

# City of Austin



May 2015

## A Report to the Austin City Council

**Mayor**  
Steve Adler

**Mayor Pro Tem**  
Kathie Tovo

**Council Members**  
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Sabino Renteria  
Gregorio Casar  
Ann Kitchen  
Don Zimmerman  
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## Office of the City Auditor



**Acting City Auditor**  
Corrie E. Stokes, CIA, CGAP, CFE

**Acting Deputy City Auditor**  
Jason Hadavi, CPA, CFE

# AIRPORT RENTAL CAR CONCESSION AGREEMENT AUDIT

## OBJECTIVE

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The objective of this audit was to determine whether procedures are in place to ensure concession fees received by the City are in conformity with the requirements of the airport rental car concession agreements.

## WHAT WE FOUND

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The Office of the City Auditor began an audit of airport concession agreements in September 2013. At that time, the Aviation Department had not audited airport car rental concession fees since 2009. In October 2013, the Department engaged an accounting firm, Blue & Co. LLC ("Blue"), to review transaction data and concession reporting by three rental car companies, as described in Aviation's Fiscal Year (FY) 2014 Business Assurance Division Work Plan. We elected to defer completion of this audit to minimize duplication of work and allow Blue to complete their reviews and report the results.

Blue issued separate audit reports for each of the rental car companies, and their results included the following findings.

- One rental car company owed \$15,000 in concession fees to the City for the two-year period that ended May 2013.
- Another rental car company did not report revenue for off-airport locations within 10 miles of the Austin-Bergstrom International Airport, as required by the airport concession agreement.
- There were no findings reported for the third rental car company.

The Aviation Department notified each of the rental car companies of the findings and actions needed to come into compliance with the concession agreements. Because the Department is addressing the risks related to the rental car concession agreements, we concluded our audit without conducting substantive testing and did not issue recommendations.

## MANAGEMENT RESPONSE

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Management concurred with the findings in this report. As we did not issue recommendations, management is not required to provide a response.

## BACKGROUND

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The Aviation Department has nine concession agreements with rental car companies to operate at the airport. Revenue earned from the concession agreements was \$10 million in Fiscal Year 2012 and \$12 million in Fiscal Year 2013. The concession fee is 10% of a car rental agency's gross receipts at the airport. Rental agencies must also report and pay the fee on gross receipts earned from out-of-state customers who fly into Austin and rent a vehicle within 10 miles of the airport within 48 hours.

## SCOPE AND METHODOLOGY

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This audit was conducted as part of the Office of the City Auditor's Fiscal Year 2014 Strategic Audit Plan.

### Scope

The audit scope included airport rental car concession agreements in place in Fiscal Year 2012 and Fiscal Year 2013.

### Methodology

To accomplish our audit objectives, we performed the following steps:

- interviewed key personnel in the Aviation Department;
- analyzed the revenue received by the airport from rental car companies;
- reviewed the Aviation Business Assurance Division's Fiscal Year 2014 work plan;
- examined the engagement letter from Blue to the Aviation Department;
- evaluated agreed-upon procedures reports issued by Blue for the three rental car companies; and
- reviewed letters from the Aviation Department to two rental companies about the Blue report findings.

## AUDIT TEAM

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Walton Persons, CPA, CICA, Assistant City Auditor  
Neha Sharma, CPA, CISA, CIA, Auditor-in-Charge

## GOVERNMENT AUDITING STANDARDS COMPLIANCE

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We conducted this performance audit 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Office of the City Auditor

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