



October 15, 2018

To: Matt Grow, Airport Director

From: Alice Garner, Internal City Auditor *Alice Garner*

Re: Review of Airport Commission Revenues - Project No. 2018-14

We have conducted a review of the airport commission revenue payments, as requested by the Finance and Customer Service Department. The objective of the review was to determine whether the revenue commission payments are accurate and submitted timely. The review was conducted by Phillip Vincent.

To accomplish these objectives, we inquired of City staff to obtain the revenue reports and payments submitted by the airport vendors and inquired directly of the airport vendors to obtain the system-generated financial records that support those revenue reports. We also reviewed lease agreements to obtain the concession terms and recalculated the commission payments due to the City.

Our review included such tests of records and other procedures, as we considered necessary in the circumstances. Our review period was October 1, 2017 through August 31, 2018. However, transactions, processes, and situations reviewed were not limited by this period.

Based on our work performed, we conclude that except for the needed improvements as noted in the report, the airport commission revenue payments are accurate and submitted timely.

We appreciate the cooperation and assistance provided by City staff, and also other entities contacted during the course of our review.

Cc: Ocala City Council Members

John Zabler, City Manager

Bill Kauffman, Assistant City Manager

Ken Whitehead, Assistant City Manager

Sandra Wilson, Deputy City Manager

Emory Roberts, Finance and Customer Service Director

BACKGROUND:

The Ocala International Airport is a general aviation airport serving the commercial, recreational, and corporate needs of both the City of Ocala and Marion County. The airport's fixed-base operator (FBO), Sheltair Ocala LLC, provides hangar rental, retail fuel sales, flight planning, and courtesy transportation. The airport also has a flight school, repair shop, charter service, restaurant, and rental car vendors.

The rental car vendors are Avis/Budget, Enterprise, and Hertz. These vendors each have a lease agreement with the City of Ocala. In addition to a base rent, a monthly commission is also paid based on a percentage of the revenues. For Sheltair, the commission is based on the number of gallons of fuel sold. For Avis/Budget, Enterprise, and Hertz, the commission is based on the revenue from vehicles rented.

OPPORTUNITIES FOR IMPROVEMENT:

Our review disclosed certain policies, procedures, and practices that could be improved. Our review was neither designed, nor intended, to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. **Lease agreements have not been updated.** The lease agreements with Avis/Budget, Enterprise, and Hertz have expired and have not been updated. We confirmed with the Airport Director that all three lease agreements are expired. The new lease agreements have been drafted and reviewed by legal counsel. However, they are pending certain clauses, such as the area to be rented, the number of parking spaces, and the use of a car wash bay. These clauses will not be resolved until the ground-breaking of the new airport terminal, in November 2018, and the availability of funds to provide a car wash bay. In the meantime, these lease agreements continue on a month-to-month basis. Regardless, expired agreements are not legally enforceable. Without an active agreement, we may not be able enforce rental payments, commission payments, or late fees. If any of the vendors were to default, not only would there be legal expenses, but there would also be a disruption in customer service.

We recommend management update and renew the lease agreements.

2. **Payments from Enterprise were received late.** We sampled three months during fiscal year 2018 and reviewed the monthly commission payments. The payments from Enterprise were late for all three months. According to the lease agreement, payments are due no later than the 15th day of the following month. Any payments not received by the 15th are delinquent

and incur late fees at 10% per month. The combined late fees, for those three months, total \$718.83. According to City staff, late fees have not been requested. We also contacted Enterprise to understand the reason for paying late. Per Enterprise Accounting Manager, the ACH payment cannot be made until the reports are received from their own corporate office—usually the 4th working day of the month. However, those reports are sometimes delayed. Once the reports are received, the amount of the commission is then manually calculated. The Enterprise Accounting Manager has assured us that she will work with her team “to stress the importance of getting the payment out as quickly as possible.”

We recommend management monitor the dates that payments are received to determine whether they are in compliance with the lease agreement terms.