



FU24-F03 Aviation, On Airport Rental Car Concession and Lease Agreement Compliance Review Follow-Up Report

City Auditor's Office

George H. Holland

April 18, 2025

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EXECUTIVE SUMMARY

As part of our annual audit plan, we conducted a follow-up of the AU21-001 Aviation In-Airport Rental Car Concession and Lease Agreement Compliance Review, audit dated January 27, 2023. The objective of the original audit was to determine if the On-Airport Rental Car Concession and Lease agreement is being adhered to by the rental car Agency.

The report concluded Enterprise Rent-A-Car lacked consistency in their gross revenue reporting, which resulted in calculation errors for the concession fee payments and adjusted minimum annual guarantee for contract year three. Gross revenue statements were not signed as required in the Agreement and, in some instances, Enterprise Rent-A-Car failed to submit their gross revenue statements timely.

The original report made 7 recommendations for improvement over 3 areas to department management. The 3 areas included: Gross Revenue Reporting, Assessment of Concession Fees, Revenue Statement Compliance.

Management accepted the recommendations from the original report and agreed to make appropriate changes in their processes and instructions.

On December 6, 2024, management indicated 6 of 7 recommendations have been implemented. One recommendation was not tested due to amendments to the contract. We reviewed information submitted and concluded 4 of the 6 testable recommendations have been implemented, 1 is in progress, 1 not implemented.

An independent audit by UHY, LLP found no underpayments during the scope period. However, the audit identified overpayments by Enterprise Rent-A-Car totaling \$2,434.74 in fiscal year 2023 and \$1,115.51 in fiscal year 2024.

The Finance department is implementing a payment portal through the Infor application, enabling rental car agencies to make electronic payments. This enhancement will allow the Aviation department to conduct **monthly reconciliations** on concession payments, improving efficiency and accuracy.

A complete list of recommendations and current statuses can be seen on page 6. Additional information on “in progress” recommendations can be found in appendix A.

Management agrees with the conclusions of this report, and we would like to commend them for their assistance during this process.

The audit engagement was not performed in accordance with Generally Accepted Government Auditing Standards (GAGAS), and therefore did not follow these established professional guidelines. Nevertheless, the primary objective of the audit was to conduct a thorough evaluation of risks within the organization’s operations. This assessment was designed to identify critical functions that warrant consideration for future audits, planning and continuous improvement initiatives.

FU24-F03 AVIATION, ON – AIRPORT RAC CONCESSION AND LEASE AGREEMENT COMPLIANCE REVIEW FOLLOW-UP REPORT

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
A. Gross Revenue Reported Incorrectly by Rental Car Company			
A.1	Has Aviation required all rental companies to submit transactional data files with each monthly gross revenue statement?	<i>Implemented</i>	<i>Implemented</i>
A.2	Has Aviation reconciled transactional data files to gross revenue statements to verify accuracy and recalculate amount due?	<i>In Progress</i>	<i>Not Implemented</i>
A.3	Has Aviation notified rental car companies in writing when any discrepancy occurred in reporting, including the independent CPA certification statement, with instructions to correct?	<i>Implemented</i>	<i>Implemented</i>
B. Interest Assessments for Untimely Reporting and ACH Implementation			
B.1	Has Aviation assessed interest fees when concession fees payments are not made in accordance with contract due dates or when underpaid and have they implemented Automated Clearing House (ACH) function for streamlined payment processing and reduced manual processing?	<i>Implemented</i>	<i>In Progress</i>
B.2	For underpaid concession fees in contract year three, has Aviation ensured during the year-end true up that any underpayments are recaptured utilizing rental car customer transactional data, so the City is made whole?	<i>Implemented</i>	<i>Implemented</i>
C. Attesting the Accuracy of Gross Revenue Statement			
C.1	Did Aviation notify rental car companies timely when submitted statements are not using the contract template or when they are not signed by a management representative?	<i>Implemented</i>	<i>Implemented</i>

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
C.2	Did Aviation assess administrative late fees for submitting incomplete statement for continued non-compliance?	<i>Implemented</i>	<i>N/A</i>

Legend:	
<i>Implemented</i>	Evidence supported documentation.
<i>Not Implemented</i>	Action or control not applied.
<i>In Progress</i>	Action or control in the process of being implemented due to recent updates regarding the need for Automated Clearing House (ACH).
<i>N/A</i>	Determined not to be applicable due to the new lease agreements effective January 1, 2025 removing administrative late fees for submitting incomplete statements.

APPENDIX A - ADDITIONAL FOLLOW-UP INFORMATION

A. Gross Revenue Reported Inaccurately by Rental Car Company

A.2 Aviation does not perform reconciliation of the monthly transactional statements due to resource constraints and the inherent characteristics of the work. Instead, Aviation relies on self-reported data provided by Enterprise Rent-A-Car.

The independent audit report, conducted by the third-party firm UHY LLP, concluded that no underpayments were identified during the scope period. However, UHY LLP reported overpayments made by Enterprise Rent-A-Car amounting to \$2,434.74 in fiscal year 2023 and \$1,115.51 in fiscal year 2024.

Recommendations:

1. Require all rental car companies to submit transactional data files with each monthly gross revenue statement.
2. Reconciling transactional data files to gross revenue statements to verify accuracy and recalculating the amount due.
3. Notifying rental car companies in writing when any discrepancy occurs in reporting, including the independent CPA certification statement with instructions to correct.

Management Assertion: In Progress

Audit Status: Not Implemented

B. Interest Assessments for Untimely Reporting and Electronic Payment Implementation

B.1 During the period of January and June 2023, Aviation implemented a transition requiring all tenants to remit payments directly to City Hall via a designated P.O. Box. During this period, some payments continued to be submitted directly to Aviation, necessitating the manual delivery of checks to City Hall, which resulted in delays in the posting of payments. As part of this transitional process, no interest charges or late fees were assessed for tenants.

Aviation has amended their contractual terms to incorporate a provision allowing a five-day grace period before payment or obligation is deemed overdue.

Aviation lacks electronic payment capabilities, which hinders the efficiency of electronic fund transfers and creates reliance on less streamlined payment methods.

Aviation's lack of electronic payment capabilities results in payments being occasionally grouped, creating complications when errors arise. This process generates excessive administrative burden, including additional correspondence and paperwork, delays in payment processing, and the accumulation of avoidable late fees.

Recommendations:

1. Assess interest fees when concession fee payments are not made in accordance with contract due dates or underpaid.
2. For underpaid, concession fees in contract year three, ensure during the year-end true up that any underpayments are recaptured so the City is made whole. Utilize rental car customer transactional data files as recommended in finding A.
3. Implementing an electronic payment system for concession payments in the Aviation department enhances efficiency, reduces costs, and strengthens financial controls. By streamlining transactions and eliminating manual processes, it improves accuracy, ensures compliance, and fosters better cash flow management. This implementation supports transparency, timely remittance, and stronger relationships with concessionaires, aligning with industry best practices.

Management Assertion: Implemented
Audit Status: In Progress

C. Attesting the Accuracy of Gross Revenue Statements

C.2 Aviation did not impose administrative fees due to the submission of incomplete statements and ongoing non-compliance. However, changes were made in the new lease agreement (eff. January 1, 2025) to eliminate penalty fees; therefore, the audit department excluded this area from testing.

Management Assertion: Implemented
Audit Status: N/A

Staff Acknowledgement:

Amr Hussein, CIA, CISA Senior Auditor-in-charge

Joseph P. Lopez, Auditor

Evan Manning, Audit Intern

APPENDIX B - MANAGEMENT RESPONSE



April 18, 2025

George H. Holland
City Auditor
Corpus Christi, Texas

Re: FU24-F03 Aviation, On Airport Rental Car Concession and Lease Agreement
Compliance Review Follow-Up Report.

Aviation has carefully reviewed the findings presented in the audit report referenced
above. As there are no recommendations for management, no responses are required.

☒ Agree

☐ Do Not Agree

Regards,


Kevin Smith
Director of Aviation

Date 5-2-25


Heather Hurlbert
Assistant City Manager

Date 5-7-25


Peter Zanoni
City Manager

Date May 12, 2025