



OFFICE OF THE CITY AUDITOR
COLORADO SPRINGS, COLORADO

12-18 Ampco Parking Contract Audit

September 2012



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Purpose

The purpose of the audit was to evaluate the adequacy of the parking company's (Ampco) control environment and to evaluate whether Ampco was abiding by the terms of the contract with the Colorado Springs Airport (Airport).

Highlights

We concluded that overall, Ampco was properly abiding by the terms of the contract. The internal control structure was adequate in all material aspects. Ampco had policies and procedures in place which supported the strong control environment.

The on-site parking contract was awarded to Ampco on April 7, 2004. The last audit of the contract with the prior parking management company performed by the Office of the City Auditor covered the period from August 1, 2001, through April 30, 2003. The initial contract with Ampco was amended in 2008 to add an additional five year term that was set to expire in April 2014.

Ampco operated and maintained the short term, long term and valet parking lots, toll plaza, and shuttle bus service between the parking lots and the terminal 24 hours a day, 7 days a week. Ampco was responsible for maintaining the parking facilities, which included snow removal, ticket dispensers and the toll plaza.

During the course of the audit, we identified one opportunity for improvement in effectiveness of operations. Please see the complete report for more details.

Management Response

Management was not asked to respond to this report as there were no observations made by the auditor.

Opportunity for Improvement

The Colorado Springs Airport should periodically revisit the costs and benefits of acquiring the tracking equipment to ensure customers present the ticket associated with their vehicle license plate.

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Office of the City Auditor Public Report

Date: September 28, 2012

To: President Hente, President Pro-Tem Martin, and Members of City Council

Re: 12-18 Ampco Parking Contract Audit

We conducted an audit of the on-site parking contract between the Colorado Springs Airport (Airport) and the parking management company (Ampco). The audit period was for the 18 months ended June 30, 2011.

The purpose of the audit was to evaluate the adequacy of Ampco's internal control environment and to determine if the vendor was abiding by the terms of the agreement with the Colorado Springs Airport. We reviewed Ampco's policies and procedures and conducted interviews with management. We examined information provided by Ampco to determine if revenues were remitted according to the contract, and to determine compliance with other significant contract requirements. The audit included obtaining an understanding of Ampco's internal control structure.

We concluded that overall, Ampco was abiding by the terms of the contract. We believe Ampco's internal control environment was adequate. There is one opportunity for improvement listed in the attached report.

As always, feel free to contact me if you have any questions.

Sincerely,

Denny Nester, MBA, CPA, CIA, CGFM, CFE, CGAP
City Auditor

Cc: Steve Bach, Mayor
Laura Neumann, Chief of Staff
Mark Earle, Director of Aviation
Kara Skinner, Chief Financial Officer
Candice Bridgers, Controller
Michael Epps, General Manager, Ampco System Parking



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Office of the City Auditor Ampco Parking Contract Audit

REPORT DETAILS

PURPOSE AND SCOPE

The purpose of the audit was to evaluate the adequacy of the internal control environment related to the on-site airport parking Management Company (Ampco) and to ensure Ampco is abiding by the terms of the contract with the Colorado Springs Airport (Airport). We examined information provided by Ampco and the Airport to determine if revenues had been remitted properly and expenses had been reimbursed properly in accordance with the contract. We reviewed other significant contract requirements. The audit included a review and evaluation of procedures, practices and controls related to the contract. The audit covered the period of January 1, 2010, through June 30, 2011.

BACKGROUND

The on-site parking contract was awarded to Ampco on April 7, 2004. The last audit of the contract performed by the Office of the City Auditor with the prior parking management company covered the period from August 1, 2001, through April 30, 2003. The initial contract with Ampco was for a five year term with the option for the agreement to be extended for two additional one year terms. The initial contract was amended in 2008 to eliminate the two additional one year terms and add an additional five year term that was set to expire in April 2014.

Ampco operated and maintained the following:

- Short term, long term and valet parking lots
- Toll plaza
- Shuttle bus service between the parking lots and the terminal

The toll plaza and shuttle bus service operated 24 hours a day, 7 days a week. Ampco was responsible for maintaining the parking facilities which included snow removal, ticket dispensers and the toll plaza.

Under the initial contract, Ampco assisted the Airport in the selection and implementation of a new revenue control system that included unmanned cash and credit card pay lanes. In 2008, a new parking facilities management system was implemented. This included new ticket holders, four updated manned exit lanes and seven unmanned exit lanes.

Ampco deposited daily gross revenues collected to the Airport bank account. The Airport reimbursed Ampco for direct expenses and paid a management fee, as outlined in the contract.

CONCLUSION

We concluded that overall, Ampco was properly abiding by the terms of the contract. The internal control structure was adequate in all material aspects. Ampco had policies and procedures in place that supported the strong control environment. During the course of our audit, we identified an opportunity for improvement in the effectiveness of operations, which can be found on the next page.



OPPORTUNITIES FOR IMPROVEMENT

OPPORTUNITY 1 – IMPROPER TICKET EXCHANGES COULD TAKE PLACE

Ampco's system did not include functionality that would provide the ability to verify that the customer presented the ticket that was issued when the customer arrived at the Airport. Ampco performed a nightly inventory on every vehicle in the various parking lots. This information was used when a customer exiting the lot reported a lost parking ticket. Ampco reviewed the inventory to determine what day the vehicle first appeared on the listing and calculated the appropriate charge.

Because license plates and tickets were not linked in the current parking system, a switching scheme involving lost ticket claims could be used to allow a customer to pay a much lower fee than they should be charged. The current system would not be capable of detecting this type of fraud and the Airport would experience reduced revenue as a result. During the first 6 months of 2011, approximately 94 tickets per month, which was 0.35% of the total tickets issued, were reported as lost. Given the limitations of the current system, there is no way to determine how many of these were the result of a switching scheme.

We understand that equipment can be purchased that captures an image of the license plate as the customer enters and connects that license plate to the ticket number. The Airport indicated that they had previously considered the purchase of this equipment. The equipment would allow verification that the ticket number belongs to the license plate of the customer leaving the parking facility, and prevent the possibility of improper ticket exchanges.

AUDITOR'S RECOMMENDATION:

The Colorado Springs Airport should periodically revisit the costs and benefits of acquiring the tracking equipment to ensure customers present the ticket associated with their vehicle license plate.

CITY COUNCIL'S OFFICE OF THE CITY AUDITOR

COLORADO SPRINGS, COLORADO

About our Office

The mission of the Office of the City Auditor is to provide City Council with an independent, objective and comprehensive auditing program for operations of the City. Our auditing program includes:

- Evaluating the adequacy of financial controls, records and operations
- Evaluating the effectiveness and efficiency of organizational operations
- Providing Council, management and employees objective analysis, appraisals, and recommendations for improving systems and activities

The Office of the City Auditor is responsible for auditing the systems used by the City of Colorado Springs and its enterprises, including Colorado Springs Utilities and Memorial Health System. We perform a variety of audits for these entities, including financial audits, performance audits, contract audits, construction audits, and information system audits. We also perform follow-up on a periodic basis to monitor and ensure management actions have been effectively implemented.

Authorization and Organizational Placement

Our audits are conducted under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically parts 703, 705 and 706 of the Code. The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council.

Audit Standards

The audit was conducted in a manner that meets or exceeds the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors, with the exception of the requirements under standards 1312 and 1321 to obtain an external quality assurance review once every five years. We do not believe this non-compliance impacted the quality of our audit.

The audit will include interviews with appropriate personnel and such tests of records and other supporting documentation as deemed necessary in the circumstances. We will review the internal control structure and compliance tests. Sufficient competent evidential matter was gathered to support our conclusions.