



WHAT'S INSIDE:	<u>Page</u>
Updates:	
Internal Audit Report – Airport Rental Car Concession Agreement.....	2
July 13 – West Boulevard Corridor Study Status Update Meeting.....	2
Keep Charlotte Beautiful Great American Clean Up Results	3
HNS Neighborhood Board Retreat Participants	3

WEEK IN REVIEW:

Thursday, July 13

12:00 p.m.

Economic Development Committee Meeting, Room CH-14

Agenda: River District; Carolina Theatre; SL2017-87 Changes to ABC Law

2:00 p.m.

CFD Recruit Class 102 Graduation, CFD Training Academy

1770 Shopton Road

July and August calendars are attached



July-August
2017.pdf

UPDATES:

Internal Audit Report – Airport Rental Car Concession Agreement

Staff Resource: Greg McDowell, Internal Audit, 704-336-8085, gmcowell@charlottenc.gov

Rental car activities at the Charlotte Douglas International Airport represent one of the largest generators of Airport revenues. Given the importance of this business unit, the Aviation Department requested that Internal Audit review contract compliance of two rental car companies. Avis and Budget were selected for this period, following the issuance of a report addressing Hertz and National/Alamo in October 2016.

The primary objectives of this audit were to determine whether selected rental car agencies:

- Accurately reported gross revenues; computed and paid monthly concession fees, complying with payment guarantee and annual certification requirement provisions
- Accurately reported and paid Contract Facility Charge (CFC) payments

Conclusion – Avis and Budget accurately reported concession revenue and CFC fees to the Charlotte Douglas International Airport.

Aviation management has responded satisfactorily to the audit recommendations. In FY18, Internal Audit will follow-up to determine whether planned actions have been completed.

A copy of the final report is attached below.



Airport Rental Cars
Audit.pdf

July 13 – West Boulevard Corridor Study Status Update Meeting

Staff Resources: Keith Hines, CDOT, 704-336-3913, dhines@charlottenc.gov

Scott Correll, CDOT, 704-432-5219, scorrell@charlottenc.gov

The City of Charlotte invites the community to participate in a status update meeting for the West Boulevard Corridor Study. This study is being conducted by the City in close partnership with NCDOT and focuses on improving conditions for pedestrians and bicyclists along West Boulevard between Camden Road and Billy Graham Parkway.

Residents will have an opportunity to review findings and discuss potential improvements to West Boulevard with staff.

The meeting will be held on July 13, 2017 from 5 – 7:00 p.m. in the West Boulevard Branch Library Community Room.

More information is available at the project website – <http://www.charlottenc.gov/westblvdcorridor>

Keep Charlotte Beautiful Great American Clean Up Results

Staff Resource: Denise Coleman, HNS, 704-353-1235, drcoleman@charlottenc.gov

[Keep Charlotte Beautiful \(KCB\)](#), a national affiliate of Keep America Beautiful, works closely with neighborhood organizations and homeowner groups, area businesses, schools and local governments to create a healthier environment. KCB's programs enhance the quality of life for residents by providing opportunities to maintain and improve Charlotte's cleanliness and beauty.

KCB held several activities for the Spring 2017 Great American Cleanup. Results of this year's efforts included:

- 494 volunteers collecting more than 250 bags of litter and filling four dumpsters with discarded bulky items as part of "Clean Your Block" parties in 29 neighborhoods
- 167 volunteers from local businesses and nonprofit organizations participating in four community cleanups
- 627 Adopt-a-City Street (AACS) volunteers hosting 84 litter sweeps

This year, KCB also partnered with the [Charlotte Community ToolBank](#) to provide neighborhood organizations cleanup supplies, yard tools and light construction equipment free of charge. Participating organizations included Firestone Park, Windsong Trails, World Mission Church and UNC-Charlotte.

HNS Neighborhood Board Retreat Participants

Staff Resource: Steve Wood, HNS, 704-336-4161, swood@charlottenc.gov

Housing & Neighborhood Services will offer its 10th Neighborhood Board Retreat on Saturday, July 15, 2017 at CPCC's Central Campus, 1206 Elizabeth Ave., from 8:30 a.m. – 1:30 p.m. Mayor and City Council members are invited to attend the opening session at 8:30 a.m. and also to drop in on sessions throughout the day.

The board retreat was created to help neighborhood organizations engage in meaningful conversation about quality of life issues in their communities and to develop work plans for improvement. Through facilitated discussions, participants develop strategies and discover resources to implement their plans.

Council districts for selected neighborhoods are provided to aid Council in planning their time at the event. Marketing each year is targeted heavily throughout the City through staff outreach, print and electronic media, and City Council referrals. The 129 neighborhood-based organizations that have participated since 2012 have represented all Council districts, though representation has varied at each retreat. In selection, priority is given to first-time applicants and those groups that have not attended in recent years.

District	Neighborhood Organization
5	Amity Gardens Neighborhood Association
1	Belmont Community
7	Carmel Village II Homeowners Association
2	Cedar Mill HOA
1	Country Club Heights Neighborhood Association
4	Fairstone Homeowners Association*
2	Genesis Park Neighborhood Association
3	Greater Enderly Park Neighborhood Association
1	Howie Acres Community*

*First-time participants

District	Neighborhood Organization
2	Hunter Ridge*
2	Huntington Ridge Homeowners Association*
3	Lennar Townhomes at Ayrley*
5	Oakhurst Community Neighborhood Association
1	Optimist Park Community Association
3	Pineknoll*
5	Turtle Rock Owners Association
4	Villages of Back Creek*

July

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
						1
2	3	4 <div style="border: 1px solid black; background-color: #cccccc; padding: 5px; width: fit-content; margin: 0 auto;">Independence Day</div>	5	6	7	8
9	10	11	12	13 12:00pm ED Committee Mtg., Room CH-14	14	15
16	17 12:00pm Council Zoning Briefing (optional), Room 886 5:00pm Zoning Mtg., Room CH-14	18	19	20 2:00pm ED Committee Mtg., Room CH-14	21	22
23	24 5:00pm Citizens' Forum/Council Business Mtg., Room 267	25	26 5:30pm MTC Meeting, Room 267	27	28	29
30	31					

2017

August

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
		1	2	3	4	5
6	7	8	9	10	11	12
13	14 12:00pm Environment Committee Mtg., Room 280	15	16	17 12:00pm ED Committee Mtg., Room CH-14	18	19
20	21 12:00pm Governance & Accountability Committee Mtg., Room 280	22	23 5:30pm MTC Meeting, Room 267	24	25	26
27	28 12:00pm City Attorney's Evaluation, Room CH-14 5:00pm Citizens' Forum/Council Business Mtg., Room 267	29	30	31		

2017



CHARLOTTESM

INTERNAL AUDIT

**Audit Report
Airport Rental Car Concession Agreements
Avis and Budget
June 30, 2017**

**City Auditor's Office
Gregory L. McDowell, CPA, CIA**

Audit Report
Airport Rental Car Concession Agreements
Avis and Budget
June 30, 2017

Purpose and Scope

The primary objectives of this audit were to determine whether selected rental car agencies:

- Accurately reported gross revenues; computed and paid monthly concession fees, complying with payment guarantee and annual certification requirement provisions
- Accurately reported and paid Contract Facility Charge (CFC) fees

An audit of rental car concession agreements was requested by Aviation management. Auditors selected Avis and Budget and reviewed gross revenues for FY16 and the first four months (July-October) of FY17.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended for the use of the City Manager's Office, City Council, and the Aviation Department.

Conclusion

Avis and Budget accurately reported concession revenue and CFC fees to the Charlotte Douglas International Airport.

Summary of Findings and Recommendations

1. Avis and Budget accurately reported concessions and CFCs to the Charlotte Douglas Airport. However, auditors noted that Aviation does not have a control in place to review excluded revenues for proper classification.
 - Aviation has prepared a new monthly reporting form and is in the process of negotiating with rental car companies to consolidate the rental car agreements. It is anticipated that rental car companies will begin using the new reporting format beginning with July 2017 activity.

2. Aviation should verify that Avis and Budget have corrected a system error in the calculation of CFC fees charged to some customers. Auditors noted that 105 customers were overcharged by 146 days for a total of \$584.

- Aviation will verify that Avis and Budget have corrected the calculation of CFC fees.

Background

Rental car activities at the Charlotte Douglas International Airport represent one of the largest generators of Airport revenues. Given the importance of this business unit, the Aviation Department requested that Internal Audit review contract compliance of rental car companies. Avis and Budget were selected for review based on their gross revenues.

On-Airport Automobile Concession Agreements (Agreements) were awarded to eight rental car agencies on November 1, 2000, for a period of seven years. The Agreements have been amended periodically, most recently in November 2011, and are scheduled to expire in 2024. The purpose of the Agreements is to provide passenger vehicle rentals to Airport users. Each Agreement requires the Concessionaire to pay the City the greater of ten percent (10%) of the Concessionaire’s Gross Revenues during each contract year, or eighty five percent (85%) of Concessionaire’s total concession fees payable during the immediately preceding contract year (“Minimum Annual Concession Fee”).

The concessionaires are required to pay one-twelfth of the minimum annual concession fee in advance each month. Within 25 days of each calendar month-end, each concessionaire is required to provide Aviation with an accounting of its year-to-date gross revenues and pay the difference between the amount of the calculated annual percentage fee and the total of previous payments. Annually, within 90 days following contract year-end, each concessionaire is required to furnish a statement (certified to be correct by an authorized representative) of gross revenues for the preceding year, showing authorized deductions or exclusions made in computing the amount of such gross revenues. Aviation collected \$13.7 million in concession fees in FY16 from \$137 million in reported gross revenue, as the following Aviation-generated summary details:

Rental Car Fees FY 2016		
Company	Concession Fee	CFCs Collected
Avis	\$2,426,199	\$1,971,644
Budget	1,324,072	1,213,268
Dollar	635,115	712,020
Enterprise	1,908,070	1,577,468
Hertz	3,169,270	2,795,428
National	3,937,426	3,655,880
Simply Wheelz/Advantage	325,302	347,728
Total	\$13,725,454	\$12,273,436

In addition, the City imposed by ordinance effective July 1, 2007 (CFC Ordinance) a charge to be collected from rental car customers at the Airport, the proceeds of which are used to pay the costs of planning, designing, constructing, financing, maintaining and operating new consolidated rental car facilities at the Airport. Rental car agencies are required to collect a Contract Facility Charge (CFC) equal to \$4 per transaction day and deposit the fees collected with a Trustee on or before the tenth day of the immediately succeeding month. Aviation collected about \$12.2 million in CFC fees in FY16, as detailed above.

Audit Findings and Recommendations

1. Avis and Budget accurately reported concessions and CFCs to Charlotte Douglas International Airport.

Aviation requires that rental car agencies submit a “Gross Revenue Worksheet” each month. The form shows the 10% concession fee calculation and requires the disclosure of the actual number of contracts reflected in the gross revenue figure.

According to the concession agreements, gross revenues include all monies or other consideration paid or payable to Concessionaire for all sales made and services performed in connection with automobile and vehicle rentals. Gross Revenues specifically include all of the following:

- Revenue earned for the rental or sale of wireless communication devices, mobile telephones, computerized navigation equipment and services and similar services of whatsoever nature;
- Revenue earned from the rental of child/infant car seats or restraints, ski racks, bicycle racks, recreational gear, personal computers and facsimile machines

The agreements specifically exclude federal, state, county, city or municipal sales, use or excise taxes; any charges collected from customers for refueling an automobile rented pursuant to an agreement under which the customer is obligated to return the automobile with the same amount of gasoline furnished upon rental; and all amounts paid or payable by customers for acceptance of a collision damage waiver, personal effects coverage or other insurance products.

Auditors noted that Avis and Budget accurately reported concession revenue and CFC fees for FY16 and FY17 (through October 2016.) Auditors obtained, summarized and audited detailed rental transaction data and noted that the data agreed to monthly revenue reported to Aviation and no material exceptions were noted with the categorization of included income items, except as noted below:

- Avis and Budget excluded valet fees from FY16 and FY17 through October 2016 in their reported concession revenue. These charges are for “administrative fees” that Avis and Budget bill corporate accounts for overdue vehicles. For fiscal year

FY16 and the first four months of FY17, this under-reported revenue totaled \$14,580 and \$6,240 respectively. The under-reported revenue represents .04% of concession revenue, as shown in the chart below:

Avis and Budget Reported Gross Revenue			
Included Concession Revenue	FY16	FY17 (4 months)	Total
Avis	\$24,261,993	\$8,989,484	\$33,251,477
Budget	13,240,724	5,145,677	18,386,401
Total	\$37,502,717	\$14,135,161	\$51,637,878
Erroneously Excluded Revenue	FY16	FY17 (4 months)	Total
Avis	\$5,760	\$2,580	\$8,340
Budget	8,820	3,660	12,480
Total	\$14,580	\$6,240	\$20,820
Percent of Reported Revenue	0.04%	0.04%	0.04%
Under-Reported Concession Fee	\$1,458	\$624	\$2,082

The concession agreement requires that “All exclusions shall be identified by rental agreement contract number,” but the Airport has not required the rental car agencies to disclose excluded revenue, or to break down total gross revenue (included) by category. Avis and Budget had multiple transactions that were reversals to gross revenues; these transactions were for vehicle exchanges and credits to corporate customers. There is a risk that these transactions may not be accurately reflected in gross revenues. To ensure that revenue is properly reported, Aviation would need to request and compare detailed supporting documentation. Due to limited resources, Aviation utilizes periodic audits, performed by Internal Audit, along with implementation of new monthly reporting form to meet reporting needs.

Aviation plans to implement a new monthly reporting form requiring rental car agencies to identify revenue by category, and to provide detail on amounts identified as ‘excluded revenue.’ The new reporting form will be introduced to the rental car agencies during negotiations to clarify and restate the current agreements. Aviation expects that rental car companies will start using the new form for July 2017 activities. Use of the new form would help Aviation identify any new source of revenue that is erroneously excluded from reported gross revenue subject to concession.

Recommendation: Aviation should implement the recommended new monthly gross revenue reporting form and periodically request supporting detail for rental transactions to assist in the identification of revenue items that are improperly excluded from concession revenue.

Aviation Response: Aviation has prepared a new monthly reporting form and is in the process of negotiating with rental car companies to consolidate the rental car agreements. It is anticipated that rental car companies will begin using the new reporting format starting with July 2017 activity. Aviation will continue to work with Internal Audit to schedule periodic reviews of rental car companies (including the review of detailed transactions) to ensure compliance with the rental car agreements.

2. **Aviation should verify that Avis and Budget have corrected a system error in the calculation of CFC fees charged to some customers.**

The City ordinance effective July 1, 2007 implemented a charge (“Contract Facility Charge”) to be collected from rental car customers at the Airport, the proceeds of which are used to pay the costs of planning, designing, constructing, financing, maintaining and operating the consolidated rental car facilities at the Airport.

Auditors reviewed CFC’s on rental agreements and determined that Avis and Budget overcharged some customers. A review of July and August 2015 rental agreements indicated that 105 customers were overcharged by 146 days for a total of \$584. This compares to \$493,416 in total reported CFC fees for the two months, representing less than .12% of total charges.

Because CFC fees are self-reported, controls are needed to ensure that the rental car companies report CFC fees in accordance with the concession agreement and CFC ordinance. Aviation did not identify the miscalculation of CFC fees because detailed transaction data is not requested from the rental car companies unless an audit is performed. Per discussion with Aviation officials, resources are not currently available to obtain and analyze detailed transaction data. Due to the low exception rate and immateriality of the noted exceptions, it appears reasonable at this time to request detailed transaction data during announced audits only. However, Aviation should request documentation from Avis and Budget to demonstrate correction of the CFC calculation.

Action Taken: Avis and Budget are in agreement that customers were incorrectly charged. According to the reporting manager, there appears to be an error in calculating CFC rental days for a specific rate code that is used infrequently. Rental car information technology staff is working to resolve the issue.

Recommendation: Aviation should require that Avis and Budget demonstrate correction of the calculation of CFC fees charged to customers.

Aviation Response: Aviation will verify that Avis and Budget have corrected the calculation of CFC fees.