



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of St. Louis
St. Louis Lambert International Airport

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City of St. Louis - St. Louis Lambert International Airport

Follow-Up Report on Audit Findings

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Airport Director
City of St. Louis, Missouri

We have compiled the statuses of the audit report findings contained in Report No. 2009-121, *City of St. Louis, Lambert-St. Louis International Airport*, issued in November 2009, as part of our current audit of the City of St. Louis. These results were determined by city officials and have not been audited. We will evaluate each status and the procedures implemented to address the related audit findings as appropriate in our upcoming audit of the St. Louis Lambert International Airport. The objectives of the follow-up compilation were to:

1. Provide status information from city officials for each recommendation. The status of each recommendation will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.
 - No Longer Applicable: The recommendation is no longer applicable.
2. Compile the information reported.

To obtain the status for each recommendation, we sent questionnaires to the St. Louis Lambert International Airport that included a brief summary of each finding and recommendation, and requested the status of each finding and a brief description of the steps taken or planned to implement the recommendation or reason(s) why the recommendation has not been implemented or is no longer applicable. This report is a compilation of the information provided, which we received in May 2018.

Audits of various officials and departments of the City of St. Louis are in process, and any findings and recommendations will be included in the subsequent reports.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

City of St. Louis - St. Louis Lambert International Airport

Follow-Up Report on Audit Findings

Status of Findings

Finding Title: Operational Costs

Finding Number: 1.A.

Finding: The airport was incurring unnecessary costs by continuing to fund the operations of the south firehouse at the airport. The airport had received confirmation from the Federal Aviation Administration (FAA) that the south firehouse was not necessary to meet FAA regulations for emergency response times. A cost analysis performed by the airport estimated the potential cost savings of closing the south firehouse would be approximately \$1.8 million per year. Because the airport operations were accounted for as an enterprise fund of the city, the costs associated with the south firehouse were charged to the airport. However, the airport did not have the authority to close the south firehouse or reassign the firefighters stationed there. The City of St. Louis Fire Department was in control of all firehouse operations and would be responsible for making the decision to close the south firehouse. Based on discussions with Fire Department officials, they felt the south firehouse was still necessary, but did not provide any specific information to support this position.

Recommendation: The Airport Director work with the St. Louis Fire Department to conduct additional analysis regarding the feasibility of closing the south firehouse.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The south firehouse at the airport closed during fiscal year 2011 and several other cost-cutting measures undertaken by airport management have contributed to a 26 percent decrease in the landing fee rate from fiscal year 2011 to fiscal year 2018.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Operational Costs

Finding Number: 1.B.

Finding: Airport management had not performed a cost analysis to determine if janitorial services should be performed by city employees or outsourced.

Recommendation: The Airport Director perform a cost analysis to determine the most cost effective method of providing janitorial services.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Cost-cutting measures initiated at the airport during the spring of 2010 resulted in a competitive bidding process for cleaning services. Airport janitorial staffing has decreased 59.5 percent from fiscal year 2009 to fiscal year 2018.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Contract Monitoring

Finding Number: 2.A.1.

Finding: Landing and fuel flowage fees charged to users of fixed based operator facilities, also called general aviation traffic, had not been updated for approximately 10 years, and the airport had no documentation of how the fees were determined.

Recommendation: The Airport Director review and document the costs of fixed based operators and establish the fee to recover those costs.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

During fiscal year 2017, the airport analyzed and documented the costs associated with the use of its landing field and passenger terminal facilities for activity that is not expressly covered in the airport Use and Lease Agreement or Operating Agreement.

The "Schedule of Fees and Charges" became effective February 1, 2017, and the schedule was distributed to fixed based operators and ground handlers.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Contract Monitoring

Finding Number: 2.A.2.

Finding: Fees charged to the various food vendors, car rental companies, and miscellaneous shops at the airport terminals were not subject to a competitive process and had not been updated for approximately 10 years. Each vendor contract required the vendor to pay a minimum annual guarantee, or a fixed percent of gross revenues, whichever was larger. Historically, the majority of vendors paid the fixed percent fee. While the bid process for concession vendors allowed the vendors to state their annual minimum guarantee, the fixed percent fee remained the same for all vendors and was not subject to a competitive process or negotiated.

Recommendation: The Airport Director subject the fee portion of concession contracts to a competitive process.

Status of Finding: Not Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Our response to the audit finding remains the same. Per the city charter, we use a solicitation for bid process and changing this process would require a change to the city charter. The airport has always taken advantage of a competitive bid process for its concessions. The concessions are awarded based on a bid of the highest Minimum Annual Guarantee (MAG). A MAG is the minimum dollar amount the concession operator promises to pay the airport each year of the agreement. In addition to the MAG, concession agreements have financial terms that call for payment of the greater of the MAG or a specific percentage specified to bidders, in advance, by the airport. This percentage becomes payable if the concession operator's total gross sales percentage surpasses the MAG. For example, a concession operator with a MAG of \$100,000 and a percentage of 10 percent would begin paying 10 percent of all gross sales over \$1 million. It is true that the airport only bids the amount of the MAG and sets the percentage fee for concession agreements. This policy allows the airport to conduct a clear, unbiased solicitation process, wherein, a single bid item is evaluated transparently.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Contract Monitoring

Finding Number: 2.B.

Finding: The airport had not adequately monitored the cash receipt operations of the parking contractor. The airport's agreement with the parking contractor provided the airport the right to audit and examine the accounting records of the management company at any time; however, the airport had not performed a review of parking cash collections or receipt transmittal operations since 2007. The parking contractor had performed its own internal audits, which had been critical of parking operations; however, the airport had not requested copies of such reports be submitted for review. The parking contractor also had financial statement audits performed and copies were not submitted to the airport for review.

Recommendation: The Airport Director ensure a periodic review is conducted of the parking facility management cash collection and transmittal procedures. In addition, the agreement with the contractor should require copies of audit reports related to the parking facilities be submitted, and those audit reports should be reviewed by airport management.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

An Accounting Coordinator in our Finance and Accounting department performs a monthly reconciliation for the parking operations and receives quarterly internal audit reports from our current parking operator, ABM. The city's Internal Audit Section performed a comprehensive internal audit of the parking operator during 2011 for the period July 1, 2007, through January 31, 2010.

Annual financial statement audits of the parking operator are performed by independent audit firm, KPMG LLP (KPMG), and reports are available on the parking operator's website (<http://investor.abm.com/download-library>).

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Contract Monitoring

Finding Number: 2.C.

Finding: The airport had not adequately reviewed audit reports of passenger facility charge (PFC) revenues. While the airport received an audit of its PFC Fund expenditures with no issues noted, the airport had not requested copies of the airlines' PFC audits for verification of revenues or general review.

Recommendation: The Airport Director request and review all PFC account audit reports to ensure amounts received are correct.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Independent audit firm, KPMG, performs an annual audit of the airport PFC Fund. Also, the airport receives and reviews PFC independent audit reports from our airline operators with more than 50,000 annual passengers.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Airport Accounting Controls and Procedures

Finding Number: 3.A.

Finding: Accounting duties were not adequately segregated and there was minimal independent oversight related to receipts.

Recommendation: The Airport Director segregate the accounting duties of the Finance and Accounting Division to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent review of the work performed and investigation into unusual items and variances is necessary.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The Finance and Accounting Division has independent oversight and duties segregated between the Account Clerk I, Accountant I, and Accountant II. Processes performed are reviewed and approved by the Accounting Coordinator or Accounting Manager I.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Airport Accounting Controls and Procedures

Finding Number: 3.B.

Finding: Receipts collected and recorded by the account clerk were not always transmitted intact. The Finance and Accounting Division allowed vending machine commission checks and petty cash replenishment checks to be cashed from the daily cash receipts.

Recommendation: The Airport Director discontinue the practice of cashing checks from daily cash receipts. Daily receipts should be deposited intact.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The accounts receivable policy was updated to discontinue the practice of cashing checks from daily receipts.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Airport Accounting Controls and Procedures

Finding Number: 3.C.

Finding: The method of payment (i.e., cash, check, or money order) was not recorded on some receipt slips issued by the front office window and the composition of receipts was not reconciled to turnovers to the Treasurer's office.

Recommendation: The Airport Director ensure the method of payment is recorded on each receipt slip, and the composition of the receipt slips issued is reconciled to the composition of transmittals.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The process is performed as recommended.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Airport Accounting Controls and Procedures

Finding Number: 3.D.

Finding: Several large airport expenditures were not properly approved.

Recommendation: The Airport Director ensure all expenditures are properly authorized.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Expenditures are authorized based on the dollar amount of the voucher. Expense vouchers less than \$50,000 are approved by the Accounting Manager I, vouchers equal to or greater than \$50,000 and less than \$100,000 are approved by the Accounting Manager II, and vouchers totaling \$100,000 or greater are approved by the Assistant Director of Finance and Accounting.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Vehicles and Fueling Procedures

Finding Number: 4.A.

Finding: Monitoring procedures for the airport's vehicles were not sufficient. The airport did not require usage logs be maintained for its vehicles. In addition, no documentation was provided to show the airport regularly monitored the fleet to ensure vehicles are used efficiently and effectively.

Recommendation: The Airport Director require the preparation of usage logs for all vehicles and ensure these logs are properly reviewed.

Status of Finding: Partially Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The airport's response remains similar to the previous response. The airport said it did not agree with the finding and recommendation. The airport believes daily reports would be time consuming and not cost effective. The airport recently purchased a new computerized fuel dispensing system that is tied into a badge holders individual ID badge so the time, date, and person requesting fuel is recorded. Further, a new computerized preventative maintenance system integrates with the fuel system and provides for monthly reports that detail the efficient and effective usage of vehicles, and are reviewed by both the Fleet Maintenance Manager and the Assistant Director of Operations and Maintenance. Vehicle usage is reviewed annually, at a minimum, by the Fleet Manager and Assistant Director of Operations and Maintenance to ensure an adequate vehicle replacement schedule is created during the budget preparation season. Vehicle usage for the year is examined at this time.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Vehicles and Fueling Procedures

Finding Number: 4.B.

Finding: The airport did not have adequate procedures in place to ensure employees assigned a take home vehicle did not continue to receive a commuting allowance.

Recommendation: The Airport Director establish procedures to ensure employees assigned a take home vehicle do not also receive a commuting allowance.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

A vehicle take home list is periodically cross referenced to the commuting allowance log by the Accounting Payroll Specialist and approved by the Accounting Manager II to ensure employees with take home vehicles do not receive a commuting allowance.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title:	Vehicles and Fueling Procedures
Finding Number:	4.C.
Finding:	The airport did not reconcile fuel purchased to fuel used.
Recommendation:	The Airport Director require reconciliation of fuel purchased to fuel used, and require follow-up procedures on significant differences. In addition, the reconciliation and follow-up procedures should be properly documented.
Status of Finding:	Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The airport's procedures for delivery, dispensing, and review of fuel reports are as follows:

Delivery:

The fuel level is checked on Veeder-Root (electronic tank gauging system).
Fuel is ordered by the Autoshop Foreman or Lead man.
The fuel delivery receipt is sent to Materials Management and a copy is retained by the Shop Secretary.

Dispensing:

We are now using a 2-card system and fuel cannot be dispensed unless the following criteria are met:
Card 1 is the employee activating the fuel system (airport issued employee ID).
Card 2 is the fob assigned to the specific vehicle.

Fuel system activation process:

Employee places ID next to fuel reader.
Employee places fob next to fuel reader.
Employee enters mileage or hours for specific vehicle.
Employee enters which pump to activate.
Employee dispenses fuel into vehicle.

Reporting:

Typically during the first week of the following month, 2 reports are generated:

The Operators Dispensing Fuel report includes the following information: date, time, transaction number, site, card 2 title, short name, account, odometer, product, pump number, price, quantity (gallons), and dollar amount.

The Vehicles Receiving Fuel report includes the following information: date, time, transaction number, site, card 1 title, account, product, pump number, odometer, quantity (gallons), and dollar amount.

These 2 reports are retained electronically on the Shop Manager's computer and forwarded electronically to the Airport Administrator.



City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Fuel reports are reviewed monthly by the Fleet Manager and the Airport Assistant Director of Operations and Maintenance.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Asset Controls and Procedures

Finding Number: 5.A.

Finding: The airport had two conflicting written policies concerning assets. One policy indicated physical inventories should have been performed every 3 to 5 years, but the other policy indicated the physical existence of assets should have been verified and reconciled to the asset records on an ongoing basis.

Recommendation: The Airport Director revise and approve the written policy concerning procedures for assets and ensure the policies do not conflict.

Status of Finding Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The airport has a policy for the inventory of capital assets (\$10,000 and over) and we have a separate policy for the inventory of non-capital assets (under \$10,000) to ensure assets are properly controlled.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Asset Controls and Procedures

Finding Number: 5.B.

Finding: The airport had not recently performed an annual physical inventory of assets.

Recommendation: The Airport Director ensure physical inventories are conducted annually.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Physical inventories are performed annually for non-capital assets (under \$10,000). Physical inventories for capital assets (\$10,000 and over) are performed every 2 years per our Fixed Asset Policy due to the volume of capital assets.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Asset Controls and Procedures

Finding Number: 5.C.

Finding: Property purchases and accumulated depreciation were not adequately reconciled between the general ledger trial balance and the capital asset list.

Recommendation: The Airport Director ensure capital asset additions and depreciation amounts are periodically reconciled to the property records.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Capital assets and depreciation are reconciled on a monthly basis between the Fixed Asset System and the General Ledger System. Our external auditors, KPMG, review and test asset records to ensure the accuracy of both systems on an annual basis. No issues were noted by KPMG.

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Asset Controls and Procedures

Finding Number: 5.D.

Finding: The property records maintained did not include all necessary information. The capital asset records for items over \$10,000 contained some descriptions which were not accurate. The asset record for items between \$1,000 to \$10,000 did not include some information such as acquisition costs, tag numbers, complete descriptions of the asset, and date and method of disposal.

Recommendation: The Airport Director ensure asset records contain all necessary information such as accurate descriptions, acquisition costs, tag numbers, and the date and method of disposal.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Non-capital assets (under \$10,000) procedures are in place to ensure asset records contain information by department, brand, model, serial number, part number (if applicable), tag number, cost, date received, date disposed, and date audited.

Capital assets (\$10,000 and over) procedures are in place to ensure asset records contain information by department, department description, asset number, asset year, manufacturer, model, asset description, vehicle identification number (if applicable), asset verification, date in service/acquired, serial number, disposal method, disposal date, asset account number, contract number (if applicable), ordinance number (if applicable), professional service agreement number (if applicable), vendor name (if applicable), and purchase order number (if applicable).

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City of St. Louis - St. Louis Lambert International Airport
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Asset Controls and Procedures

Finding Number: 5.E.

Finding: The airport police department maintained an additional property list that duplicated the records maintained by the Finance and Accounting Division. In addition, the police department list contained small items (minimum value of \$20) that may not have needed to be tracked. The only documentation of police department property disposal was an approval of the Supply Officer.

Recommendation: The Airport Director require the police department to discontinue the practice of tracking all police assets and track only sensitive items, such as badges and weapons. In addition, disposal of police department property should be authorized by an appropriate level of the department and reported to the Finance and Accounting Division.

Status of Finding: Not Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The current Interim Airport Chief of Police believes the Airport Police Department (APD) has an obligation to ensure the safekeeping of all property purchased using airport funds, particularly items that are law enforcement related. Tracking items such as badges and weapons only is not sufficient to fulfill our obligation to safeguard airport property.

The APD maintains inventory lists of furniture and equipment assigned to the department. The APD tracks assignment of 800 MHz radios, desktop computers, laptops, cell phones, office furniture, hazmat equipment, ballistic vests, and police uniform items (including such things as weapons, badges, batons, handcuffs, etc). The inventory lists include the description, serial number (if applicable), person, and/or room number/location of the item. Adjustments to the inventory lists occur when reassigning equipment within the APD or when a "Request for Surplus Material Disposal" form is completed for submittal to Materials Management.

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