



Aviation Off-Site Parking Audit



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Aviation Off-Site Parking Audit

Executive Summary

Objective

This audit was conducted to determine whether operators have complied with the off-site parking agreements and have accurately reported and paid revenue due to the City.

Background

The Aviation Department oversees various income sources related to Charlotte Douglas International Airport operations, including agreements with off-site parking operators.

These agreements allow operators to provide off-site parking services and complimentary shuttle services to transport passengers between the airport and their parking lot.

The operators collect parking fees from customers and share a percentage of their earnings with the city.

For FY 2023 Aviation reported \$775,059 in off-site parking revenues.

Conclusion

Off-site parking operators are not consistently complying with Commercial Vehicle Permit agreements. Internal verification and monitoring controls are needed to validate revenue accuracy and help ensure timely payments and reports.

Highlights

Aviation should verify the accuracy of reported revenues.

- Aviation should document off-site parking self-reporting process and establish policies that include reconciliations, standard reporting formats, vendor audits, formal billing, and training.
- Aviation should update Commercial Vehicle Permit agreements to define "gross revenues" and "related information" for revenue reporting.

Aviation should monitor operator accounts receivable for timely payment.

- An off-site parking operator continued to conduct business for over a year without making a payment.
- Aviation should implement procedures which include following up on past due accounts, late fee policies and account reviews.

Aviation should ensure that revenue reports are received by the 20th of each month.

- For the period July 1, 2022, through January 31, 2024, over 50% of revenue reports were not submitted by the 20th of each month.
- Aviation should establish a process to track report submissions to help ensure timely reporting.

Actions Planned

Aviation accepted all recommendations and is working to implement corrective actions by July 31, 2025.

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Objective

This audit was conducted to determine whether operators have complied with the off-site parking agreements and have accurately reported and paid revenue due to the City.

Background

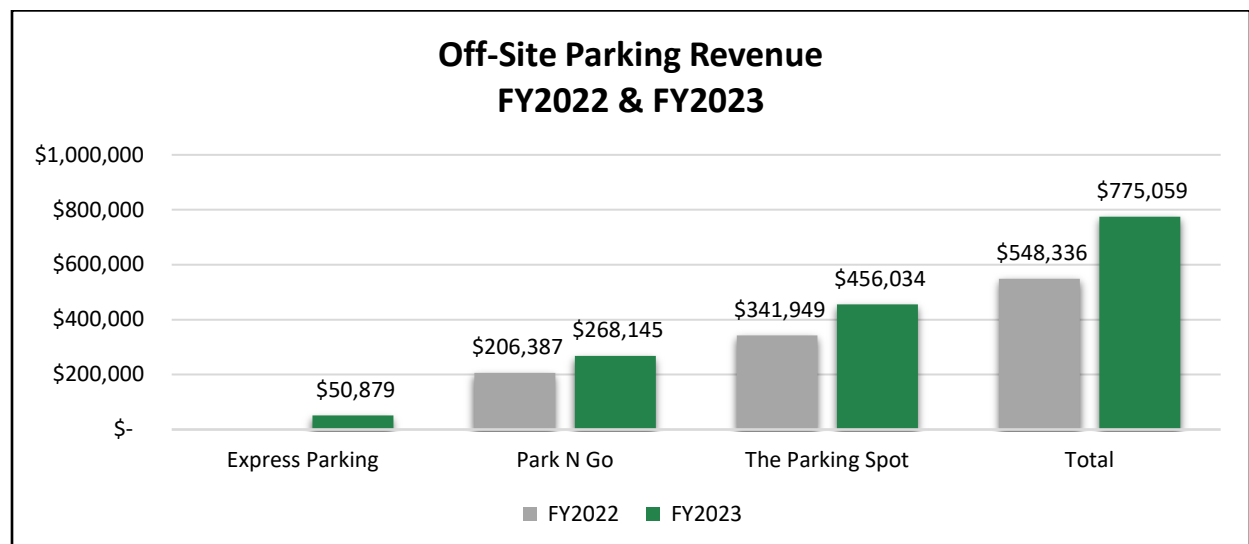
Aviation has Commercial Vehicle Permit (CVP) agreements with various operators (contract vans, limos, courtesy vehicles, etc.) which allows operators to use their vehicles on airport property for business purposes. Fees are based on vehicle type and include charges for vehicle dwell time, trip fees, hourly deck usage and (for off-airport parking) a monthly percentage of gross revenue.

Aviation currently has agreements with three off-site parking operators (Express Parking, Park N Go, and The Parking Spot) that offer 24/7 parking and complimentary shuttle services to and from the airport. The operators collect all parking fees from customers and remits a percentage of gross earnings to Aviation.

The current off-site parking CVP agreements became effective on July 1, 2023, and expire on June 30, 2025. Fees and general conditions include, but are not limited to, a \$50 annual fee to operate at the airport; a 10% concession on monthly gross revenue; and monthly reporting of earnings.

The Business & Revenue Division of Aviation manages all CVP agreements including off-site parking, and uses e-Builder, PROPworks, iNovah, and MUNIS systems to track reporting and billing.

The off-site parking revenue totaled \$548,336 and \$775,059 in FY 2022 and FY 2023, respectively, as shown in the chart below. As of January 31, 2024, revenues totaled \$391,866, with an annual budget of \$817,440.



Source: City of Charlotte ERP System, Munis

Findings and Recommendations

1. Aviation should verify the accuracy of reported revenues.

Aviation lacks a formal process to verify the accuracy of revenues reported by off-site parking operators. When Aviation receives the monthly revenue reports, they calculate gross revenues owed to the City using a formula (gross revenues * 10%); however, Aviation does not have a documented process to spot check transactions or requirements for operators to provide supporting documentation to validate reported numbers. While Aviation periodically analyzes trends to gauge reasonableness, this process also lacks documentation. Staff reviews focus on completeness and month-to-month comparisons, but overall, there is no formal mechanism to ensure revenue accuracy.

Other factors that hinder revenue verification include:

- Operator reports are not standardized and do not provide the details necessary to confirm gross revenue accuracy. Gross revenue reports reviewed contained duplicate and prior period transactions without explanations.
- The off-site parking CVP agreements state that operators must submit a statement of their “gross revenue” and “related information,” but neither term is defined. The operators used different methods to calculate gross revenue.

These issues create risks, including incomplete or inaccurate gross revenue data, the possibility of underpayment to the City, and difficulty identifying discrepancies. The lack of written procedures may lead to process inconsistencies and errors.

Clearly defining gross revenues in the CVP agreements and standardizing the revenue reports will help streamline reporting, improve accuracy, enhance transparency, and reduce errors. Requesting specific supporting documents from off-site parking vendors, strengthens the validation process and bolsters confidence in the reported revenue amounts. Developing written policies and procedures clarifies expectations and promotes consistent work.

According to Aviation, prior to January 2023, billing was managed by different groups who might not have been properly trained. Aviation used incorrect revenue reports to generate invoices for July and August 2022. The current team has been trained to conduct proper reviews and to contact the operator for clarification and/or corrected revenue reports should any discrepancies be noted. While billing and training procedures have not been documented, it was confirmed that billings from January 2023 through January 2024 accurately matched the corresponding monthly revenue report. No exceptions were noted.

Recommendation 1A: Aviation should update the off-site parking Commercial Vehicle Permit agreements to include a clear definition of “gross revenues” and “related information” for revenue reporting.

Value Added: Compliance; Risk Reduction

Aviation Response: Aviation agrees with this recommendation. Aviation Business and Revenue division has already begun the process of reviewing and updating Commercial Vehicle Permit agreements. During the review/drafting process Aviation will clarify terms. Estimated completion is July 31, 2025.

Recommendation 1B: Aviation should establish documented procedures to validate the accuracy of revenues reported. Procedures should include, but not be limited to:

- Developing a standardized template for gross revenue reports that clearly defines the information required from operators. This should include details like transaction breakdowns, specific deductions allowed, and the format for recording revenue categories.
- Requiring off-site parking operators to provide documentation to verify revenue accuracy.
- Conducting reviews of operator's records to ensure ongoing compliance with revenue reporting standards.
- Formalizing billing and training policies and procedures and establish a process to periodically check compliance with policies and procedures.

Value Added: Compliance; Efficiency; Risk Reduction

Aviation Response: Aviation agrees with this recommendation and will establish documented procedures. Aviation Business and Revenue division has already begun the process of reviewing and updating Commercial Vehicle Permit agreements. During the review/drafting process Aviation will include a standardized template and specific documentation requirements. The new agreements will be subject to negotiation with the off-site parking operators. Estimated completion is July 31, 2025.

2. Aviation should monitor operator accounts receivable for timely payment.

There's no documented process to track if off-site parking operators are following the established payment terms. According to the CVP agreements, all fees are payable monthly. Aviation established that payments are due on the 20th of each month, along with the off-site parking operators' self-report of gross revenues for the preceding month. After receiving the report, a billing advice is created in e-Builder, and an internal invoice is generated for posting in PROPworks, but the invoice is not sent to the operators.

CVP Agreement Sections 5 and 9.3.2 state:

5. Charges, Fees, and Accounting.

All fees shall be payable monthly to the City...

9.3.2. Citation Issuance and Billing.

Payment is due within thirty (30) days of receipt of the invoice.

it's unclear if off-site parking operators are aware they must remit payment with the self-report, as this isn't documented or formally communicated. Currently, the expectation is communicated verbally when agreements are signed, but there's no formal written process.

The lack of a documented payment process increases the risk of missed or late payments, impacting revenue to the city. It also makes it difficult to enforce compliance and take timely corrective action. Having payment terms that are consistent with contractual requirements can help ensure that operators clearly understand expectations, reduce payment delays, and increases accountability.

To assess how timely operators paid their monthly fees, Aviation's due date (20th of each month) was compared to the bank processing date from July 1, 2022, through January 31, 2024. Since check receipt times are not tracked but typically processed within one to two business days, a two-day lag was factored into the testing. Overall, operators are not consistently making timely payments as detailed in the table below.

Operator	Total Internal Invoices	Total Internal Invoices Paid Late	% of Total Invoices	Calendar Days Paid Late
Express Parking	19	19	100%	36 – 401
Park N Go	19	12	63%	7 – 112
The Parking Spot	20	0	0%	0
Total	58	31	53%	7 – 401¹

Express Parking had not made a payment in over a year resulting in an outstanding balance of \$83,003 (based on Aviation's due date). Internal Audit informed Aviation of the non-payments. While there was no disagreement about the amount owed, miscommunication and staffing changes at Express Parking and Aviation led to unclear expectations. This was resolved during the audit, and payment for the entire outstanding balance was processed on March 27, 2024.

Park N Go had 12 invoices totaling \$279,241 that were paid ranging from 7 to 112 days late compared to Aviation's due date.

Even though operators pay late (53% of the time), Aviation does not assess late fees. Establishing a late fee policy with a grace period after the due date would give operator's some flexibility for unexpected delays but still encourage them to make timely payments and improve overall revenue collection.

PROPworks has an aging report that shows outstanding balances. The aging report is based on internal invoice generation dates, not payment due dates. Since revenue owed to the city is only determined upon receipt of the operator's self-report, delays in report submissions can result in the aging report not accurately reflecting the true status of outstanding balances. Inaccurate aging reports can hinder the enforcement of payment terms and delay corrective actions against non-compliant operators.

¹ Numbers represent the low and high range days late amongst the three vendors.

Recommendation 2A: Aviation should update the off-site parking Commercial Vehicle Permit agreements to include:

- Payment requirements and procedures aligning with internal processes.
- Implementing a late payment policy that clearly outlines any late fees or interest charges to be applied to overdue payments.

Value Added: Compliance; Risk Reduction

Aviation Response: Aviation agrees with this recommendation. Aviation Business and Revenue division has already begun the process of reviewing and updating Commercial Vehicle Permit agreements. During the review/drafting process Aviation will ensure payment requirements, payment policies, etc. are addressed. Estimated completion is July 31, 2025.

Recommendation 2B: Aviation should strengthen controls to help ensure operators remit payment timely by:

- Implementing a policy outlining the payment requirements and procedures for off-site parking operators.
- Establishing procedures to regularly review operator's accounts for compliance with payment requirements. Procedures should include:
 - Tracking payment due dates, even if self-reports are pending.
 - Identifying accounts with outstanding balances and following up with operators to enforce payment.
 - Monitoring to ensure internal staff compliance.

Value Added: Compliance; Efficiency; Risk Reduction

Aviation Response: Aviation agrees with this recommendation. Aviation Business and Revenue division will establish formal procedures to review monthly reports that identify accounts with outstanding balances. This will assist in enforcing payment and ensuring timely collections in the future. Estimated completion is July 31, 2025.

3. Aviation should ensure revenue reports are received by the 20th of each month.

The off-site parking Commercial Vehicle Permit agreements require operators to self-report revenues monthly. Aviation established that operators should submit monthly revenue reports by the 20th of each month. To help operators meet this deadline, reminders are sent out between the 12th and 15th of each month, by Aviation's contract owner. If a report isn't received by the 20th, Aviation contacts the off-site parking operator to remind them of the monthly self-reporting requirement and encourage immediate submission. However, this process is not documented and was not consistently monitored, which poses several risks:

- Lack of a clearly defined "submission by" date in the off-site parking CVP agreements may cause confusion about deadlines for both operators and Aviation staff.
- Delays in collecting operator's monthly self-reports can slow down other financial processes, such as end of month and/or fiscal year end close out.

- Undocumented communication procedures can cause inconsistencies, misunderstandings, and disruptions, especially after staff (Aviation or operator) changes. This could potentially lead to errors and missed reports for new operators.

Revising the agreements to align the revenue reporting deadline with the established submission date clarifies expectations and helps ensure timely reporting from operators.

Off-site parking operators email self-reports but may also use a file transfer protocol (FTP) site which is a more efficient alternative. FTP is a server for file transfers, with logs tracking submission times. Using FTP automation tools can streamline the self-reporting process and help ensure timely reports.

There's no process to track when self-reports are received. Aviation usually creates the billing advice within two days of receiving the reports. To assess timely submission, the billing advice entry date was compared to Aviation's self-report due date (20th of each month), assuming a two-day lag. The chart below shows that overall, 50% of revenue reports were not submitted by the 20th of each month from July 1, 2022 through January 31, 2024.

Operator	Total Reports	Total Late Reports	% of Total Reports	Calendar Days Reported Late
Express Parking	19	12	63%	9 - 56
Park N Go	19	12	63%	5 - 142
The Parking Spot	20	9	45%	8 - 210
Total	58	33	56%	5 – 210²

Late reports can increase administrative burden, and create operational inefficiencies, causing processing backlogs. Delays may also lead to non-compliance with reporting requirements.

Recommendation 3A: Aviation should update the off-site parking Commercial Vehicle Permit agreements to include formal self-reporting requirements and procedures that align with internal processes.

Value Added: Compliance; Risk Reduction

Aviation Response: Aviation agrees with this recommendation. Aviation Business and Revenue division has already begun the process of reviewing and updating Commercial Vehicle Permit agreements. During the review/drafting process Aviation will clarify self-reporting requirements. Estimated completion is July 31, 2025.

² Numbers represent the low and high range days late amongst the three vendors.

Recommendation 3B: Aviation should formalize procedures to track report submissions. Procedures should include processes to:

- Document self-report due dates.
- Remind off-site parking operators of self-reporting requirements.
- Document date reports are received.
- Identify overdue reports and follow-up with operators.
- Validate staff compliance with procedures.
- Require off-site parking operators to use FTP automation and logs for self-report submissions.

Value Added: Compliance; Risk Reduction

Aviation Response: Aviation agrees with this recommendation and will formalize procedures to track report submissions. Estimated completion is July 31, 2025.

Conclusion

Off-site parking operators are not consistently complying with Commercial Vehicle Permit agreements. Internal verification and monitoring controls are needed to validate revenue accuracy and help ensure timely payments and reports.

Distribution of Report

This report is intended for the use of the City Manager's Office, City Council, and Aviation. Following issuance, audit reports are sent to City Council and subsequently posted to the [Internal Audit website](#).

Scope, Methodology, and Compliance

Scope

The audit covered the policies and procedures for reporting and validating the accuracy of gross revenues, and payment of revenues owed to the city for the period of July 1, 2022, through January 31, 2024.

Methodology

To achieve the audit objectives, the following procedures were performed:

- Interviewed Aviation staff.
- Reviewed Commercial Vehicle Permit Agreements.
- Gained an understanding of the risks and controls related to the following processes:
 - Reporting and validating gross revenues.
 - Billing and invoicing operators.
 - Revenue collections.
- Designed tests to verify compliance with the agreements' terms and conditions.

Three months were selected (one month per operator) to review transactions from the operator's self-report. Using these reports, the following procedures were performed: 1) calculated the number of days stay, 2) calculated gross revenue, 3) compared the calculated gross revenue to the gross revenue per the report, 4) determined the daily rate by dividing the gross revenue by the number of days stay and daily parking rate, and 5) compared the calculated daily parking rate to the parking rate from the operator's website. Details of control deficiencies impacting the reliability of gross revenues reported are discussed in [Finding 1](#).

To address whether operators are remitting payment timely, Aviation's established due date was compared to the bank processing date for all invoices generated during the review period. See [Finding 2](#) for exceptions noted.

For all revenue reports submitted during the audit period, the report due date was compared to the billing advice entry date to determine compliance with Aviation's established due date. Exceptions were noted – see [Finding 3](#).

Compliance

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.

Government auditing standards require that we determine which internal controls are material to the audit objective(s) and obtain an understanding of those controls. To evaluate internal controls, the City Auditor's Office follows the Committee of Sponsoring Organizations of the

Treadway Commission's Internal Control – Integrated Framework (COSO Framework) as included in Standards for Internal Control in the Federal Government (GAO Green Book).

In planning and performing the audit, auditors obtained an understanding of the processes used by Aviation's Business and Revenue Division and the associated internal controls, assessed the internal control risks, and determined the following internal control components were significant:

- **Control Environment** – The set of standards, processes, and structures that provide the basis for carrying out internal control across the organization.
- **Control Activities** – The actions management establishes through policies and procedures to achieve objectives and respond to risks.
- **Monitoring** – The activities management uses to assess the quality of performance over time.

Internal control deficiencies that are significant within the context of this audit's objective(s) are stated in the Findings and Recommendations section of this report. For additional information regarding internal control components and the related principles of internal control, please see **Appendix A**.

Appendix A

The Five Components and 17 Principles of Internal Control

Control Environment

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

Risk Assessment

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Control Activities

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

Information & Communication

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

Monitoring

16. Management should establish and operate a monitoring mechanism that monitors both internal and external activities that impact the control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.