



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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## 20-22 Colorado Springs Airport On-site Rental Car Concessionaire Compliance

August 2020

### **Purpose**

The objective of the On-site Car Rental Concessionaire Compliance audit was to verify that rental car concessionaires at the Airport were complying with their agreement with the Airport. We reviewed compliance with the agreements for the period January 1, 2019 through October 31, 2019.

### **Highlights**

We conclude that the on-site rental car concessionaires and the Airport billing processes were in compliance with the current concession agreements. The transfer of Airport billing responsibilities from the Airport to the City of Colorado Springs Finance Department in September 2019 provided for uninterrupted revenue billing due from car rental agency activity. There were seven car rental brands doing business at the Colorado Springs Airport. All on-site car rental concession agreements were negotiated in June, 2018 for a term of ten years. Two observations were identified starting on page 2 of this report.

All concession agreements were reviewed to identify requirements. Each agency remitted a monthly payment equal to the greater of the Minimum Annual Guarantee (MAG) or 10 percent of reported gross revenue receipts. The MAG is the minimum amount due to the Airport annually from the agency in consideration of the non-exclusive rights granted to the agency. The MAG was evaluated and recalculated every year for each agency. Rental activity was self-reported by the agencies following each complete calendar month. Additionally, each agency submitted a yearend Certified Annual Revenue Statement which was used to true-up agency payments reported throughout the contract year.

Each agency also remitted payment of monthly customer facility charges. A sample of the agreements tested supported agency monthly self-reporting and payments contract compliance. Proper contracted rates were applied and updated in the Airport billing system.

We appreciate the Airport and Finance personnel cooperation throughout this review.

### **Management Response**

Management was in agreement with our recommendations. See page 2 for details.

### **Recommendation**

- 1.The Finance Department should properly apply payments.
- 2.Annual reconciliations and settlements should be completed by the Finance Department in a timely manner.

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## 20-22 COLORADO SPRINGS AIRPORT ON-SITE RENTAL CAR CONCESSIONAIRE COMPLIANCE

### **Observation 1**

Car agency receipts were posted as received. However, there were large recorded but unallocated car rental receipts from 2017-2019 for the seven car rental brands. There appeared to be a timing/matching issue for invoice and payment posting in the billing system where payments remained unposted to an invoice and customer account for a period of time.

### **Management Response:**

Management agrees with this recommendation. As of the 3<sup>rd</sup> quarter of 2020, the Finance Department has implemented routine reviews of unallocated credits and the application to current invoices. There are significant aged unallocated credits and open invoices that will take more time to review, however significant progress will be underway by the end of 2020.

### **Recommendation**

The Finance Department should properly apply payments received to invoices generated.

### **Observation 2**

The purpose of the Airport Annual Reconciliation was to ensure that billing for the 12 month period was accurate, differences were resolved, and balances were settled between the Airport and car rental agencies timely.

Car rental agencies submitted certified annual activity reports per the concession agreements. However, five of the seven annual activity reports report reconciliations and settlements had not been completed timely by City Finance. Reconciliations were prepared, however, the final reconciliation review and approval with communication to the agencies had not occurred at the time of audit testing completion. The agency agreements did not indicate a due date for the reconciliations.

During the review period, Airport accounting transitioned from the Airport to City Finance. Staff transition also occurred which may account for the lag in reconciliation completion.

### **Management Response:**

Management agrees with this recommendation. While staffing level challenges delayed implementation to date, this recommendation will be implemented by the end of 2020.

### **Recommendation**

Annual reconciliations and settlements should be completed by the Finance Department in a timely manner.