



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

"FOR INFORMATION ONLY"

DATE: JANUARY 18, 2022

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: ACTION PLAN ON RESULTS OF PERFORMANCE
AUDIT OF OPERATING AGREEMENT 17-3505 WITH
PARKING CONCEPTS, INC.**

There were four key findings and 30 audit recommendations on the Performance Audit of Operating Agreement 17-3505 between the City of Los Angeles Harbor Department and Parking Concepts, Inc. (PCI). The attached chart shows Waterfront & Commercial Real Estate Division's (WCRED) planned course of action on these four key findings:

Audit Finding	Audit Recommendations	Planned Course of Action
Finding 1.1	POLA's Executive Director should formally clarify which POLA division is responsible for contract oversight of the PCI agreement.	Waterfront and Commercial Real Estate has the oversight.
Finding 1.2	POLA's legal counsel should initiate efforts to amend the contract to clarify requirements that:	
	a) Specify if the threshold for the payment of gross receipts is annual or over the life of the Agreement.	PCI submits payment of GR monthly.
	b) Specify whether all parking shuttles need to be operable.	When needed, operable parking shuttles are provided by CPI.
Finding 1.3	PCI should develop a corrective action plan for POLA review to correct the following requirements that are not in compliance with the Agreement.	
	a) Posting a parking occupancy registration certificate on the premises.	It is posted in the parking office, and will be posted in the parking booths.
	b) Development of an amortization schedule of the parking improvements, excluding shuttle buses.	PCI purchased the equipment so POLA has no need for an amortization schedule. Parking equipment does not revert back to POLA.

	c) Payment of costs and expenses associated with any demolition and removal or existing parking lot equipment, which was stored onsite at the time of our review.	PCI is responsible for expenses and equipment. This was not an expense to POLA or the City. POLA needs to decide on old equipment that PCI is storing from previous operator.
Finding 1.4	PCI should complete and submit a certified, audited annual statement prepared by a CPA and signed by the Operator's duly authorized officer as required in its contract with the City. The statement should show, in reasonable detail, the elements and amounts of gross receipts collected during the preceding year, or fraction thereof, the amount paid to the City of its percentage of gross receipts, and any additional payments due, or unpaid for the preceding year.	PCI will complete and submit a certified, audited annual statement prepared by a CPA and signed by the Operator's duly authorized officer as required in its contract. PCI will be turning in a report January 2022.
Finding 1.5	POLA should update the 2017 Agreement with PCI by adding additional terms and conditions that:	
	a) Clearly delineate security roles and responsibilities between the parking operator and the public agency.	PCI provides a secured parking lot, but are not responsible to provide security detail.
	b) Clearly define criteria that would constitute "best in class."	POLA will remove language.
	c) Clearly define payment terms and conditions of parking revenue fees.	Terms and Conditions are clearly defined: Payment to POLA - 81% of GR from \$0 to \$5 million; 82% of GR over \$5 million; 84% of GR over \$6 million
	d) Add performance requirements to help assess effectiveness, such as increasing parking utilization by specific threshold annually or reporting undetected parking revenue losses (leakage rates) which is revenue lost due to operator leniency.	Operator has implemented a new program and process to track and log waived parking fees.
	e) Penalize the parking operator for non-compliance of terms and conditions.	Non-compliance with the Operating Agreement may result in termination. The Operating Agreement has flexibility to be terminated for cause or no cause with a 90 day notice.
Finding 1.6	POLA's Executive Director should refer to the City Attorney for further review of the PCI's compliance with Section XXVII of the 2017 Agreement.	Operator is aware and has been reminded of City Charter Section 470 (c)(12) regarding campaign contributions and discounted parking fares.
Finding 2.1	PCI should establish procedures to ensure:	

	a) Documentation of the number and value of the validations granted.	PCI has implemented a new program and policy to track and log validations.
	b) Completed paid parking tickets are organized by corresponding cashier shift reports and securely stored from environmental hazards.	Tickets will now be stored in the downtown LA Office along with the daily reports.
	c) Documentation of individual invoices and associated payments for prepaid monthly parking and film revenues.	PCI has implemented a new program and policy to track and log invoices associated with parking and film revenues.
	d) Documentation of any corrections or changes made during the PCI internal review process to facilitate reconciliation of cashier shift reports to Manager's Daily Report and reconciliation of the monthly revenue reports for each parking lot to the general ledger.	PCI no longer has Cashier Reports, everything is now automated. They have a daily report. If a monthly report is requested, PCI has the ability to provide it.
Finding 2.2	POLA's Executive Director should delegate responsibility to an assigned oversight division to establish procedures for POLA's review of the monthly gross receipts report for accuracy.	POLA Finance and Accounting Division has been tasked with generating monthly analytics that will be reviewed by WCRED to flag monthly, seasonal and annual irregularities.
Finding 2.3	POLA's Executive Director should delegate responsibility to an assigned oversight division for reconciling film permits issued for use of PCI managed parking lots and expected revenue with received revenues.	Responsibility is delegated to Wharfinger section.
Finding 2.4	The City Attorney's office should ensure that the POLA's Tariff 4 and contractual requirement authorizing the free parking to the employees of the designated groups and the current operating approach to account for the validations does not violate the California Constitutions Article XVI 6, which prohibits the giving of anything of value to any person or entity.	The utilization of the parking lot by POLA is for purposes of maintenance and property management. Access to the parking lot for employees is a requisite to be in the vicinity of the repair site as there are no other close lots nearby. Access is never granted on a personal level, always work related.
Finding 2.5	POLA should require PCI to install parking equipment that will provide fully automated capability to track, store, and query parking ticket information and payment history.	With the automated equipment, PCI has ability to run any of these reports at POLA's request.
Finding 3.1	PCI should improve and provide additional documentation to support the monthly gross receipts report, by:	

	a) Listing the accounts with active monthly parking, the number of spaces/individuals on the account and the parking fee charged to each individual/space, and whether a key card was issued (or not); and amount of aging receivables by account.	PCI is selling monthly parking passes, not specific space. The spaces change when the visitors come. Everything else will be added.
	b) Documenting the number and value of validations granted each day and month by parking lot, as well as to whom (name of individual and exemption group to which the individual belongs).	PCI has implement a program to address this. PCI will log names of POLA employees and then be able to submit when requested.
	c) Listing the film agreements, production company and payment details and amount of revenue per event received.	PCI has implement a program and policy to log this and report to POLA.
	d) Providing credit card statements that support the amount of credit card revenue reported collected each day, and to justify any adjustments made to the Monthly Revenue Report, before entry into the General Ledger.	PCI will do this and this will be reported monthly to POLA.
	e) Providing parking control system generated reports that support the amount of cash and credit card revenue reported collected each day and month.	PCI is currently practicing this. If needed, POLA can request it.
Finding 3.2	POLA's Legal Counsel should amend the contract to explicitly define the types of parking operation activities that would warrant expense reporting.	PCI is responsible for all expenses and POLA is paid on gross revenues so there is no need for expense reporting.
Finding 3.3	POLA's Real Estate Division should document routine inspections of PCI parking lots to record PCI compliance with operations and maintenance requirements.	Real Estate will perform routine bi-annual inspections.
Finding 4.1	POLA should set performance targets for parking revenue to assess PCI's performance.	PCI operates the parking lot utilized by other POLA tenants/business partners and therefore is not in control of driving revenue higher.
Finding 4.2	POLA should develop a marketing or business strategy that would allow full utilization of POLA's parking lots for all types of activities (e.g. parking, events, filming, and retail).	Currently parking is utilized by specific partners including, USS Iowa, Catalina Express and cruise lines. This is the only paid secured parking lot in the area for these users. There is no competitive parking alternative in the area to market against. Other daily visitors have various no fee parking options to choose from. WCRED will revisit this issue when there are other competitive paid parking facilities within the area.

Michael DiBernardo

MICHAEL DiBERNARDO
Deputy Executive Director

Transmittal:

1. Performance Audit of Operating Agreement 17-3505 with PCI

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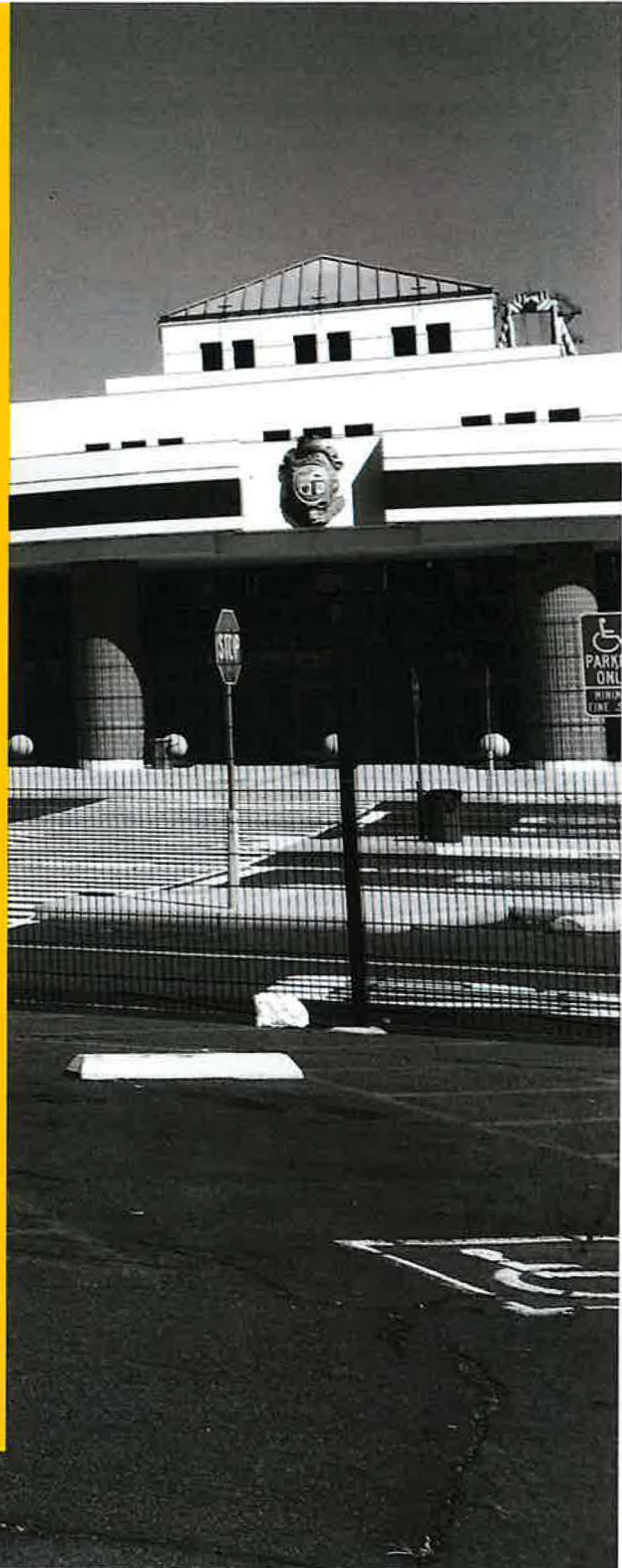
TAPInternational

TRANSMITTAL 1

Final Report

**Port of Los Angeles Needs to
Increase Contractor
Oversight**

September 2021





Date: September 8, 2021

Memorandum For: Jim Olds, Audit Director

From: TAP International, Inc.

Subject: Transmittal of PCI, Inc. Parking Performance Audit Report

Attached for your information is our final report entitled *Port of Los Angeles Needs to Increase Contractor Oversight*.

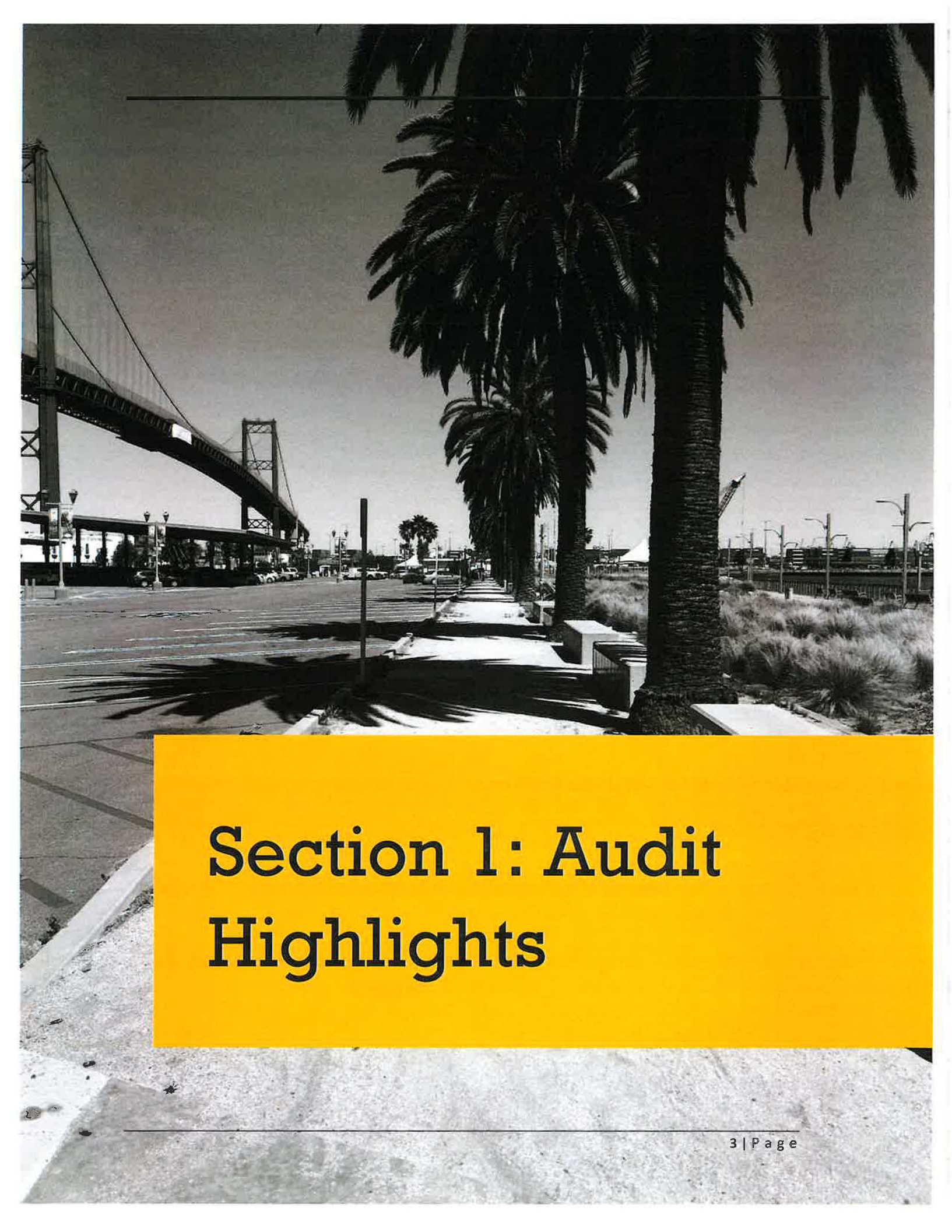
The audit objectives were to assess compliance by Parking Concepts, Inc.'s (PC) to its contractual agreement with the Port of Los Angeles; evaluate the accuracy and completeness of revenue reported to the Port of Los Angeles by the PCI; and the adequacy of PCI documentation and other financial management activities.

This audit report identified findings in each of these objectives. The report contains 16 recommendations with the goals of enhancing contract oversight, improving revenue reporting activities and increasing parking revenue. PCI, the auditee, generally agreed with the recommendations. PCI's response to the audit is included in Appendix B.

TAP International, Inc.

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A black and white photograph of a city street. In the foreground, a sidewalk runs alongside a road. A row of tall palm trees is planted along the sidewalk, their shadows cast onto the pavement. In the background, a large suspension bridge with a prominent tower and cables spans across the scene. The sky is clear and bright. A yellow rectangular box is overlaid on the bottom right portion of the image, containing the text 'Section 1: Audit Highlights'.

Section 1: Audit Highlights

Why the Audit Was Conducted

Since 2006, POLA has contracted with a third party, Parking Concepts, Inc., (PCI) to manage and operate 2,700 parking spaces across Port of Los Angeles (POLA) parking lots. PCI has collected over \$11M in gross parking revenue in a three-year period for FY 2017 to 2020. About 80 percent of revenues collected monthly are remitted by PCI to POLA.

How the Audit Was Conducted

As requested by POLA's Internal Audit Division, the audit objectives were to determine as follows:

1. To what extent does PCI comply with the terms and conditions of the Agreement?
2. Are the parking revenue collection amounts reported by PCI complete and accurate?
3. Does PCI maintain adequate supporting documentation?
4. What is the ability of PCI to adhere to budgeted expenditure targets?

The audit work included: (1) interviews with PCI officials and with POLA staff from Real Estate, Engineering, Finance, and other divisions; (2) analysis of parking revenue collections and reporting; film location parking rentals, and credit card processing of parking payments; (3) a physical inspection of POLA parking lots; and (4) contract compliance of terms and conditions.

What the Audit Found

This audit report describes four key points:

1. PCI generally complied (e.g., fully and/or partially) with most of the 69 contractual

requirements that we examined. Areas of non-compliance did not have an adverse impact on POLA operations, but POLA could do more to enhance its oversight.

2. POLA and PCI can also do more to demonstrate and verify that the parking revenue collected and reported by PCI is complete and accurate.
3. PCI needs to maintain and provide better financial and operational documentation to POLA.
4. PCI has not had a need to submit invoices for reimbursement of expenses, but in other areas of financial management, PCI generally does not meet its budgeted revenue projections, resulting in opportunities to enhance PCI and POLA parking revenue.

This report concludes that while PCI generally complies with its Agreement, actions should be taken to provide POLA better assurance of PCI's accuracy in reporting and remitting parking revenues. While we found no evidence that PCI significantly underpaid POLA on parking revenues, key themes identified in this audit include the need for added contract oversight by POLA, added internal controls by PCI to ensure data accuracy, and better revenue forecasting. Finally, POLA has revenue enhancement opportunities present if parking utilization can increase with the development of a business or marketing strategy to increase monthly parking, filming revenue, and retail business.

Sixteen recommendations are described on the next page.

Summary of Audit Recommendations

Finding 1: PCI Generally Complied with Contractual Requirements.

See page 15 for a discussion of the following points:

- PCI fully complied with more than half of contractual requirements
- PCI partially complied with 29 percent of contractual requirements
- PCI has not complied with a half dozen of contractual requirements
- A few contractual requirements were not applicable
- One contractual requirement needs further review
- Contract oversight could benefit from enhancement
- PCI's agreement could benefit from updating

Finding 1 Audit Recommendations

1.1 POLA's Executive Director should formally clarify which POLA division is responsible for contract oversight of the PCI agreement.

1.2 POLA's legal counsel should initiate efforts to amend the contract to clarify requirements that:

- a) Specify if the threshold for the payment of gross receipts is annual or over the life of the Agreement.
- b) Specify whether all parking shuttles need to be operable.

1.3 PCI should develop a corrective action plan for POLA review to correct the following requirements that are not in compliance with the Agreement.

- a) Posting a parking occupancy registration certificate on the premises.
- b) Development of an amortization schedule of the parking improvements, excluding shuttle buses.
- c) Payment of costs and expenses associated with any demolition and removal of existing parking lot equipment, which was stored onsite at the time of our review.

1.4 PCI should complete and submit a certified, audited annual statement prepared by a CPA and signed by the Operator's duly authorized officer as required in its contract with the City. The statement should show, in reasonable detail, the elements and amounts of gross receipts collected during the preceding year, or fraction thereof, the amount paid to the City of its percentage of gross receipts, and any additional payments due, or unpaid for the preceding year.

1.5 POLA should update the 2017 Agreement with PCI by adding additional terms and conditions that:

- a) Clearly delineate security roles and responsibilities between the parking operator and the public agency.
- b) Clearly define criteria that would constitute "best in class."
- c) Clearly define payment terms and conditions of parking revenue fees.

- d) Add performance requirements to help assess effectiveness, such as increasing parking utilization by specific threshold annually or reporting undetected parking revenue losses (leakage rates) which is revenue lost due to operator leniency.
- e) Penalize the parking operator for non-compliance of terms and conditions.

1.6 POLA's Executive Director should refer to the City Attorney for further review of the PCI's compliance with Section XXVII of the 2017 Agreement.

Finding 2: PCI Remitted Payments Correctly, but POLA and PCI Can Do More to Demonstrate the Accuracy Gross Parking Collected

See page 21 for a discussion of the following points:

- PCI correctly paid parking remittances correctly based on reported gross parking revenues
- Gross parking revenue across multiple of sources could not be fully reconciled
- Parking revenue reported from paid parking tickets could not be fully reconciled, but nearly all revenue could be accounted for that meets industry standard
- Revenue from monthly parking could not be reconciled
- Revenue from filming activities could not be reconciled
- Parking validations need better tracking

Finding 2: Audit Recommendations

2.1 PCI should establish procedures to ensure:

- a) Documentation of the number and value of the validations granted.
- b) Completed paid parking tickets are organized by corresponding cashier shift reports and securely stored from environmental hazards.
- c) Documentation of individual invoices and associated payments for prepaid monthly parking and film revenues.
- d) Documentation of any corrections or changes made during the PCI internal review process to facilitate reconciliation of cashier shift reports to Manager's Daily Report and reconciliation of the monthly revenue reports for each parking lot to the general ledger.

2.2 POLA's Executive Director should delegate responsibility to an assigned oversight division to establish procedures for POLA's review of the monthly gross receipts report for accuracy.

2.3 POLA's Executive Director should delegate responsibility to an assigned oversight division for reconciling film permits issued for use of PCI managed parking lots and expected revenue with received revenues.

2.4 The City Attorney's office should ensure that the POLA's Tariff 4 and contractual requirement authorizing the free parking to the employees of the designated groups and the current operating approach to account for the validations does not violate the California

Constitution's Article XVI § 6, which prohibits the giving of anything of value to any person or entity.

- 2.5 POLA should require PCI to install parking equipment that will provide fully automated capability to track, store, and query parking ticket information and payment history.

Finding 3: PCI Could Maintain Better Documentation in Financial and Operational Administration Areas

See page 29 for a discussion of the following points:

- Additional documentation is needed to support the accuracy and completeness of revenues stated in monthly gross receipts report
- Improvements needed for the printing and storage of parking tickets and completeness of Cashier's Shift Reports
- PCI does not track its handling of customer complaints
- PCI does not keep records of landscaping and maintenance work, lot inspections
- PCI does not submit information on expenses

Finding 3 Audit Recommendations

- 3.1 PCI should improve and provide additional documentation to support the monthly gross receipts report, by:
- a) Listing the accounts with active monthly parking, the number of spaces/individuals on the account and the parking fee charged to each individual/space, and whether a key card was issued (or not); and amount of aging receivables by account.
 - b) Documenting the number and value of validations granted each day and month by parking lot, as well as to whom (name of individual and exemption group to which the individual belongs).
 - c) Listing the film agreements, production company and payment details and amount of revenue per event received.
 - d) Providing credit card statements that support the amount of credit card revenue reported collected each day, and to justify any adjustments made to the Monthly Revenue Report, before entry into the General Ledger.
 - e) Providing parking control system generated reports that support the amount of cash and credit card revenue reported collected each day and month.
- 3.2 POLA's Legal Counsel should amend the contract to explicitly define the types of parking operation activities that would warrant expense reporting.
- 3.3 POLA's Real Estate Division should document routine inspections of PCI parking lots to record PCI compliance with operations and maintenance requirements.

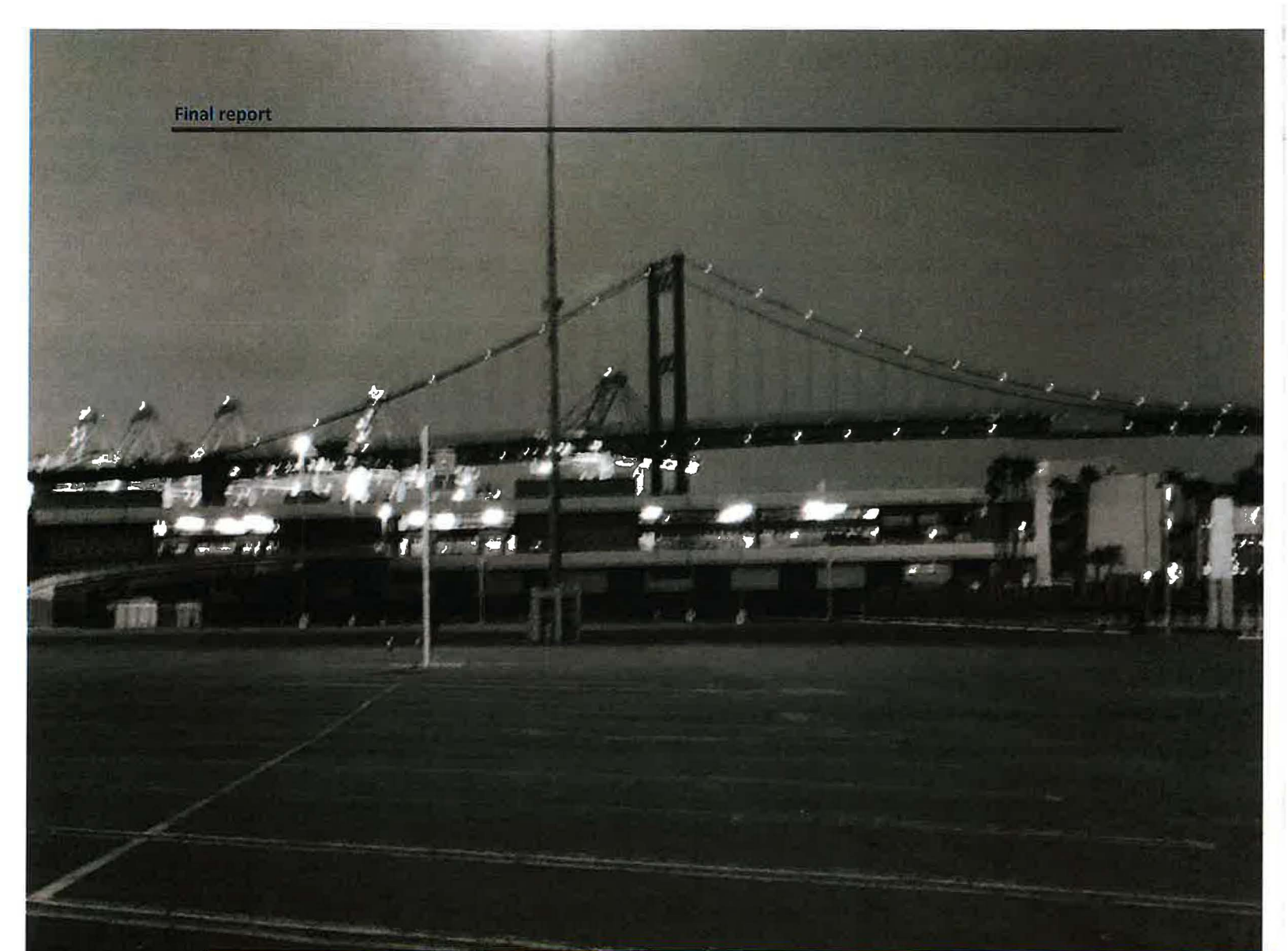
Finding 4: Revenue Enhancement Opportunities Are Present

See page 37 for a discussion of the following points:

- Available data show that PCI's budgeted revenue projections were higher than revenue collected
- Parking metrics show opportunity to increase parking revenue

Finding 4 Audit Recommendations

- 4.1 POLA should set performance targets for parking revenue to assess PCI's performance.**
- 4.2 POLA should develop a marketing or business strategy that would allow full utilization of POLA's parking lots for all types of activities (e.g. parking, events, filming, retail).**

A night photograph of an outdoor sports court, possibly a basketball court, with a suspension bridge in the background. The court is illuminated by overhead lights, and the bridge is also lit up. The scene is dark, with the lights providing the main illumination.

Section 2: Background

Background

The Board of Harbor Commissioners initially hired PCI in 2006 to manage, operate, and maintain the parking facilities serving the World Cruise Center, Catalina Sea & Air Terminal, and USS Iowa (referred to herein collectively, "Parking Facilities"), including all structures owned by or under the control of the Board on those sites. POLA allows companies and non-profit organizations to coordinate through PCI (and upon approval by the Harbor Department) to use the parking facilities as a location site for commercial filming or for special events.

In September 2017, the Los Angeles City Council Approved Agreement No. 17-2505 (2017 Agreement) authorizing PCI, Inc. to continue management, operation, and maintenance of the parking facilities and offsite parking lots, as needed. In June 2020, the Agreement with PCI, Inc. was amended (2020 Amendment) to add Berth 46 and any other lots owned by the City of Los Angeles Harbor Department (Harbor Department) to the premises managed, operated, and maintained by PCI as may be designated by the Harbor Department during periods of need, such as for special events. The Amendment will also allow PCI to manage the Liberty Hill Plaza parking lot serving the Harbor Administration Building, the Port of Los Angeles Boys and Girls Club, and World Tots LA.

Figure 1. PCI Operated Parking Lots



A Lease Agreement Governs the PCI Contract

Public agencies can use different types of fee-based contracts with third parties to operate and manage public parking lots. One type of fee-based contract includes payment of an established monthly fee to the parking operator regardless of the parking revenue collected, while another type of public contract allows operators to retain a specific percentage of gross parking revenue collected and reported to the agency. PCI and the Port of Los Angeles use the latter type of contract for all parking facilities except the Liberty Hill Plaza parking lot. PCI is paid a monthly fee for management of the Liberty Hill Plaza parking lot because the estimated parking revenues would not cover PCI's operating costs. PCI receives a fixed fee per month of

\$455 to manage the Liberty Hill Plaza parking lot and “handle any issues arising from the operation of the parking equipment.” The Harbor Department retains responsibility for custodial, structural repair, and maintenance of the lot including trash removal, slurry sealing, and painting for all parking facilities managed by PCI including Liberty Hill Plaza. Figure 2 shows the history of the contractual activities between the two entities.

In the most recent agreement issued in 2017 and amended in 2020, PCI operates and manages over 2,700 parking spaces located in POLA parking facilities. Since 2017, PCI has collected about \$11.1M (before taxes) in parking revenue and remitted about \$7.5M to the Port of the Los Angeles for its share of parking and other revenue collected.

Figure 2. Parking Concepts Inc. (PCI) Contract History

Operating Agreement Number	Term	Scope
Agreement No. 2388	January 17, 2006, to January 16, 2011	Operation and management of the World Cruise Terminal parking facility for Berths 91-92 and 93, Catalina Channel Express and Pacific Battleship Center (USS Iowa)
Holdover Status (month to month)	January 17, 2011, to September 21, 2017	No change
Agreement No. 17-3505	September 22, 2017, to September 21, 2022	Added valet services and PCI services at offsite lots during events
First Amendment to Agreement No. 17-3505	Approved June 2, 2020	Berth 46 and Liberty Plaza lots

OBJECTIVES

POLA’s Internal Audit Division contracted with TAP International to address the following audit objectives:

1. To what extent does PCI comply with the terms and conditions of the Agreement?
2. Are the parking revenue collection amounts reported by PCI complete and accurate?
3. Does PCI maintain adequate supporting documentation?
4. What is the ability of PCI to adhere to budgeted expenditure targets?

SCOPE

TAP International examined documents across a three-year period from Fiscal Year (FY) 2017-18 to FY 2019-20 that addressed:

- Contract requirements and compliance to them

- Revenue and expense management
- Vehicle claims
- Budgeting and reporting
- Inventory (equipment and tickets) management
- Property management

METHODOLOGY

To determine PCI's compliance with the terms and conditions of the Agreement, TAP International compared 69 contract terms and conditions with the PCI 2017 agreement and subsequent 2020 amendment, observed and identified the parking and management operations as it relates to each applicable contract item, and interviewed key vendor personnel to discuss compliance activities. For each applicable contract item, we then determined the level of conformance (e.g. full compliance, partial compliance, non-compliance, non-applicability, and needs further review).

To determine whether the parking revenue amounts reported by PCI are complete and accurate, TAP International verified the amounts collected from parking tickets paid at either the World Port or Catalina parking lots on 18 dates between August 2017 and April 2020,¹ undertook activities to reconcile parking ticket payments made through cash and customer credit cards, and reviewed parking revenue collected from film location activities against film permit applications. Also, TAP International assessed internal controls over cash collection, deposits, and financial reporting.

To determine whether PCI maintains adequate supporting documentation, TAP International requested and reviewed documentation available related to:

- Parking policies and procedures
- Inventory list of parking equipment
- List of personnel staffed at each parking lot and scheduled work shift
- Vehicle theft/damage reports by quarter
- Safety or security reports and data
- Work order reports to repair electronic payment systems by each applicable parking lot
- Budget versus actual reports
- Gross charge reports

Where documentation was not available, TAP International interviewed PCI and applicable POLA staff to assess activities, observed storage controls, and assessed the sufficiency of documentation controls.

¹ World Port -8/28/2017; World Port -1/9/2018; World Port -2/17/2018; Catalina -9/3/2018; World Port -10/20/2018; World Port -11/3/2018; Catalina -11/15/2018; Catalina -12/28/2018; World Port -4/20/2019; Catalina-6/27/2019; Catalina -9/2/2019; World Port-10/27/2019; Catalina -11/17/2019; World Port -11/30/2019; Catalina -12/21/2019; World Port -2/6/2020; Catalina -2/17/2020; World Port -4/30/2020.

To measure the ability of PCI management to adhere to budgeted expenditure targets, TAP International reviewed available budget reports, conducted a trend analysis on revenues, and computed metrics to revenue reporting accuracy.

Assessment of the Reliability of Data

Section 9.20 of the generally accepted government auditing standards require auditors to describe limitations or uncertainties with the reliability or validity of evidence if: (1) the evidence is significant to the findings and conclusions within the context of the audit objectives; and (2) such disclosure is necessary to avoid misleading the report users about the findings and conclusions.

TAP International assessed the integrity of the data used in the parking revenue analysis and found the data incomplete to draw conclusions about the full accuracy of information.

Assessment of Internal Controls

Section 9.29 of the generally accepted government auditing standards require auditors to assess the adequacy of internal controls if they are significant to the audit's objectives. The objectives of this performance audit were applicable to an internal control assessment, which the results are further described in this report.

Audit Statement

TAP international conducted this performance audit between April and July 2021 in accordance with generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The Auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. A draft report was provided to the Real Estate Division and to PCI, Inc. Comments by the Real Estate Division were incorporated as applicable throughout the report. PCI's comments are shown in Appendix B.

Section 3: Key Findings

LOS ANGELES
CRUISE
TERMINAL

Finding 1: PCI Generally Complied with Contractual Requirements

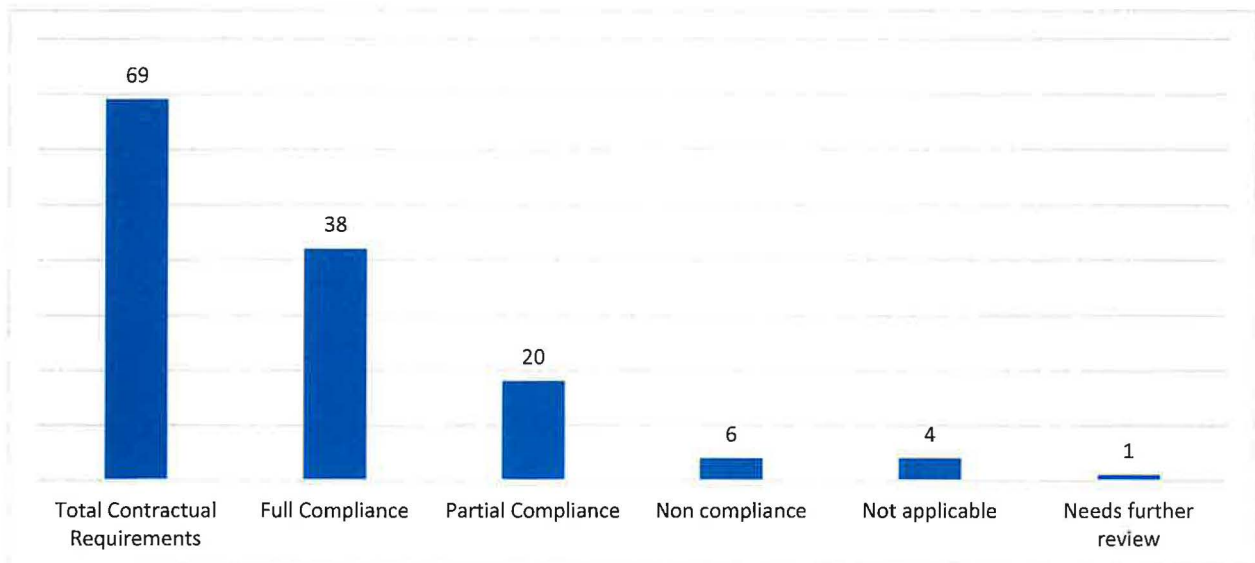
PCI Fully Complied with More Than Half of Contractual Requirements

POLA’s 2017 Agreement and 2020 Amendment contains more than 27 sections with requirements for PCI’s operations of the Port’s three public parking lots (World Port, Catalina Express, and Liberty Plaza).

As shown in Figure 3, PCI has fully complied with 38 of 69 contractual requirements that we examined. Examples of compliant activities include:

- Performing and paying for all maintenance and repairs of the operating equipment, which the Operator is required to install.
- Submitting plans and specifications to the Harbor Engineer for parking installation needs.
- Furnishing cash deposit to guarantee financial performance requirements.
- Coordinating suitable advertising and other means to promote parking.
- Retaining the required percentage allocation of gross revenue based on our assumption that the allocation is meant to be based on gross revenues received in an annual period versus the life of the contract term. The current contracts states that PCI should remit to POLA: 81% of gross receipts from \$0 to \$5M; 82% of gross receipts over \$5M; 83% of gross receipts over \$6M; and 81% of the gross reported revenues up to \$5M.

Figure 3: Extent of PCI Compliance with Contractual Terms and Conditions



PCI Partially Complied with 29 Percent of Contractual Requirements

PCI partially complied with 20 of the 69 requirements. Examples include:

- Providing for improvements to parking facilities by installing promised parking equipment but not completing the work within the required six-month period of the inception of the 2017 Agreement. PCI instead requested a permit from the Harbor Department within eight months. Also, equipment described in the agreement (AMANO) is not the same equipment currently in use (ZEAG). PCI management said it has frequently replaced gate arms broken by customers with older gate arms of different specifications (that we observed could be lifted to allow exit of a small car without payment). PCI management reported it is considering further improvements by: (a) installing a license plate recognition system to further automate payment at exit columns, (b) creating an online reservation system, and (c) installing cameras to increase security.
- Reporting that it inspects the premises and maintains them in operable condition, but PCI or POLA could not provide documentation demonstrating compliance. Nonetheless, POLA staff reported overall satisfaction of PCI's efforts to maintain the parking lots.
- Excluding bank charges for credit card utilization for part of the Agreement term. From July 2017-December 2017, PCI deducted credit card fees from gross monthly receipts. After receiving notification from the POLA, PCI reversed the deducted credit card fees and has since excluded them on their gross receipts reports.

A full description of compliance results is provided in the Appendix.

PCI Has Not Complied with a Half Dozen of Contractual Requirements

PCI has not complied with six of the 69 requirements. These requirements include:

- Posting a Parking Occupancy Registration Certificate on the premises.
- Developing an amortization schedule of the parking improvements, excluding shuttle buses.
- Paying costs and expenses associated with any demolition and removal of existing parking lot equipment, which was stored onsite in a shed once no longer in use.
- Preparing or submitting a complete, certified, audited annual statement prepared by a CPA and signed by the Operator's duly authorized officer showing in reasonable detail the elements and amounts of gross receipts during the preceding year, or fraction of year, and pay to the City, the City's percentage of gross receipts, if any due from the preceding year. PCI officials explained that it was not aware of some of these requirements and does not prepare separate audited financial statements for POLA parking facilities. The lack of compliance with submitting audited financial statements poses the highest risk to POLA because without them, POLA does not have assurance that PCI is remitting all the revenue its owed.

- Addressing acts of vandalism. Figure 4 shows graffiti that has not been addressed by PCI at the Catalina Terminal Lot.
- Submitting an annual disclosure of names and amounts of all hazardous materials or any combination within 60 days of the Agreement. PCI explained that no materials were stored on site.

A Few Contractual Requirements Were Not Applicable

Another four of the 69 contractual requirements were not applicable to PCI because PCI had not been requested by POLA to implement the activity. These requirements include:

- Within 60 days of written notice by the Executive Director, the Operator, shall at its expense, prepare and submit to the City a site characterization plan to enable determination to the extent of soil and groundwater contamination.
- Upon written notice by the Executive Director, Operator, shall at its expense, prepare and submit a feasible remediation action plan for removal and monitoring of hazardous material contamination.
- Operator shall report in writing within 15 days knowledge of any accident or occurrence involving death or injury to any person, or damage in excess of \$500. No accidents have occurred to trigger reporting.
- Submit appropriate supporting documents with each invoice for miscellaneous services (such as overseeing operations, managing offsite parking lots or providing valet services) that may include invoices, payrolls, and timesheets. PCI management explained that expenses incurred for parking operations are not invoiced to POLA for reimbursement, as verified by POLA staff.

One Contractual Requirement Needs Further Review

PCI may have violated Section XXVII Compliance with Los Angeles City Charter Section 470(c)(12). This section places limitations on campaign contributions and fundraising for certain City officials or candidates for elected office if the Agreement, like the POLA/PCI Contract, is valued at \$100,000 or more. As shown in Figure 5 below, our analysis showed PCI donated \$800 in November 2019 to Council Member Martinez. The PCI project manager for POLA's parking agreement explained his company did not inform him of the contribution.

Figure 4: Graffiti Tag that has not been Addressed by PCI

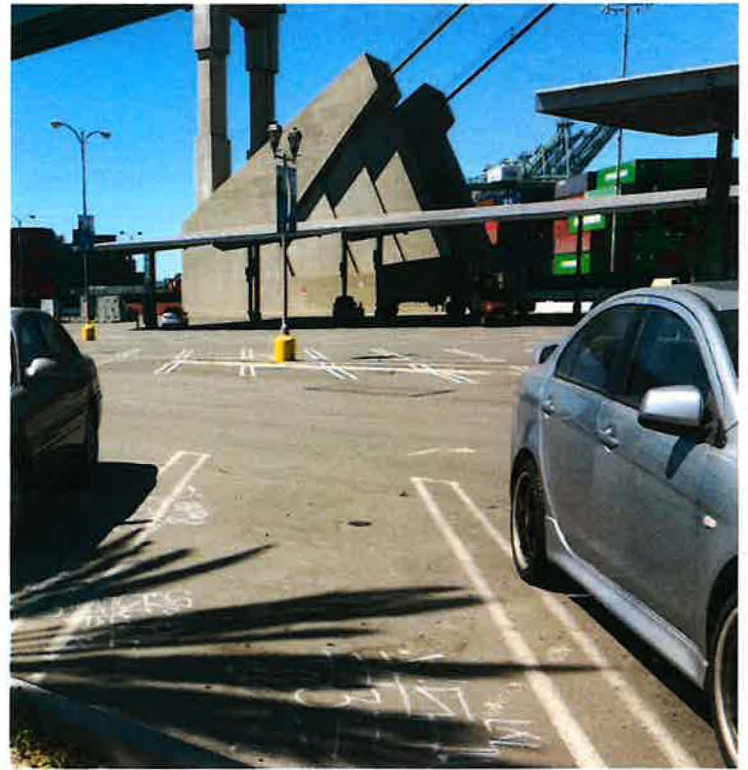


Figure 5: PCI Donations to City of LA Since 2017

Date	Contributor	Candidate/Officeholder	Committee	Reported on	Type	Amount
11/25/2019	Parking Concepts Inc Other: Non-Individual Irvine, CA 92618-6302	Martinez, Nury City Council Member - District 06	Nury Martinez for City Council 2020 [1413292]	Recipient Committee Campaign Statement (Form 460) 4th Quarter (10/01/2019 to 12/31/2019)	Monetary Contribution [Schedule A]	\$800.00

Source: <https://ethics.lacity.org/data/campaigns/contributions/>
Searched under "Parking Concepts Inc." Next most recent contribution by PCI was in 2012.

Contract Oversight Could Benefit from Enhancement

Contract oversight is a key component of contract administration. It involves those activities performed by government officials after a contract has been awarded to determine how well the government and the contractor met contract requirements. It encompasses all dealings between the government and the contractor from the time the contract is awarded until the work has been completed and accepted or the contract is terminated, payment has been made, and disputes have been resolved. The specific nature and extent of contract oversight can vary from contract to contract, ranging from minimum acceptance of terms and conditions to trigger payment to extensive involvement by program or audit professionals throughout the contract term. Effective contract oversight also assures that the end users and customers are satisfied with services being delivered under the contract.

Despite the overall compliance by PCI with its contractual terms and conditions, POLA's contract oversight performed by Real Estate Division (RED)'s could benefit from enhancement since RED performs minimal oversight of PCI's agreement. The absence of strong contract administration activities provides the opportunity for non-compliance without detection. RED officials explained their approach to contract oversight including why the negotiation of other lease agreements are of higher priority, having a large number of leases to manage with limited staff and a lack of parking related complaints. The audit also found be added clarity of oversight responsibilities between RED and other Port Divisions is needed. RED expects other Port Divisions to perform some of the contract oversight activities while these Divisions, in turn, expect that RED is responsible for performing all contract oversight.

While the audit found no evidence that PCI is attempting to evade compliance with the requirements, the need for enhanced POLA oversight is present, as evidenced by:

- The absence of reviewing PCI's gross receipts reports for accuracy to ensure that POLA is receiving the revenue it is owed.
- Having no knowledge that PCI has been storing old parking equipment in a shed in the World Port parking lot and paid tickets inside inoperable shuttle buses.
- No activities to assess the effectiveness of current Agreement terms and conditions related to increasing parking utilization.

- Not updating the 2020 Amendment to include communication activities among current Port operators when parking lots have been leased for filming activities. In addition, while PCI's 2017 Agreement allows film production company use of the Port's lots and requires insurance that meets the POLA requirements, RED does not review these agreements and insurance to ensure conformity.
- The lack of detailed documentation submitted by PCI in its monthly gross receipts report for RED staff to assess PCI compliance with the agreement requirements, undermining POLA's ability to enforce the terms and conditions of the agreement. This issue is further discussed in this report.

PCI's Agreement Could Benefit from Updating

Our review of the 2017 Agreement and 2020 Amendment showed that the Agreement would benefit from updating because it does not include terms and conditions, such as performance metrics, that are customary for effective contracts, especially for parking operations contracts.

Terms that need attention include:

- Specifying whether the threshold for the payment of gross receipts is annual or over the life of the Agreement.
- Clearly delineating security roles and responsibilities between the parking operator and the public agency.
- Specifying whether parking shuttles need to be operable.
- Clearly defining criteria that would constitute "best in class."
- Clearly defining payment terms and conditions of parking revenue fees.
- Adding performance requirements to help assess effectiveness, such as increasing parking utilization by specific threshold annually or reporting undetected parking revenue losses due to operator leniency.

Ambiguity in contract terms and conditions or having conflicting requirements limits the ability to hold PCI accountable for certain activities.

Recommendations

- 1.1 POLA's Executive Director should formally clarify which POLA Division is responsible for contract oversight of the PCI agreement.
- 1.2 POLA's legal counsel should initiate efforts to amend the contract to clarify requirements that:
 - a) Specify if the threshold for the payment of gross receipts is annual or over the life of the Agreement.
 - b) Specify whether all parking shuttles need to be operable.
- 1.3 PCI should develop a corrective action plan for POLA review to correct the following requirements that are not in compliance with the Agreement.
 - a) Development of an amortization schedule of the parking improvements, excluding shuttle buses.
 - b) Payment of costs and expenses associated with any demolition and removal of

existing parking lot equipment, which was stored onsite at the time of our review.

1.4 PCI should complete and submit a certified, audited annual statement prepared by a CPA and signed by the Operator's duly authorized officer as required in its contract with the City. The statement should show, in reasonable detail, the elements and amounts of gross receipts collected during the preceding year, or fraction thereof, the amount paid to the City of its percentage of gross receipts, and any additional payments due, or unpaid for the preceding year.

1.5 POLA should update the 2017 Agreement with PCI by adding additional terms and conditions that:

- a) Clearly delineate security roles and responsibilities between the parking operator and the public agency.
- b) Clearly define criteria that would constitute "best in class."
- c) Clearly define payment terms and conditions of parking revenue fees.
- d) Add performance requirements to help assess effectiveness, such as increasing parking utilization by specific threshold annually or reporting undetected parking revenue losses (leakage rates) which is revenue lost due to operator leniency.
- e) Penalize the parking operator for non-compliance of terms and conditions.

1.6 POLA's Executive Director should refer to the City Attorney for further review of the PCI's compliance with Section XXVII of the 2017 Agreement.

Finding 2: PCI Remitted Payments Correctly but POLA and PCI Can Do More to Demonstrate the Accuracy of Gross Parking Revenues Collected

PCI Correctly Paid Parking Remittances Correctly Based on Reported Gross Parking Revenues

The 2017 Agreement requires PCI to report gross receipts monthly to POLA from all revenue sources and pay POLA a percentage of the gross receipts each month. PCI and POLA contractually agreed that PCI is to retain a portion of the gross receipts reported and issue a payment for the remaining funds to POLA. The allocation of revenue to POLA is comprised of the percentages of gross receipts, net of the parking occupancy tax and possessory interest tax as follows:

- 81% of gross receipts from \$0 to \$5M
- 82% of gross receipts over \$5M
- 83% of gross receipts over \$6M

As shown in Figure 6, PCI collected about \$11.1M in gross parking receipts. Our analysis showed that PCI remitted all required payments to POLA at 81% of gross receipts up to \$5M.² PCI gross receipts reports show over \$4.4M in parking revenue in 2019 (pre COVID-19, an increase in gross parking revenues of 17 percent in comparison to 2018 gross parking receipts. If parking revenues had again grown by 17 percent from 2019-2020, then gross receipts would be predicted to exceed the \$5M threshold.³ PCI management reported that disruptions to the cruise industry and other business from the COVID-19 pandemic reduced revenues significantly during the first six months of 2020.

Figure 6. PCI's Reported Parking Revenue under 2017 Agreement

Year	GROSS RECEIPTS	NET GROSS RECEIPTS (less City taxes)	Amount Paid to POLA (81% NET GROSS RECEIPTS)
2017 ^a	\$1,978,413.52	\$1,777,029.01	\$1,411,745.94
2018	\$3,763,323.78	\$3,354,635.60	\$2,717,254.85
2019	\$4,414,662.96	\$3,945,996.84	\$3,196,257.45
2020 ^b	\$950,146.40	\$846,919.38	\$686,004.69
Total	\$11,106,546.66	\$9,924,580.83	\$8,011,262.93

^a September 22nd – December 31, 2017.

^b January-June 2020

Source: PCI monthly gross receipts reports submitted to POLA.

² We previously described in this report that the 2017 Agreement does not clearly stipulate if the retention allocation is based on monthly, annual, or revenues over the life of the Agreement. For the purpose of this analysis, we examined accuracy of the fee retention based on monthly reported gross receipts given that PCI presently remits payments to POLA on a monthly basis.

³ If PCI's annual gross receipts exceeded \$5 M the percentage of net gross receipts that PCI would pay POLA would increase to 82 percent.

Gross Parking Revenue Across Multiple of Sources Could Not Be Fully Reconciled

Reconciliation is an accounting process that compares the accuracy of the sets of records to check that amounts reported are correct. When variances occur, the amounts should be investigated and resolved. Receipts collected from public parking is based on multiple sources of revenue: (1) the issuance and later collection of parking tickets paid by cash or with a credit card, (2) monthly parking permits, and (3) parking revenue generated from filming activities. Gross revenue from these sources could not be fully reconciled, but for one source of revenue – daily parking – PCI met a parking industry performance standard of two percent.⁴ Neither POLA nor PCI had sufficient controls in place to ensure the accuracy of the gross revenue collected. These controls include POLA performing monthly review of gross receipts report and enforcing the requirement for PCI to provide annual revenue audits, and PCI submitting documentation that support all data contained in the monthly gross receipts report. PCI management explained how it performs other activities to help ensure revenue accuracy, such as: (1) reconciliation of monthly gross receipts report with the credit card transaction reports; (2) PCI's Controller verifies the monthly gross revenue data provided by the onsite manager; and (3) a Vice President reviews and checks the revenue total prior to submission to POLA. Having other controls to include daily or weekly ticket audits and weekly reconciliation of parking revenue from all sources can ensure revenue collection accuracy and prevent potential risk of revenue loss stemming from current operations.

Parking Revenue Reported from Paid Parking Tickets Could Not Be Fully Reconciled, but Nearly All Revenue Could be Accounted for that Meets Industry Standard

We could not reconcile the reported ticket counts and revenue collected with the available documentation due to substandard record-keeping of the tickets and cashier shift reports, undocumented and weak controls over ticket validations, and an inaccessible audit trail for transactions processed at exit columns. For instance, for the 18 dates for which we reviewed the revenue PCI reported from its collection of parking tickets from either the World Port or Catalina parking lots, the revenue amount reported for about half (52 percent) of these dates could not be fully reconciled because parking transactions were missing to support the reported counts. The amount of unsupported revenue from missing parking tickets is estimated to be less than one percent, which exceeds industry benchmarks. However, we could not verify whether the reported amount is correct because we could not determine the universe of tickets issued versus those eventually collected when exiting the lot because many parkers have extended stays due to cruise ship vacations and PCI stores the tickets by the date of collection instead of date of issue.⁵ Also, PCI does not have a parking control system that would allow electronic capability to run reports to show the amount of revenue collected based on date of ticket issuance.

⁴ The 2017 Agreement and Amendment does not include performance standards for daily parking collections.

⁵ Challenges related to PCI's current strategy for the storage of parking tickets are discussed later in the report.

Across the dates examined, PCI reported more revenue than shown on the available tickets for 10 days by at least \$753 and under-reported revenue compared to the paid tickets collected for one date in the amount of \$133, although the full amount of under-reported revenue could not be determined due to missing parking tickets.

Further complicating our assessment of the accuracy of parking revenues reported is that PCI's accounting entry into their general ledger combines the amount of both the cash and credit revenue collected each day and does not separately report the amounts from each source. Although this type of accounting entry is not required, we could not reconcile the credit card statements to the PCI general ledger date provided in the monthly gross receipts report because the sales revenue reported on the credit card statements for each month was consistently higher than reported in the PCI monthly gross receipts report. We could not obtain documentation from PCI to resolve this difference because the parking system does not print a report of the credit card sales processed, according to PCI onsite management. We attempted to verify credit card adjustments, which PCI annotated on the bottom of the monthly revenue reports for the Catalina and World Port parking lots when these occurred. These adjustments (returns or chargebacks) did not reconcile with the credit card statements across six months. Likewise, the credit card statements provided by PCI showed adjustments (returns or chargebacks) across five months, but these did not fully correspond to adjustments on the PCI monthly revenue reports for each parking lot.

In addition, our examination of 18 months of credit card statements shows a lower dollar amount of parking revenue from credit card transactions compared to the dollar amount of credit card sales reported on the monthly revenue reports for the Catalina and World Port parking lots. While PCI said that it ensures that the credit statement supports the general ledger entry and adjusts the gross revenue reports submitted to POLA for chargeback and returns, we could not reconcile the two reports. Similarly, the amounts reported on the monthly revenue reports for each lot from parking tickets paid in cash could not be reconciled to PCI's general ledger because of the combined accounting entries for cash and credit cards.⁶

Our review of PCI's financial documentation showed PCI made multiple adjustments, including adjusting the revenue reported on the monthly revenue reports for each parking lot in 21 of the 36 months examined. The adjustments resulted in the reporting of an additional \$34,196.55⁷ in revenue, which was posted to PCI's general ledger and the proper allocation amount paid to POLA.

Revenue from Monthly Parking Could Not Be Reconciled

We could not fully assess the accuracy of PCI's reported revenue for monthly parking because PCI did not provide records (such as invoices) that show individuals who had been granted monthly parking privileges. However, PCI's reported monthly parking revenues reconciled with

⁶ Credit card transactions comprise about 45 percent of all daily parking transactions and cash comprises the remaining 55 percent of daily parking transactions.

⁷ In February 2018, PCI adjusted the Monthly revenue Report to increase credit card sales by \$17,768.11.

the accounting entries into its general ledger until January 2020. Differences in the PCI reported revenue entered on the general ledger in January 2020 corresponded to monthly parking revenue later reported on the PCI monthly revenue report for June 2020. Also, \$960 in monthly parking revenue posted to the GL in February 2020 were not recorded on the appropriate monthly revenue report but PCI later posted \$980 in revenue for March 2020. Figure 7 below shows our reconciliation analysis.

Figure 7. Reconciliation of Prepaid Monthly Parking Revenue Reports with PCI General Ledger

	Monthly Revenue Reports	General Ledger	Difference between Monthly Revenue Report and General Ledger
2017 (from Sept)	\$19,132.00	\$16,130.00	\$3,002.00
2018	\$41,309.00	\$38,916.00	\$2,393.00
2019	\$41,627.00	\$41,447.00	\$180.00
2020 (thru June)	\$6,232.00	\$6,300.00	-\$68.00
Subtotal	\$108,390.00	\$102,793.00	\$5,597.00
Reported revenue from missing General Ledger information^a	NA	\$6,297.00	NA
Reported Revenue that was not reported on Monthly Revenue Reports	\$960.00	NA	NA
Subtotal	\$109,350.00	\$109,090.00	\$260.00
Adjustments to General Ledger^b		\$260.00	
Grand Total	\$109,350.00	\$109,350.00	\$0

^a PCI submitted a general ledger report to POLA with its monthly gross receipts reports. POLA did not have general ledger reports in their records for three months (September 2017, July 2018, and March 2020). When requested, PCI provided a monthly gross receipts report and bank deposit slips (but without the general ledger report) for the audit.

^b PCI made two adjustments to the general ledger between September 2017-June 2020, one in January 2018 for -\$80 and another in September 2019 in the amount of -\$180. PCI did not also make these adjustments to the Monthly Revenue Reports, which explains the difference of \$260 between the two tracking systems, after accounting for other recording errors.

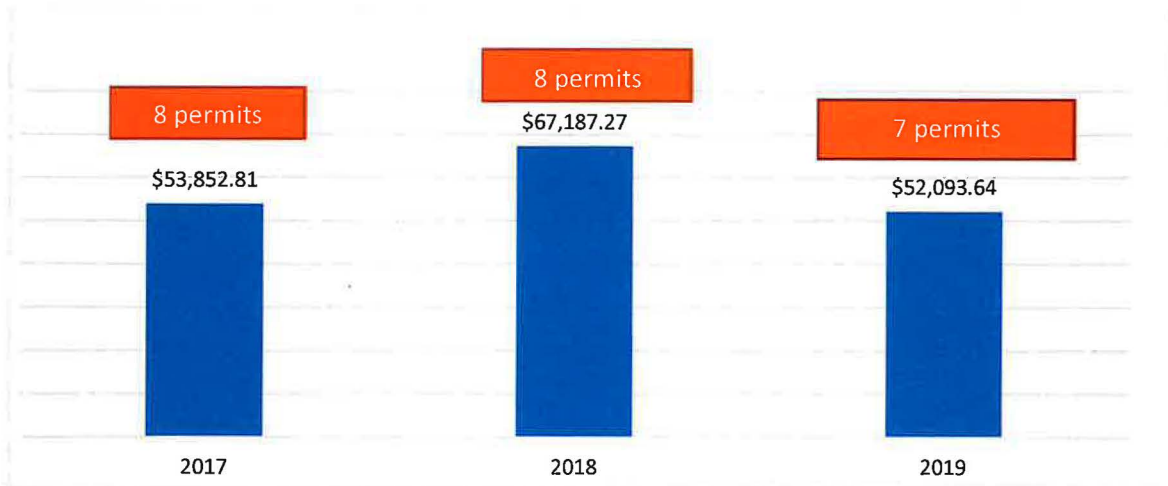
Revenue from Filming Activities Could Not Be Reconciled

Parking fees collected from organizations engaging in film activities and other events serve as another source of parking revenue. Parking fees from filming and other activities can range from \$0 to about \$26,000 per month. Organizations opting to utilize POLA’s PCI managed parking facilities for filming activities must apply for a film permit through FILM LA and enter into a separate agreement with PCI for use of the lots. PCI prepares a contract for the organization describing the number of parking spaces to be utilized and the fees. A component of the contract requires the filming organization to submit liability insurance that meets POLA’s requirements.

Between 2017-2019, POLA reported 23 of 274 film permits issued for the use of POLA property could involve the use of PCI managed parking facilities.⁸ PCI provided 15 filming related Agreements for analysis. Based on the monthly revenue reports for each parking lot, film activities totaled \$162,000.⁹ However, we could not reconcile PCI's reported revenues to their 15 agreements provided. PCI recorded and reported to POLA more revenue (about \$162,000) from film events than would be expected (about \$109,000) based on the 15 agreements that PCI provided for review. PCI management explained that film events typically exceed their expected timeframes, resulting in additional parking fees compared to the amounts stated in the agreements.

Further complicating the tracking for revenue from filming events is neither POLA nor PCI compares the number of permits tracked by POLA with the number of PCI's filming agreements. We attempted to compare the number of filming permits tracked by POLA with the number of PCI's filming agreements. When a filming permit indicates the need to use PCI managed parking facilities, POLA refers the production company to PCI to negotiate an agreement. While the number of permits reported by POLA and the number of PCI filming agreements matched for 2019, in 2018, the number of POLA-tracked permits was lower than PCI reported film agreements. We could not determine the reason for the discrepancy between the number of permits tracked by POLA and PCI filming agreements given the information in the POLA tracking database and agreements provided by PCI. Figure 8 shows the number of filming permits involving PCI operated parking lots and revenue amounts.

Figure 8: PCI Parking Fees from Filming Activities ^a



⁸ POLA staff said they do not reconcile the number of permits they have recorded for the use of PCI managed parking lots with PCI's agreements. POLA staff refers the production company to PCI to negotiate an agreement to use the parking lots; issuance of a permit does not necessarily result in an agreement with PCI.

⁹ POLA provided documentation showing 15 agreements. The count of the number of film production events does not equal the number of general ledger and monthly revenue report entries in the financial records.

^a The 2018 year to date numbers include the end of September through December 2017 because PCI did not reset 2017 year-to-date numbers after the execution of the 2017 Agreement. Calendar Year 2018, without the extra months, would have shown lower revenue amounts of \$61,065.46 in film revenue.

PCI's film and event revenue has generally fallen short of its projections. Between November 2017 and October 2018, actual film revenue comprised 59 percent of the approximately \$52,000 in projected film revenue. PCI increased the monthly projection for filming revenue by nearly double in November 2017 after exceeding the projection significantly in the prior three months.

In January 2019, PCI stopped reporting actuals to budget for film revenues and reduced the budget in 2019 below the budget levels established in 2017 from \$4,336 to \$1,362. With expected revenues of \$1,362 per month, PCI would have exceeded that budget in five of the 12 months or 42 percent of the time. The monthly average revenue from filming and other events should be budgeted between \$4,300-\$5,600 based on 2018 and 2019 revenues collected.

Parking Validations Need Better Tracking

PCI's 2017 Agreement states that PCI "shall not collect a parking fee from employees and tenants of the World Cruise Center/Catalina Terminal Parking Facility, employees of the vessels calling at this facility, volunteers at the USS Iowa, or governmental employees conducting official business at the facility or on the vessels calling at the facility." Guests with official business who may secure parking validation at POLA for use of the parking lot that is over an hour.¹⁰ Generally, parking fees at World Cruise and Catalina lots are \$2 per hour to a maximum of \$17 per 24-hour period. California Constitution, Article XVI, § 6 prohibits the giving of anything of value to any person or entity. RED staff explained that the Division adheres to POLA's Tariff which regulates the issuance of validations, giving authority to the POLA Executive Director to grant validated parking to authorized employees while on official business. While validated parking is a permissible activity, the entity offering the validation generally pays for the parking fees. For accounting purposes, these fees are generally recorded in the entity's financial books and records and if fees are not paid, the value of the parking fees are also recorded in the entity's financial books and records.

Across the 18 dates in our review, PCI issued a total of 2,865 validations, or about 23 percent of the tickets collected at either the World Port or Catalina parking lots on these dates. While the exact amount of parking fees validated for the customers could not be determined (because the cashier does document the date and time of exit on the ticket), the validations do have a financial value. These validations represent between an estimated minimum of \$5,730 and a maximum of \$57,300 in parking fees for the 18 dates at the World Port or Catalina parking lots in our sample.¹¹ An estimate of the value of the parking validations ranges from about \$73,000

to more than \$4M, and POLA's subsequent remittance of potentially \$53,000 to more than \$3M represents a substantial monetary value for the free parking.¹²

Our examination found that key internal controls over the issuance and accounting for validations were absent, such as consistently documenting the entity represented by the parker and checking whether the entity is eligible for the free parking. Weaknesses in these controls allow potential abuse by general parkers. PCI management explained that the POLA had not provided further guidance (beyond the terms of the Agreement) regarding the issuance and accounting for validations nor had POLA established protocols to communicate with PCI about who specifically within these groups should be allowed to park for free or to establish a verification process. PCI management also said it granted validations to individuals within the groups listed in the Agreement and had instructed cashiers to ask for identification when a validation is requested, but PCI cashiers did not have a pre-approved list of names eligible for validated parking provided by POLA departments to verify validations and PCI management has not asked PCI to verify the identifications of the requesting individuals. POLA staff explained that it would be too time consuming to create and maintain a list of individuals that would be authorized to receive a validation.

Recommendations

2.1 PCI should establish procedures to ensure:

- a) Documentation of the number and value of the validations granted.
- b) Completed paid parking tickets are organized by corresponding cashier shift reports and securely stored from environmental hazards.
- c) Documentation of individual invoices and associated payments for prepaid monthly parking and film revenues.
- d) Documentation of any corrections or changes made during the PCI internal review process to facilitate reconciliation of cashier shift reports to Manager's Daily Report and reconciliation of the monthly revenue reports for each parking lot to the general ledger.

2.2 POLA's Executive Director should delegate responsibility to an assigned oversight division to establish procedures for POLA's review of the monthly gross receipts report for accuracy.

2.3 POLA's Executive Director should delegate responsibility to an assigned oversight division for reconciling film permits issued for use of PCI managed parking lots and expected revenue with received revenues.

2.4 The City Attorney's office should ensure that the POLA's Tariff 4 and contractual requirement authorizing the free parking to the employees of the designated groups and the current operating approach to account for the validations does not violate the California Constitution's Article XVI § 6, which prohibits the giving of anything of value to any person or entity.

¹² Estimate is based on the issuance of 100-300 validations per day over one year and each validated ticket having a value of \$2-\$20.

2.5 POLA should require PCI to install parking equipment that will provide full automated capability to track, store, and query parking ticket information and payment history.

Finding 3: PCI Could Maintain Better Documentation in Financial and Operational Administration Areas

Agreement (VIII.A(6)) says PCI must provide the Port records “showing the affairs of Operator with respect to its business transacted.” In addition, the 2017 Agreement specifically requires PCI to document its efforts in three areas: its daily activities to ensure accurate and complete revenue reporting, proper handling of customer complaints and maintenance of the parking lots at high standards. Although PCI maintains documentation for many activities, our review identified the following issues and opportunities across all three of these areas for PCI to improve its documentation of its activities. Errors or missing elements in the documentation prevents the identification of warning signs in financial management or service delivery effectively governing parking operations.

Additional Documentation is Needed to Support the Accuracy and Completeness of Revenues Stated in Monthly Gross Receipts Report

Presently, PCI’s reporting is limited to a statement of the monthly revenues even though the 2017 Agreement requires additional revenue-related reports to support the accuracy of the state revenues. While Exhibit C in the 2017 Agreement includes various requirements for PCI to document its daily activities to ensure accurate and complete revenue reporting, we could not verify the accuracy of various sources of parking revenue due to lack of documentation.

For one source of parking revenue – credit card transactions – PCI does not provide documentation, other than individual tickets, to support the revenue from cash and credit card transactions reported on the Cashier’s Shift Reports¹³, which is aggregated into the Manager’s Daily Report and then the Monthly Revenue Report for each parking lot. To check the accuracy of the reporting of credit card transactions and revenues by individual cashiers, as well as the revenues collected at the pay-on-foot and exit columns, the onsite PCI manager explained that the manager visually obtains transaction and revenue data from the PCI servers for the parking control system. A report cannot be printed from the parking control system servers, requiring the PCI manager to prepare a video of the screens that show the transaction and revenue data and then use the video to review the Cashier Shift Reports and create the Manager’s Daily Report. A financial systems analyst for PCI explained that other PCI managed locations using the same parking control system have the capability to print system generated reports to show the transactions.

¹³ PCI collects parking fees at staffed cashier booths and automated pay-on-foot machines and exit columns. While pay-on-foot and exit columns are unstaffed, PCI onsite staff collect cash and paid tickets from these machines and record the number and value of the paid tickets on a Cashier Shift Report each day.

PCI management explained that PCI financial staff performs a monthly reconciliation between the monthly revenue reports for the parking lots and a statement from the credit card processor to verify the accuracy of the revenue from credit card transactions. However, there is no supporting documentation in the monthly gross receipts report or otherwise maintained by PCI, that shows the accuracy of the reported daily revenue from credit card transactions. Further, PCI does not provide any documentation to support adjustments made by the PCI financial staff, as noted at the bottom of the Monthly Revenue Reports and in the example shown in Figure 9 below. Errors or missing elements in the documentation that are used to generate PCI’s monthly revenue report for each parking lot can raise questions about the accuracy of revenue reporting.

Figure 9. Example of Adjustments made to the Monthly Revenue Report that are not supported by documentation (February 2020)

DATE	REVENUE	ADJUSTMENTS	TOTAL
02/01/20	1,234,567.89		1,234,567.89
02/02/20	1,234,567.89		1,234,567.89
02/03/20	1,234,567.89		1,234,567.89
02/04/20	1,234,567.89		1,234,567.89
02/05/20	1,234,567.89		1,234,567.89
02/06/20	1,234,567.89		1,234,567.89
02/07/20	1,234,567.89		1,234,567.89
02/08/20	1,234,567.89		1,234,567.89
02/09/20	1,234,567.89		1,234,567.89
02/10/20	1,234,567.89		1,234,567.89
02/11/20	1,234,567.89		1,234,567.89
02/12/20	1,234,567.89		1,234,567.89
TOTAL	15,014,814.67		15,014,814.67

Chargeback	\$ 309,635.00
Add'l cc sales	\$ (266.00)
Total	\$ 2,039.38

Chargeback	309,635.00
Add'l sales	2,039.38

For a second source of parking revenue, filming activities, PCI is not required to submit reports that lists the film agreements, production company and amount of revenue per event that would help verify monthly revenue receipt report accuracy. The Agreement (Exhibit C) says, “All revenue generating activity will be separated and accounted for.” PCI reports daily and total revenue from monthly and film parking, but PCI does not submit other documentation to POLA related to these revenue sources that would facilitate reconciliation, such as copies of the checks received and deposit slips, or a list of film production agreements, dates, amount, and type of fee charged, check number and verification of the check deposits.

For a third source of parking revenue – prepaid monthly parking – the 2017 Agreement specifically states that PCI will submit information on key cards on February 1 and August 1, but this documentation was not included in the monthly gross receipts report for these months between July 2017 through June 2020. In addition to the bi-annual reporting on key cards, monthly documentation would include an itemized list of the individuals that have paid for

monthly parking, the amount paid, and whether there are outstanding balances, as well as verification of the check deposits. While PCI submits a copy of its general ledger to POLA with the monthly gross receipts report, the entries on the general ledger do not provide the detail needed for POLA to ensure all revenues were reported in the gross receipts.

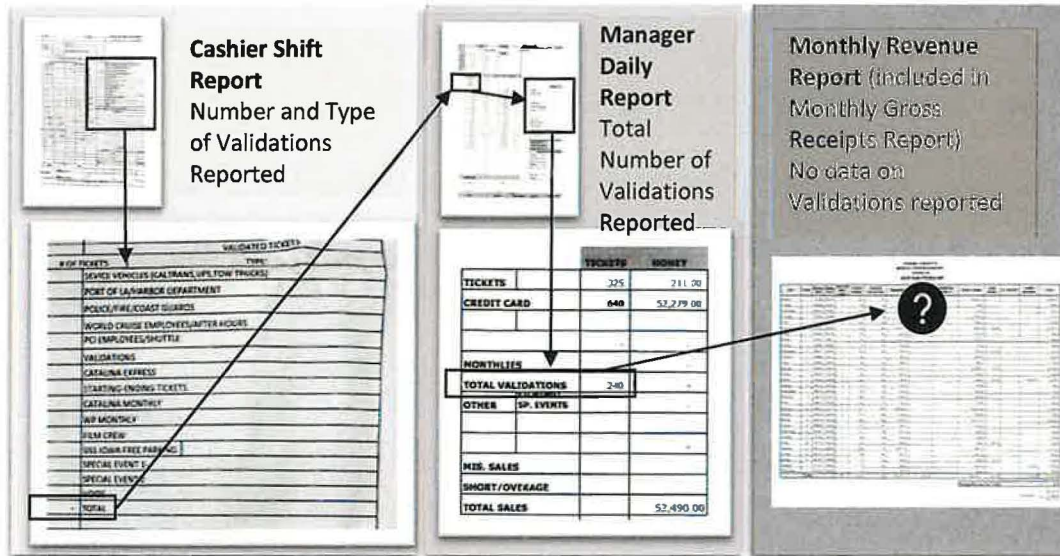
For parking validations, methods used by cashiers for securing parking validation may include showing employee badges or having the requestor write the name of the business or government agency represented and/or an employee ID number on the back of parking tickets. However, when parkers present the validated ticket, the parking attendant does not record the ticket number, the name and organization of the parker. Although PCI is documenting the number of validations on its Cashier Shift Reports and Manager's Daily Report, it is not shown on the Monthly Revenue Report for each parking lot that are submitted to POLA, as shown in Figure 11 below. Further, PCI does not provide documentation to POLA that shows that PCI only granted validations to the groups identified in the 2017 Agreement. Moreover, PCI does not track the value of the validations issued because the ticket is not processed through the parking control system, which is used to calculate the parking fee.

Figure 10 shows that the validated tickets reviewed from the sample dates were variously marked with the names of vendor (example, "Metro Services" or "Princess Cruises") or an employee name and ID number.

Figure 10. Example of Validated Tickets



Figure 11. Validations are not Reported in Monthly Gross Receipts Report



Source: PCI Cashier Shift Report, Manager’s Daily Report and Monthly Revenue Report.

Note: At the Liberty Plaza lot, POLA staff that validations are issued by POLA staff at the front desk of the Administration building. These validations were not included in our audit.

PCI could strengthen its control over the issuance of validations, further minimizing the risk of erroneously issuing a validation to a customer that does not qualify, by verifying a request for validation against a list of individuals authorized for validation, which would need to be provided by POLA. At present, to determine if a customer is eligible for a validation, a PCI onsite manager explained that the PCI cashier asks the customer to provide identification that they are a government employee or other proof of their identify and affiliation with one of the exempted groups of parkers and then the cashier must use their judgment of whether to honor the request. Without a list of authorized individuals from POLA, PCI cashiers have no other method of checking to ensure the person is authorized by the vendor or tenant, or otherwise meets the criteria set forth in the Agreement. While the audit found no evidence of abuse of the current validation process, it would be difficult to detect because the documentation on the tickets of who received the validation is not complete to determine if the customer belongs to an authorized group. Without a list of authorized individuals or better documentation on the tickets and without the likelihood of later detection by PCI management, a cashier could help someone not in the authorized groups obtain free parking by instructing the individual to write the name of a regular vendor on the ticket.

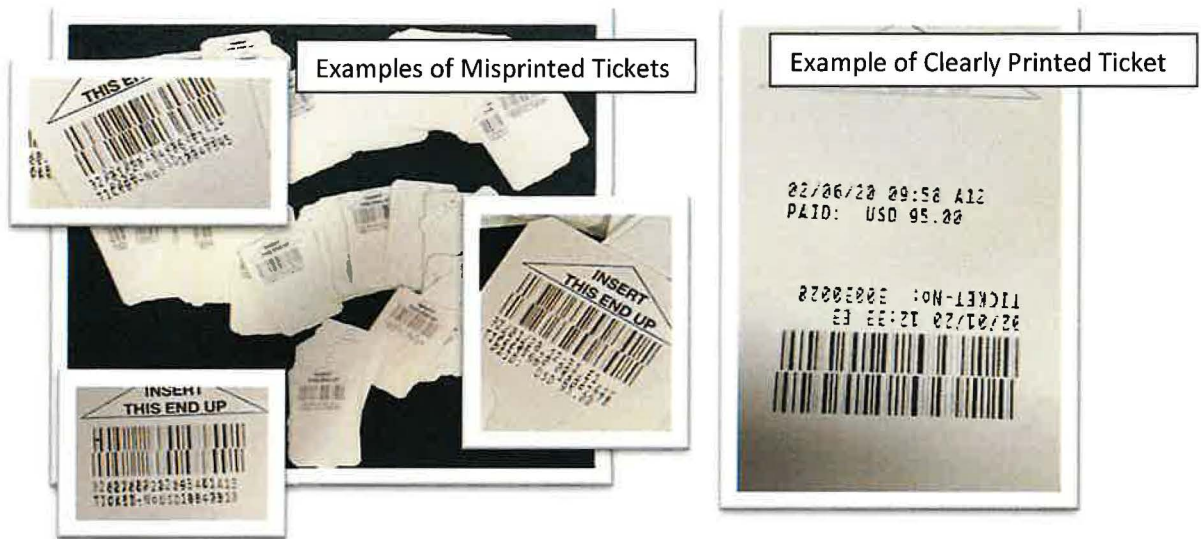
Improvements Needed for the Printing and Storage of Parking Tickets and Completeness of Cashier’s Shift Reports

Control over the parking tickets is essential to accurate revenue reporting and deterring theft. PCI’s activities to monitor the accuracy and completeness of revenue collection depends on clearly printed parking tickets produced by the parking system; complete and accurate revenue collection reports by the cashiers responsible for processing, or overseeing the equipment used

to process customers' cash and credit card transactions; and secure storage of the parking tickets for audit purposes.

Of the parking tickets reviewed, we observed parking tickets were not printed clearly, which limited the ability to provide documentation that supports the number of tickets and amount of revenue collected, as shown in Figure 12. By comparing the information printed on the tickets to the records in the parking control system, assurance can be gained that PCI reported all revenue collected and properly charged the parking fees. Misprinted tickets limit the ability to perform this comparison. Daily maintenance of the parking system can ensure that tickets are printed legibly.

Figure 12: Verification of Revenue Collection Relies on Clearly Printed Tickets



Also, PCI's parking tickets are not stored in an environment that aids in preservation and were loosely organized in file boxes, as shown in Figure 13 below, which does not facilitate tracking of parking revenue from tickets to the cashier shift report to the manager's daily report. PCI currently stores some of the tickets in a shed with the old parking equipment removed from lots in 2018. At the time of the audit, PCI stored the tickets in a shed that was dirty or in shuttle busses that PCI management said were inoperable, putting the tickets at risk of damage from the environment, as shown in Figure 13 below.

Figure 13. Photos of Tickets Stored Onsite at World Port Parking Lot



PCI Does Not Track its Handling of Customer Complaints

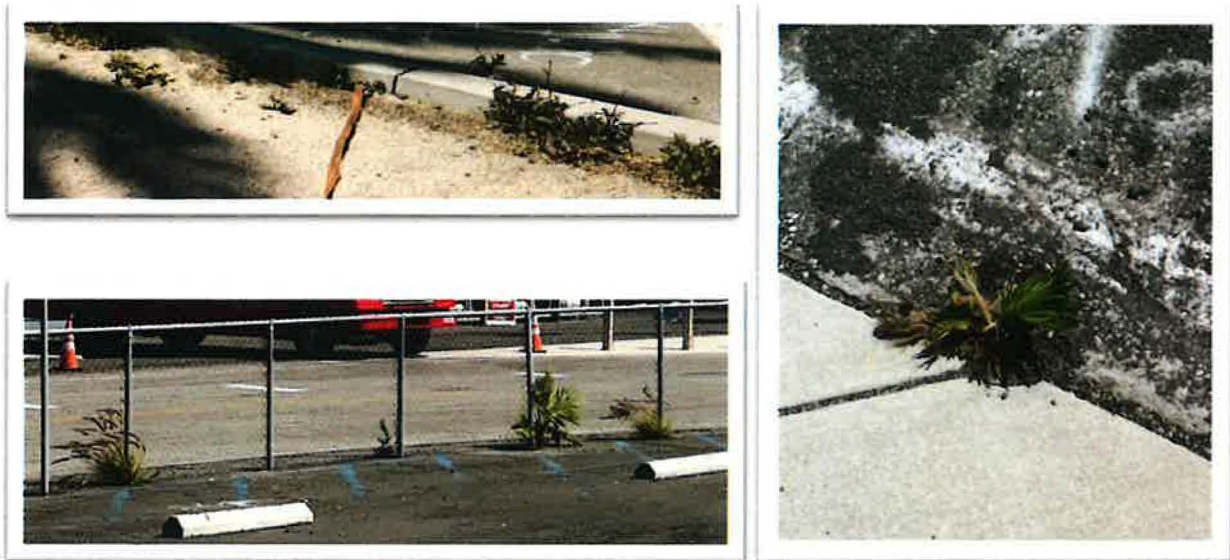
In the 2017 Agreement, PCI states, "our monitoring system tracks customer complaints or suggestions from inception to resolution" and "we will log and monitor all customer inquiries, requests for assistance and customer complaints, and track start times and times of each step, until resolution and conclusion." PCI management explained that it does not track customer complaints because it has received very few, and all issues could be immediately resolved, eliminating the need for tracking. POLA staff also explained that they had received very few complaints, but also do not systematically track complaints despite that staff said their emails likely contained records of complaints or concerns reported by POLA to PCI and the resolution.

PCI Does Not Keep Records of Landscaping and Maintenance Work, Lot Inspections

The 2017 Agreement requires PCI to maintain the parking control system equipment and to provide landscaping and maintenance for the parking lots. Our physical observation of the POLA parking lots showed maintenance needs (like that shown in Figure 14 on the next page) and striping needs at the World Lot. POLA staff responsible for physical inspection of the lots explained that they do not document their inspections although a checklist had been used to

document inspections under a previous contract. POLA staff said they were generally satisfied with PCI's landscaping and maintenance. PCI management explained that they do not maintain records of their daily inspections or of landscaping, and maintenance work performed, and are not contractually required to do so.

Figure 14. Deficient Landscaping and Maintenance Observations on May 19, 2021, World Cruise Lot



PCI Does not Submit Information on Expenses

Although PCI maintains documentation for many activities, PCI does not routinely submit documentation to POLA with the respect to its business transacted, such as expenses related to the replacement of parking equipment. PCI management explained that the Agreement only requires the reporting of revenues and does not require PCI to report its detailed expenses.

Our analysis of PCI provided information on the types of expenses incurred found that the nature of these expenses is normal and customary for parking operations, primarily salary expenditures. On its permit for the installation of new parking control equipment in 2018, PCI listed the cost of the new system as \$500,000, but POLA did not request more detailed information, according to the records. POLA hired a contractor to purchase and install the parking equipment for the Liberty Plaza lot rather than having PCI purchase and install the equipment as it did for the other PCI managed parking facilities.

Recommendations

- 3.1 PCI should improve and provide additional documentation to support the monthly gross receipts report, by:
 - a) Listing the accounts with active monthly parking, the number of spaces/individuals on the account and the parking fee charged to each individual/space, and whether a key card was issued (or not); and amount of aging receivables by account.

- b) Documenting the number and value of validations granted each day and month by parking lot, as well as to whom (name of individual and exemption group to which the individual belongs).
 - c) Listing the film agreements, production company and payment details and amount of revenue per event received.
 - d) Providing credit card statements that support the amount of credit card revenue reported collected each day, and to justify any adjustments made to the Monthly Revenue Report, before entry into the General Ledger.
 - e) Providing parking control system generated reports that support the amount of cash and credit card revenue reported collected each day and month.
- 3.2 POLA's Legal Counsel should amend the contract to explicitly define the types of parking operation activities that would warrant expense reporting.
- 3.3 POLA's Real Estate Division should document routine inspections of PCI parking lots to record PCI compliance with operations and maintenance requirements.

Finding 4: Revenue Enhancement Opportunities Are Present

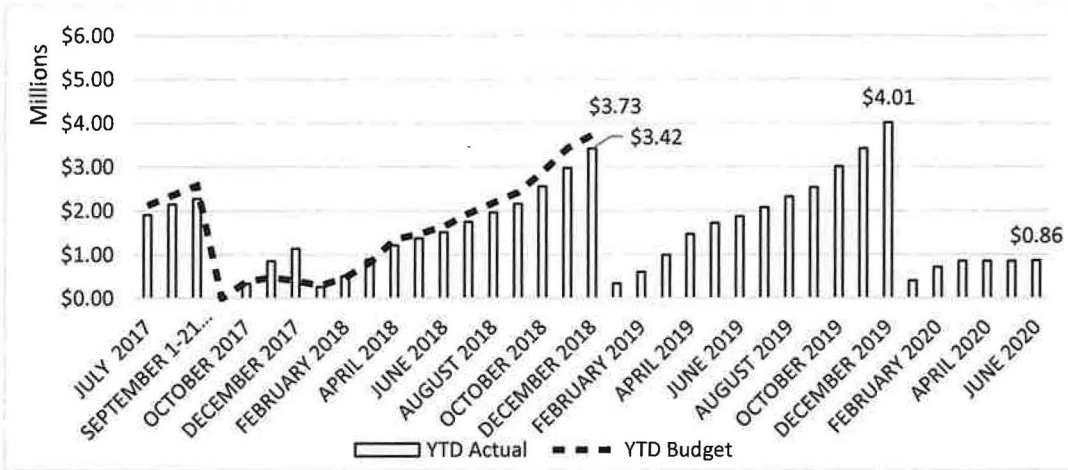
Available Data Show that PCI's Budgeted Revenue Projections Were Higher Than Revenue Collected

PCI is not explicitly required under the Agreement to provide budgeted revenue targets to POLA as part of its monthly gross receipts report. However, in its explanations of its own audit procedures, PCI acknowledges in the Agreement the importance of monitoring its revenue projections.¹⁴ One measure to assess PCI's financial performance is to compare actual revenues to budgeted revenue targets. Our analysis showed that PCI's revenue projections, when reported to POLA,¹⁵ budgeted for more total revenue than what PCI reported as actual revenues at the end of calendar years 2017 and 2018. As shown in Figure 15 below, for calendar year 2018 (the only year for which data was available) PCI reported actual revenues of \$3.42M or 91.7 percent of its budget revenue target of \$3.73M for calendar year 2018. PCI management explained that the revenue projections included in select monthly gross receipt reports are based on the prior years' revenues. As the operator since 2005, PCI has access to 15 years of data on which to build the budget revenue targets to increase the accuracy of its forecasting efforts rather than relying on its use of prior year estimates. Having accurate revenue forecasts would benefit POLA in its financial management and budgeting activities. RED's Director, however, explained that there is too much volatility in the travel and leisure industry to have accurate revenue forecasts regardless of any length of experience that PCI might have managing these parking lots. However, use of robust forecasting methodologies would account for any market volatility and the greater use of historical data would allow for further adjustments related to predicted peak and non-peak parking utilization.

¹⁴ PCI policies and procedures state "Our clients base a portion or, in some cases, all of their budgets on the expected revenue from parking. Variances to their budgets not only affect their profitability but, if reduced, could result in cutbacks, including job loss. We have a fiduciary responsibility to ensure that our clients' revenue is safe, accounted for, and intact."

¹⁵ PCI included its budgeted revenue targets and a comparison of actual revenues in the monthly gross receipts report submitted to POLA from July 2017 through December 2019. PCI stopped routinely reporting these budgeted revenue targets in January 2019 to the POLA in the monthly gross receipts reports. RED or Finance Department explained they were unaware that budgeted revenues were no longer included with the gross revenue reports for review and comparison purposes. PCI management explained that it stopped routinely reporting the budgeted revenue targets because POLA did not request for information.

Figure 15: Comparison of Actual Total Revenue (Year-to-Date) to Budget Revenue Target



Parking Metrics Show Opportunity to Increase Parking Revenue

Another measure to assess PCI’s financial performance is to analyze the revenue collected per parking space. Analysis of revenue per parking space found a decline in the summer months, indicating an opportunity to increase revenue. As shown in Figure 16 below, revenue per parking space across the Catalina Express and World Port lots fluctuates widely with substantial declines in the summer months due to the nature of the travel and leisure industry. Analysis of the net gross revenue (gross revenue minus City parking taxes) per parking space found that revenue per parking space ranged each year from a low of about \$52-\$55 in June months (excluding COVID-19 months) to a high of \$175-219 in the fall months of October-December and in March-April, (excluding COVID -19 months) when the cruise industry is busiest at POLA. Data from other Ports with comparable size lots was not available. POLA has plans for economic revitalization of the Port that will likely increase parking utilization.

Figure 16: Net Gross Revenue per PCI Managed Parking Space (Based on 2,690 parking spaces)

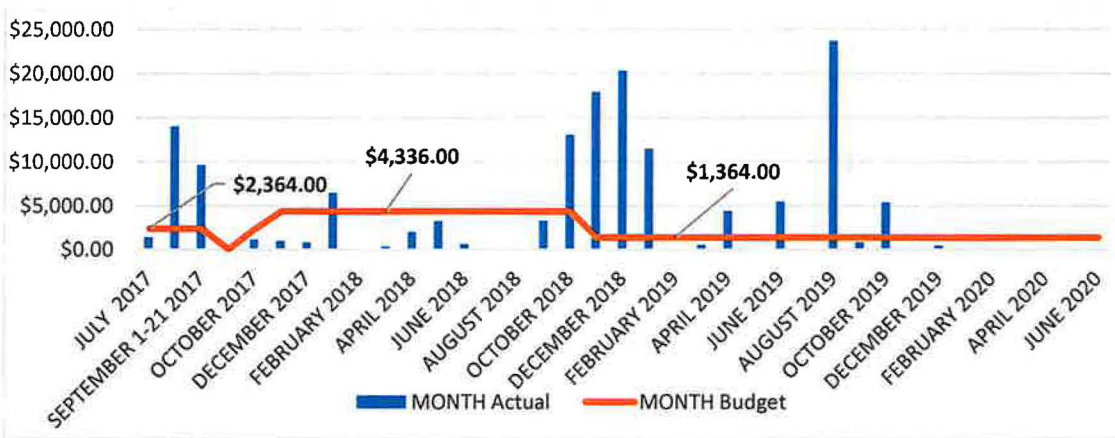


Source: PCI monthly gross receipts reports and reported number of parking spaces.

Key areas for revenue enhancement are from monthly parkers and filming activities. Between July 2017-June 2020, these two areas represented a small fraction of the revenue collected. In calendar years 2018 and 2019, PCI reported film-parking revenues averaged less than one percent (0.75 percent) and monthly parking revenues averaged just over one percent (1.02 percent) of gross revenues for the two-year period.

Analysis of PCI’s budget revenue targets for both monthly and film revenues found that actual revenues fell short of PCI’s budgeted revenue targets. As shown in Figure 17 below, PCI initially budgeted \$2,364 per month in revenue from film parking, increased to \$4,336 in November 2017, and then again adjusted the budget revenue target down to \$1,364 for November 2018 through June 2020.

Figure 17: Comparison of PCI Reported Film Revenues to Budget Revenue Targets



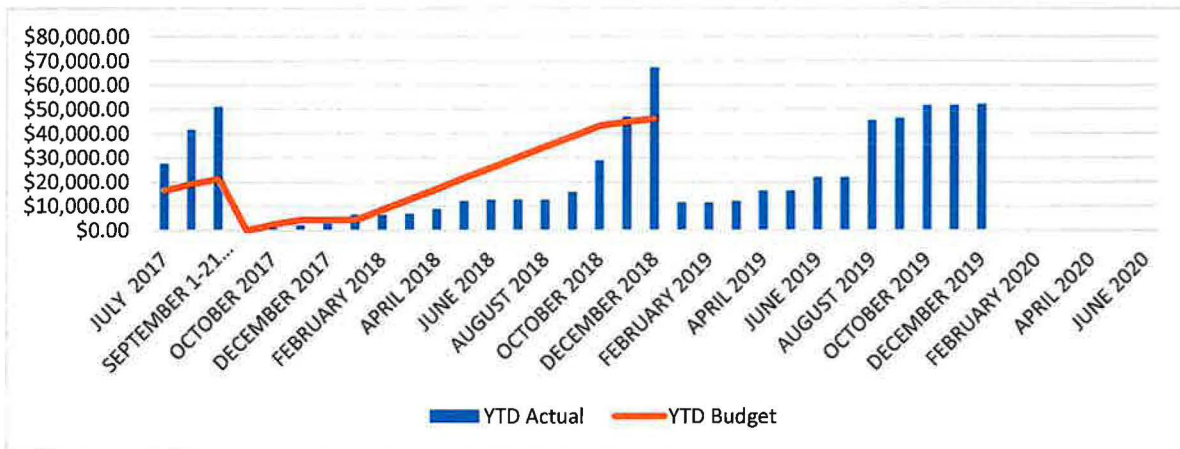
PCI’s November 2018 downward adjustment of the monthly budget revenue target for film parking does not align with the average PCI reported revenues for the prior calendar year. As shown in Figure 18 below, the average actual film revenue reported by PCI was \$5,598 in calendar year 2018, up from \$4,636 in the last six months of 2017 (July-Dec). The higher than anticipated average monthly revenues reported by PCI shows that average monthly revenues can be higher with greater promotion of the lots during the off-peak season for cruises. As shown in Figure 19 below, film revenue appears to increase in the fall (October-December). PCI management explained the fall season tends to have more filming occur for television series.

Figure 18: Average Monthly Revenue Reported by PCI Compared to Budget Revenue Target

Year	Average Actual Film Revenue (Calendar Year)	Monthly Budget Target
2017	\$4,636.08	\$2,364 (July 2017-October 2018)
2018	\$5,598.94	\$4,336 (November 2017 – October 2018)
2019	\$4,341.14	\$1,364 (November 2018 – June 2020)

Source: PCI reported revenues on monthly gross receipt reports

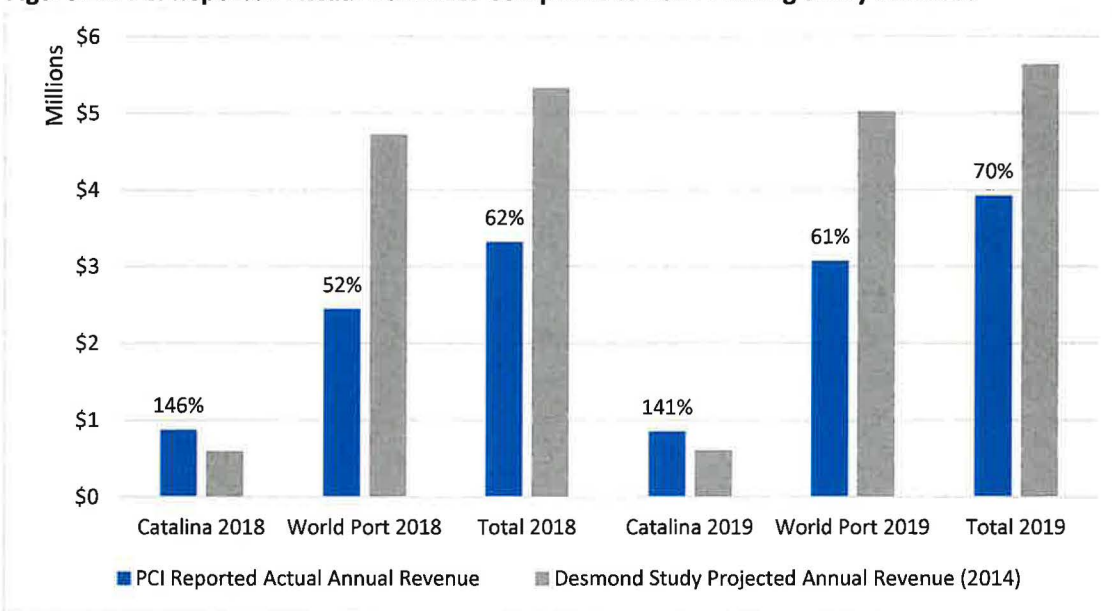
Figure 19: PCI's Financial Performance (Budgeted versus Actual) Parking Revenue Collection



Source: PCI monthly gross receipts reports

Finally, our analysis of third-party parking revenue estimates for POLA found parking revenue collected did not meet estimated targets since January 2019 notwithstanding the COVID -19 crisis from January 2020 to the present.¹⁶ As shown in Figure 20 below, PCI's reported revenues (transient parking only) exceeded the revenue projections prepared by a third party (Desman Associates) for the Catalina Express parking lots. However, PCI reported 50-70 percent of the Desman projected revenues for the World Port parking lot.

Figure 20. PCI Reported Actual Revenues Compared to 2014 Parking Study Forecast



Source: PCI monthly gross receipt reports and Desman Associates' 2014 San Pedro Waterfront at the Port of Los Angeles Comprehensive Parking Strategy.

¹⁶ Interruptions due to COVID, uncertain economic forecast for cruise industry and Desmond assumptions holding true from 2014, new analysis for forecasted parking revenue and explore other sources of parking revenue.

PCI management explained that the key difference with their estimates and the Desman study were their method of forecasting estimates based on prior year actuals only versus factoring in other economic assumptions. Without the benefit of formal forecasting methods or the use of other performance measures in PCI's revenue reporting, POLA may be limited in its ability to easily identify warning signs about parking utilization or revenue collection accuracy.

Recommendations

- 4.1 POLA should set performance targets for parking revenue to assess PCI's performance.
- 4.2 POLA should develop a marketing or business strategy that would allow full utilization of POLA's parking lots for all types of activities (e.g. parking, events, filming, retail).



Section 4: Acknowledgments

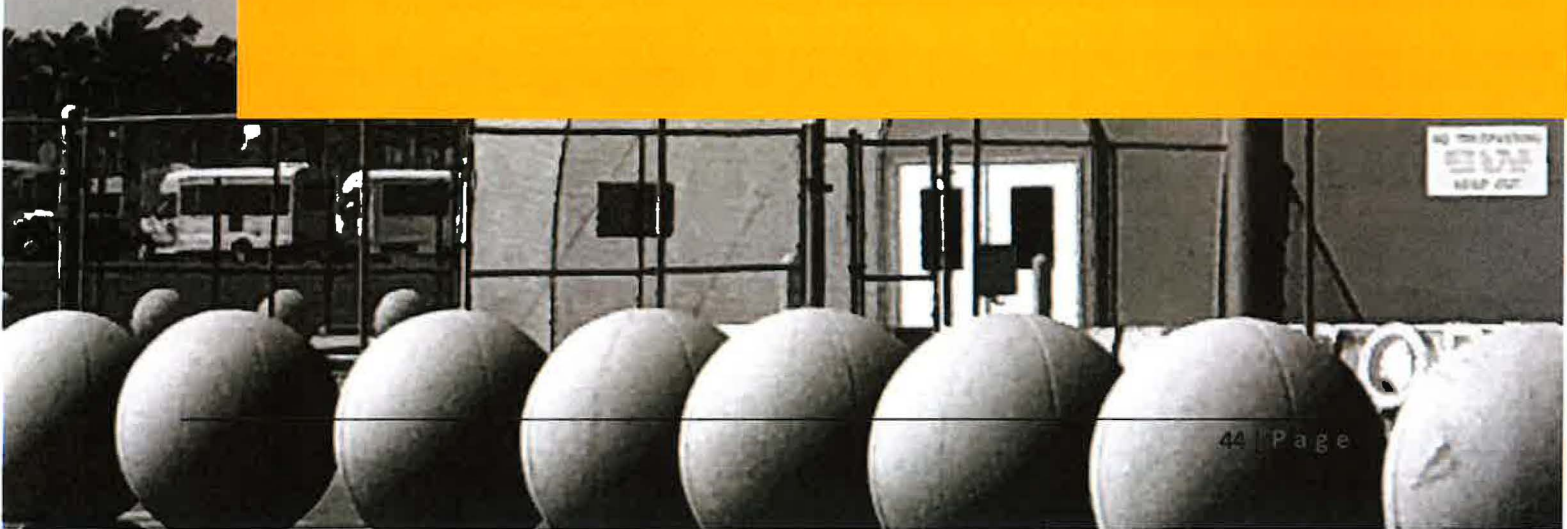
ACKNOWLEDGMENTS

TAP International wishes to thank the PCI, Inc. and POLA staff from the following divisions and units who participated in this audit:

- Real Estate
- Finance
- Wharfingers
- Planning
- Engineering
- Environmental Management
- Port Police
- Internal Audit



Appendix



Appendix A: Contract Compliance Matrix

	Contract Requirement	Compliance Status	Description
1	Shall furnish, at its sole cost and expense, all services, materials, equipment, subsistence transportation and all items necessary.	Compliant	PCI fully met the requirement.
2	The scope of work shall be performed by qualified and competent personnel.	Compliant	PCI fully met the requirement by having experienced site manager and staff operating POLA parking facilities.
3	Provide for improvements to parking facilities.	Partially compliant	Provided for improvements to Parking facilities by installing promised parking equipment but it was not completed within the required six-month period of the inception of the 2017 Agreement. PCI instead requested a permit within eight months. Also, equipment described in the agreement (AMANO) is not the same equipment currently in use (ZEAG). PCI management said it frequently replaced gate arms broken by customers with older gate arms of different specifications (that we observed could be lifted to allow exit of a small car without payment). PCI management reported it is considering further improvements by: (a) installing a license plate recognition system to further automate payment at exit columns, (b) creating an online reservation system, and (c) installing cameras to increase security.
4	Establish a timeline for construction and completion of Parking Facilities improvements.	Compliant	PCI fully met the requirement but did not meet the timelines established in the Contract.
5	Develop an amortization schedule of the improvements, not including shuttle buses.	Not compliant	PCI has not prepared an amortization schedule when it installed new parking equipment at POLA lots.
6	Complete parking equipment improvements within six months of the contract.	Compliant	PCI completed parking equipment improvements, but within eight months of the contract's execution date.
7	All construction by Operator shall be at the Operator's sole expense.	Compliant	PCI fully met this requirement and has not submitted invoices for reimbursement of expenses for construction costs.
8	Shall be responsible and pay all costs and expenses associated with	Not compliant	The legacy parking lot equipment remains stored on site.

	any demolition and removal of existing parking lot equipment.		
9	Shall not construct or alter any works, structures, or other improvements without submitting to Harbor Engineer the right to order changes, drawings, plans and specification.	Compliant	PCI fully met the requirement and submitted all required drawings, plans, and specification during the installation of the parking equipment.
10	Operator, at its own expenses, shall obtain all permits necessary for such construction.	Compliant	PCI fully met the requirement and obtained all necessary permits during construction.
11	Operator shall be responsible for performing and paying for all maintenance and repairs of the operating equipment which the Operator is required to install.	Compliant	PCI fully met the requirement and has paid for all maintenance and repairs of operating requirement. Our analysis showed that expenditures were not deducted from gross receipts reports.
12	Shall be responsible for inspecting and assuring that all necessary portable fire extinguishers are present on the premises and maintained in operable conditions.	Partially compliant	PCI has portable fire extinguisher on-site, but we were not able to verify if the extinguishers have been inspected and operable.
13	Shall be responsible for inspecting the premises and maintaining them in a first class and operable condition and to the satisfaction of the Executive Director.	Partially compliant	PCI reported that it inspects the premises and maintains them in operable condition, but there was no reports or other logs showing evidence of their performance of these activities. Nonetheless, POLA staff reported overall satisfaction of PCI's efforts to maintain the parking lots.
14	Operator is obligated, at its expense, to take such preventive and remedial maintenance actions as are necessary to assure the premises are at all times safe and suitable for use, regardless of whether Operator is itself actively using all the premises.	Compliant	PCI fully met the requirement as there were no claims filed with the PCI or with POLA.
15	Shall leave the premises, including all structures constructed owned or controlled by operator, free from hazardous substances and hazardous waste contamination, including hazardous liquid bulk products and petroleum products.	Compliant	PCI fully met the requirement as there was no evidence identified of hazardous substances stored on the premises or hazardous contamination.
16	Within 60 days of written notice by the Executive Director, Operator, shall at its expense, prepare and submit to City a site	Not applicable	POLA's Executive Director has not initiated this request.

	characterization plan to enable determination of the extent of soil and groundwater contamination.		
17	Upon written notice by the Executive Director, Operator, shall at its expense, prepare and submit a feasible remediation action plan for removal and monitoring of hazardous material contamination	Not applicable	POLA's Executive Director has not initiated this request.
18	Within 60 days of the Agreement, and each during the Agreement term, Operator shall submit an Annual Disclosure of the names and amounts of all hazardous materials or any combination thereof.	Not compliant	PCI has not submitted an annual disclosure of all hazardous materials because PCI does not have materials stored at the parking facilities.
19	Operator shall furnish to Board a cash deposit, certificate of deposit, or surety bond to guarantee the performance of restoration requirements.	Compliant	PCI has furnished a cash deposit of \$100,000 to guarantee restoration of requirements.
20	Shall obtain a Parking Occupancy Registration Certificate	Not compliant	We were not able to locate the parking occupancy registration certificate at POLA lots.
Compensation and payment			
21	Shall remit the following percentages of gross receipts derived from the parking facilities in the form of parking fees, net of the parking occupancy tax and possessory interest tax: <ul style="list-style-type: none"> • 81% of gross receipts from \$0 to \$5M • 82% of gross receipts over \$5M • 83% of gross receipts over \$6M 	Compliant	PCI fully met the requirement. Our analysis shows that the proper percentage allocation was remitted to the POLA based on the gross receipts reported for each month.
22	PCI shall deduct 1/12 of the estimate actual possessory interest tax from monthly gross receipts and a reconciliation of accounts shall be conducted on a year basis.	Compliant	PCI fully met this requirement. Our examination showed that PCI correctly deducted and reconciled possessory interest tax.
23	Operator shall prepare and deliver gross receipts reports to City within 15 days after the end of each month or in a format approved by the Harbor Department.	Compliant	PCI generally met this requirement by submitting all but two monthly reports between FY 2017 and FY 2020 by the 15 th of each month.

24	Operator shall further have prepared and delivered to City on or before the 30 th day following the end of each year during the term of the Agreement a complete, certified, audited annual statement prepared by a CPA and signed by the Operator's duly authorized officer showing in reasonable detail the elements and amounts of gross receipts during the preceding year or fraction thereof and pay to the City the amount of City's percentage of gross receipts, if any due, and still unpaid for the preceding year.	Non - Compliant	PCI has not prepared or delivered to the city a complete, certified, audited annual statement prepared by a CPA and signed by the PCI's authorized officer showing in reasonable detail the elements of the amounts of gross receipts during the preceding year.
25	City's percentage of gross receipts is due and payable by Operator within 15 days following the end of the preceding month.	Compliant	PCI generally met this requirement by submitting all but two monthly reports between FY 2017 and FY 2020 by the 15th of each month.
26	Operator shall deposit the sum of \$100,000 to be held as a guarantee to cover delinquent monies owed.	Compliant	PCI fully met this requirement by depositing \$100,000 to POLA to be held as a guarantee to cover delinquent monies owed.
27	Gross receipts shall exclude bank charges for credit card utilization.	Partially compliant	PCI excluded bank charges for credit card utilization, but not for the entire Agreement term. From July 2017- December 2017, PCI deducted credit card fees from gross monthly receipts. After receiving notification from the POLA, PCI reversed the deducted credit card fees and has since excluded them on their gross receipts reports. PCI began excluding these charges in January 2018.
28	For any period during which Operator has eased or substantially curtailed the operation and conduct of its business under the Agreement for reasons other than partial or total destruction of the Premises, Operator shall pay monies owed to the City, if any, for the period at the same percentage of gross receipts as well as paid during the three immediately prior years of the term of this Agreement.	Compliant	PCI fully met this requirement.
29	All books, accounts and other records showing the affairs of the	Partially compliant	PCI does not maintain all books, accounts and other records showing the affairs of

	Operator with respect to its business transacted at, upon or over the premises shall be maintained locally.		the Operator with respect to its business transacted but maintains monthly gross receipt reports. Other documentation, such as parking validation logs, and daily audit reports are not maintained.
30	Operator shall in good faith and with all reasonable diligence use its best efforts, suitable advertising, and other means to promote the use of the Premises.	Compliant	PCI generally met this requirement by posting parking information on POLA's website and coordinates with the World Port to promote the use of parking for cruises.
31	Operator shall use the Premises in such a manner so that there shall be no discrimination made, authorized, or permitted in the rates, tolls, or charges or in the facilities provided for any use or devices in connection therewith.	Compliant	PCI fully met this requirement and has not received complaints related to rates, tools, and for the use of facilities.
32	Operator shall conduct its business and cause the businesses of its subleases upon the premises to be conducted in a first-class manner and maintain a standard of services at least equal to that of the better class of similar businesses providing similar services and facilities in the City of Los Angeles and adjacent communities.	Compliant	Without including criteria in the contract that would define first-class, our analysis shows that PCI is generally complying with the requirement and is providing services comparable to other City parking lots.
33	Operator shall pay for all charges for services furnished to the premises or used in connection with its occupancy, including, but not limited to heat, gas, power, telephone, water, light, and janitorial services.	Partially compliant	PCI pays for electrical charges used in connection with its occupancy, but POLA has not determined for PCI whether other utilities are owed, such as heat, gas, telephone, water, light, and janitorial services. PCI pays for electricity on two meters only.
34	Operator shall submit appropriate supporting documents with each invoice that may include invoices, payrolls, and timesheets.	Not applicable	PCI officials reported there have been no expenses submitted for reimbursement to POLA. POLA's Finance Division verified that no invoices have been submitted for reimbursement.
35	Operator shall keep and maintain full, complete, and accurate books of accounts and records of the services performed under this Agreement in accordance with GAAP.	Partially compliant	PCI keeps complete books and accounting records but does not submit annual audited financial statements, in accordance with GAAP.
36	Operator shall not represent itself as an agent or employee of the City.	Compliant	PCI fully met this requirement based on our observation and experience with PCI across three months of review.

37	Operator is required to obtain a City of LA business tax registration certificate?	Compliant	PCI fully met this requirement and obtained a City of LA business tax registration permit.
38	Operator shall procure and maintain at its sole cost and keep in force at all times the following insurance: commercial general liability, fire legal liability, automobile liability, workers compensation and employee liability; and insurance procured by Operator on behalf of the City.	Compliant	PCI fully met this requirement and obtained all the required insurance.
39	Operator shall report in writing within 15 days knowledge of any accident or occurrence involving death of or injury to any persons, person, or damage in excess of \$500.	Not applicable	PCI has not had an accident or occurrence involving death or injured persons that would trigger reporting.
Staffing			
40	Shall not discriminate in its employment practices against any employee or applicant for employment	Compliant	PCI fully met this requirement based on analysis of staff hires at POLA.
41	Operator shall provide uniforms that clearly identify parking attendants as employees of Operator's company.	Compliant	PCI fully met this requirement based on our observation of PCI staff working on POLA parking facilities.
42	All new employees undergo and pass a pre-employment check.	Compliant	PCI fully met this requirement and performs a pre-employment check on its new hires.
43	Operator shall staff parking facility with a uniformed staff and attired in clean uniforms bearing the company name.	Compliant	PCI fully met this requirement based on our observation of PCI staff at POLA parking facilities.
44	Operator will collect parking fees from patrons and accurately processing such transactions, maintain the parking booth in a clean and orderly manner, conducting required maintenance duties, responding courteously and appropriately to patron questions and complaints, notifying the Manager of any unresolved complaints, problems, or equipment failures, filling out lost ticket forms for patrons who have misplaced their parking tickets, and	Partially compliant	While PCI fully met nearly all the conditions described in the requirement, PCI has not collected parking fees accurately because we could not fully reconcile parking revenue.

	obtaining patron signature on promise to pay forms.		
45	Operator shall provide minimum staffing schedules to the Director of Waterfront and Commercial Real Estate or designee for approval.	Partially compliant	PCI maintains minimum staffing levels at the parking lots, but it has not provided staffing schedules to the Director of Waterfront and Commercial Real Estate or designee for approval, as required.
46	The operator shall provide other on-site personnel whose responsibility may include, but are not limited to providing office administration support, providing security services, troubleshooting, and servicing the revenue control equipment, cleaning and maintaining the parking facilities.	Partially compliant	PCI provides on-site personnel for office administration support, services revenue control equipment, and maintains the parking facilities, but it relies on POLA to provide security services. POLA presently provides security services in and around the parking lots, and PCI will provide an attendant to monitor off-site parking lots when in use.
47	Operator shall employ a manager to oversee the operations, management, and maintenance of the designated parking facilities. The manager shall be responsible for overseeing all aspects of the parking operations.	Compliant	PCI fully met this requirement and provided all the required staff.
48	The manager shall oversee the removal of the cash from the attendant booths and the transport of such revenues.	Compliant	PCI fully met this requirement and hired a manager to oversee the parking revenue collection and deposit activities.
49	The manager will be responsible for the daily inspection of each parking facility and inspections shall be documented in a checklist or log.	Partially compliant	PCI parking staff at the POLA parking facilities performs daily inspections, but a checklist or log is not utilized.
50	The Operator shall assign a corporate representative to attend meetings with the Harbor Department.	Compliant	PCI fully met this requirement and provides a corporate representation to attend meetings as requested.
Operations			
51	Operator shall provide and maintain signage at the entrance to the Parking facility.	Partially compliant	PCI provides for and maintains signage among the parking lots, but there is missing signage at the World Cruise lot.
52	Operator shall replace signage and repaint striping on pavement, as necessary or upon the request of the Harbor department.	Partially compliant	PCI has repainted striping on the pavement although the World Cruise lot has not yet been striped or replaced missing signage at the World Cruise lot.
53	Operator shall provide at its own expenses all maintenance necessary to keep machine readable tickets; ticket vendors,	Partially compliant	PCI generally maintains parking equipment, but at the World Cruise lot, gate arms could be lifted, the exit column gate is not working, and the

	clocks, registers, gate machinery in first class operating condition.		entrance column gate was removed and not replaced. The requirement states that the equipment should be maintained in first-class operating condition, but the POLA Agreement does not provide a definition or criteria that would accomplish "first-class" status.
54	Operator shall provide at least four parking lot type passenger shuttles	Compliant	PCI fully met this requirement although two parking shuttles are not operable.
55	Operator shall be responsible for damage caused by acts of vandalism.	Non-compliant	PCI had not yet addressed graffiti painted on the pavement of one of the parking lots.
56	The Operator shall use Parcel numbers 1 and 2 to be used interchangeable as overflow lots.	Compliant	PCI allows use of the World Cruise Lot and the Catalina Terminal Lot to be used interchangeable.
57	Operator shall provide a detailed account of daily and monthly auditing procedures.	Compliant	PCI has developed detailed daily and monthly auditing procedures.
Quality Assurance and Safety Control			
58	Shall establish and maintain a system of quality and safety control to ensure that the Agreement requirements are met, including but not limited to: Develop, implement and maintain a customer service program to ensure customer satisfaction and that all complaints are handled and resolved quickly; sufficient document of validations granted; maintain all worksites free and clear of hazards to persons and property resulting from the parking operations; post procedures in each cashier booth, work station and the parking management office informing employees whom to contact and what to do in the event of emergency.	Partially compliant	While the Agreement states that PCI shall develop and maintain a customer service program to ensure customer satisfaction, PCI reported that it had not received customer complaints. Should complaints be received, PCI does not have in a place a customer service program that would ensure complaints are handled and resolved quickly. PCI also does not document parking validations granted for subsequent review of their appropriateness although provides parking validations. In addition, PCI has maintained all worksites free and clear of hazards to persons and property resulting from the parking operations; and finally, we saw no evidence of emergency procedures posted in each cashier booth, workstation and the parking management office informing employees whom to contact and what to do in the event of emergency.
Finance and Accountability			
59	Parking fees shall be charged pursuant to item 1300 of Port of Los Angeles Tariff No. 4	Compliant	PCI fully met this requirement as evidenced by the fee rates established on parking signage.

60	Operator shall not collect a parking fee from the employees of tenants of the World Cruise Center/Catalina terminal parking facility, employees of the vessels calling at this facility, volunteers at the USS Iowa, or governmental employees conducting official business at the facility or on the vessels calling at the facility.	Compliant	PCI fully met this requirement.
61	Operator shall have a procedure to limit and account for all key cards that are issued to employees and volunteers at Catalina Express, World Cruise Center, and USS Iowa.	Partially compliant	PCI has procedures for key cards, but documentation could not show a complete a complete list of key card holders.
62	Operator shall be responsible for securing the premises to ensure that only those who have legitimate business are permitted to enter.	Compliant	PCI fully met this requirement by installing parking gates and securing parking booths to ensure that only with legitimate business can enter.
63	Operator shall provide a detailed account of internal daily and monthly auditing procedures.	Partially compliant	PCI has not provided to POLA a detailed account of internal daily and monthly auditing procedures although reported that annual audits are performed.
General Maintenance/Operations			
64	Operator shall perform general maintenance as follows: sweep circulations roadways and main aisles, manually pick up debris, sweep longshoreman parking area, and sweep taxi and car drop off areas.	Partially compliant	While PCI reported inspections of parking lots when in use, the Operator has not documented the activities in a checklist or log. Our inspection showed clean up and maintenance needs at the World Cruise lot, litter requiring sweeping, and weeds growing in the cracks of the asphalt.
65	Operator shall perform landscape maintenance of Facility as follows: water three times per week in the summer and once per week in the winter, cut and trim every two weeks, and fertilize and provide insecticide application semi-annually.	Partially compliant	While PCI reported performing landscape maintenance of the Facility, we could not determine whether watering was performed three times per week and once per week in the winter; trim every two weeks; and fertilizing semi-annually.
66	Operator shall provide oversight services that will ensure that the Parking Facility is used in accordance with the user's permits and that the permit premises are restored to the original condition.	Compliant	PCI has fully met this requirement. POLA staff have not reported or received complaints about premises not being restored to original condition.

67	Operator shall provide parking attendants at various offsite parking lots.	Compliant	PCI fully met this requirement and provides parking attendants as needed when offsite parking lots are in use.
Personal Services Agreement			
68	Operator will not enter into other contracts or perform any work without the written permission of the Executive Director where the work may conflict with the interests of the Department.	Partially compliant	PCI has entered into two film production contracts that conflicted with the use of the Catalina Express lot during the 2020 President's Weekend Operator, which is not fully consistent with Agreement terms and conditions
Compliance with LA City Charter Section 470 c			
69	Requires full compliance with limitations on campaign contributions and fundraising for certain City officials or candidates for elected office if the Agreement, like the POLA/PCI Contract, is valued at \$100,000 or more.	Needs further investigation	In 2019, PCI made a campaign contribution in 2019 of \$800 to City Council Member Nury Martinez, as reported on the recipients committee campaign statement, Form 460, 4 th quarter.

Appendix B: PCI's Response