

**OFFICE OF THE CITY CONTROLLER**



**AVIATION DEPARTMENT  
GEORGE BUSH INTERCONTINENTAL AIRPORT  
PARKING CASH COLLECTIONS AND DEPOSITS AUDIT**

**Sylvia R. Garcia, City Controller**

**Judy Gray Johnson, Chief Deputy City Controller**

**Steve Schoonover, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

November 1, 2001

The Honorable Lee P. Brown, Mayor  
City of Houston, Texas

SUBJECT: Aviation Department – George Bush Intercontinental Airport  
Parking Cash Collections and Deposits Audit  
(Report No. 00-39)

Dear Mayor Brown:

The City Controller's Office Audit Division has completed an audit of parking cash collections and deposits at the Aviation Department. The primary objective of the audit was to assist Department management with an assessment of the adequacy and effectiveness of the Department's internal controls related to airport parking cash collections and deposits in accordance with the City's contract with New South Parking, the contractor that operates and manages the Department's parking facilities.

The report, attached for your review, concludes that the Department's internal controls related to airport parking cash collections and deposits are adequate except for the findings presented in the body of the report. Draft copies of the matters contained in the report were provided to Department officials. The views of the responsible department officials as to action taken or being taken are appended to the report as Exhibit I.

We commend the Department for taking immediate action on the recommendations identified in the report. Also, we appreciate the cooperation extended to our auditors by Department personnel during the course of the audit.

Respectfully submitted,

  
Sylvia R. Garcia  
City Controller

xc: City Council Members  
Albert Haines, Chief Administrative Officer  
Gerard Tollett, Chief of Staff, Mayor's Office  
Richard M. Vacar, Director, Aviation Department  
Philip Scheps, Director, Finance and Administration Department

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## EXECUTIVE SUMMARY

- The Aviation Department (Department) has not received adequate information from New South Parking's (NSP) point-of-sales providers to properly monitor credit card collections and deposits into City's bank account. Thus, the Department has been unable to reconcile credit card collections and deposits to the City's monthly bank statements.
- At the time of our fieldwork, NSP's contracts with point-of-sales providers had not been reviewed and approved by the City Attorney's Office as required by the City's contract with NSP.
- The \$20 million Performance Bond required to be executed and delivered to the City by the contract date (December 15, 1999) was pending the City Attorney's approval as of June 2, 2000. However, the Department's management later provided us with the Performance Bond bearing the City's Legal Department's approval date of July 5, 2000.
- The certificate of insurance submitted to the Department did not name NSP as the insured. We notified the Department that NSP was not a named insured. On June 30, 2000, the insurance company provided a revised copy of the certificate of insurance naming NSP as an additional insured.
- Verification of the daily reports by NSP's Supervising Manager helps to ensure the reports are accurate and complete. NSP's Daily Deposit Summary Reports do not indicate the Supervising Manager verified the reports. We recommended that the Department require NSP'S Supervising Manager to sign the Daily Deposit Summary Report to indicate the report was verified as to accuracy and completeness. The Department's management immediately notified NSP, and the Supervising Manager now signs the Daily Deposit Summary Reports
- Initially, NSP did not always make timely deposits into City's bank account as required in the contract. After notification from the Department's personnel, NSP showed significant improvement during later months and now makes timely deposits. The Department's Internal Review Section is commended for ensuring NSP's compliance with the terms of the contract regarding prompt deposits of parking revenues (currency and coins) into City' bank account.

## **SCOPE AND PURPOSE**

We have completed an audit of the Aviation Department's parking cash collections and deposits for the period of February 1, 2000 through May 31, 2000. Our purpose was to assist Department management with an assessment of the adequacy and effectiveness of the Department's internal controls related to airport parking cash collections and deposits.

The scope of our work did not constitute an evaluation of the overall internal control structure of the Department. Our examination was designed to evaluate and test the Department's internal controls related to airport parking cash collections, deposits and New South Parking's (NSP) compliance with certain provisions of its contract with the City. We limited our testing to George Bush Intercontinental Airport (IAH), since management uses similar monitoring procedures at Hobby Airport. This was a financial related audit executed in accordance with Generally Accepted Governmental Auditing Standards.

Department management is responsible for establishing and maintaining a system of internal controls to ensure that parking cash collections are accurately reported and promptly deposited into the City's bank account as an integral part of the Department's overall internal control structure. The objectives of our audit are to provide management with reasonable, but not absolute, assurance that their internal controls ensure that parking cash collections are reported and deposited in accordance with the contract terms.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

## **CONCLUSION**

Based on the results of our audit, we conclude that the Department's internal controls related to airport parking cash collections and deposits are adequate except for the findings presented in the body of the report.

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Kenneth Teer  
Audit Manager

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Joe Okigbo  
Auditor-in-Charge

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Steve Schoonover  
City Auditor

## **INTRODUCTION**

On December 8, 1999, the City Council authorized a Parking Operations and Management Concession to transfer the operation and management of the Department's parking facilities to Central Parking Systems of Texas, Inc (Central). A contract with Central was signed on December 15, 1999 and became effective on January 29, 2000. Central immediately assigned the contract (C51050) to New South Parking (NSP). For the audit scope period, the City collected approximately \$3 million a month in parking revenues.

The contract requires NSP to make daily deposits of cash and check sales into the City's bank account, authorizes NSP to deduct certain fees and costs from the deposit, and requires NSP to implement and maintain a point-of-sale system for credit and debit card transactions. NSP is also required to submit daily sales reports verified as to accuracy and completeness by the Supervising Manager.

## **FINDINGS, COMMENDATION, AND RECOMMENDATIONS**

### **I. INADEQUATE INFORMATION TO MONITOR CREDIT CARD DEPOSITS**

#### **BACKGROUND**

The contract requires NSP to negotiate and execute a contract between itself and point-of-sales providers for accepting credit and debit card transactions. The point-of-sales providers are responsible for depositing funds from credit and debit card sales (less fees) directly in the City's bank account.

#### **FINDING**

The Department has not received adequate information from NSP's point-of-sales providers to properly monitor credit card collections and deposits into City's bank account. As a result, the Department has been unable to reconcile credit card collections and deposits to City's bank account. Thus, management cannot ensure that credit card transactions have been properly credit to the City's bank account.

#### **RECOMMENDATION**

The Department should require NSP and its point-of-sales providers to provide adequate information to allow the department to reconcile credit and debit card deposits into the City's bank account.

### **II. REVIEW OF POINT-OF-SALES CONTRACTS**

#### **BACKGROUND**

The contract requires NSP to submit its point-of-sales contract(s) to the "City Attorney for review and approval as to form prior to it becoming effective".

**FINDING**

At the time of our fieldwork, NSP's point-of-sales contracts had not been reviewed and approved by the City Attorney as required in the contract. Allowing credit card processors' contracts to become effective without the City Attorney's review and approval violates the terms of the City's contract with NSP.

**RECOMMENDATION**

We recommend that the Department request that the City Attorney review and approve NSP's point-of-sale contracts as soon as possible.

**III. REVIEW OF PERFORMANCE BOND**

**BACKGROUND**

The contract requires that NSP execute and deliver a \$20 million Performance Bond to the City by the effective date of the contract. The contract was signed on December 15, 1999, and NSP began performing on the contract on January 29, 2000.

**FINDING**

The Performance Bond required to be executed by NSP and delivered to the City by the contract date (December 15, 1999) was pending the City Attorney's review and approval as of June 21, 2000. Delaying the review and approval of the Performance Bond exposes the City to financial risk should the bond be inadequate.

**RECOMMENDATION**

We orally recommended that the Department request the City Attorney to review and approve the Performance Bond as soon as possible. Subsequently, we were provided with a Performance Bond bearing the City Legal Department's approval date of July 5, 2000. In the future, contractor bonds should be reviewed and approved more timely.

**IV. NSP NOT NAMED IN THE CERTIFICATE OF INSURANCE**

**BACKGROUND**

The contract requires the Concessionaire to "provide and maintain certain insurance in full force and effect at all times during the Term of this agreement and any extension thereto". In addition, the contract specified that the Concessionaire require its subcontractors and joint venture partners to carry insurance naming the City as an additional insured and meeting all of the primary insurance policy requirements. Central immediately assigned the City's contract to NSP effective December 16, 1999.

**FINDING**

The certificate of insurance did not name NSP as the insured. Instead, Central was named as the insured. Without evidence naming NSP as the insured, the City may be exposed to uninsured liability should damages occur.

**RECOMMENDATION**

We notified the Department that NSP was not a named insured. On June 30, 2000, the insurance company provided a revised copy of the certificate of insurance naming NSP as an additional insured. In the future, certificates of insurance should be reviewed and approved for adequacy more timely.

**V. DAILY DEPOSIT REPORTS LACK EVIDENCE OF VERIFICATION**

**BACKGROUND**

NSP submits a Daily Deposit Summary Report to the Department. The contract requires that the daily report “be verified as to accuracy and completeness by the Supervising Manager”.

**FINDING**

Verification of the daily reports by NSP’s Supervising Manager helps to ensure the reports are accurate and complete. NSP’s Daily Deposit Summary Reports do not indicate the Supervising Manager verified the reports. Without the Supervising Manager’s verification of the reports, errors and omissions may not be detected by NSP.

**RECOMMENDATION**

We orally recommended that Department require NSP’s Supervising Manager to sign the Daily Deposit Summary Report to indicate the report was verified as to accuracy and completeness. The Department’s management immediately notified NSP, and the Supervising Manager now signs the Daily Deposit Summary Reports.

**VI. UNTIMELY DEPOSITS OF NET CASH COLLECTIONS**

**BACKGROUND**

NSP is required to make daily deposits of net cash collections into City’s bank account “no later than 2:00 p.m. central time on the following day”. The department uses copies of daily deposits obtained from the bank to monitor NSP’s compliance.

**FINDING**

Initially, NSP did not always make timely deposits into City’s bank account as required in the contract. NSP’s compliance rate for timely deposits improved as follows: February, March, April, and May, compliance rates for timely deposits were 24%, 60%, 76%, and 100%, respectively. Delaying cash deposits into City’s bank account exposes the cash collections to theft, misappropriation, and loss of

interest revenue. We understand the Department worked with NSP to improve the timeliness of its deposits.

**COMMENDATION**

The Department's Internal Review Section is commended for ensuring NSP's compliance with the terms of the contract regarding prompt deposits of parking revenues (currency and coins) into the City' bank account.

## EXHIBIT 1

### CITY OF HOUSTON

#### INTEROFFICE CORRESPONDENCE

**TO:** Ms. Sylvia R. Garcia  
City Controller

**FROM:** Director of Aviation  
Houston Airport System

**DATE:** October 15, 2001

**SUBJECT:** Management Response to Parking  
Cash Collections and Deposits Audit

We have reviewed the September 19, 2001, draft report submitted by the City Controller's audit staff pertaining to the audit of the Aviation Department's parking cash collections and deposits for the period of February 1, 2000 through May 31, 2000. The following response is provided to address the findings and related recommendations presented in the audit report:

1. **Audit Finding:** The Department has not received adequate information from NSP's point-of-sales providers to properly monitor credit card collections and deposits into City's bank account.

**Audit Recommendation:** The Department should require NSP and its point-of-sales providers to provide adequate information to allow the department to reconcile credit and debit card deposits into the City's bank account.

**Management Response:** NSP and its point-of-sales providers are reporting adequate information to reconcile credit and debit card deposits into the City's bank account. The reconciliation was completed and is current. All credit and debit card collections are accounted for.

2. **Audit Finding:** At the time of our fieldwork, NSP's point-of-sales contracts had not been reviewed and approved by the City Attorney as required in the contract.

**Audit Recommendation:** We recommend that the Department request that the City Attorney review and approve NSP's point-of-sale contracts as soon as possible.

**Management Response:** The City Attorney and NSP's legal staff have reviewed and agreed on both the Chase Bank (current) and Alliance Data Systems (proposed replacement) point-of-sale provider contracts. Copies of the contracts are maintained at Aviation's Properties Division.

3. **Audit Finding:** The Performance Bond required to be executed by NSP and delivered to the City by the contract date (December 15, 1999) was pending the City Attorney's review and approval as of June 21, 2000.

**Audit Recommendation:** Subsequently, we were provided with a Performance Bond bearing the City Legal Department's approval date of July 5, 2000. In the future, contractor bonds should be reviewed and approved more timely.

**Management Response:** Aviation's Properties Division has implemented an improved tracking system to ensure the timely completion of City Attorney's review and approval.

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ADMINISTRATIVE SERVICES

*Views of Responsible  
Officials*

# EXHIBIT 1

Ms. SYLVIA K. GARCIA  
City Controller

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4. **Audit Finding:** The certificate of insurance did not name NSP as the insured. Instead, Central was named as the insured.

**Audit Recommendation:** On June 30, 2000, the insurance company provided a revised copy of the certificate of insurance naming NSP as an additional insured. In the future, certificates of insurance should be reviewed and approved for adequacy more timely.

**Management Response:** Aviation's Properties Division has implemented an improved tracking system that cross-references name to ensure adequacy of document.

5. **Audit Finding:** NSP's Daily Deposit Summary Reports do not indicate the Supervising Manager verified the reports.

**Audit Recommendation:** We orally recommended that the Department require NSP's Supervising Manager to sign the Daily Deposit Summary Report to indicate the report was verified as to accuracy and completeness. The Department's management immediately notified NSP, and the Supervising Manager now signs the Daily Deposit Summary Reports.

6. **Audit Finding:** Initially, NSP did not always make timely deposits into City's bank account as required in the contract.

**Audit Commendation:** The Department's Internal Review Section is commended for ensuring NSP's compliance with the terms of the contract regarding prompt deposits of parking revenues (currency and coins) into the City's bank account.



Richard M. Vacar

RV:RB:slh

cc: Mr. Richard Berrones   
Ms. Myrna Warford  
Mr. Jim Murff  
Mr. Cesar Dijamco  
Central File

*Views of Responsible  
Officials*