



City of San Antonio

Agenda Memorandum

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In Control: Audit and Accountability Committee

AUDIT COMMITTEE SUMMARY

September 17, 2019

Aviation Rental Car Concession Agreements Audit

Report Issued July 17, 2019

Audit Objective

Determine if Aviation rental car concession agreements are adequately managed and City concession receipts are accurate.

Background

The Aviation Properties and Concessions Department oversees the rental car companies operating at the San Antonio Airport (SAT). The SAT contracts with eight different entities through formal agreements to provide on-site rental car services to customers. According to the agreements, rental car companies must pay the City Rental Car Concession Revenue.

Rental Car Concession Revenue consists of three categories; Ground Rent which is \$1.00 per square foot of leased space, Minimum Annual Guaranteed Payments, and ten percent of rental car company's gross revenue earned at the airport. In fiscal year 2018, SAT received \$11,585,985 in Rental Car Concession Revenue, which is approximately 11% of total Airport operating revenue of \$100,976,000.

Audit Scope & Methodology

The audit scope included all Rental Car Concession agreements and Rental Car Concession revenue received during fiscal year 2018. We interviewed management and key staff from Aviation to obtain an understanding of how concession contracts are monitored and how payments are received and processed. We used the contract terms and COSA Procurement Policy and Procedures Manual as criteria for our test work.

We determined compliance with key terms of the contracts, we reviewed documentation including insurance certificates, monthly revenue and commission reports, Aviation monitoring and tracking spreadsheets, and annual certified reports received from concessionaires. Testing included evaluating whether the supporting documents obtained were appropriate, sufficient and in compliance with the agreements.

Audit Conclusions

Overall, internal controls need improvement to ensure the City's Rental Car Concession Agreements are properly managed and are in compliance with key contractual terms.

We recommend that the Aviation Department:

- Develop a Contract Administration Plan (CAP) for all contracts to ensure that essential tasks are performed, periodic reviews and monitoring are completed.
- Enforce contract terms requiring concessionaires to provide timely annual statements that are certified by an independent third party indicating that all gross sales have been accurately reported to the City.
- Reduce the scope of compliance audits to increase number of compliance audits performed on an annual basis.

Aviation Management agreed with the audit findings and has developed positive action plans to address them.