

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
March 20, 2018
“*Communications Received and Filed*” Item

To: Board of Supervisors

From: Department of Finance

Subject: LAZ Parking Contract Agreed-Upon Procedures For Its Shuttle Bus Management Operations For The Period Of April 1, 2016 To March 31, 2017

Supervisory
District(s): All

Contact: Joyce Renison, Assistant Auditor-Controller, 874-6454

DISCUSSION

The Agreement for Parking Lot and Shuttle Bus Management Services at Sacramento International Airport allows the Department of Airports (Airports) to have an audit performed of LAZ Parking California, LLC's (LAZ Parking) records. As such, Airports requested the Department of Finance to perform agreed-upon procedures (AUP) for the period April 1, 2016 to March 31, 2017 to verify that LAZ Parking has reported proper expenses for reimbursement according to the Agreement for its shuttle bus operations.

The procedures and results are documented in the attached AUP report.

Respectfully submitted,

Ben Lamera
Director of Finance

Attachment

ATT 1 - LAZ Parking Contract Agreed-Upon Procedures for its Shuttle Bus Management Operations for the Period of April 1, 2016 to March 31, 2017

Department of Finance

Ben Lamera
Director



Agenda Date: March 20, 2018

ATT 1
Auditor-Controller Division

Joyce Renison
Assistant Auditor-Controller

County of Sacramento

February 20, 2018

To: John Wheat
Director of Airports

From: Ben Lamera
Director of Finance

By: Alan A. Matré
Chief of Audits

A handwritten signature in blue ink, appearing to read "Alan A. Matré", is written over the printed name.

Subject: **LAZ PARKING CONTRACT AGREED-UPON PROCEDURES FOR ITS SHUTTLE BUS MANAGEMENT OPERATIONS FOR THE PERIOD OF APRIL 1, 2016 TO MARCH 31, 2017**

We have performed the procedures enumerated below, which were requested and were agreed to by you for the Department of Airports' (Airports) contract agreement (Contract) with LAZ Parking California, LLC (LAZ Parking) for its shuttle bus management services as listed below:

- Agreement for Parking Lot and Shuttle Bus Management Services for the period April 1, 2016 to March 31, 2017.

These agreed-upon procedures were performed solely to assist Airport in evaluating LAZ Parking's compliance as outlined in the Contract related to its shuttle bus management services. These procedures were performed solely to verify that LAZ Parking has reported proper expenses for reimbursement according to its Contract with Airports. Airports' management is responsible for LAZ Parking's compliance with the Contract.

The sufficiency of the procedures is solely the responsibility of Airports. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to procedures referred to below and is not intended to pertain to any of LAZ Parking's other operations, procedures, or compliance with laws and regulations.

The procedures and associated findings are as follows below and on the next page:

- Performed certain tests of the accounting controls and transactions to determine both the reliability and accuracy of these controls and concessionaire operations.

Finding: We did not note any exceptions as a result of our procedures.

- Tested corresponding management fees and reimbursable expenses payable to LAZ Parking.

Finding: We noted several exceptions as a result of our procedures. See Attachment II, *Findings and Recommendations*.

- Prepared operating statements based on LAZ Parking's financial records for the period April 1, 2016 to March 31, 2017.

Finding: We noted several exceptions as a result of our procedures. See Attachment I, *Schedule of Expenses* and Attachment II, *Current Findings and Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform an audit or examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on LAZ Parking's financial statements, compliance, or results of our procedures referred above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Airports' responses to the findings identified during our procedures are described in Attachment II, *Current Findings and Recommendations*. We did not perform procedures to validate Airports' responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and Airports' management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Attachments

Attachment I, *Schedule of Expenses*

Attachment II, *Findings and Recommendations*

cc: Members, Sacramento County Board of Supervisors
Nancy Newton, Assistant County Executive
David Villanueva, Deputy County Executive, Administrative Services
Britt Ferguson, Chief Fiscal Officer, Office of Budget and Debt Management
Camelia Radulescu, Senior Airport Manager, Airports

County of Sacramento
 Department of Airports
 LAZ Parking California, LLC (LAZ Parking)
 Shuttle Bus Management Services Contract
 Schedule of Expenses
 April 1, 2016 to March 31, 2017

	Reported Expenses	Reviewed Expenses	Questioned Costs	Disallowed Costs
	(1)		(2)	(3)
Reimbursable Operating Expenses:				
Payroll	\$ 3,100,708	3,100,708	128	
Vacation	72,341	72,341		
Holiday/Sick	57,797	57,797		
Payroll Taxes	336,339	336,339		(58)
Workers Compensation Insurance	164,618	164,618	29,112	
Health Insurance	990,077	990,077	196,130	445
401K Company Match	712	712		
Recruiting	17,098	17,098	149	
Maintenance	2,826	2,826		
Operating Supplies	83,825	83,825		
Uniforms	18,850	18,850		
Printing	915	915		
Postage and Shipping	812	812		
Bank Fees	29	29		
Telephone	6,370	6,370	798	
Signage	1,589	1,589		
Management Fee	289,722	289,722		
Professional Services	5,174	5,174	696	
Training	1,457	1,457		
Administrative Expense	1,436	1,436		
Depreciation - Computer Equipment	328	328	76	
Miscellaneous	23,329	23,329	3,342	
Other Taxes	1,406	1,406		
Other Airport Adjustment	(132)	(132)		
Total Operating Expense	<u>\$ 5,177,626</u>	<u>5,177,626</u>	<u>230,431</u>	<u>387</u>

- (1) Amount represents reported expenses that were billed and reimbursed to LAZ Parking for their shuttle operations.
- (2) Questioned Costs column are expenses with inadequate support. See Finding Numbers 1 and 3 at Attachment II, Findings and Recommendations.
- (3) Disallowed Costs column represents amounts that were overclaimed or underclaimed from inspection of the backup support. See Finding Number 1 at Attachment II, Findings and Recommendations.

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1. Expense Testing

Comment

LAZ Parking California, LLC (LAZ Parking) contracted its Shuttle Bus Management Services (Shuttle Bus) to First Transit, Inc. (First Transit) to operate its shuttle bus operations at Sacramento International Airport. We selected all expenses from January 2017 and February 2017 to test. As such, the following questioned and disallowed costs only pertain to the sample months noted above.

During our testing, we noted that First Transit did not provide the following invoices for January 2017 and February 2017, which we considered to be questioned costs:

- workers compensation in the amounts of \$14,556 and \$14,556, respectively
- health insurance and other benefits in the amounts of \$95,126 and \$101,004, respectively
- telephone in the amounts of \$480 and \$318, respectively
- professional services (ADP) in the amounts of \$348 and \$348, respectively
- computer invoices for depreciation in the amounts of \$38 and \$38, respectively

We further noted that the following exceptions were noted from our testing:

- drug testing rates and list of individuals allocated for the drug testing fees were not provided. As such, we considered the amount claimed of \$149 for January 2017 as questioned cost
- payroll taxes claimed (\$23,116) did not agree to the ADP register summary report (\$23,292) for January 2017, with a difference of \$176 that was not claimed
- payroll taxes claimed (\$35,314) did not agree to the ADP register summary report (\$35,196) for February 2017, with a difference of \$118, which we considered as disallowed costs
- health insurance and other benefits employee deduction (\$2,045) did not agree to the amounts from the ADP register summary report (\$2,490) for February 2017, with the difference of \$445, which we considered as disallowed costs

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In addition, we noted that the startup detail costs did not agree to the total expenses that were allocated monthly. As such, we did not select invoices from the startup detail to test and are questioning the amounts claimed of \$1,778 and \$1,564 for January 2017 and February 2017, respectively.

Without the invoices and other support, we cannot determine if the expenses were appropriately claimed.

Therefore, we considered the total questioned costs to be \$230,303 (\$14,556 + \$14,556 + \$95,126 + \$101,004 + \$480 + \$318 + \$348 + \$348 + \$38 + \$38 + \$149 + \$1,778 + \$1,564) and total disallowed costs to be \$445 based on the items mentioned above and on the previous page. The under claimed amount from payroll taxes was \$58 (\$176 – \$118). See Attachment I, *Schedule of Expenses*.

Recommendation

We recommend County of Sacramento, Department of Airports (Airports) contact LAZ Parking to resolve the \$230,303 in questioned costs and \$445 in disallowed costs. We further recommend the expenses invoices be obtained and reviewed for proper supporting documentation by Airports staff prior to remitting payment for the invoice claims.

Airports' Management Response

The \$230,303 in questioned costs has been reconciled. The Airport has been accepting a "screen shot" from a large file indicating the local organization number reflecting expenses. We have access to the entire electronic file which is reviewed monthly before invoices are approved. The \$445 in disallowed costs has been resolved with appropriate credit on subsequent invoices.

2. Vacation Payout

Comment

During our testing, we noted that one former employee with Shuttle Bus was paid eight hours of vacation that was claimed in February 2017. However, the February 2017's vacation accrual worksheet was not provided to us. As such, we were unable to confirm if the eight hours paid to the former employee was correct. We considered the amount of \$128 for the eight hours vacation payout as questioned costs. See Attachment I, *Schedule of Expenses*.

Recommendation

We recommend Airports contact LAZ Parking to resolve the \$128 in questioned costs. We further recommend Airports require the vacation and sick accrual worksheet be provided with the monthly claim packets.

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Airports' Management Response

The \$128 in question has been resolved with appropriate credit on subsequent invoices. LAZ Parking will provide the vacation and sick accrual worksheet with each monthly invoice.