



November 8, 2016

To: Matt Grow, Airport Director
From: Emory Roberts, Jr., Internal City Auditor
Re: Airport Commission Revenues Validation – Project 2016-11

A handwritten signature in black ink, appearing to read "Emory Roberts, Jr.", written over the "From:" line of the header.

We have conducted an audit of the Ocala International Airport's Commission Revenues, as scheduled per the FY 2016 Internal Audit Plan. The purpose of the audit was to validate the commission revenues reported by the car rental vendors and the fixed base operator.

Our audit objectives were to determine whether:

1. Airport commission revenue payments are accurate and submitted timely.
2. The reporting for airport commission revenues is adequate.

To accomplish our objectives, we reviewed the fixed base operator agreement and the car rental vendor lease agreements, interviewed airport staff, inspected files and examined reports received. We also reviewed financial records obtained from car rental vendors and the fixed base operator, tested records and recalculated commissions due.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our audit period was October 1, 2015 through September 30, 2016. However, transactions, processes and situations reviewed were not limited by the audit 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 and the reporting for airport commission revenues is adequate.

Our FY 2017 Internal Audit Plan includes a quarterly validation of a sample of Airport commission revenue payments.

We appreciate the cooperation and assistance provided by the Airport Department staff and also other entities contacted during the course of our audit.

Cc: Ken Whitehead, Assistant City Manager

Background

The Ocala International Airport is a general aviation airport serving commercial, recreational and corporate needs of the City of Ocala and Marion County Florida. Airport tenants have access to car rental services, avionics and aircraft repair, a flight school, a restaurant and charter services. The car rental services available include popular vendors such as Avis, Budget, Enterprise and Hertz. Sheltair Ocala, LLC (Sheltair) conducts a fixed base operation at Ocala International Airport, which includes tie-down and hangar storage, retail fuel sales and dispensing, operation of the fuel farm, removal services to disabled aircraft, flight planning and courtesy transportation. Lease agreements with the car rental vendors and Sheltair provide that commissions be paid on rental revenues and fuel disbursed, respectively.

As a result of the fiscal year 2014 and 2015 external financial statement audits performed by Purvis Gray & Company, a management letter comment was reported related to airport commission revenues. Based on its review, "...the City currently does not have a system in place to test and confirm these monthly sales balances being reported by the tenants." Our review intends to address the reported issue.

Opportunities for Improvement

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit 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. Airport staff cannot verify the accuracy of commission revenues and fuel disbursed.** We reviewed the monthly commission and fuel disbursed reports received from car rental vendors and Sheltair and found that the supporting documentation is not sufficient to verify the accuracy of the payments. As a result, we inquired with the organizations and requested detailed reports from their accounting systems to support the calculations. We compared the revenues and gallons originally reported to the Airport to the detail provided in the system reports and found that the amounts agree. However, when we recalculated the payment amounts, we found that 21 out of 30, or 70% of the payments were calculated incorrectly. These errors resulted in immaterial overpayments and underpayments with a combined total difference amount of \$28.53, or less than 1% of the total commission payments examined. The number of errors that were found could have been reduced if the Airport staff received the additional documentation needed to support the commission revenues and gallons disbursed. We could not determine the timeliness of the payments received because the documentation retained on file is not marked with the date received by the Airport staff.

Note that we could not compare the revenues or verify the payments for Enterprise Holdings because the contract does not have provisions allowing the City inspection of records or a right to audit; currently, the vendor is drafting a confidentiality agreement for the City to sign prior to the release of records.

We recommend management ensure that the contracts include adequate provisions for inspection of records and a right to audit. Additionally, the contracts should include a requirement that the monthly commission reports should contain sufficient detail supporting the organizations commission revenues or fuel disbursed.

We also recommend management verify the accuracy and timeliness of the commission reports and payments received from car rental vendors and Sheltair.

Management Response:

Airport Management will ensure the contracts include adequate provisions for inspections of records and a right to audit, especially with the rental agencies. Working with the Finance Department, Airport will ensure that the tenant provided monthly reports contain sufficient detail supporting the organization's commission revenues or fuel disbursed. Since Finance will receive those commission checks and most likely the reports, Airport will coordinate with Finance to receive those reports.

- 2. Checks Should Be Deposited Upon Receipt.** According to staff responsible for receiving and depositing checks, commission checks are not deposited when received; instead, a check will be held until one or more additional checks are received to make a single deposit. Good accounting practices provide that checks should be endorsed and deposited upon receipt. Considering that each commission check last year was over \$2,000, they should be sent directly to the Finance Department so that they may be deposited immediately.

We recommend management notify the car rental vendors and Sheltair to remit all payments directly to the Finance Department (Attn: Accounts Receivable, 201 SE 3rd Street, Ocala, FL 34471). Management should coordinate with the Finance Department to ensure that a copy of the check and any reports received with the payments are immediately available to Airport staff.

Management Response:

Management will notify car rental vendors and Sheltair to remit all payments directly to the Finance Department (Attn: Accounts Receivable) and will coordinate with the Finance Department to ensure that a copy of the check and any reports received with the payments are immediately available to Airport Staff.

- 3. Payments Received Should Be Reviewed for Timeliness.** We reviewed copies of commission checks received and related supporting documentation and noted that there was no indication of when the check was received by airport staff. As a result, we could not determine the timeliness of the commission payments. However, management has stated that a process is in place to date stamp future documents upon receipt.

We recommend management ensure that when a check is received, it is copied and the copy is marked with the date received. Additionally, management should use this information to review the timeliness of payments received, on a monthly basis.

Management Response:

With Finance now receiving all checks, it is unlikely the Airport will be receiving many checks. In the unlikely event when a check is received, a copy will be made and marked with the date received. Management will use this information to review the timeliness of payments received on a monthly basis.