



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

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July 1, 2014

Rhonda Hamm-Neibruegge, Director of Airports
Lambert – St. Louis International Airport
P.O. Box 10212
St. Louis, MO 63145

FILE COPY

RE: On-Airport Passenger Vehicle Rental Concession Agreements
(Project #2013-APC06)

Dear Ms. Hammn-Niebruegge:

Enclosed is the report of the contract review of the On-Airport Passenger Vehicle Rental Concession Agreements between the City of St. Louis and Vanguard Car Rental USA LLC, d/b/a National and Vanguard Car Rental USA LLC, d/b/a Alamo for the period July 1, 2011 through June 30, 2013. A description of the scope of our work is included in the report.

Fieldwork was substantially completed on Wednesday May 7, 2014. Management's responses to the observations and recommendations noted in the report were received on Thursday May 29, 2014 and have been incorporated in the report.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490

Sincerely,

Mohammad H. Adil, CPA
Internal Audit Supervisor

Ron Steinkamp, CPA, CIA, CFE, CRMA, CGMA
Internal Audit Advisor

Enclosure

cc: Gerard Slay, Senior Deputy Director, Lambert -- St. Louis International Airport
Susan Kopinski, Deputy Director, Finance and Administration,
Lambert – St. Louis International Airport
Henrietta Brown, MBA, Assistant Director, Airport Finance and Accounting
Robert Salarano, Airport Properties Manager
James Fox, CPA, Airport Auditor
Leonard E. Bell, Jr. Internal Auditor, Internal Audit Section



CITY OF ST. LOUIS

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
ON-AIRPORT PASSENGER VEHICLE RENTAL
CONCESSION AGREEMENTS**

**VANGUARD CAR RENTAL USA, LLC DBA, NATIONAL AL#069
AND VANGUARD CAR RENTAL USA, LLC DBA, ALAMO AL#071**

JULY 1, 2011 THROUGH JUNE 30, 2013

PROJECT #2013-APC06

DATE ISSUED JULY 1, 2014

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT REVIEW
VANGUARD CAR RENTAL USA, LLC, D/B/A/ NATIONAL & VANGUARD CAR
RENTAL USA, LLC, D/B/A/ ALAMO
ON-AIRPORT VEHICLE RENTAL CONCESSION AGREEMENT
JULY 1, 2011 THROUGH JUNE 30, 2013**

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LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT REVIEW
VANGUARD CAR RENTAL USA, LLC, D/B/A/ NATIONAL & VANGUARD CAR
RENTAL USA, LLC, D/B/A/ ALAMO
ON AIRPORT VEHICLE RENTAL CONCESSION AGREEMENTS
JULY 1, 2011 THROUGH JUNE 30, 2013

INTRODUCTION

Background

On-Airport Vehicle Rental Concession Agreements (Agreements) were awarded to Vanguard Car Rental USA, LLC, d/b/a/ National and Vanguard Car Rental USA, LLC, d/b/a/ Alamo (Concessionaire) on November 19, 2009, for a period of five years starting January 1, 2010. The purpose of the Agreements was to provide passenger vehicle rentals to the Airport users. Each Agreement required the Concessionaires to pay the City the greater of ten percent of the gross receipts, from the Airport vehicle rentals, or the minimum annual guarantees (MAG) totaling \$10,421,007 for the term of each Agreement.

Purpose

The purpose of the Internal Audit Section's review was to determine if the Concessionaire complied with the terms, conditions, and various provisions of the Agreements.

Scope and Methodology

Inquiries were made regarding the Concessionaire's compliance with the terms, conditions, and various provisions of the Agreements. The scope of the review was from July 1, 2011 through June 30, 2013.

Exit Conference

An exit conference was held on Wednesday May 7, 2014 at the Airport Conference Room. The Concessionaire was represented by the Controller and Accounting Manager. The Airport Properties Section was represented by the Concessions Manager. The Airport Finance and Accounting Section was represented by Airport Auditor. The Comptroller's Office was represented by the Internal Audit Supervisor and Auditor-in-Charge.

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RESULTS

Conclusion

Opportunities exist to ensure contractor compliance with the Agreements.

Status of Prior Observations

This Concessionaire has not been reviewed by the Internal Audit Section Previously.

Summary of Current Observations

The following are the observations resulting from the review:

1. Unable to Determine the Reasonableness of Gross Receipts
2. Unable to Determine the Completeness of Vehicle Rental Agreements

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

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DETAIL OBSERVATIONS, RECOMMENDATIONS AND
MANAGEMENT’S RESPONSES

1. Unable to Determine the Reasonableness of Gross Receipts

Records of Concessionaire’s gross rental receipts were not readily made available for review. Specifically, the following documents were not provided:

- A substantial number of vehicle rental agreements selected for testing (see Observation #2).
- Documentation of non-airport rental revenue.
- Explanation of differences between the rental revenue reported on the Monthly Concession Revenue Report and on the applicable sales tax returns.
- The source of the financial data used to reconcile the gross rental receipts to the accounting records.

In addition, the Monthly Concession Revenue Reports were not prepared to include the revenue earned in accordance with Article I of the Agreements.

Section 508 “Accounting Records and Reports” of the Agreements states, “Concessionaire shall make available in the St. Louis area true, accurate, complete and auditable records of all business conducts at the Airport. Concessionaire shall make same records available in the St. Louis area for three years following the expiration or early termination of this Agreement.”

Since requested information was not readily available, the Internal Auditor was unable to determine the accuracy of the Concessionaire’s gross rental receipts reported to the City.

Recommendation

It is recommended that the Concessionaire:

- Comply with the request for documents and allow access to the vehicle rental accounting records as outlined in Article V, Section 508 of the Agreements.
- Perform monthly reconciliations of concession revenue reported on the Monthly Concession Revenue Report to the revenue reported on the related monthly sales tax returns. This is to ensure all differences are identified and resolved in a timely manner in order to reduce the audit adjustments made to the concession gross receipts reported to the City.

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1. Continued...

- Update internal reconciliations of the concession revenue to provide description of the adjustments as well as the corresponding general ledger accounting numbers.
- Revise the Monthly Concession Revenue Report to include revenue earned by categories, according to Article I of the Agreements, specifically time and mileage, personal accident insurance, monies collected to recover Airport Concession Fee inclusive of the non-airport revenue.

Management's Response

The concessionaire agrees with the recommendation and will revise monthly reporting of revenue to include a detail line item reporting of revenue earned by category specifically time and mileage, personal accident insurance, monies collected to recovered Airport concession fee, etc.

2. Unable to Determine the Completeness of Vehicle Rental Agreements

The Internal Auditor was unable to test the completeness of the vehicle rental agreements (rental agreements). As a result, it could not be determined if the rental agreements listed in the Concessionaire's Master Excel File included all charges that were subject to the City's Gross Receipts Share of Revenue. Specifically, the following exceptions were noted:

Alamo

We requested 35 rental agreements, selected randomly from the Concessionaire's Master Excel File for review. The Concessionaire provided us with 35 rental agreements; however, these rental agreements included only 10 of the requested rental agreements along with an additional 25 rental agreements that we had not requested.

We reviewed the first 24 rental agreements of the 35 agreements the Concessionaire provided to us and noted the following exceptions:

- Six rental agreements provided were not listed on the Concessionaire's Master Excel file of rental agreements.
- Five rental agreements did not agree to the charges recorded on the Concessionaire's Master Excel files.

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2. Continued...

We did not review the remaining 13 rental agreements because of the exceptions noted above.

National

We requested 42 rental agreements selected randomly from the Concessionaire's Master Excel File for review. However, we were only provided 24 rental agreements. The first three rental agreements we reviewed did not agree to the details of the charges recorded for those agreements on the Master Excel File. We did not test the remaining 21 rental agreements because of the discrepancies noted with the first three rental agreements.

According to the Concessionaire the charge discrepancies between the rental agreements and Master Excel File resulted from the conversion of the rental agreement to PDF for storage purposes. It appears that the Concessionaire's internal controls over the file conversion process were not adequate to minimize the data loss.

Recommendation

It is recommended that the Concessionaire:

- Improve internal controls over conversion of rental agreements to PDF to ensure that all converted rental agreements have been accounted for and the details of the agreements reconcile to the rental agreements converted.
- Ensure that all rental agreements are accessible for review and can be tested for completeness.

Management's Response

Concessionaire agrees with recommendation and has communicated to airport personnel teams the importance of timely and complete shipping of all completed rental agreements. They have also implemented tablet technology which will allow rental agreements to be transferred electronically.