adhered to.

Recommendation No. 4: We recommend that JWA require PCI to maintain written cash receipting procedures at all parking attendant booths.

JWA Response: Concur. PCI has posted copies of cashiering procedures in all parking attendant booths. Please see item no. 4 of attached letter from PCI.

If you have any questions regarding our record survey, please call me or Autumn McKinney, Audit Manager, at (714) 834-6106. We appreciate the courtesy and cooperation extended to us by the personnel at Parking Concepts Inc., JWA/Business Development, and JWA/Accounting.



Dr. Peter Hughes, CPA
Director of Internal Audit

Attachment – JWA Response

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
James D. Ruth, County Executive Officer
Loan Leblow, Assistant Airport Director
Jan Howard, Deputy Airport Director, JWA/Business Development
David De Leon, Manager, JWA/Parking, Ground Transportation and Special Projects
Lori Peters, Deputy Airport Director, JWA/Finance & Administration
Frank Davies, Accounting Manager, JWA/Accounting
Darlene J. Bloom, Clerk of the Board of Supervisors
Foreman, Grand Jury

Attachment – JWA Responses



County of Orange

MEMO

RECEIVED
INTERNAL AUDIT DEPARTMENT
2003 DEC 15 PM 4:05

November 19, 2003

TO: Peter Hughes, Ph.D., C.P.A., Director of Internal Audit

FROM: Alan Murphy, Airport Director
John Wayne Airport

SUBJECT: Limited Review of Parking Concepts, Inc.
Parcel PM 1121-400-17 (Audit No. 2348)

This is in response to Internal Audit's limited review of certain records and documents for the year ended July 31, 2003, pertinent to the parking facilities operating agreement (Agreement) between the County of Orange (County) and Parking Concepts Inc. (PCI), dated January 9, 2003. The Agreement is for operation of the parking facilities at John Wayne Airport (JWA).

Based on said review, Internal Audit found that PCI has retained sufficient documentation to adequately support monthly gross receipts reported to the County, except for a key reconciliation as discussed in item 1. below. Internal Audit also identified three areas for improvement as presented below.

1. **Reconciliation of Daily Tickets Issued and Collected**

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Attachment – JWA Responses (con't)

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November 19, 2003
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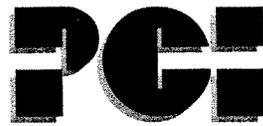
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JWA Response: Concur. PCI has posted copies of cashiering procedures in all parking attendant booths. Please see item no. 4 of attached letter from PCI.

Attachments: Audit No. 2348
PCI Letter dated 11/14/03

Attachment – JWA Responses (con't)



PARKING CONCEPTS INC.

November 14, 2003

Mr. David DeLeon
Manager, JWA Business Development
John Wayne Airport
3160 Airway Avenue
Costa Mesa, CA 92626

Dear David DeLeon:

**SUBJECT: LIMITED REVIEW OF REVENUE FOR PARKING CONCEPTS, INC.
PARCEL PM 1121-400-17**

Parking Concepts, Inc. has received the draft letter of the recently completed audit of the parking revenue at John Wayne Airport. This report list four findings; number 1 is a key reconciliation that was not in compliance and numbers 2-4 are recommended areas of improvement to current procedures.

1. **Reconciliation of Daily Tickets Issued and Collected.** Parking Concepts concurs that we were not reconciling the tickets issued and collected to the physical overnight inventory. This was brought to our attention during the audit and was immediately corrected. All tickets issued and collected are reconciled to the physical inventory effective August 20, 2003. In addition to the immediate corrective action, we have implemented additional "checks and balances" within our cash and reporting systems.
2. **Monthly Parking Permit Hangtags.** Parking Concepts concurs that we were depositing the monthly hangtags revenue only at the end of the month. We are now depositing the monthly hangtag revenue the day following receipt of payment.
3. **Ticket Documentation.** Parking Concepts concurs with the findings outlined in the draft report. We have reinforced our cashier procedures and are conducting additional training with the cashiers and plaza supervisors. We will also audit all exception tickets to assure that all validated, lost and discounted tickets are in complete compliance.
4. **Written Procedures.** Parking concurs that written cashing procedures were not in the parking attendant booths. A laminated copy of the "cashing procedures" is now posted in all parking attendant booths.

12 Mauchly
Building 1

Irvine
California 92618

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949 753 7526 Fax

E-Mail
parkingconcepts@pccid.com

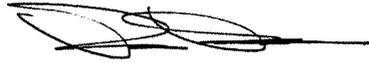
Attachment – JWA Responses (con't)

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November 14, 2003

We would like to thank the audit team for their courtesy and we welcome the outside review of our operations. We continually strive to improve our operations and sincerely appreciate input from all sources.

Sincerely,



Kermit W. Kingsbury
Vice President
cc: Gill Barnett, President, Parking Concepts, Inc.