



City of San Antonio

Agenda Memorandum

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In Control: Audit and Accountability Committee

AUDIT COMMITTEE SUMMARY

October 17, 2017

Follow-Up Audit of the Aviation Department Concession Contracts

Report Issued September 5, 2017

Audit Objective

Determine if Aviation Concession Management successfully implemented action plans to address prior audit recommendations noted in the initial audit.

Background

On October 27, 2015, the Office of the City Auditor completed an audit of the Aviation Department Airport Concession Contracts. The objective of the audit was to determine if Aviation concessions are properly managed in accordance with contract terms?

The Office of the City Auditor identified control deficiencies and provided recommendations to assist in providing assurance that concession contracts are properly managed and in compliance with key contractual terms as follows:

- Develop a Contract Administration Plan (CAP) for all contracts to ensure that essential tasks are performed and periodic reviews are completed.
- Implement controls to provide assurance that all concessionaires are accurately self-reporting their gross sales.
- Develop written procedures for standard processes for MAG changes per lease years, and reconciliation/true-up of trash and Common Area Maintenance (CAM) fees. Additionally, implement a process to ensure that delinquent fees are consistently collected.
- Ensure documented support exists that would serve as evidence of a review to ensure accuracy of the rent revenue and fees billed on a periodic basis.

Audit Scope & Methodology

The audit scope was limited to the recommendations and corrective action plans made in the original report for

the time frame from fiscal years 2016 and 2017.

Audit methodology included interviewing Aviation personnel to obtain an understanding of newly implemented controls and processes for monitoring compliance with key contract terms for concessions.

Audit Conclusions

The Aviation Concession Management department has established effective controls to ensure compliance with key terms of the Concession contracts. While the department has not fully implemented the Property Management Information System ("PMIS"), they did implement manual controls to ensure concessions were properly managed according to key contract terms. Specifically:

- Reviews are conducted to ensure that rent fees (i.e. Minimum Annual Guarantee and Percentage Rent) and insurance/indemnity coverage are accurate.
- A process was established to ensure receipt of concessionaire reports, such as gross receipts and annual statements.
- Maintenance and safety inspections for concessionaire premises are taking place on a regular basis.

We did note one area where improvement is still needed with regards to ensuring compliance with the City's Street Pricing Policy. Reviews are not being conducted to ensure concessionaire prices are fair and comparable to off-airport prices.

Aviation management agreed with our observation and has developed a positive action plan to address it.