



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

DARLENE GREEN
Comptroller

Internal Audit Section

1520 Market St., Suite 3005
St. Louis, Missouri 63103-2630
(314) 657-3490
Fax: (314) 552-7670

DR. KENNETH M. STONE, CPA
Internal Audit Executive

February 16, 2012

Rhonda Hamm-Niebruegge, Director
Lambert-St. Louis International Airport
P.O. Box 10212
St. Louis, MO 63145

RE: Revenue Review of Airport Landing Fees (Project #2012-03)

Dear Ms. Hamm-Niebruegge:

Enclosed is the Internal Audit Section's revenue review report of the Airport Landing Fees for the period July 1, 2009 through June 30, 2010. A description of the scope of work is included in the report.

Fieldwork was completed on November 28, 2011. Management's responses to the observation and recommendations noted in the report were received on February 15, 2012, and have been incorporated into the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Gerald Slay, Senior Deputy Director, Lambert-St. Louis International Airport
Susan Kopinski, Deputy Director, Airport Finance & Administration
Henrietta Brown, Assistant Airport Director, Airport Finance & Accounting
Theresa White, Accounting Manager II, Airport Finance & Accounting



CITY OF ST. LOUIS

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

AIRPORT LANDING FEES

REVENUE REVIEW

JULY 1, 2009 THROUGH JUNE 30, 2010

PROJECT #2012-03

DATE ISSUED: FEBRUARY 16, 2012

**Prepared By:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIRPORT LANDING FEES
REVENUE REVIEW
JULY 1, 2009 THROUGH JUNE 30, 2010**

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a revenue review of the Airport Landing Fees. The purpose was to determine if the Airport Finance and Accounting (Airport Finance) effectively and efficiently manages risks to ensure the:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies, and procedures
- Safeguarding of assets
- Reliability and integrity of financial and operational information

Scope and Methodology

The review was confined to evaluating internal controls over the Airport Landing Fees operations (rates and charges calculations, and collections). The audit procedures included inquiries of Airport Finance, Airport Properties management, Airport Auditor and other staff; observations of relevant processes; and reviews for compliance with policies and procedures, as well as applicable laws and regulations. Limited tests of controls, and other procedures considered necessary were performed.

Background

Airport Landing fees at the Lambert International Airport are assessed on aircraft operations at the airport to pay and cover the airfield areas operations (direct and allocated) costs; equipment purchased and capital outlays; amortization of capitalized equipment cost; depreciation (assets in service prior to 7/1/97) and interest (assets financed with Airport funds or bonds); Amortization charges (capital improvement program); interest on land investment.

Fees assessed are based on the rates and charges calculated. The rates and charges calculation are done in two phases. Using projected costs and airlines data at the beginning of the fiscal year and using the actual data with adjustment at the end of the fiscal year described as settlement. The rates and charges are determined by dividing the Net Airfield costs by the total Signatories Airline landed weights. The Landing Fees are based on the number of aircraft landings and weights.

The Airport Finance and Accounting (Airport Finance) performs the Landing Fees rates and charges calculations, invoicing & billings, and collection of Landing Fees from the various airlines. Landing Fees accounted for 41%, 43% and 42% of the total Airport funds in fiscal years ended June 2008, 2009 and 2010.

**CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIRPORT LANDING FEES
REVENUE REVIEW
JULY 1, 2009 THROUGH JUNE 30, 2010**

Exit Conference

An exit conference was conducted at the Airport, on February 2, 2012. The Airport Deputy Director, Finance & Administration; and Assistant Airport Director, Finance & Accounting represented the Airport Finance. Internal Audit Manager and the Auditor-in-Charge represented the Internal Audit Section.

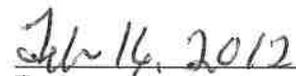
Conclusion

The opportunity exists however, for the Airport Finance to improve controls over the Landing Fees operational activities. The following are observations resulting from the review:

1. Opportunity to update policies and procedures manual
2. Opportunity to improve controls over landing fees collections and deposits

These observations are discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.


Dr. Kenneth M. Stone, CPA
Internal Audit Executive


Date

**CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIRPORT LANDING FEES
REVENUE REVIEW
JULY 1, 2009 THROUGH JUNE 30, 2010**

TABLE OF CONTENTS

Description	Page(s)
OBSERVATIONS	
Status of Prior Observations	1
Summary of Current Observations	1
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES	 2-4

OBSERVATIONS

Status of Prior Observations

The Internal Audit Section (IAS) has not audited the Airport Landing Fees previously.

Summary of Current Observations

IAS noted some internal control procedures established by the Airport Finance that contributed to the successful management of the Landing Fees operations at the Airport. These included, but not limited to the following:

- Data collected (internal records and from Airlines), used for the rates and charges calculation are constantly updated in the system and reviewed with the Airport management and the Airlines for completeness and accuracy.
- Proper segregation of duties with the billings and invoicing of the Landing Fees.
- Checks are restrictively endorsed upon receipt.
- Various reports received from the Airlines and those generated internally are subjected to different level of reviews for completeness and accuracy.
- Aging report is generated to track and follow-up on late collections of Landing Fees.
- Payments received from the Airlines are matched to billings and invoices generated to ensure proper payment and credit.
- Written procedures have been completed for the Landing Fees rates and charges calculation function.

The opportunity exists, however, for the Airport Finance to improve internal controls over the Landing Fees operational activities. The following are observations resulting from the review:

1. Opportunity to update policies and procedures manual
2. Opportunity to improve controls over landing fees collections and deposits

These observations are discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANGEMENT'S RESPONSES

1. Opportunity To Update Policies And Procedures Manual

The Airport Finance's written policies and procedures are considered outdated and does not reflect the current job functions performed by employees.

Written policies and procedures assist in ensuring that procedures and job functions are:

- Approved by management
- Effectively communicated to and understood by staff
- Consistently performed
- In accordance with management goals and objectives

In addition, written policies and procedures provide a basis for the:

- Training and cross training of new and current employees
- Development of performance standards

According to the Airport Finance, the written policies and procedures have not been updated due to some other job demands considered more important due to the budgetary constraints.

Lack of written policies and procedures increases the risk that procedures will not be:

- Approved by management
- Effectively communicated to and understood by staff
- Consistently performed
- In accordance with management goals and objectives

Recommendation

It is recommended that the Airport Finance update the outdated policies and procedures manual. The manual should be:

- Approved by the Assistant Airport Director, Finance & Accounting
- Formally communicated to the staff and the communication is documented
- Reviewed and updated periodically

The procedures manual should at minimum include the following:

- Landing fees rates and charges calculations
- Landing fees billing and invoicing
- Check collections

1. Continued...

Management's Response

Airport Finance and Accounting is currently updating its procedures manual for calculating, billing and invoicing, and collecting landing fees rates and charges.

The Airport entered into a new 5- year use and lease agreement with its signatory airlines. The new agreement includes several major adjustments. We expect to have the procedures manual completely updated by mid-calendar year, 2012.

2. Opportunity To Improve Controls Over Landing Fees Collections And Deposits

A daily log is not maintained of the Couriers who pick-up checks and cash collections, including the landing fees, for deposit with the City Treasurer's Office. In addition, the daily collections (cash and checks) are placed in an unsecured brown manila envelope for their transportation to the City Treasurer.

Adequate control over the recording and transportation of all checks and cash collections, including the landing fees will safeguard them against loss or misappropriation.

The Airport Finance does not have a system of internal control in place to ensure the security of the checks and cash collections transported to the City Treasurer.

The lack of a daily log and the un-secure transportation of the checks and cash collections to the City Treasurer's Office expose them to the risk of potential loss or mishandling.

Recommendation

It is recommended that the Airport Finance establish a system of internal control to ensure that:

- A daily log of the couriers who pick-up checks and cash collections, including the landing fees, for deposit with the City Treasurer's Office is maintained
- A bank bag with a lock is used to transport all checks and cash collections to the City Treasurers Office

Management's Response

Airport Finance and Accounting has increased its system of internal controls for the deposit process.

2. Continued...

Finance and Accounting has purchased bank bags, equipped with a lock, to transport deposits to the City's Treasurer Office. The Airport Accounting Clerk II will prepare the deposit, place it in the bank bag, and then lock it. The Airport courier will log the daily pick-ups received from the Accounting clerk II and deliver the locked bank bag to the Treasurer's Office. The courier also will log daily deposit drop-offs in the Treasurer's Office. Keys to open the locked banks will be located in Airport Finance and Accounting (1key) and the Treasurer's Office (1key).