



# CITY OF SAN ANTONIO

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SAN ANTONIO TEXAS 78283-3966

November 16, 2012

**Julián Castro**  
Mayor

**Diego M. Bernal**  
Councilman, District 1

**Ivy R. Taylor**  
Councilwoman, District 2

**Leticia Ozuna**  
Councilwoman, District 3

**Rey Saldaña**  
Councilman, District 4

**David Medina, Jr.**  
Councilman, District 5

**Ray Lopez**  
Councilman, District 6

**Cris Medina**  
Councilman, District 7

**W. Reed Williams**  
Councilman, District 8

**Elisa Chan**  
Councilwoman, District 9

**Carlton Soules**  
Councilman, District 10

SUBJECT: Audit Report of the Aviation Department Rental Car Concession Fee Revenues

Mayor and Council Members:

We are pleased to send you the audit report of the Aviation Department Rental Car Concession Fee Revenues. This audit began in February 2012 and concluded with an exit meeting with department management in November 2012. Management's acknowledgement of the report is included in Appendix B of the report. The Aviation Department should be commended for its cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully submitted,

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
City of San Antonio

Distribution:

Sheryl L. Sculley, City Manager  
Ed Belmares, Assistant City Manager  
Ben Gorzell, Chief Financial Officer  
Frank R. Miller, Director, Aviation Department  
Michael D. Bernard, City Attorney  
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Edward Benavides, Chief of Staff, Office of the City Manager  
Donald Crews, Audit Committee Member  
Stephen S. Penley, Audit Committee Member

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**CITY OF SAN ANTONIO**  
**OFFICE OF THE CITY AUDITOR**



Audit of the Aviation Department  
Rental Car Concession Fee Revenues

Project No. AU12-003

November 16, 2012

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor

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## Executive Summary

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As part of our annual Audit Plan approved by City Council, we conducted an audit of the Aviation Department, specifically rental car concession fee revenues. The audit objective and conclusion follow:

### **Are rental car concessionaires remitting proper fee amounts to the City?**

Yes. Overall, we found that rental car concessionaires were accurate in their reporting of gross revenues and remittance of the required fees and rents to Aviation. Aviation personnel monitored concessionaire remittances and made inquiries as necessary to resolve questions arising from the monthly reports. We make no recommendations to Aviation or the concessionaires, and consequently no management responses are required.

Aviation Management's acknowledgement of these results is in Appendix B on page 6.

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## Background

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The Aviation Department (hereafter referred to as Aviation) is responsible for negotiating and obtaining contracts with all rental car concessionaires that operate at the San Antonio International Airport. Aviation entered into its current contract with concessionaires in July 2008 with a five-year agreement ending in 2013. Aviation evaluated concessionaires based on responses to a 'request for proposals' and ultimately selected the following rental car agencies:

- Avis Rent A Car System, LLC (Avis)
- The Hertz Corporation (Hertz)
- DTG Operations, Inc. (Dollar and Thrifty)
- EAN Holdings, Inc. (Enterprise, Alamo, and National)
- Southwest-Tex Leasing Co., Inc. (Advantage)
- Satrac, Inc. (Budget)

Shortly after awarding the contracts, Advantage went bankrupt and was acquired by Simply Wheelz, LLC, a subsidiary of the Hertz Corporation. It is still operating under the Advantage brand name.

By contract, in addition to rental payments for counter space within the airport terminal, all concessionaires must pay Aviation the greater of: 1) 10% of gross revenues (as defined by the contract which identifies specific exclusions) plus interest and late fees, as appropriate or 2) a Minimum Annual Guarantee (MAG) which varies depending on the rental car agency. Since concessionaires self-report their revenues and calculate corresponding amounts due to Aviation, there is a risk of under-reporting. The annual total payment (rent plus concession fee) due for all concessionaires for the contract year ending June 2011 was about \$10 million as shown below:

<b>Brand</b>	<b>Amount (July 2010 – June 2011)</b>
Avis	\$2,230,140
Hertz	\$2,125,982
Enterprise	\$1,431,374
DTG	\$1,390,596
National	\$1,011,356
Alamo	\$1,004,777
Budget	\$430,823
Advantage	\$356,733
<b>TOTAL</b>	<b>\$9,981,781</b>

## **Audit Scope and Methodology**

The audit scope was the contract year of July 1, 2010 to June 30, 2011.

We interviewed personnel from Aviation and each of the rental car concessionaires. We reviewed documentation, including end of year and monthly reports from concessionaires to Aviation, Aviation monitoring spreadsheets, accounting information from the City's SAP system, general ledger and rental agreement information from concessionaires, and other documentation provided by Aviation. We analyzed data related to concessionaire general ledgers and rental agreements and compared that information to monthly and annual reports made by concessionaires. We also confirmed receipt of payments of amounts due and credits earned and taken. For National, Alamo, and Budget we conducted detailed tests, based on a sample of rental car agreements, to confirm the accuracy of reported general ledger and rental agreement data. For the combined entity that consists of Alamo, National, and Enterprise, we also conducted a test, based on a sample, to ensure that all rental agreements for the San Antonio Airport location were reported. Testing criteria included accuracy of the reported amounts and whether exempt customers (those living within specified zip codes) were charged the airport fee.

We relied on computer-processed data in the various accounting and point of sale systems used by concessionaires, as well as the City's financial system, SAP. The reliability of information in SAP is routinely validated via the annual audit of the City's financial statements performed by external auditors. For the concessionaire systems, our reliance was based on performing direct tests on the data rather than evaluating general and application controls. Our direct testing included one or more of the following procedures, depending on the concessionaire and the data available:

1. Analysis of rental agreement data for anomalous content.
2. Tests comparing rental agreement data to general ledger data and monthly reports sent to Aviation.
3. Sample tests of actual rental agreements to reports or rental agreement data.
4. Ensuring the completeness of reported rental agreements.

We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this audit from February 2012 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our

audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

## Audit Results

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Overall, we found that rental car concessionaires were accurate in their reporting of gross revenues and remittance of the required fees and rents to Aviation.

For all agencies except Budget, we compared available general ledger and/or rental agreement data for the scope year to their monthly reports to Aviation, on which payments were based. Additionally, for the Alamo and National brands, we selected a combination of judgmental and randomly selected rental agreements from the data provided and compared the recorded amounts to the actual rental agreements. We also tested to ensure that only non-patrons of the Airport (those living within contractually specified zip codes) were exempted from the Airport fees.

Budget did not have electronic data available, as its business records were all in paper format. For this brand, we tested the month of August 2010, comparing all summaries of daily business to the monthly reports submitted to Aviation. Then we selected the date of August 10, 2010 and tested all rental agreements from that day to ensure that daily business summaries were accurate.

Although tests resulted in some small exceptions (some in the City's favor, some in the Concessionaires' favor), none resulted in an error rate exceeding 2% of reported revenue, with most having total error rates below 0.5%. The net amount associated with these errors was approximately \$12,000 out of approximately \$10 million in fees and counter rents due the City. Thus, we have no recommendations to make to Aviation or the concessionaires.

## **Appendix A – Staff Acknowledgement**

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Mark Bigler, CPA, CISA, CFE, Audit Manager  
Susan C. Van Hoozer, CIA, Auditor in Charge  
Gabriel A. Trevino, CISA, Auditor  
Raymond Scott Miller, CIA, CFE, Auditor  
Christina Liguori, Auditor

## Appendix B – Management Acknowledgement

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### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-0966

November 6, 2012

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
San Antonio, Texas

RE: Management's Acknowledgement of the Rental Car Fees Revenue Audit

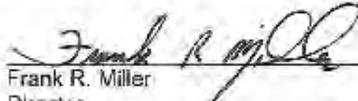
Aviation has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

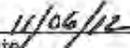
Aviation:

Fully Agrees (provide detailed comments)

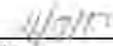
Does Not Agree (provide detailed comments)

Sincerely,

  
\_\_\_\_\_  
Frank R. Miller  
Director  
Aviation Department

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Ed Belmares  
Assistant City Manager  
City Manager's Office

  
\_\_\_\_\_  
Date