



**DIVISION OF INSPECTOR GENERAL**  
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Clerk of the Circuit Court and Comptroller  
Pinellas County, Florida



## **FOLLOW-UP AUDIT OF AIRPORT CONCESSION SERVICES AGREEMENT WITH REPUBLIC PARKING SYSTEM**



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March 31, 2021

Thomas Jewsbury, Airport Director

The Division of Inspector General has conducted a Follow-Up Audit of Airport Concession Services Agreement With Republic Parking System. The objective of our review was to determine the implementation status of our previous recommendations. We obtained the audit purpose, background information, opportunities for improvement, and recommendations from the original audit report. We added the status of recommendation implementation to this follow-up audit report.

Of the 18 recommendations contained in the original audit report, we determined that 7 have been implemented, 2 have been partially implemented, 5 have not been implemented, and 4 are no longer applicable. The status of each recommendation is presented in this follow-up report.

We appreciate the cooperation shown by the staff of the Airport during the course of this review.

Respectfully Submitted,

Melissa Dondero  
Inspector General/Chief Audit Executive

cc: The Honorable Chairman and Members of the Board of County Commissioners  
Barry Burton, County Administrator  
Kevin Knutson, Assistant County Administrator  
Mark Sprague, Deputy Director for Operations and Facilities  
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# INTRODUCTION

## *Scope and Methodology*

We conducted a follow-up audit of the Airport Concession Services Agreement With Republic Parking System. The purpose of our follow-up review was to determine the status of previous recommendations for improvement.

The purpose of the original audit was to ensure contract compliance in the following areas:

1. Revenue reporting and payment terms
2. Parking lot operations
3. Shuttle bus operations

To determine the current status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the implementation of the recommendations for improvement.

Our follow-up audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and, accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the months of December 2020 through March 2021. The original audit period was July 1, 2017, through June 30, 2018. However, transactions and processes reviewed were not limited by the audit period.

## *Overall Conclusion*

Of the 18 recommendations in the original report, we determined that 7 were implemented, 2 were partially implemented, 5 were not implemented, and 4 were no longer applicable. We encourage management to continue implementing the remaining recommendations.

## Implementation Status Table

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
<b>1</b>	<b><i>The Airport's Control Activities For Monitoring Reported Revenue Should Be Strengthened.</i></b>					
<b>A</b>	Ensure the Concessionaire submits a ticket reconciliation and Lost Ticket Report monthly with the Gross Revenue report.	✓				
<b>B</b>	If necessary, work with the Concessionaire to revise its percentage requirement for contacting customers listed in the Lost Ticket Report and enforce it accordingly by performing periodic reviews.					✓
<b>C</b>	Review the Concessionaire's Gross Revenue report format for potential improvements, such as clearly identifying all adjusting entries, so the Airport can easily review the reports for accuracy.			✓		
<b>D</b>	Determine an appropriate frequency and begin reviewing the Concessionaire's detailed accounting records and monthly ticket reconciliations.	✓				
<b>2</b>	<b><i>The Airport Does Not Monitor Shuttle Bus Activities.</i></b>					
<b>A</b>	Develop an understanding of the reporting functionality in the GPS application.					✓
<b>B</b>	Develop and implement procedures for periodically validating shuttle bus billings using GPS data.					✓
<b>C</b>	Market the public-facing GPS application to customers so they can view and track the shuttle bus service at the Airport.					✓
<b>3</b>	<b><i>Cash Receipts Are Not Always Deposited At The Bank Daily.</i></b>					
	Ensure the Concessionaire follows the SOPs and deposits cash receipts daily.				✓	

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OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
4	<b><i>The Internal Controls Over The Change Fund Are Not Sufficient.</i></b>					
A	Work with the Concessionaire to assess change fund procedures and increase the \$700 change fund, if needed, while eliminating the second change fund. Deposit at the bank any cash not needed for the change fund.				✓	
B	Work with the Concessionaire to secure the long-term booth change fund during operational hours.				✓	
C	Work with the Concessionaire to develop a system to record the transfer of funds between employees when the change fund is used.				✓	
5	<b><i>All Remote Parking Lot Rates Are Not Publicly Displayed.</i></b>					
	Update the parking lot signage to reflect all parking rates in the remote parking lots.	✓				
6	<b><i>The Contract Contains Conflicting And Unclear Language.</i></b>					
A	Document the inconsistencies noted and, if the Airport executes a contract amendment in the future, consider removing any inconsistencies and ambiguities.			✓		
B	Develop a methodology for the Concessionaire to calculate the unaccounted for tickets and enforce the contract.				✓	
C	Develop a methodology for the Concessionaire to retain contract documents and enforce the contract.	✓				
7	<b><i>There Are No Formal Policies And Procedures For Monitoring The Concession Contract.</i></b>					
	Develop and implement formal policies and procedures for contract monitoring activities.	✓				
8	<b><i>The Concessionaire's Standard Operating Procedures Are Incomplete.</i></b>					

## Follow-Up Audit of Airport Concession Services Agreement With Republic Parking System

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
A	Ensure the Concessionaire provides current policies and procedures for PIE's Airport operations.	✓				
B	Assess the policies and procedures provided by the Concessionaire for appropriateness and compliance with the contract.	✓				

## **Background**

The Airport is responsible for operating the runways, buildings, equipment, and vehicles belonging to the Airport, and providing fire protection services for aviation operations. The Airport provides a full range of high-quality customer, aviation, and facility services to support the transportation and commerce infrastructure used by airlines, passengers, tenants, the Transportation Security Administration, and the United States Customs Service.

The annual \$1 billion+ economic impact of the Airport is associated with the tenants and businesses located at the Airport and Airport construction projects, in addition to spending from visitors arriving via the Airport to the Tampa Bay area. The Airport is entirely self-supporting by user fees, leases, concessions, and federal and State grant revenue. County property tax revenue is not used for Airport operations.

In fiscal year (FY) 2017-2018, the Airport collected \$29,572,678 in revenues, of which, concession income accounted for \$9,960,272, or 33.7%. Concession revenues include paid parking, car rentals, food and beverage, news and gifts, and other miscellaneous concessions. The Airport recently entered into a master concession services agreement for new food, beverage, and retail services, which the Airport expects to open in late 2019.

<b>Revenue Source</b>	<b>Revenue</b>	<b>Percentage of Revenue</b>
Intergovernmental Revenue	\$ 327	0.0%
Private and Commercial Airline Fees	4,161,643	14.1%
Interest	536,549	1.8%
Concession	9,960,272	33.7%
Terminal Leases and Fees	267,060	0.9%
Land Leases	3,333,070	11.3%
Miscellaneous	11,782	0.0%
Federal Grants and Fees	10,038,088	33.9%
State Grants	1,263,886	4.3%
<b>Total</b>	<b>\$ 29,572,678<sup>1</sup></b>	<b>100.0%</b>

<sup>1</sup> There is a \$1 variance between the total and the sum of all revenue sources due to rounding.

The Airport's current concession services agreement (CSA) with Republic Parking System, Inc. (Concessionaire) commenced on July 1, 2014. However, the Airport has had an agreement with the Concessionaire since 2002 to operate the public parking concession at the Airport for its short-term, long-term, and remote parking lots. The Concessionaire also provides shuttle bus service for passengers and employees that park in the remote parking lots. For the past 18 months, while some of the Airport's parking lots have been under construction, shuttle bus activity has increased. However, the Airport expects shuttle bus activity to decrease in the spring



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of 2020, when construction is complete, which may alleviate some of the improvements recommended in this audit.

The Concessionaire collects all parking fees from customers, and shares the revenue on a sliding scale with the County, as follows:

<b>Annual Gross Receipts</b>	<b>Concession Fees to Airport</b>
Up to \$1 Million	80%
Over \$1 Million - \$2 Million	85%
Over \$2 Million	90%

Each month, the Concessionaire deducts shuttle bus service fees from the concession fees owed to the Airport before submitting payment. The Airport’s revenue share of total gross receipts for paid parking for contract year 2017-2018 (July 1, 2017 – June 30, 2018) was \$3,350,670. Shuttle bus service fees charged in contract year 2017-2018 accounted for \$401,957. Net of shuttle bus service fees and other allowable deductions, paid parking concession revenues submitted to the Airport in contract year 2017-2018 were \$2,944,665.

# STATUS OF RECOMMENDATIONS

This section reports our audit follow-up on actions taken by management on the recommendations for improvement in our original audit report of the Airport Concession Services Agreement With Republic Parking System. The recommendations contained herein are those of the original audit report, followed by the current status of the recommendations.

## ***1. The Airport's Control Activities For Monitoring Reported Revenue Should Be Strengthened.***

The Airport should strengthen its monitoring activities to validate the Concessionaire's internal control effectiveness or the Concessionaire's compliance with the contract. The Airport receives monthly Gross Revenue reports from the Concessionaire, which indicate the gross receipts for the month, various deductions, and the County's revenue share, which is referred to as the concession fee. The Airport subsequently verifies the payment amounts from the Concessionaire agree to the concession fee reported. However, the Airport does not review supporting documentation for the Gross Revenue reports to ensure the revenue reported is accurate. Although the Airport analyzes revenue trends, additional control activities are needed to ensure continued compliance with contract terms.

Additionally, the contract requires the Concessionaire to submit to the Airport the following two reports with the Gross Revenue reports each month:

- Monthly Ticket Reconciliation
- Lost Ticket Report

The Concessionaire generates these reports, but it does not submit them to the Airport. These reports are added controls to ensure the Concessionaire can account for tickets issued and fraudulent activity is not occurring.

The Concessionaire generates internal reports on a daily and monthly basis. The Concessionaire does not prepare a separate Monthly Ticket Reconciliation report; it prepares the monthly ticket reconciliation as part of its Monthly Report, which is a summary of the Concessionaire's Daily Reports prepared during the month. The Daily Reports include revenue collected, as well as ticketing information needed for the monthly ticket reconciliation. The Concessionaire's ticket reconciliation compares issued and collected parking tickets to determine if there are any unaccounted for parking tickets.

During the audit, we reviewed Monthly Reports, Daily Reports, and the accounting records that supported the Daily Reports to ascertain the accuracy of reported revenue and ticket reconciliations. We reviewed all 12 Monthly Reports for contract year 2017-2018, and compared the revenue documented with the revenue reported on the Gross Revenue reports submitted to the Airport. We noted 11 minor variances in the gross revenue (less than 1% of gross receipts) between the Gross Revenue reports and the Monthly Reports. After working with the Concessionaire's accounting staff to understand the variances, we found two of the variances were due to manual data entry errors, and nine variances were due to various timing adjustments. We concluded the Concessionaire is generally reporting revenue accurately; however, the Concessionaire should submit the ticket reconciliations monthly to the Airport, as required.

As noted above, during our review of the Gross Revenue reports, in order to understand the variances and causes of each, we had to request and review additional documentation provided by the Concessionaire's corporate accounting office. We found the Concessionaire's staff summarizes many adjusting entries on the Gross Revenue reports, which does not allow the reviewer to understand the adjusting entries without following up with Concessionaire staff. The Airport should work with Concessionaire accounting staff to revise the reports to ensure the Airport can efficiently monitor the contract.

As noted in Opportunity for Improvement (OFI) #6, the Airport is not enforcing a contract clause related to the monthly ticket reconciliations due to a lack of understanding of the contract language, coupled with the Concessionaire failing to submit the ticket reconciliations to the Airport. The ticket reconciliations need to be submitted to the Airport monthly going forward so the Airport can start to enforce the contract and potentially collect additional revenue, through penalties assessed on unaccounted for parking tickets. See OFI #6 for additional details about the contract language.

In addition to reviewing the Monthly Reports in contract year 2017-2018, we also selected one Daily Report from each month and traced the information to the Concessionaire's accounting records. Accounting records include the following:

- Cashiers' reports, which indicate each cashier's till amount at the beginning and end of his or her shift
- Credit card and cash transaction reports from the parking ticket fee computers
- Credit card receipts signed by customers
- Processed parking tickets
- Daily Worksheets, which Concessionaire management uses to summarize daily transactions in a format that can be transferred to the Daily Reports

We verified the following during our review of the Concessionaire's accounting records:

- Cash revenue reported on the Daily Reports agreed with the Daily Worksheets, the parking ticket fee computers' cash transaction reports, and the cashiers' reports

- Credit card revenue reported on the Daily Reports agreed with the Daily Worksheets, credit card transactions from the parking ticket fee computers, and credit card receipts

During our review, we relied on notes made by Concessionaire management and cashiers to explain variances between certain reports, such as the fee computers malfunctioning and requiring the use of a backup credit card transaction device. We validated all reported revenue amounts and concluded the Concessionaire is effectively managing its revenue receipts. However, the Airport should periodically monitor activity to ensure continued compliance and accuracy.

The Concessionaire is required to submit the Lost Ticket Report to the Airport monthly. This is a list of all customers who lost their parking ticket and received an exception ticket in its place during the month. As an added control, the contract requires the Concessionaire to contact 20% of the customers listed on the Lost Ticket Report and verify they lost their ticket. We reviewed the reports for all 12 months during contract year 2017-2018, and noted in nine months, less than 20% of the customers were called (between 14% – 18%). We concluded the Concessionaire should comply with contract provisions or work with the Airport to determine what percentage of the customers the Concessionaire should contact each month.

Effective contract monitoring provides management with assurance the Concessionaire is abiding by contract terms and reporting accurate gross revenue amounts. Limited staff resources have prevented the Airport from monitoring the contract and enforcing the contract terms. Although the variances noted between revenue reported and the accounting records were not significant, the Airport is not monitoring sufficiently to periodically validate the Concessionaire's internal control effectiveness, compliance with contract terms, and to assess the reasonableness of variances and adjustments.

***We Recommended Management:***

- A. Ensure the Concessionaire submits a ticket reconciliation and Lost Ticket Report monthly with the Gross Revenue report.
- B. If necessary, work with the Concessionaire to revise its percentage requirement for contacting customers listed in the Lost Ticket Report and enforce it accordingly by performing periodic reviews.
- C. Review the Concessionaire's Gross Revenue report format for potential improvements, such as clearly identifying all adjusting entries, so the Airport can easily review the reports for accuracy.
- D. Determine an appropriate frequency and begin reviewing the Concessionaire's detailed accounting records and monthly ticket reconciliations.

**Status:**

- A. **Implemented.** Management is ensuring the Concessionaire provides the Ticket Reconciliation report and the Lost Ticket Log monthly with the Gross Revenue report.
- B. **No Longer Applicable.** Management discussed the matter with the Concessionaire and came to the conclusion the Concessionaire's accuracy of reporting or tracking lost tickets would not substantially increase as a result of an additional incremental difference in the required percentage of customers contacted. Thus, management did not recommend the Concessionaire revise its percentage requirement for contacting customers listed in the Lost Ticket Log.
- C. **Partially Implemented.** Management has been working with the Concessionaire to explore different revenue validation methods. The Concessionaire presented management with five methods to validate ticket revenue and informed management it could provide reports for each method. Until reporting improvements are made, the risk still exists of the Airport staff being inefficient at assessing the reasonableness of variances and adjustments. We encourage management to implement the recommendation fully to mitigate the risk.
- D. **Implemented.** The Airport Director and the Airport Operations and Facilities Deputy Director now receive summarized messages on monthly revenue trends from the Airport Finance Deputy Director. At the beginning of each month, the Airport Director and the Airport Operations and Facilities Deputy Director meet to review accounting records and ticket reconciliations.

## ***2. The Airport Does Not Monitor Shuttle Bus Activities.***

The Concessionaire operates shuttle buses to transport passengers and Airport employees from Airport parking lots to the terminal building. The contract allows the Concessionaire to deduct a service fee for shuttle bus operations from the concession fee before submitting payment to the Airport. The Airport Director or Deputy Director assesses the quantity of shuttle buses needed during the Airport's busier periods during the year and works with the Concessionaire to determine the best combination of customer and employee shuttles based upon flight schedules and forecasted passenger usage. When the Concessionaire submits the monthly Gross Revenue report to the Airport, it also submits a monthly Labor Allocation report to validate the charges for the shuttle bus drivers' time. However, the Airport does not verify any reported charges.

We noted the shuttle buses have a global positioning system (GPS) installed, and the Airport has purchased reporting functionality from the GPS provider. Reviewing GPS reports and comparing them to amounts billed for service fees may provide assurance about the service fees

deducted. In addition, the primary purpose for the GPS platform is providing a public-facing application, which passengers can utilize when planning their trip through the Airport.



Effective contract monitoring provides management with assurance the Concessionaire is abiding by contract terms and any deductions to the concession fees are accurate. However, limited staff resources have prevented the Airport from monitoring the daily shuttle bus activity.

We reviewed the shuttle bus service fees deducted for contract year 2017-2018, and although there were no variances noted

between the amounts deducted and the Labor Allocation reports, we cannot establish that the Labor Allocation reports were accurate. The Airport does not conduct periodic validation of the Concessionaire's internal control effectiveness, compliance with contract terms, and revenue amounts received from the Concessionaire. The Airport expects shuttle bus service to be greatly reduced in the spring of 2020, when much of the parking lot construction will be completed. Nonetheless, the Airport should determine an appropriate method for monitoring shuttle bus activity to validate charges.

***We Recommended Management:***

- A. Develop an understanding of the reporting functionality in the GPS application.
- B. Develop and implement procedures for periodically validating shuttle bus billings using GPS data.
- C. Market the public-facing GPS application to customers so they can view and track the shuttle bus service at the Airport.

***Status:***

- A. **No Longer Applicable.** The Ride Systems application is no longer in use at the Airport.
- B. **No Longer Applicable.** The Ride Systems application is no longer in use at the Airport.
- C. **No Longer Applicable.** The Ride Systems application is no longer in use at the Airport.

### ***3. Cash Receipts Are Not Always Deposited At The Bank Daily.***

The Concessionaire does not always deposit cash receipts daily at the bank. The Concessionaire's Standard Operating Procedures (SOPs) require daily bank deposits, but the contract does not. Average daily cash receipts for contract year 2017-2018 were approximately \$2,700, with a daily high of approximately \$8,800.

The Concessionaire's SOPs indicate Concessionaire staff should utilize "night drops" when the bank is closed. However, Concessionaire management indicated staff does not deposit cash receipts on Sundays due to the bank being closed. In addition, sometimes Concessionaire staff keeps cash receipts overnight to have sufficient change for the cash drawers. Maintaining cash receipts at the Airport overnight could result in theft or loss of funds.

#### ***We Recommended Management:***

Ensure the Concessionaire follows the SOPs and deposits cash receipts daily.

#### ***Status:***

**Not Implemented.** Management reiterated that, under the CSA, the Concessionaire is responsible for protecting and depositing the collected revenues. The Concessionaire revised its SOPs to reflect the current process for depositing cash receipts. The current process does not require daily deposits of cash receipts, and the revised SOPs now require timely deposits without defining the frequency. According to the revised SOPs, the Concessionaire is responsible for ensuring parking revenue is deposited timely at the appropriate banking center during the banking days of operation Monday through Friday. Any parking revenue collected on the weekends is to be maintained in a locked safe and deposited on the next available banking day following Sunday. We continue to recommend management implement our recommendation by requiring daily deposits because the risk of theft or loss of funds still exists.

### ***4. The Internal Controls Over The Change Fund Are Not Sufficient.***

Each parking lot attendant has a cash drawer for accepting cash payments and making change. In addition, the long-term parking lot attendant keeps a \$700 change fund in the booth in order to make change for other cashiers, as needed. Since the cash drawer in the long-term booth does not lock, Concessionaire staff is unable to secure the \$700 change fund during operational hours.

In addition, during a walkthrough of the long-term parking lot booth, we reviewed the contents of the safe, which included a box of dollar bills. Concessionaire management was not immediately

aware of the amount in the cash box, but later confirmed it was \$1,000. Concessionaire management indicated the box of money was a second change fund, and used as needed. When asked why the Concessionaire did not increase the initial change fund, as opposed to having two change funds, Concessionaire management indicated staff does not consistently need additional funds.

We also noted Concessionaire staff counts the \$700 change fund each morning when it counts the cash drawers; however, it does not routinely count the \$1,000 change fund. In addition, Concessionaire staff does not document transactions to make change in and out of either change fund.

Cash handling best practices recommend cash custodians secure cash at all times and document transfers of cash between employees.



Concessionaire management has not implemented a proper cash handling system, such as maintaining one change fund and ensuring the change fund is stored in a locked drawer when not in the safe. The Concessionaire maintains two separate change funds, which may be unnecessary and redundant. Concessionaire staff keeps one change fund of \$700 in an unlocked drawer during operational hours. Another change fund of \$1,000, in loose bills, is stored in a cash box in a safe, but is not accounted for daily. The lack of physical controls over both

funds could results in an opportunity for mishandling or theft.

***We Recommended Management:***

- A. Work with the Concessionaire to assess change fund procedures and increase the \$700 change fund, if needed, while eliminating the second change fund. Deposit at the bank any cash not needed for the change fund.
- B. Work with the Concessionaire to secure the long-term booth change fund during operational hours.
- C. Work with the Concessionaire to develop a system to record the transfer of funds between employees when the change fund is used.

***Status:***

- A. **Not Implemented.** Although the Concessionaire updated its SOPs, Concessionaire management informed us the new procedures did not relate to the recommendation. The Concessionaire also reiterated the change funds were its property, and there was no risk to the Airport. Airport management stated the Concessionaire uses two change funds,



one of which provides cashiers their drawer change funds for daily usage while the other is used exclusively for large transactional needs. The opportunity for mishandling and theft of the funds still exists. We continue to recommend management implement our recommendation.

B. **Not Implemented.** Although the Concessionaire updated its SOPs, Concessionaire management informed us the new procedures did not relate to the recommendation to secure the long-term booth change fund during operational hours. Management reiterated its position the Airport has no risk exposure related to the practices and processes surrounding the retention or issuance of the Concessionaire's change funds, as this is an internal Concessionaire operations issue. The lack of physical controls over the long-term booth cash drawer could result in an opportunity for mishandling or theft. We continue to recommend management implement our recommendation.

C. **Not Implemented.** Although the Concessionaire updated its SOPs, Concessionaire management informed us the new procedures did not relate to the recommendation to develop a system for recording the transfer of change funds between employees. Management reiterated its position the Airport has no risk exposure related to the practices and processes surrounding the retention or issuance of the Concessionaire's change funds, as this is an internal Concessionaire operations issue. The lack of a system to record transfers of change funds between employees could result in an opportunity for mishandling or theft. We continue to recommend management implement our recommendation.

## ***5. All Remote Parking Lot Rates Are Not Publicly Displayed.***

The daily maximum rate for the remote parking lot is \$8.00, which is posted on a sign at the entrance to the parking lot. However, the following additional rate details are not displayed on the parking sign:

- The first hour of parking is \$2.00
- Each additional 20 minutes is \$1.00

The Airport indicated that although the contract requires the Concessionaire to maintain the parking signs, due to ongoing construction within the Airport's parking lots, the Airport has been providing the signs. The contract, Article 9 Parking Rates, requires:



*"Public parking rates shall be prominently displayed on signs and maintained at all entrances and exits to the public parking lots by Concessionaire at their sole expense, which shall be subject to the approval of the Airport Director."*

Not having the parking rate information posted at the remote parking lot results in a lack of price transparency for the passengers. It may cause confusion and inconsistency in the rates charged, up charging unaware passengers, and could lead to fraudulent activities.

***We Recommended Management:***

Update the parking lot signage to reflect all parking rates in the remote parking lots.

***Status:***

**Implemented.** Management amended the parking lot signage to reflect detailed parking rates.

## ***6. The Contract Contains Conflicting And Unclear Language.***

During our review of the contract, we noted four areas of the contract that contained inconsistent or ambiguous language. In two of the four areas, Gross Revenues and Audit Reports, the Airport understands the contract intent and is able to enforce the contract requirements. However, Airport staff is not enforcing the other two areas, Unaccounted Tickets and Document Retention, due to a lack of understanding between the Airport and the Concessionaire. The Airport should improve the contract language in the following areas for clarity:

### **1. Gross Revenues**

The contract, Article 4 Concession Fee, Section 4.2 Payment, indicates the following:

*"Concessionaire's Gross Revenue shall not be reduced by any payment required of the Concessionaire for business expenses, including but not limited to ...operating expenses ...other taxes."*

We noted the Concessionaire reduces the concession fee due to the Airport by the cost of sales tax and credit card fees. Article 1 Definitions, Section 1.9 "Gross Revenues" includes the following language:

*"Credit/debit card fees and sales tax shall not be included in 'Gross Receipts'."*

Airport staff indicated Article 1 of the contract was correct, in that deducting the sales tax and credit card transaction fees was allowable. Airport staff assumes that Article 4 was not updated appropriately to reflect Article 1 modifications allowing these deductions. The Airport should consider modifying the language in Article 4 if a contract amendment is executed. In the interim, the Airport should document internally that Article 1 language supersedes Article 4 language, with regard to allowable deductions.

## **2. Unaccounted Tickets**

Article 7 Lost and Unaccounted Tickets Written, Section 7.2 Unaccounted Tickets, includes the following language:

*"Concessionaire shall deliver to the Airport Director, with its submission of the Concessionaire's Gross Revenue report:*

*A Monthly Ticket Reconciliation Report which performs the above reconciliation, by area, based on the vehicle inventory counts at the beginning of the month, all tickets issued during the month, all ticket transactions performed during the month and the vehicle inventory count at the end of the month. The report shall compare the number of tickets for which the Concessionaire is accountable against the number of transactions reported for the month, by area, and compute the number of tickets not accounted for, if any. Concessionaire shall be liable for penalties which shall be paid to the Airport within fifteen (15) days of the end of the accounting month, if the number of 'unaccounted tickets' which exceed one half percent (1/2%) of gross revenue computed by each area (Short-Term, Long-Term, Remote Lot if applicable) according to the following schedule:*

*The maximum daily rate for the number of 'Unaccounted Tickets' which are greater than one half percent (1/2%) but less than one percent (1%) of Gross Revenue.*

*Twice maximum daily rate for the number of 'Unaccounted Tickets' which are greater than one percent (1%) but less than two percent (2%) of Gross Revenue.*

*Three times the maximum daily rate for the number of 'Unaccounted Tickets' which are greater than two percent (2%) but less than five percent (5%) of Gross Revenue.*

*Five times the maximum daily rate for the number of 'Unaccounted Tickets' which are greater than five percent (5%) of Gross Revenue."*

The Concessionaire currently performs monthly ticket reconciliations as part of their Monthly Reports. As noted in OFI #1, the Concessionaire does not submit the reconciliations to the Airport monthly as required by the contract. We reviewed all monthly ticket reconciliations for contract year 2017-2018 and noted the Concessionaire's Monthly Reports include a calculation, which highlights when the number of unaccounted for tickets is larger than one-half percent of tickets issued (not gross revenue as indicated in the contract). However, Concessionaire management does not report this information to the Airport.

Airport management is not aware of how to enforce the contract penalties, as the penalties are assessed when the number of unaccounted for tickets surpasses one-half percent of gross revenue. As noted above, the Concessionaire is calculating the unaccounted for tickets based on the tickets issued. Since the value of unaccounted for tickets is unknown, it is not possible to compare the quantity of unaccounted for tickets with a percentage of gross revenue. Neither Airport staff nor Concessionaire staff understands the intent of the contract language and, consequently, does not enforce it.

We also reviewed the source documents for four of the reconciliations performed during the contract year, and noted minor variances between ticket counts and source data. The Concessionaire reported that the variances are likely manual data entry errors, but they could also be required adjustments. Since the reasons for the variances were not documented on the ticket reconciliations, we could not conclude on the appropriateness of the variances.

In five months, during contract year 2017-2018, the Concessionaire documented the number of unaccounted for tickets as greater than one-half percent of tickets issued. This could have resulted in fees due to the Airport. It is difficult to quantify the potential missed revenue opportunity, as the contract language is not clear. Assumptions would be required to calculate potential penalties based on the percentage of tickets issued. This further illustrates the need for the contract language to be clear and for the Airport to actively monitor and enforce the contract. In addition, the Airport must require the Concessionaire to document a thorough explanation of unaccounted for tickets so the Airport can use this information during the monitoring process.

### **3. Audit Reports**

Article 4 Concession Fee, Section 4.2 Payment, includes the following language:

*"The Concessionaire shall submit a certified, sworn statement of the annual gross receipts by an officer of the Concessionaire on or before the 21st day of the month immediately after the contract year."*

For this contract, based on a contract end date of June 30, the due date is July 21 of each year. Article 8 Audit states the following:

*"Concessionaire shall provide to the County an annual audit report on all Gross Revenues....All audit reports shall be filed with the County within ninety (90) calendar days after the end of each calendar year."*

Per Airport staff, the annual sworn statement of the annual gross receipts is the cover page of the audit. Therefore, both are received at the same time, precluding the Concessionaire from complying with both requirements. In contract year 2017-2018, the Concessionaire submitted both documents on September 26, 2018. Therefore, the cover page and audit submittal met neither requirement. However, the Concessionaire submitted both documents within 90 days of the contract year end. We conclude the submittal is reasonable and meeting the intent of the contract. Nonetheless, the Airport should revise the contract language to ensure clarity. In the interim, the Airport should document internally the current accepted practice.

#### **4. Document Retention**

Article 6 Records and Reports includes the following language:

*"The Concessionaire shall maintain and make available to the County for inspection, upon twenty-four (24) hours notice and within normal business hours, the following:*

- A. Records of all tickets purchased and used including dispenser number and date used.*
- B. All used parking tickets, lost ticket forms, and validations for a period of three (3) years.*
- C. A log to include incidents occurring such as power outages, complaints, etc, for the current contract period or one (1) year, and previous three (3) years.*
- D. Any and all other accounting records maintained locally which pertain to the receipt of parking revenues."*

However, immediately following this section, the language conflicts with item B. above:

*"All other records, including processed parking tickets, shall be retained and stored, at an off-airport location, and at Concessionaire's expense, for the term of the Agreement and any extension ...as required by law."*

**Status of Recommendations**

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**Follow-Up Audit of Airport Concession Services Agreement With Republic Parking System**

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Concessionaire management believes that all records are required to be maintained offsite. However, the Concessionaire currently stores approximately three years of accounting records and tickets in the Concessionaire's office at the Airport, which is not an optimum use of space. Airport management is not aware of, or enforcing, the document retention requirements. When the Airport executes a contract amendment, the Airport should modify the language to state clearly the Concessionaire's obligations. In the interim, the Airport should work with the Concessionaire to assess the Airport's needs for document retention and enforce the contract accordingly.

Shawn Burton, general counsel of GE Aviation's Business & General Aviation and Integrated Systems businesses stated in a Harvard Business Review Article:

*"Business leaders should not have to call an attorney to interpret an agreement that they are expected to administer. We should live in a world where contracts are written in accessible language....A world where disputes caused by ambiguity disappear."*

Airport staff believes that inconsistencies developed as modifications were made to the contract, and contract language was not updated consistently. Contracts that are inaccurate, unclear, or contain conflicting language prevent the users from properly executing and the administrators from properly enforcing the contract. The Airport is unable to enforce the contract clause related to unaccounted for tickets due to a lack of understanding of the contract language. In addition, neither the Airport nor the Concessionaire understands the document retention requirements.

***We Recommended Management:***

- A. Document the inconsistencies noted and, if the Airport executes a contract amendment in the future, consider removing any inconsistencies and ambiguities.
- B. Develop a methodology for the Concessionaire to calculate the unaccounted for tickets and enforce the contract.
- C. Develop a methodology for the Concessionaire to retain contract documents and enforce the contract.

***Status:***

- A. **Partially Implemented.** Management partially corrected the issue by noting the inconsistencies and ambiguities found in the CSA for future removal. Although

management has not scheduled a time to amend the CSA, it plans to address the inconsistencies with its future paid-parking CSA. We encourage management to implement the recommendation fully, as the users of the CSA are not able to properly execute the contract and the administrators are not able to properly enforce the contract.

- B. **Not Implemented.** Management did not develop a new methodology for the Concessionaire to use when calculating the unaccounted for tickets. Management prefers to continue using the same methodology that was identified during the audit. The contract language surrounding unaccounted tickets is not clear and hinders the Airport from actively monitoring and enforcing the contract. We continue to recommend management implement our recommendation, as the potential for lost revenue opportunities still exists.
- C. **Implemented.** The Concessionaire remodeled its office at the Airport, relocating records older than 90 days to an off-site storage facility and maintaining 90 days of records at its office for the Airport's review upon request.

## 7. There Are No Formal Policies And Procedures For Monitoring The Concession Contract.

The Airport does not have formal policies and procedures for concession contract monitoring activities. The Committee of Sponsoring Organizations of the Treadway Commission states the following regarding control activities:

*“Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.”*

The Airport has not created nor implemented formal policies and procedures for concession contract monitoring. Without formal concession contract monitoring policies and procedures, the Airport cannot ensure the Concessionaire has effective internal controls and its personnel are performing their duties consistently to reduce the risk of financial loss and contract noncompliance.

### **We Recommended Management:**

Develop and implement formal policies and procedures for contract monitoring activities.

### **Status:**

**Implemented.** The Airport developed and implemented formal policies and procedures for contract monitoring activities.

## 8. The Concessionaire's Standard Operating Procedures Are Incomplete.

During an interview, Concessionaire management indicated some of its procedures were outdated due to using a new revenue processing system. The procedures have not been updated for the new system. Additionally, there are no procedures for abandoned vehicles, as required by the contract. During a parking lot walkthrough with the Inspector General, Concessionaire management noted an abandoned vehicle requiring removal. Management stated that after approximately six months of observing an abandoned vehicle in a parking lot, it reports the vehicle to Airport Operations, and the Airport arranges for the vehicle to be towed.

Article 14 Operational Procedures requires:

*"Concessionaire shall submit to the County written Standard Operating Procedures (SOP) no later than three (3) days from the award of contract or prior to initiation of operation, whichever occurs first. The SOP is to include the following:*

*...E. Procedures for dealing with vehicles left in the Assigned Area over different time periods. If a vehicle remains parked in any of the paid public parking lots in excess of ninety (90) days, Concessionaire shall notify the Airport in writing."*

The Concessionaire installed new revenue control equipment, and the Concessionaire did not submit corresponding procedures to the Airport. The Concessionaire also did not submit abandoned vehicle procedures to the Airport when the contract began. Without current policies and procedures, Concessionaire staff may perform its duties inconsistently. Additionally, Airport contract administration staff is not aware of the required procedures.

### ***We Recommended Management:***

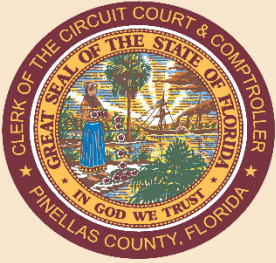
- A. Ensure the Concessionaire provides current policies and procedures for PIE's Airport operations.
- B. Assess the policies and procedures provided by the Concessionaire for appropriateness and compliance with the contract.

### ***Status:***

- A. **Implemented.** The Concessionaire revised its SOPs to include policies and procedures for dealing with abandoned vehicles, operating its new revenue control system, and operating its new revenue control equipment.



- B. **Implemented.** Management has assessed the policies and procedures included in the Concessionaire's SOPs and has determined the current SOPs are sufficient and comply with the contract.



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