CHARLOTTE

Charlotte City Council

Governance & Accountability Committee

Meeting Summary for August 17, 2015

COMMITTEE AGENDA TOPICS

I. City Auditor's Report
Staff Resource: Greg McDowell

II. Boards and Commissions Website
Staff Resource: Stephanie Kelly

III. City Attorney's Evaluation Preparation
Staff Resource: Cheryl Brown

a. Adopt a motion pursuant to G.S. 143-318.11 (a)(6) to go into closed session to consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee.

b. Review evaluation material and propose specific areas to be covered with the City Attorney during his evaluation meeting with City Council on Monday, August 24. Evaluation material is included in the August 14th Council packet.

II. Next Meeting
Monday, September 28, 2015

COMMITTEE INFORMATION

Present:	Council Members David Howard, John Autry, Patsy Kinsey and Greg Phipps
Other (Speakers):	Ron Carlee, Carol Jennings, Bob Hagemann, Brent Cagle, Greg McDowell and Cheryl Brown
Time:	12:15 p.m. to 12:49 p.m.

Charlotte City Council

Governance & Accountability Committee

Meeting Summary for August 17, 2015

ATTACHMENTS

1. Meeting Minutes Summary
2. Agenda
3. Vice Imprest 2014 Audit Report
4. Airport Valet Parking Audit Report
5. Aviation Response to Airport Valet Parking Audit Report
6. Airport Turn Over Reviews Follow-Up Audit Report
7. Employee Hotline Internal Audit Summary

DISCUSSION HIGHLIGHTS

Committee Chair Councilman David Howard called the meeting to order and asked those in attendance to introduce themselves.

Howard: Thank you all for attending. Just an FYI for the committee members we are asking that we defer item #2, Boards and Commissions Website. So if that is OK we will just wait on that. Is that OK? (Everyone agreed).

I. <u>City Auditor's Report</u>
Staff Resource: Greg McDowell

McDowell: Since we last met we have completed and issued three audit reports. They have been delivered to you through the Council and Manager Memo which has been our custom for the last 15 months or so. The first audit report is the Vice Imprest (attached) which is an annual report that we do. About five or six times a year we will audit the Vice's Imprest account and we summarize that annually. This is pretty straight forward. Over the last few years it said CMPD has good controls and they keep getting better.

Howard: How do we stand when it comes to comparing to other policies from other cities or is that just based on as you as an auditor?

McDowell: That would be my judgment. But over the years we have seen them have very strict controls over the management of the cash. We have never found any missing cash. We have never found any transactions that were not fully documented and just over history of years when you review things over and over and you never find a problem.

Howard: I just want to make sure we benchmark against other cities.

Phipps: Do we have a liaison person within CMPD that does any of that work and your audit group goes and checks it or do you just go in and do the whole thing?

McDowell: Well they are checking it regularly. They have someone who is in charge of this and monitors this daily and if not daily, weekly and keeps on top of this. They usually call us every 6-8 weeks so we performed this six times last year.

Howard: Good job.

McDowell: The second report is Airport Valet Parking (attached). This is an audit that over a year ago the airport asked us to come and take a look at. They had identified some problems. They had a contractor that they were getting ready to replace and they wanted us to take a look at the end of contract audit operations. We did that and if you look at the conclusion you will see that we said that they need closer attention then they had been performing prior to 2014 but they

knew that. In fact they asked us to design proper controls going forward. We haven't been able to conclude any significant conclusions regarding the prior contract because it had not been monitored very closely but we worked with the airport and actually came up with our own thoughts as to what controls they should put in place. Although we have a number of them I think the bottom line is we are satisfied with the controls that they put in place. They have hired a new person to give this closer attention. We will be following up that they proceed but we have every confidence that they wanted to improve their controls. They have identified what needs to be done with our help and they will move forward with that in a positive manner.

Howard: I would like to give the Aviation Director an opportunity to address anything you would like to.

Brent Cagle: I think you would recall about a year ago the airport switched parking to Ameripark. We made the change based on the level of customer service the prior had been providing and also because of some of the contractual obligations behind the scenes. Also at that time we implemented a new contract with Ameripark and the tie in gave the airport better opportunities to review the performance of the contractor Ameripark. We thought it was past due actually to look at parking and also to better understand what we need to do going forward. One of the big things that Mr. McDowell identified and we agreed with is our oversight of the contract. We have an obligation to have better controls and better oversight so we built those controls into the contract but that is only half the battle the other half is having someone who can dedicate time to keeping those controls in place and making sure that they are being followed and that is really what Donovan is intended to do. We feel much better about where we are today. Obviously we are not perfect and we have improvements that we can make. But I think we are much better off than we were and we are looking forward to being better in the future.

Phipps: While I acknowledge we have improved the valet parking at the airport it just seems like for ten years while were operating under the formal contract with Park It! we didn't have any control, so much so that we couldn't even audit because we didn't have enough information to audit what was going on there. So my question is, is there a routine schedule that we can go see what is going on before someone requests an audit and not wait for ten years to go by? Because maybe Aviation knew it was a problem with valet but I don't think Council knew there was a problem until this audit was conducted in 2014.

Cagle: I guess I would leave it to Mr. McDowell to weigh in on this but I would say that primary revenue generating contracts like this in my opinion should be audited every three years if not more frequently depending on the dollar threshold. Certainly ten years was way too long.

PATSY KINSEY ENTERS THE MEETING

Howard: Is this something where Council needs to have policies about how often audits in certain areas of operations so it's not lost in interpretation, it's just it is what it is and if it is not happening then someone should be held responsible for it. Should this be more systematic so that we don't turn around in five years and we forgot again?

Kinsey: Are you talking about just the airport? I apologize for being late.

Howard: I am speaking in general.

Kinsey: I just don't want to target the airport. We need to make it system wide.

Howard: I wasn't making it a target whatsoever. I just feel that there should be some things that are important in overall operations.

Carlee: Let us look at what our existing policy that has gone in front of Council and benchmark that against best practices and the resources we have available and bring you a copy from that. I think you are right, especially where we have significant risks and significant money involved knowing that would be on a routine basis. It certainly should not be at the discretion of the department.

Howard: So what we are talking about is the future. Controls is what we didn't have in place.

Phipps: Will the person dedicated to audit for the aviation area be at the airport or formally in the same department with the auditor?

Carlee: It is essentially a contract service that ensures that there is enough assets there to support the volume that the airport needs but still preserves the independence.

Cagle: We want the auditors to be independent and objective and they should always work for internal audit and they should review us. That is how the system should work. But we have added Donovan to do internal reviews and contract reviews. He is a contract manager so he will be doing his own reviews which aren't audits but they are contracts which looks a lot like an audit. Mr. McDowell and his staff will come in to do an independent review and that is the way we want it. We think it is a good partnership with the City audit department and internal audit department.

McDowell: The last audit report (attached) is a report made by McGladrey. We hired them about a year and a half ago and they issued two lengthy reports. The intent of this audit was to determine the implantation status of recommendations made by McGladrey. There was a total of 52 recommendations. The conclusion is that the airport has done a tremendous amount of work addressing the 52 recommendations. They only had 24 findings but they managed to get 52 recommendations there.

Howard: Mr. Manager, this is part of the original things we told the state, Council and everybody we would do. When do you report this update? Do you think we should provide this update of the report or should we go back to Council and do an update?

Carlee: We have sent it to Council do you think we should do a presentation?

Howard: Yes. And the public needs to know that we were serious about what we said we would do when all this started.

Carlee: We will be happy to schedule that

Howard: OK thank you. Let's keep going.

McDowell: We were satisfied with the progress that they had made and are confident that they have a process in place to continue moving forward on those.

Howard: Any questions? (none). I just feel like we should share this and let the public know we have been successful in these things. The world needs to know that we take these things serious.

Kinsey. I would seriously suggest that we do not make it a point to send this to Raleigh. Obviously we need to make it public that's fine but we don't need to go out of our way and stir up that hornet's nest.

Howard: OK. I got you.

Phipps: So this report did go out to the media right?

Jennings: It went out in a memorandum which goes to the media

Phipps: But as of yet no one from media has requested further clarification on it yet?

Jennings: No

McDowell: Lastly we come to you to discuss the hotline. We continue to receive at a lower rate the number of phone calls. We have categorized them for you and referenced the departments. What I find most interesting is that the calls are coming spread out throughout the city. 75% continue to be what I would call HR related. We are not disappointed or shocked by that. The fact that we get these calls lets me know that people are aware of the number and it works. The fact that they are HR related means that either people are not exercising the other possibilities they have to address things or they don't feel comfortable to address the other things. Of course we sit down with HR to work through it, HR still does the bulk of the work. But we are tracking those. Very few result in is doing much follow up. I know there was a concern when we started a year ago about how much work this would entail or if we would be chasing our tail but it has not created a lot and that has not been the case. We read and send back questions in case the person call back. They only call back a third of the time. People use this as a third option. We will track these and work with HR and continue to publicize it. I regularly check in with departments and ask them about their use and making sure that all their employees are aware of it. As a part of my audit planning I met with all the departments. There isn't much in detail that I have to share with you because I have I don't have any specific problems or that type of concern. I will continue to bring this back to you periodically. In the time since we started on September 12, 2014 there have

not been any significant investigations.

Howard: OK we are moving on to the next topic and we need to adopt the motion.

Austin: I would like to adopt the motion pursuant to G.S. 143-318.11 (a)(6) to go into closed session to consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee. And also review evaluation material and propose specific areas to be covered with the City Attorney during his evaluation meeting with City Council on Monday, August 24. Evaluation material is included in the August 14th Council packet

Howard: Second?

All: Second

Howard: Let me know by saying Aye

All: Aye

Howard: All opposed by the same sign – no response. Meeting closed.

II. City Attorney's Evaluation Preparation
Staff Resource: Cheryl Brown

This portion of the meeting has been closed.

III. Next Meeting
Monday, September 28, 2015 in Rm 280

Meeting adjourned at 12:49 p.m. ~jcs

Governance & Accountability Committee

Monday August 17 – 12:00 noon
280

Committee Members:	David Howard, Chair LaWana Mayfield, Vice Chair John Autry Patsy Kinsey Greg Phipps
Staff Resource:	Carol Jennings, Chief of Staff Randy Harrington, Chief Financial Officer

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AGENDA

I. <u>City Auditor's Report (10 minutes)</u>
Staff Resource: Greg McDowell

II. <u>Boards and Commissions Website (10 minutes)</u>
Staff Resource: Stephanie Kelly

III. <u>City Attorney's Evaluation Preparation</u>
Staff Resource: Cheryl Brown

a. Adopt a motion pursuant to G.S. 143-318.11 (a)(6) to go into closed session to consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee.

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II. <u>Next Meeting</u>
Monday, September 28, 2015

<u>Distribution:</u>

Mayor and City Council	City Manager's Executive Team	Corporate Communications
Council Team	Bob Hagemann	Stephanie Kelly
Greg McDowell	Cheryl Brown	
Sheila Simpson	Robert Campbell	

CHARLOTTE

INTERNAL AUDIT

Report of Internal Audit
Charlotte-Mecklenburg Police Department
Vice Imprest Fund 2014
June 23, 2015

City Auditor's Office
Gregory L. McDowell, CPA, CIA

Report of Internal Audit
Charlotte-Mecklenburg Police Department
Vice Imprest Fund 2014
June 23, 2015

Purpose and Scope

Internal Audit performs periodic reviews of the Charlotte-Mecklenburg Police Department (CMPD) Vice Imprest Fund. We performed six reviews during calendar year 2014, and this report summarizes our results. The purpose of the reviews was to verify the cash on hand and to determine whether the officers in the Vice and Narcotics Division adhered to the established policies and procedures for replenishment of funds.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

This report is intended for the use of the City Manager's Office, City Council, and the Charlotte-Mecklenburg Police Department.

Conclusion and Summary Results

The controls in place related to the Vice Imprest Fund are adequate and operating satisfactorily. Accounting for the Imprest Fund and related case documentation is detailed and complete. All advances have been accounted for, although some transactions continue to exceed CMPD's guidelines for timeliness. CMPD supervisory staff continues to give attention to its administrative controls and has reduced non-compliant transactions from 19% in 2013 to 12% in 2014. We are satisfied with the level of controls in place and with CMPD's progress toward higher compliance.

Background

The Vice Imprest Fund was established by the CMPD Special Investigations Bureau, Vice and Narcotics Division (Division), for use in ongoing investigations related to controlled substances, prostitution, gambling and other criminal activities.

The Division is currently authorized to maintain $40,000 cash in the Imprest Fund. CMPD's standard operating procedures call for the replenishment of Imprest Funds when two-thirds of the fund has been expended, or when approximately $13,000 is remaining in the fund. The shift sergeant notifies Internal Audit when the fund reaches that level and requests the audit. Over the past several years, annual replenishments have ranged

from $150,000 to $200,000 and totaled $175,433 during 2014. For FY15, the budget for replenishment is $200,000.

The Imprest Fund cash is kept inside a locked safe in a secure location within the Division. Physical access to the safe is tightly controlled. The Division Commander and Division supervisors are authorized to advance funds – using numbered vouchers for accounting control – to Sergeants, Lieutenants, and Special Investigative Bureau detectives for specific purposes, including the following:

- For officers to purchase controlled substances during an undercover investigation.
- For informants to purchase controlled substances, when establishing their reliability, or when needed to establish probable cause to obtain a search warrant.
- For payment of admission, when required, to enter business establishments while conducting authorized investigations, or to pay for drinks and tips that are reasonable and necessary during the investigation.
- For emergency travel that will be reimbursed to the Imprest Fund with City or Federal travel funds.

Each Supervisor is responsible for ensuring that:

- Vouchers accounting for the use of Imprest Funds, along with any remaining unspent funds, are returned within the prescribed time limits – 30 days for most advances, seven days for informant payments, and by the end of the current shift for large advances with an unused balance of $1,000 or more.
- The appropriate case notes and documentation on all expenditures and informant payments are complete, accurate and filed in the appropriate location within the safe room.
- The returned vouchers are complete and accurate, and all signatures are legible.

All property purchased by the Vice and Narcotics officers must be submitted to the CMPD Property Control Bureau (PCB). The evidence is sealed in bags and initialed by the impounding officers. Items too large or bulky for packaging are tagged. The responsibility of the PCB begins when the evidence and paperwork are presented for processing and storage at the PCB receiving counter. PCB personnel ensure that the accompanying evidence information sheets are accurately completed and that the items are appropriately packaged or tagged.

Open cash advances and informant pays are reviewed during the audits. As mentioned above, vouchers advancing Imprest Funds are to be returned within the prescribed time limits. Cash advances with a balance of $1,000 or more remaining unused are to be returned to the vault by the end of the shift. The Division has notified all sergeants that the policy will be strictly followed. If officers are regularly late with their vouchers, they will lose the privilege of utilizing the Imprest Fund. The detectives assigned to the

Special Investigations Bureau who are continually late with their vouchers are subject to disciplinary actions.

Results of Audit

1. ***Cash on hand reconciled to record; expenditures were documented and agreed to policies; property evidence was controlled.***

During calendar year 2014, six audits were conducted, and the vice fund records were accurately reconciled to vault cash on each occasion. Replenishments for the year totaled $175,433. The number of transactions per audit period ranged from 135 to 176. For randomly selected items tested, Division personnel pulled the official documentation related to the case. Auditors reviewed each file to determine that the departmental policies and procedures had been followed. In addition, random property reports were selected for testing. Auditors visited the Property Control Bureau to verify that each selected item was on hand and packaged properly. There were no exceptions.

2. ***Documentation adequately supported expenses, but was submitted late by officers for 12% of transactions.***

There were 933 cash advances and informant pays totaling $289,645 issued during calendar year 2014. As noted in the Background section, CMPD has a detailed procedure for handling cash advances.

Unused funds are common and expected. Officers make tentative plans for the use of funds, but many times return the funds without completing a transaction. In 2014, nearly 40% of the funds advanced were returned unused.

Over the past several years, CMPD has taken actions to reduce the amount of time unused funds are held by officers. Particular attention has been given to large advances that are not used as planned during a detective's shift, and that result in unused advance funds of $1,000 or more. Advances with $1,000 or more unspent require return of unused funds during the shift the funds were obtained. During the year, 26 cash advances were over $1,000 each, totaling $52,770. All advances were completed (transaction, report and/or return), as required.

More common advances under $1,000 have also received considerable attention. The enforcement of Department policies ensure that unused funds are accounted for, including the timely submission of documentation in support of Imprest Fund expenses. During 2014, documentation (while sufficient to support the expense) was submitted late for 80 advances and 31 informant pays. This represented 12% of such transactions compared to the 19% rate of late submissions in 2013.

Actions Taken: In 2012, a Vice Policy was implemented to track late vouchers and impose penalties for non-compliance. As a result in 2014, 14 officers received verbal warnings and five officers were suspended from using Vice funds a period of 90 days each. The 19 officers impacted by the Policy represent 18% of the 108 officers initiating vice transactions in 2014.

Recommendation: Even though the non-compliance penalties decreased from 19% in 2013 to 12% in 2014, CMPD should continue to work with officers to reduce the non-compliance penalties.

CMPD Response: Vice continues to work hard to improve all the procedures to ensure that every voucher is returned on time with complete and comprehensive information. Since implementing our new policy in May 2014, the number of late vouchers has significantly been decreased. Of the 111 total late vouchers only 45 came after the new policy was implemented. Supervisors will continue to enforce this policy and are determined to see the total number of late vouchers continue to decline.

CHARLOTTE

INTERNAL AUDIT

Audit Report
Airport Valet Parking
July 31, 2015

City Auditor's Office
Gregory L. McDowell, CPA, CIA

Audit Report
Airport Valet Parking
July 31, 2015

Purpose and Scope

The purpose of this audit was to determine whether the City's Aviation Department (Aviation) has implemented adequate internal controls over the management of valet parking to ensure that Aviation:

- receives all revenue generated from valet operations
- reimburses the contract management firm for authorized, reasonable and necessary expenditures only, including payroll
- verifies that staffing levels are appropriate for expected productivity levels
- has appropriately addressed previously identified customer satisfaction, technology and security issues related to the valet parking operations

At the request of Aviation management, the audit originally focused on the previous valet parking management company, Park Inc. After finding that limited supporting documentation was available to review Park Inc. operations, Internal Audit turned its focus to the agreement with AmeriPark, LLC (AmeriPark). The new contract began in June 2014.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Conclusion

The management of valet parking requires closer attention than the airport had provided since its start-up in 2003. In 2014, Aviation recognized this need and engaged auditors to perform a review. Aviation management has been receptive to the audit recommendations, and is taking appropriate steps to address each. Adequate staffing of the recently initiated Airport Business Office will be critical to ensure the airport's revenues are protected and operational goals are achieved.

Summary of Recommendations and Actions

Our review resulted in the following recommendations, along with management's corrective actions which were discussed over the course of the audit. The Interim Aviation Director's response to the full report is included as Attachment A.

1. Park Inc. had not been required to submit sufficient data to facilitate a thorough audit.
    - Auditors utilized the knowledge gained during its review of Park Inc. to create an audit plan for AmeriPark.

2. Aviation should establish and document a formal contract administration plan.
   - Aviation has hired a Business and Relationship Manager who will be responsible for contract administration.

3. Aviation should perform sufficient steps to verify the reliability of data from the Automated Valet Parking Management (AVPM) system.
   - Aviation has installed an AVPM system for the Airport, has access to the data and plans to verify system accuracy and reliability.

4. Aviation should ensure that credit card tips remitted to AmeriPark are not reported as revenue or expenses.
   - A new process has been put in place to ensure that tip amounts are recorded accurately.

5. Aviation should ensure that a specific individual is assigned to validate and adjust the vendor's self-evaluation of its performance.
   - Aviation has hired a new Business and Relationship Manager to manage the review and validation of the vendor's self-evaluation.

Background

Park Inc. provided valet parking services for Charlotte Douglas International Airport (Airport) from August 2003 to May 2014. Initially, only curbside valet service was provided. Business valet was introduced in 2007. The original contract was approved by City Council in July 2003, for a five-year term. Subsequent amendments extended the contract through June 2014.

During the last year of Park Inc.'s management contract, there were increasing concerns with customer service and crime related to the valet operations. Audit staff noted several reported incidents (theft, joyrides, damage) that occurred while cars were parked in the valet deck. Due to construction around the airport, several other parking lots and decks were temporarily closed, and more customers chose to use the valet option to park. Increased traffic, longer wait times, and inadequate staffing levels all contributed to customer dissatisfaction.

Due to the growing customer dissatisfaction, Aviation put the valet parking contract up for bid for fiscal year 2015. Park Inc. submitted a bid, but the contract was awarded to AmeriPark. Aviation and Park Inc. agreed that Park Inc. would cease operations on May 31, 2014, and AmeriPark would take over a month before the Park Inc. contract officially expired. To facilitate the contract close-out, Aviation requested assistance from Internal Audit to conduct a financial review of Park Inc. The purpose of the review was to determine whether Park Inc. met contractual requirements and only requested reimbursement for expenditures for which they were entitled.

On June 1, 2014, AmeriPark took over valet operations at the Airport. Through June 2015, Aviation had paid AmeriPark over $4.8 million (including start-up costs) since the start of valet operations. These costs are prepayments of eligible payroll and operating expenses resulting from the valet operation as well as $24,000 in management fees and incentives to AmeriPark for operating the Airport's valet parking operation on behalf of the Airport.

Findings and Recommendations

1. Park Inc. had not been required to submit sufficient data to facilitate a thorough audit.

As noted in the McGladrey Turn Over Review, Aviation had committed limited resources to provide contract administration services for its large number of revenue contracts and agreements. Aviation has since established an Airport Business Office which is responsible for revenue contract management, leasing, tenant negotiations, and economic and business development. However, Aviation is still in the process of adding resources, developing roles and assigning responsibilities to staff. During the review of Park Inc., auditors noted that the previous lack of oversight resulted in challenges to verifying the accuracy of reported revenue and expenditures.

Auditors were able to perform limited payroll testing and analysis. Based on the review, payroll expenditures appeared reasonable and accurately stated. However, the audit was limited by the inability to determine the actual existence of Park Inc. employees during specific time periods. Auditors noted that Aviation personnel had not previously documented any measures taken to periodically verify the existence of employees or to perform periodic staffing analysis. Auditors noted large variances from month to month in the level of revenue per labor hour, indicating the possibility that staffing levels were not monitored and adjusted to match activity levels, as necessary.

In an attempt to verify revenue reported by Park Inc., auditors reviewed documentation related to voided transactions, discounts and "no pay" tickets. The level of such transactions was less than 1%. However, auditors were not able to confirm whether specific transactions were appropriate due to the lack of an audit trail for these transactions. Therefore, a risk exists that the voided or discounted transactions may have been erroneous or unwarranted. Auditors noted that Aviation personnel had neither questioned the level of discounted or voided transactions, nor asked for additional information regarding such transactions.

The preliminary results of the Parking Valet audit, which focused on Park Inc., were communicated to Aviation and Park Inc. representatives in September 2014. Auditors noted that a lack of controls and monitoring made the contract close-out review difficult to either verify or dispute reported revenues and expenses. Auditors expanded the scope of the valet parking review to AmeriPark to ensure that control weaknesses identified during the review of Park Inc. have been addressed.

Action Taken: Auditors utilized the knowledge gained during its review of Park Inc. to create an audit plan for AmeriPark. The results of that effort follow.

2. ***Aviation should establish and document a formal contract administration plan.***

A contract administration plan is a useful tool for managing risks associated with contracts, and for ensuring that negotiated service levels are actually delivered. Even for relatively simple, low-risk contracts, a contract administration plan (or simple check list) will help to make sure that important obligations are not overlooked and the intent of the contract is achieved.

Contract administration plans typically contain a summary of contract details such as key contacts, dates and milestones, roles and responsibilities of personnel, contract terms and conditions, communication and reporting schedules, performance indicators and measures, pricing and payment conditions, and risk assessments. The detail required in a contract management plan depends on the risk and complexity of the contract – ranging from a simple summary of key details to comprehensive documents for more complex contracts. For the valet parking agreement, many of the elements described above are included within the agreement with AmeriPark. However, the key items missing include a clear definition of the roles and responsibilities of specific Aviation employees and documented risk assessments and associated mitigation strategies.

Without a formal contract management plan with delineated duties, individual employees are more likely to take a cursory approach to contract management, potentially resulting in insufficient oversight. For example:

- **Aviation does not require AmeriPark to submit detailed general ledger accounting reports to support monthly financial statements.** The agreement with AmeriPark requires that an annual certified revenue statement be provided by a Certified Public Accountant within 120 days of year-end. This timing would allow an error or irregularity to remain unidentified for up to 16 months. Verifying the accuracy and reliability of the accounting system utilized, obtaining detailed accounting records and selecting a sample of transactions for further review may be the most efficient way to obtain assurance that reported expenditures are reasonable, necessary and accurately reported. Currently, AmeriPark submits an electronic file of its monthly financial statement to several Aviation employees. In order to ensure that the statement was summed correctly would require that an Aviation employee manually confirm the arithmetic on the statement and supporting schedules. Auditors did not note any evidence that this is routinely done.

- **Aviation does not require AmeriPark to submit detailed payroll and expenditure support with each monthly financial statement.** AmeriPark submitted detailed supporting documentation for the month of June 2014. Subsequently, Aviation personnel requested that the voluminous detail not be provided but be available as requested. The absence of general ledger data (see above bullet) makes it difficult to verify the accuracy of reported expenditures, especially if detail supporting data was not available. Obtaining access to detailed supporting documentation would ensure that adequate audit trails exist, should trends or circumstances dictate a desire for closer review.

- **Aviation personnel had not conducted a documented risk assessment of financial and operational risks associated with the valet parking agreement.** Such a risk assessment would consider reputational, compliance, strategic, transactional and credit risks. The contract management plan would include documented mitigation strategies to address the identified risks. The valet parking agreement actually addresses many of the key risks. For example, the agreement includes a quarterly performance incentive clause that is based on customer service, operational efficiency, and contract compliance. However, Aviation personnel had not assigned appropriate resources to consider the risks involved in the contractor's self-evaluation nor had personnel identified what, if any, elements included in the self-evaluation would require Aviation verification.

  Formal risk assessment for the valet parking operations could include assessing risks and identifying mitigation strategies for the following areas:

  a. Staffing levels – Determine how, when, and by whom staffing levels would be analyzed and reviewed.
  b. Employee verification – Identify controls in place to ensure that payments are made only to employees performing actual work at the Airport valet operations.
  c. Revenues from ancillary services – Risk exists that expenditures may exceed revenue from ancillary services. Determine how to best ensure that Aviation receives a benefit from ancillary services.
  d. AVPM failure – Determine whether procedures are in place to ensure continued operations during system failure.
  e. Customer satisfaction – Determine who is responsible for ensuring that quality assurance standards are met.
  f. Compliance – Identification of key contract compliance elements and identification of who will be responsible for verifying compliance (insurance, reports, training, E-Verify, operational standards).

Additional risks related to revenue, expenditures and the performance incentive are addressed in the remainder of this report.

Recommendation: Aviation should prepare a contract management plan, including documented roles and responsibilities of Aviation employees, identification of required levels of supporting documentation and a risk assessment with associated mitigation strategies.

Action Taken: Aviation hired a Business and Relationship Manager in June 2015.

Aviation Response: Agrees. Aviation has updated a list of roles/responsibilities and is currently working on a business case study to help ensure risk is properly assessed. Aviation has also requested that AmeriPark provide a monthly summary of payroll and make detailed payroll data available upon Aviation request. Contract administration, including contract compliance and risk assessment, will be the responsibility of the Business and Relationship Manager.

3. ***Aviation should verify the reliability of data from the Automated Valet Parking Management (AVPM) system.***

Valet parking is a significant source of revenue for the Aviation Department. During FY2015, Aviation collected over $13.9 million in valet parking revenue. When contracting with third-party vendors, it is a sound business practice to be familiar with the automated systems used by the vendor to capture and record revenue. It is advisable that consumers of technology and data services require some level of assurance regarding technology controls and data security. Where practical and available, contract managers should obtain Service Organization Controls (SOC) reports, typically conducted by a CPA firm. The American Institute for Certified Public Accountants (AICPA) has designated three separate reports, SOC 1, SOC 2 and SOC 3, each with its own unique focus and intent. A SOC 2 Report, which is titled a "Report on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy," focuses on a vendor's operational and compliance controls.

The AVPM vendor has not been required or requested to have a SOC 2 Report prepared. Auditors noted that Aviation personnel had not considered or determined the reliability of information reported from the AVPM system. Aviation personnel have not been recording revenue based on AVPM reports. Instead, AmeriPark management has been creating an Excel spreadsheet based on information from AVPM reports. Without comparing the Excel reports to actual AVPM reports or data, Aviation personnel do not have assurance that revenue is accurately reported.

Action Taken: Auditors obtained reasonable, but not absolute, assurance that data from the AVPM system is reliable. Auditors met with the system vendor and observed the software in operation. In addition, auditors reviewed 50 vehicles on a selected day and verified that the vehicles-were entered correctly in the system, charged the correct amount of parking fees and reported correctly to Aviation. Auditors also verified that the resulting revenue was appropriately recorded in the financial system.

Recommendation 3A: In its contract administration plan, Aviation should include discussion on the significance of validating reported revenue. The plan should include when and how automated systems will be reviewed to determine the reliability of system data. In addition, the plan should discuss the need and format for periodic review and analysis of reported revenue.

Aviation Response: Agrees. Aviation has determined that it would be most useful to have access to the AVPM system in order to verify the accuracy and reliability of system information. Therefore, Aviation installed the system, and retains access to data.

Recommendation 3B: In future revenue contracts, Aviation should consider establishing a requirement that vendors provide SOC reports as applicable.

Aviation Response: Agrees. The newly created Business and Relationship Manager position will be responsible for determining the need for an assessment of controls of its revenue management partners and the feasibility of requesting and obtaining SOC reports.

4. Aviation should ensure that credit card tips remitted to AmeriPark are not reported as revenue or expenses.

In accordance with Article IV of the Valet Services agreement, each month Aviation is required to pay AmeriPark one twelfth of the estimated reimbursable expenses stated in the annual budget. Within 30 days of the end of each service year, AmeriPark is required to pay the amount, if any, by which actual reimbursable expenses were less than the amount of expenses stated in the annual budget. The agreement does not specifically mention tips. However, estimated monthly tips are included in the annual budget.

Parking revenue (including credit card tips) is deposited to the Aviation operations bank account. Parking revenue is recorded in the Munis financial system as revenue and the credit card tips are recorded as a liability. However, Aviation makes the monthly advance payments to AmeriPark in an amount that includes expected credit card tips. These advance payments are recorded as expenditures in Munis. The portion of the advance attributable to expected tips ($86,495, as established by the approved budget) should offset the recorded liability. Advance payments for six months (July through December 2014) included $518,970 for tips, compared to AmeriPark records indicating FY2015 credit card tips of $501,672.

Because payment of the average monthly tip amount is recorded as an expense, the balance sheet liability has not been reduced, resulting in an overstatement of expenditures and the outstanding liability. Although a journal voucher for $979,502 was processed in December 2014 to credit expenditures for tips recorded in FY2014, the outstanding balance in the account exceeded $1.6 million as of February 2015. It is anticipated that Aviation Finance will work with Management & Financial Services staff to ensure that the liability is recorded correctly.

Recommendation: Aviation should obtain agreement from AmeriPark to eliminate the $86,495 tip advance from the monthly payment, and begin reimbursing AmeriPark actual tips received (and deposited) on a regular (weekly or monthly) basis.

Aviation Response: Agrees. A journal entry was processed to correct outstanding errors. Going forward, a new process has been put in place to ensure that tip amounts are recorded accurately. Journal vouchers will be processed quarterly to correct any errors. Aviation is working with City Financial Reporting to determine the most practical method to adjust the tips liability account.

5. Aviation should ensure that a specific individual is assigned to validate and adjust the vendor's self-evaluation of its performance.

The AmeriPark valet parking agreement includes "Exhibit C – Performance Incentive." The purpose of the performance incentive is to reward the vendor and its employees for meeting and exceeding the Airport's expectations. The metrics included in the exhibit center around customer service, operational efficiency and contract performance. According to the Exhibit, "the final evaluation of the metrics will be determined in the sole discretion of the Airport." However, auditors noted that Aviation has not assigned a specific individual to oversee the self-evaluation. Based on preliminary observations, auditors noted the following:

- Although the contract requires that the vendor provide a self-evaluation no later than 45 days after the end of each quarter, Aviation had not received the first quarterly evaluation as of November 20, 2014.
- There was no evidence that Aviation personnel had received or evaluated the source data for the customer survey, mystery shopper and quality assurance team review metrics. Aviation personnel also did not provide evidence that they had reviewed and accepted the customer survey instrument or sampling methodology. Although auditors noted various operational improvements that were made during the audit period (introduction of backup credit card machines, cameras, staging practices), there was no formal documentation of discussions between Aviation personnel and AmeriPark.
- AmeriPark line personnel were not familiar with the requirement that 25% of the performance incentive be shared with employees. As the employee share is reduced a dollar for each dollar over $30,000 in annual damage claims, it is important that AmeriPark employees are aware of the incentive, to provide motivation to limit damage to vehicles. The contract requires that the incentive calculation be performed quarterly but shared with employees on an annual basis. The first contract year ended May 31, 2015.
- Aviation personnel had not obtained the necessary data to calculate the number of cars parked per labor hour or determine whether the standard of 2.5 to 3.5 cars parked per labor hour was appropriate. Based on the disparity between the times required to park cars incoming at curbside valet versus business valet, it would be more appropriate to have separate standards for the distinct operations.

Recommendation: Aviation should ensure a specific individual is assigned to evaluate contractor performance and review the vendor's performance incentive self-evaluation.

Action Taken: Aviation hired a Business and Relationship Manager in June 2015.

Aviation Response: Agrees. The new Business and Relationship Manager is responsible for the review and validation of the performance evaluation included in the parking management contract.

CITY OF CHARLOTTE
AVIATION DEPARTMENT

July 31, 2015

TO: City of Charlotte Internal Audit

FROM: Brent Cagle, Interim Aviation Director

CC: Haley Gentry, Asst. Aviation Director – Business and Revenue

RE: Aviation response to Airport Valet Parking Audit

Aviation recognizes the need to manage contractual compliance and financial controls of its revenue contracts. Toward that end, Aviation invited the City's Auditor Office – Internal Audit to assess and report on the level of internal controls related the Airport's Valet Parking operation ("Valet Audit"). The original request for audit focused on the previous valet operator, Park Inc. However, Aviation and Internal Audit mutually agreed to focus on the agreement with the new valet operator, AmeriPark, LLC, whose agreement with the City became effective in June 2014.

Aviation actively engaged in developing the scope of the audit and in collecting the data necessary for Internal Audit's review. Internal Audit provided five recommendations related to improved controls and management of the valet parking operation. Aviation generally agrees with the recommendations and provided Internal Audit with a proposed action plan in response to the recommendations.

In general, the valet parking review identified the need for Aviation to:

- establish and document a contract administration plan;
- provide the installation of a new airport valet parking management (AVPM) terminal;
- modify the accounting treatment of reimbursable valet tips; and
- provide enhanced contract management and validate self-evaluation.

Internal Audit's review also noted Aviation's need to hire additional professional staff to be responsible for contract administration, compliance, and risk assessment. Aviation filled the position of Business and Relationship Manager position in June 2015. The Business and Relationship Manager's current roles and responsibilities include creating a contractual administrative process to ensure all procedural and documentation requirements are followed, including revenue collection, systematic reporting and

service quality reviews. The Business and Relationship Manager will also develop a formal contract management plan which will include:

- defining roles and responsibilities of personnel;
- requiring levels of supporting documentation;
- developing risk mitigation strategies, and
- evaluating operator's self-evaluation of its performance as required by the agreement.

The contract management plan is anticipated to be complete by the end of calendar year 2015.

Aviation has acquired and installed an AVPM terminal system to verify the accuracy and reliability of the AVPM system data which is provided by AmeriPark. The AVPM system allows Airport staff to perform periodic audits and verify the accuracy and reliability of system data. The Business and Relationship Manager will be responsible to use information from the revenue control system to verify the accurate reporting from the valet operator.

Aviation worked with the City's Management and Financial Services Department (M&FS) to implement suggested accounting protocols related to the appropriate accounting treatment of tips collected by the Airport and reimbursed to the valet operator. Aviation is currently working with M&FS to explore an alternative method to reimburse tips and continue to meet Aviation's contractual obligations with the vendor.

In conclusion, Aviation found significant value in Internal Audit's review of the Airport's valet parking operation. We feel that the recommendations provided by Internal Audit and the resulting actions taken by Aviation will provide the controls necessary to effectively manage the valet parking contract.

CHARLOTTE

INTERNAL AUDIT

Audit Report
Airport Turn Over Reviews Follow-Up
August 11, 2015

City Auditor's Office
Gregory L. McDowell, CPA, CIA

Audit Report
Airport Turn Over Reviews Follow-Up
August 11, 2015

Purpose and Scope

The intent of this audit was to determine the implementation status of recommendations made by McGladrey LLP (McGladrey) in two separate Charlotte Douglas International Airport (Airport) Turn Over Reviews dated June 11, 2014. McGladrey conducted its initial fieldwork between October 2013 and February 2014. The Aviation Department (Aviation) identified and tracked progress on 52 recommendations in eight separate categories. Auditors reviewed and assessed management's progress in implementing the recommendations.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

This report is intended for the use of the City Manager's Office, City Council, and Aviation management.

Conclusion

Management has made progress in implementing the McGladrey recommendations but needs to complete the implementation of some critical processes and formally adopt policies and procedures. Aviation has established plans to resolve the most significant remaining issues within reasonable timeframes.

Summary of McGladrey Recommendations by Category

McGladrey reported a total of 24 findings in its two reports. Many of the findings had multiple recommendations. Aviation has therefore addressed a total of 52 recommendations. The chart on the next page summarizes the recommendations by category and whether audit testing determined that the recommendations have been implemented (33), partially implemented (19) or not yet implemented (none).

In addition to Aviation, Management and Financial Services (M&FS) is responsible for addressing some of the recommendations. For recommendations considered "Partially Implemented," Internal Audit has identified those that are the responsibility of M&FS.

McGladrey Risk Area (Recommendation #'s)	✓ Implemented	✓ Partially Implemented		X Not Implemented		Total
		Aviation	M&FS	Aviation	M&FS	
Revenue and Contract Management (1 – 5)	4	1	0	0	0	5
Project and Capital Asset Accounting (6 – 17)	8	4	0	0	0	12
Contract Facility Charges (CFCs) (18 – 22)	4	0	1	0	0	5
Airport Special Statements (23 – 24)	0	1	1	0	0	2
Cost Allocation Plan (CAP) (25 – 28)	2	0	2	0	0	4
Debt Management and Unused Bond Funds (29 – 34)	6	0	0	0	0	6
Parking (35 – 46)	5	7	0	0	0	12
Procurement (47 – 52)	4	1	1	0	0	6
Total	33	14	5	0	0	52

Attachment A contains a matrix indicating the implementation status of each recommendation. The following legend can be used to ascertain the status of recommendations:

✓ - Implemented – The recommended action was taken and/or current testing indicated that the original issue has been resolved.

✓ - Partially Implemented/Resolved – The recommended action has been started but not yet completed or the recommended action has been completed but testing identified that the original issue has not yet been fully resolved.

X - Not Implemented – The recommended action has not been completed. Auditor's judgment was used to determine whether a recommendation was considered implemented, partially implemented or not implemented. The significance of the original recommendation, progress made through February 2015 and the nature of the remaining action necessary were all considered in determining the reported status.

Internal Audit Summary Recommendations and Actions

Aviation has made progress in addressing the McGladrey recommendations, but needs to complete the implementation of critical processes and formally adopt policies and procedures. The Interim Aviation Director's response to the full report is included as Attachment B.

- Aviation management has assigned an individual within its Finance division to coordinate the implementation of the recommendations included in the Turn Over Reviews, including the formal adoption of policies and procedures.

Background

McGladrey conducted Turn Over Reviews of Aviation, resulting in the issuance of two reports in June 2014. The first review focused on six high-risk core areas identified by management and outlined as the first six categories in the summary of implementation chart above. The second review targeted parking revenue and purchasing. For each area reviewed, the reports included observations and recommendations for improvement. According to Aviation management's initial response, most of the recommendations were expected to be fully implemented by the end of calendar year 2014.

Audit Finding and Recommendation

1. ***Aviation has made progress in addressing the McGladrey recommendations, but needs to complete the implementation of critical processes, including the formal adoption of policies and procedures.***

   McGladrey made 52 recommendations to address high-risk operational areas at the Airport. In July 2014, Aviation management projected that all but two issues would be addressed by calendar year-end. As of the audit report date, 33 of the recommendations had been implemented, as detailed above. The remaining 19 recommendations were partially implemented, including several recommendations related to developing policies and procedures for the following areas:

   - pay application review
   - project management
   - bidder selection
   - grant compliance
   - change orders, and
   - parking operations

   While Aviation was able to provide Internal Audit with draft policies and procedures during fieldwork, not all of the policies and procedures have been formally adopted and incorporated into daily routines.

Aviation has utilized Smartsheet, a project management tool that allows for collaboration within the department to assign responsibility, document progress and establish completion timeframes. However, management initially had not assigned a dedicated individual to oversee the implementation of the recommendations across the organization. This resulted in inconsistent responses and some inaccurate reporting of implementation statuses. During the audit, management assigned an individual to be responsible for coordinating the reporting, documentation and verification of implementation actions across the organization which improved reporting consistency.

Recommendation: Aviation should continue to utilize the implementation matrix to assign individual responsibility to, and monitor the implementation status of, recommendations that are not considered fully implemented, including the formal adoption of policies and procedures.

Management Response: Agree. Aviation will utilize the Smartsheet project management tool and the implementation matrix to assign individual responsibility to complete implementation of recommendations contained in this review, including the formal adoption of policies and procedures.

Attachment A

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
1	Contract Administration - begin to develop centralized contract management team.	Completed - Aviation has created an Airport Business Office and worked with Human Resources to create and fill a Business and Relationship Manager position.	Implemented - Aviation has established the Airport Business Office, documented a new organizational structure and has hired a Business and Relationship Manager to oversee revenue contracts.	✓	Aviation
2	Contract Administration - Independent Validation - Document policy/procedures on independent validation of revenue contract supporting documentation, including annual audit plan.	In Progress - Aviation has requested that Internal Audit develop an annual audit plan and worked with Human Resources to fill the Business and Relationship Manager position. This position will be responsible for developing policies and procedures for validation of supporting documentation.	Partially Implemented - Aviation has worked with Internal Audit to develop an annual audit plan but has not yet developed formal policies and procedures for validation of contract supporting documentation. According to Aviation, the newly established Business and Relationship Manager will be responsible for reviewing revenue contract requirements and developing suggestions for possible policies and procedures to better manage those contracts.	✓	Aviation
3	Contract Administration - identify and resolve invoicing issue, in regards to DHL issue.	Completed - Aviation has invoiced DHL for ground rent identified in the observation and DHL has executed a letter of acknowledgement confirming the 25 year amortization term.	Implemented - Auditors noted that adjustments were made to the DHL billing in accordance with the ground rent escalation terms and that DHL executed a letter of acknowledgement confirming the 25 year amortization term.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
4	Contract Administration - Contract Approval & Documentation - Document policy and procedures around revenue contract management and utilize tools that PROPworks system provides.	In Progress - Aviation has established some internal procedures regarding revenue contracts and has provided training to employees on tools to be utilized through PROPworks.	Implemented – Internal Audit reviewed procedures and training materials for PROPworks and selected a sample of agreements and noted that contract and billing terms were properly reflected in PROPworks. Aviation management noted that they will continue to seek ways to improve contract management through increased use of the capabilities of the PROPworks system.	✓	Aviation
5	Right to Audit Clause - Add the "Right to Audit Clause" to all future revenue contracts.	Completed - Airport Business Office will include a right to audit clause in revenue contracts and will work with Internal Audit to identify the best opportunities to exercise the right to audit.	Implemented – Internal Audit selected a sample of agreements after July 1, 2014 and noted that right to audit clauses were included in contracts except for several irregular airline operating agreements where an older template was still in use.	✓	Aviation
6	Pay Application Review Process - Formalize and document policy and procedures, including checklist to document reviews and reconciliations performed throughout the review process.	In Progress - Completed draft of policy, procedures and checklist. Formal adoption of procedures is pending the formal move of construction procurement from Aviation Development to Aviation Finance.	Partially Implemented - A draft copy of procedures was provided by Aviation staff but has not been formalized as department policy.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
7	Policy and Procedures - Project Management Process - Formalize and document policy and procedures, including checklist to document key procedures from project initiation to project closeout.	In Progress - Completed draft of policy, procedures and checklist. Formal adoption of procedures is pending the formal move of construction procurement from Aviation Development to Aviation Finance.	Partially Implemented - A draft copy of procedures was provided by Aviation staff but has not been formalized as department policy.	✓	Aviation
8	Policy and Procedures - Bidder Selection Process - Formalize and document policy and procedures, including a checklist to document bid process milestones performed throughout the bidding process.	In Progress - Completed draft of policy, procedures and checklist. Formal adoption of procedures is pending the formal move of construction procurement from Aviation Development to Aviation Finance.	Partially Implemented - A draft copy of procedures was provided by Aviation staff but has not been formalized as department policy.	✓	Aviation
9	Policy and Procedures - Grant Compliance Reporting Process - Formalize and document policy and procedures, including a checklist to document key procedures from grant pre-application to grant closeout.	Completed - Documents located on Y Drive (Finance/ERP Policy & Procedures)	Implemented – Aviation staff provided policy and procedures, including a checklist, for grant processes from pre-application to closeout.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
10	Change Order Process - Formalize and document policy and procedures. Be sure policy and procedures documented comply with the Change Order Summary. Establish checklist as part of the change order form, checklist items include but not limited to: purpose of change, entitlement determination, AE drawings, engineer input (as needed), cost (including support), and impact on overall project schedule.	In Progress - Completed draft of policy, procedures and checklist. Formal adoption of procedures is pending the formal move of construction procurement from Aviation Development to Aviation Finance.	Implemented - In the McGladrey report, management's response was "Aviation and Development does not believe change orders need to include backup documentation when delivered to management for execution. All backup documentation is filed for easy access in the event additional information is required." Auditors verified that backup documentation exists for selected sample of change orders.	✓	Aviation
11	Grant Application / Funding Process - Formalize and document policy and procedures, including a checklist to document reviews, cash flow and other analysis performed.	Completed - Documents located on Y Drive (Finance/ERP Policy & Procedures)	Implemented – Aviation provided policy and procedures, including a checklist, for grant compliance.	✓	Aviation
12	Capital Projects & Grants - Shadow Capital Projects Cost Report - Continue to maintain involvement with ERP implementation process.	Completed - Shadow reporting no longer used after conversion to Munis.	Implemented - Aviation no longer uses duplicate shadow system with implementation of Munis ERP system.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
13	Pay Applications Review and Approval - Implement controls in review process that includes: Recalculating the roll-up of the schedule of values for each monthly pay application for accuracy of the amounts being billed and documentation of review/approval steps in the pay application review process.	In Progress - Completed draft of policy, procedures and checklist.	Implemented - Auditors reviewed a sample of five pay applications from FY2015 and noted that amounts were properly calculated and that schedules of values were accurately rolled-up to the pay application summary. Auditors noted that required approvals were evident on the sampled pay applications.	✓	Aviation
14	Pay Applications Review and Approval - Pay application review; Retainage Control - Implement a control in the pay application review process that includes reviewing the retainage amount for each pay application for accuracy and consistency with the contract terms - this task goes with task #13.	In Progress - Completed draft of policy and procedures.	Implemented - Auditors reviewed a sample of five pay applications from FY2015 and noted that retainage was properly calculated based on contract terms.	✓	Aviation
15	Pay Applications Review and Approval - Implement use of pay application review/approval checklist - this task goes with task #13 & #14.	In Progress - Completed draft of policy, procedures and checklist	Implemented - Auditors reviewed a sample of five pay applications from FY2015 and noted amounts on the pay applications were accurately calculated and included evidence of required approvals.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Internal Audit Status	Responsible Department
16	Change Order Process - Approval Threshold - Continue to work with City regarding the City Council threshold to ensure proper approval is obtained as per City's procurement policy.	In Progress - Aviation will work with the City regarding City Council threshold requirement. Aviation is currently utilizing consultants to provide analysis of Aviation procurement business process. The consultant has identified possible improvements in a draft report, which will be finalized in Fall 2015.	Partially Implemented - Aviation has hired consultants to provide analysis of Aviation procurement business process, which includes identifying process improvements that the City could implement to allow Aviation more flexibility or greater speed in procuring goods and services.	✓	Aviation
17	Change Order Process - Inclusion of clear description and documentation as to the purpose and nature of the change in the determination of entitlement of change order to be included on change order form.	Completed - Completed draft of policy/procedures.	Implemented - Auditors verified that a selected sample of change orders contained clear descriptions and documentation as to the purpose and nature of the change orders.	✓	Aviation
18	Automobile Rental Concession Agreements - Create and distribute letter to Car Rental companies regarding compliance with contract terms and conditions - more specifically centered on self-reporting requirements.	Completed - Aviation notified all rental car concession companies of their requirement to comply with financial, CFC and activity reporting requirements as required by the terms of the 2011 Rental Car Concession Agreement.	Implemented – Aviation notified all rental car concession companies of their requirement to comply with CFC reporting requirements. For the period July through November 2014, Internal Audit noted that vendors submitted their fees by the 25th of the succeeding month 91% of the time.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
19	Automobile Rental Concession Agreements - Reconciliation of supporting documentation to the CFC trust statements and GL to occur periodically.	Completed - Aviation obtains copies of the CFC Trustee statements from City Finance and compares and reconciles the monthly CFC activity reports; City Finance ensures that the trust statements agree to the City's general ledger.	Partially Implemented – Auditors found that Aviation staff reconciles the CFC activity reports to the trustee statements. For the period July 2014 through November 2014, no exceptions were noted. However, Auditors noted that Finance had not recorded FY15 trustee deposits in the City's general ledger.	✓	M&FS Financial Reporting
20	Automobile Rental Concession Agreements - Use of CFC - create and distribute Aviation standardized self-report form to be used by car rental companies.	Completed - Aviation monitors CFC reports and requests vendor compliance if reports do not contain adequate documentation of rental days.	Implemented – Internal Audit noted that rental car companies submit monthly reports that meet the minimum data requirements of Aviation.	✓	Aviation
21	Automobile Rental Concession Agreements - Aviation Management to schedule and carry out regular periodic review of monthly reports to ensure compliance.	Completed - Monthly reports are reviewed for completeness and adherence to requirements.	Implemented – While auditors noted that Aviation staff review and input the monthly activity reports, this has not increased the timeliness of reporting, as the reports are not always received by the 10th of the month.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
22	Automobile Rental Concession Agreements - Aviation to review Trustee statements and identify any discrepancies with the CFC reports received.	Completed - Aviation obtains copies of the CFC Trustee statements from City Finance and compares and reconciles the monthly CFC activity reports.	Implemented – Auditors noted that an Accountant reconciles deposits recorded on CFC Trustee statements to monthly CFC activity reports. For the period July 2014 through November 2014, no exceptions were noted.	✓	Aviation
23	Reconciliation of CAFR to Airport Enterprise Fund Financial Statements	In Progress – The City issued the inaugural Airport Annual Report for FY 2014 in June 2015, which included all relevant reconciled financial statements.	Partially Implemented – Subsequent to audit fieldwork, Aviation provided the inaugural annual report which agreed to the City's CAFR.	✓	M&FS Financial Reporting
24	Timing of Submission and Reconciliation of Financial Reports to the FAA.	In Progress - FY13 certified. FY14 preliminary figures entered into FAA website and were finalized and certified upon completion of consolidated Annual Report in June 2015.	Partially Implemented - Aviation did not submit the completed FAA report within the 120 days noted in the McGladrey recommendation. However, Aviation personnel were in contact with the proper FAA representative and requested appropriate extensions.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
25	Methodology Documentation and Monitoring - Ownership of the CAP – The Office of Strategy and Budget (S&B - formerly Budget and Evaluation) to be responsible for accumulating the CAP data and Aviation staff responsible for accuracy of CAP data.	Completed - City S&B has worked with an external consultant to review the City's current CAP methodology and make recommendations for changes to ensure compliance with OMB Circular A-87.	Implemented – S&B has not developed formal policies and procedures to document and monitor the CAP. However, the division has taken the lead in working with an external consultant to develop a CAP that is in compliance with OMB Circular A-87 requirements.	✓	M&FS Office of Strategy and Budget
26	Methodology Documentation and Monitoring - Documentation of CAP Methodologies by department to ensure consistency of retention requirements.	Completed - City S&B has retained documentation supporting departmental cost allocations.	Implemented - Internal Audit selected a sample of department allocations from the FY2015 CAP and noted that Budget and Evaluation had retained adequate supporting documentation for each allocation.	✓	M&FS Office of Strategy and Budget
27	CAP Approval – Office of Strategy and Budget to obtain FTA approval of OMB Circular A-87 as required.	In Progress - City S&B submitted the FY16 CAP to the FTA for approval in July 2015.	Partially Implemented - S&B submitted the FY16 CAP to the FTA in July 2015 but has not obtained FTA approval.	✓	M&FS Office of Strategy and Budget

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
28	Basis for Cost Allocation Plan - Actual expenditures as basis for CAP pursuant to OMB Circular A-87.	In Progress - City S&B submitted the FY16 CAP to the FTA for approval in July 2015. This was the first CAP submitted based on actual expenditures (i.e., FY14 actuals). A "true-up" of FY16 allocations to actual amounts will occur when actual FY16 amounts are available.	Partially Implemented - S&B submitted the FY16 CAP to the FTA in July 2015. The CAP was based on FY14 actual expenditures.	✓	M&FS Office of Strategy and Budget
29	Bond Funded Project Invoice Support, Coding and Tracking - Invoicing - Advised contractors to submit one project per invoice and/or PO, including direct payments.	Completed - Aviation Finance has requested current contractors provide individual invoices for each project. If contract terms or circumstances prevent individual invoices, Aviation will request invoices with line-item detail for each discrete project.	Implemented - Internal Audit sampled invoices from a vendor on multiple projects (W Terminal Expansion and Baggage Handling Construction) and verified they are submitting separate invoices for different projects.	✓	Aviation
30	Bond Funded Project Invoice Support, Coding and Tracking - Direct Payments - Schedule invoice sampling for project related invoices to ensure coding is done accurately.	Completed - Direct Payments are no longer allowed as part of Munis conversion.	Departments have been allowed to use direct pays with wet signature authorization and appropriate expense account data written on the physical invoice. Auditors reviewed 15 Aviation direct payments over $25,000 and noted that Aviation's use of direct pays was consistent with City policy and resulted in accurate project coding.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
31	Bond Funded Project Invoice Support, Coding and Tracking - Invoicing - Aviation staff to periodically sample project invoices and verify amounts are coded correctly.	Completed - Although no invoices are sampled periodically, projects are carefully verified to ensure coding is done correctly prior to payment. When a vendor submits an invoice, Aviation Finance reviews for amounts and correct coding before forwarding to project managers to confirm the work was actually completed.	Implemented - Aviation hired a full-time project cost and grant accountant in November 2013 to verify invoices prior to payment. Internal Audit reviewed an invoice that was rejected due to incorrect project coding and re-sent to the vendor for correction. Auditors also selected five invoices for testing and verified that amounts were coded correctly.	✓	Aviation
32	Financial, Debt Management, and Accounting Policy for the Airport - Project Review and Tracking Procedures - Aviation Project Accountant to periodically sample project invoices and verify project funding source is accurate. This task is associated with Task #31.	Completed - Although no projects are sampled periodically, projects are carefully verified to ensure funding sources are from the correct account. Aviation Finance reviews for correct amounts and coding before forwarding to project managers to confirm the work was actually completed.	Implemented - Aviation hired a full-time project cost and grant accountant in November 2013 to verify invoices prior to payment. Auditors reviewed five invoices for the rental car facility and hourly deck project and verified that funding sources were accurate.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
33	Financial, Debt Management, and Accounting Policy for the Airport - Unused Bond Proceeds - Prepare summary of bond proceeds that are unspent and develop a plan for use of unused bond proceeds This task is to be done in accordance with City's Financial Department Policy.	Completed - The Airport has prepared a draft plan for the use of unspent bond proceeds. Since implementation of the plan, the City has expended all proceeds in the 2004 Bonds Construction Fund. The Airport has also identified current active projects which require use of remaining bond funds in respective Series 2007; 2010; 2011; and 2014. Airport Finance will meet with City Finance – Treasury no less than once a year to review unused Bond Proceeds.	Implemented – Auditors reviewed the unexpended bond fund plan and noted that Aviation is working with City Finance – Treasury to periodically prepare a summary of unspent bond proceeds. The last summary was prepared as of October 31, 2014.	✓	Aviation
34	Financial, Debt Management, and Accounting Policy for the Airport - Unused Bond Proceeds - City Finance to consult with Bond Counsel on Aviation's proposed plan for unused bond proceeds in accordance with City's Financial Department Policy.	Completed - Since the Airport does not currently anticipate using remaining bond proceeds for new projects, there is no need to contact bond counsel to request a tax opinion.	Implemented - Auditors reviewed a summary of unspent bond proceeds and noted that Aviation has identified active projects which require the use of the remaining bond funds.	✓	Aviation
35	Vendor Contract - obtain new parking management firm.	Completed - New Vendor: SP+	Implemented - Aviation awarded a bid to SP+ to manage parking, effective April 1, 2014.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
36	Vendor Contract - Modify parking management contract to include modifications to cover non-performance issued should they arise.	Completed - New Vendor SP+ contract issued	Implemented - Auditors noted that the SP+ contract includes a list of fines for failure to provide "Required Reports" in Exhibit B. The Scheidt & Bachmann contract includes $500 penalty if contractor fails to respond to major system failure within set timeframe.	✓	Aviation
37	Vendor Contract - New parking management firm contract requires the performance of LPIs on a daily basis. Aviation Parking staff to monitor and ensure compliance with the LPI requirement.	In Progress - Aviation Parking Management acknowledges parking management company (SP+) requirement to provide nightly License Plate Inventory (LPI). Airport Parking Management acknowledges technical problems with LPI handheld equipment unload to the revenue control system (S&B). Airport Parking Management has been in regular communication with S&B regarding this issue. S&B provided a new operators manual to confirm proper handheld use and to troubleshoot possible problems. S&B conducted an on-site evaluation and resolved the issue in May 2015.	Partially Implemented – During audit fieldwork, auditors noted that LPI handhelds did not function properly for several months, therefore, no daily LPI reports were available to monitor. This is not in compliance with Article VI of the contract, which requires the vendor to complete nightly inventories. Subsequent to audit fieldwork, Aviation management worked with the system vendor to restore the desired functionality in May 2015.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Internal Audit Status	Responsible Department
38	Non-Revenue Parking - Access Cards - Aviation operations maintain access card list and conduct audit of list on annual bases.	Completed - Aviation management retrieved and terminated the use of all access cards and issuance of new access cards beginning Summer 2013.	Implemented - Auditors noted that Aviation has retrieved all access cards and has discontinued the issuance of access cards.	✓	Aviation
39	Gate Reset - New parking management firm to maintain gate reset reports. Aviation management to conduct daily review of gate reset report.	Completed - Airport Parking developed and implemented a daily parking gate reset summary. Airport Parking utilizes information generated from the S&B revenue control system and information provided by the cashiers to identify each instance of a gate reset. This information is compiled daily on the parking gate reset summary and reviewed by Airport Parking management. It should also be noted that the Airport is currently underway with extensive public parking construction near the pay booths. This has resulted in a significant number of gate resets to provide required access by construction contractors. Airport management anticipates a decline in gate resets upon completion of the public parking improvements.	Partially Implemented – Auditors noted that daily gate reset reports (logs) are provided to Aviation management. Although management indicated that these reports are reviewed daily, auditors did not see evidence of these reviews as the reports and logs are not signed or initialed by Aviation management and no specific action was required in response to the daily reviews.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Internal Audit Status	Responsible Department
40	Financial Reporting and Monitoring - Daily Reconciliations - Aviation to ensure new Parking Management firm is providing back up documentation for all cancelled tickets and coupons issued.	Completed - Aviation Parking management requires that back up documentation be supplied for all cancelled tickets and coupons issued.	Implemented – Aviation requires that the vendor provide supporting documentation for each cancelled ticket and coupon issued. Auditors reviewed a sample of daily reports from January 2015 and noted that supporting documentation was obtained for each reported lost ticket and coupon issued.	✓	Aviation
41	Financial Reporting and Monitoring - Daily Reconciliations - Scheidt & Bachmann (S&B) to perform training on the terminals for personnel operating the terminals.	In Progress - SB Terminal is not currently set up to handle PDR. Aviation Department is actively pursuing the implementation of cashiering system. Given Aviation Department budgetary restrictions this item is currently scheduled for FY17.	Partially Implemented - Although staff has been trained to operate the S&B terminal, the McGladrey recommendation was to have a fully functional cashier terminal available in the PDR to enable all transactions to be recorded in the system and eliminate a manual Cashier Payment Dispatch Log. Records were still kept manually in the PDR during Internal Audit's visit.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
42	Financial Reporting and Monitoring - Monitoring - Current canned report package purchased does not include access to several recommended reports. New Parking Management firm, who have extensive knowledge of parking system, will review current reporting and make recommendations to Aviation.	In Progress - Airport Parking management has met with representatives of SP+ to discuss reporting capabilities of the S&B parking revenue control system with the objective of enhancing review and analysis of public parking transaction activities. Aviation Parking personnel have been trained on how to pull reports which will assist Airport Management with the review and analysis of daily parking activities. Aviation is now actively pulling parking transaction data and conducting trend analysis.	Partially Implemented - Aviation provided auditors with examples of additional reporting capabilities but stated that a decision has not been finalized on which reports, if any, would be useful for trending and analysis. Subsequent to audit fieldwork, Aviation management noted that staff had conducted additional analysis and are now utilizing parking data for trend analysis.	✓	Aviation
43	Policy & Procedures - Update existing policy and procedures to reflect current practices.	In Progress - Policy & Procedures for Parking Mgmt. Staff and Aviation Parking Staff have been updated and are under review by Aviation Legal Team. The two Policy & Procedures manuals will be combined into a master document after Aviation Legal Team review.	Partially Implemented - Aviation provided auditors with two draft policies that will be combined into one after Aviation Legal review. One policy was the SP+ cashier guidelines and the second was a cash handling guideline for Aviation Parking personnel. There were no specific guidelines on how Aviation monitors SP+, particularly what is reviewed daily, monthly, and annually. Providing detail on how Aviation manages the vendor allows for contract compliance, segregation of duties, and operational efficiency.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Internal Audit Status	Responsible Department
44	Insufficient Funds - Document and implement timeframe for writing off ISF transactions.	In Progress - ISF's previous to January 2013 have been written off. Aviation developed policy/procedures regarding ISF write offs. The policy/procedures will include all uncollectable ISFs to be written off 90 days following the end of previous fiscal year.	Partially Implemented. Aviation provided draft policies and procedures for the write-off of amounts owed. However, auditors noted that FY14 receivable amounts have not been written off and that an aging report of outstanding receivables is not available.	✓	Aviation
45	Insufficient Funds - Aviation Parking and Aviation Finance to work with Scheidt and Bachman in the development of improved reporting capability.	In Progress - Aviation Parking generates daily insufficient funds (ISFs) reports from the S&B system. The daily ISF report is provided and reviewed by the Ground Transportation Manager on a daily basis.	Partially Implemented. Aviation provided documentation indicating that daily ISF reports are reviewed. However, auditors noted that an aging report of outstanding receivables is not available, as recommended in the McGladrey report.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
46	Cashier Booth Security Cameras - Review practicality of adding security cameras to cashier booths as they are relocated to new exit plazas.	In Progress - Aviation has assessed the practicality of adding security cameras to public parking pay booths. Notwithstanding concerns related to the benefit-cost and financial feasibility of adding a security camera system to each cashier booth, Aviation feels it is not practical to consider implementation of security cameras when parking pay booths are scheduled for relocation in the Fall of 2015. Aviation will reassess the cost-benefit of adding security cameras following the relocation of the cashier booths.	Implemented. According to Aviation management, the feasibility of this recommendation was reviewed and it was determined that Aviation would reassess the cost-benefit of adding security cameras following a planned future relocation of the cashier booths in the fall of 2015.	✓	Aviation
47	Vendor Master File Review - Perform annual review of master vendor file to minimize the risk of unnecessary multiple vendors.	Completed - Task was complete in preparation for ERP system implementation and remains ongoing.	Implemented – Under the City's new ERP system, Management and Financial Services reviews vendor files monthly and merges duplicate vendors. Staff indicated that this process is ongoing and is expected to take approximately one year to complete.	✓	Aviation

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Internal Audit Status	Responsible Department
48	Purchase Approval and Documentation - Purchases via Purchase Order - Periodically review of POs to ensure compliance with policy/procedures and identify deficiencies for follow up.	Completed - Compliance is built into requisition and purchase order change order approval workflows (Operating Funds only)	Implemented – Auditors reviewed a sample of Aviation purchase orders and noted compliance with City policies and procedures. Auditors also noted that Aviation has contracted with a consultant to identify process improvements that could be implemented to allow the Aviation Department more flexibility or greater speed in procuring goods and services. Results of this engagement are expected to be available in the spring of 2015.	✓	Aviation
49	Purchase Approval and Documentation - Direct Payments - Although the direct payments were approved by the KBE or Deputy KBE, the proper process should have included submission of a modified or new purchase order prior to receipt of goods or services and invoice presentation.	Completed - Direct Payments are no longer allowed as part of Munis conversion.	Partially Implemented – Departments have been allowed to use direct pays with wet signature authorization and appropriate expense account data written on the physical invoice. Auditors reviewed 15 Aviation direct payments over $25,000 and noted that Aviation's use of direct pays was consistent with City policy. Note: Wet signature authorization was eliminated in February 2015 as part of the on-going implementation of Munis controls.	✓	Citywide (M&FS)

City of Charlotte
Turn Over Reviews – Follow-Up

#	Recommendation	Management's Implementation Status	Internal Audit Conclusion	Status	Responsible Department
50	Use of Contract vs Purchase Order - Contract vs PO - Use of contract to define and document terms and conditions (in addition to those on the purchase order) when purchase is greater than $10,000.00 for goods and services per Citywide new Procurement Policy.	Completed - The new City-wide Procurement Policy specifies the dollar thresholds whereby a contract is 'highly recommended' and 'required'.	Implemented – Auditors sampled payments over $10,000 without associated contracts and found only one payment that did not have an associated contract or purchase order.	✓	Aviation
51	Use of Contract vs Purchase Order - Contract Review - Aviation Legal team to maintain version control and the conversion to final legal-approved contract into a format that does not allow edits.	Completed - Given only certain contracts are subject to legal review, it is impractical for Aviation Legal to maintain version control for all contracts. Furthermore, all contacts requiring legal review are shared with Aviation Procurement for the processing of edits and locked for contract distribution and execution.	Partially Implemented – Auditors noted that Aviation considered the recommendation and determined that an alternate solution would meet their practical needs.	✓	Aviation
52	Segregation of Duties and User Access - Review access levels and remove/delete unnecessary access levels.	Completed - Done as part of prep for Munis go live.	Implemented – Auditors reviewed documentation indicating that Aviation security roles were assigned in Munis in accordance with City policy. The ERP resource team periodically reviews access levels for conflicting roles.	✓	Aviation

CITY OF CHARLOTTE
AVIATION DEPARTMENT

August 11, 2015

TO: City of Charlotte Internal Audit

FROM: Brent Cagle, Interim Aviation Director

RE: Airport Turnover Review – Compliance Audit

In 2013, the City engaged the accounting firm McGladrey, LLC to initiate a turnover review ("Review") of the Charlotte Douglas International Airport. City and Airport Management identified certain high-risk core areas to be included in the Review. These areas included:

- Billing and Revenues;
- Internal Controls, Project and Capital Asset Accounting;
- Rental Car Contract Facility Charges;
- Reconciliation of the Airport Special Financial Statement with the Comprehensive Annual Financial Report;
- Expense Reimbursements to the City;
- Debt Management;
- Parking Revenue Management; and
- Airport Purchasing.

McGladrey published its Review including observations and recommendations on June 11, 2014. McGladrey reported a total of 24 findings, many findings having multiple recommendations. Airport Management, with assistance from the City's Management and Financial Services Department ("M&FS") responded to all 52 recommendations related to core high risk areas identified in the Review. In January 2015, Airport Management requested Internal Audit conduct a performance audit ("Performance Audit") to assess the progress in implementing all 52 recommendations in Turnover Review.

Airport Management was actively engaged in developing the scope of the Performance Audit and in collecting the data necessary for Internal Audit's review. As referenced in the Report issued by your office, we have made significant progress in addressing key recommendations contained in the Turnover Review. In total, we are pleased to report

the full implementation of 33 of 52 recommendations contained in the Turnover Review. We have also made significant progress in implementing 14 additional recommendations. The remaining five recommendations are being implemented by Management & Financial Services.

In connection with this effort, we have completed a thorough assessment of critical processes as referenced in both the Turnover Review and the Performance Audit. We will continue our efforts to enhance the documentation of critical processes and the formal adoption of policies and procedures, with a focus on the areas of:

- Pay application review;
- Project management;
- Bidder selection;
- Grant compliance;
- Change orders; and
- Parking operations.

Certain of these processes will be documented in connection with the proposed transfer of the Airport's construction procurement function from the Aviation Development Division to the Aviation Finance Division – Procurement Section. We believe this change in structure will provide a platform that will result in enhanced process consistency and customer service delivery.

In addition, Airport Management has dedicated certain personnel to oversee the implementation of recommendations resulting from the Turnover Review and Performance Audit. We are also expanding our use of technology based project management solutions which will allow for managing the documentation and verification of implementing the proposed recommendations.

In conclusion, Airport Management found significant value in the Turnover Review and Internal Audit's subsequent Performance Audit. These reviews have provided Airport Management with valuable recommendations and will help the Airport to identify, assess and mitigate financial and business risk levels.

cc: Michael Hill, Asst. Aviation Director - Finance
Haley Gentry, Asst. Aviation Director – Business and Revenue

Employee Hotline Calls
City of Charlotte - Internal Audit Summary
As of 6/30/15

		Sept. 12, 2014 - Dec. 31, 2014	Jan. 1, 2015 - Mar. 31, 2015	April 1, 2015 - June 30, 2015	Total
Calls Received		**12**	**12**	**5**	**29**
Types of Calls					
Employee Relations		4	6	3	13
Theft of Time		3	1	1	5
Discrimination		2	1		3
Safety		2	1	1	4
Conflict of Interest		1	1		2
Fraud			1		1
Policy Violation			1		1
Totals		**12**	**12**	**5**	**29**
Departments Referenced					
Neighborhood & Business Services		3		1	4
Charlotte Area Transit Services		3			3
Solid Waste Services		2	2	1	5
Management & Financial Services		1			1
Charlotte Department of Transportation		1			1
Engineering & Property Management		1	2		3
Charlotte Fire Department		1	1		2
City Manager's Office			2		2
Charlotte Water			2	1	3
Human Resources			1		1
Charlotte Mecklenburg Police				1	1
Aviation				1	1
Unknown or Entire City			2		2
Totals		**12**	**12**	**5**	**29**
Disposition and Status of Calls					
Internal Audit reviewed with Department		1	2	2	5
Audit Investigation Ongoing			1		1
Insufficient information to review			1		1
Referred to Human Resources		11	8	3	22
Unsubstantiated	11				
Action Taken	6				
Investigation in process	5				
Totals	**22**	**12**	**12**	**5**	**29**