

# COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION - INTERNAL AUDIT UNIT

**INTERNAL AUDITS REPORT**

**AGREED-UPON PROCEDURES  
CONCESSIONAIRE AGREEMENT  
WITH AVIS BUDGET CAR RENTAL, LLC**

**DEPARTMENT OF AIRPORTS**



**Audit Committee Submittal Date: 05/26/2020**

## SUMMARY

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### Background

The Sacramento County Department of Airports (Airports) contracts with various rental car agencies in order to provide car rental services at the Sacramento International Airport. As part of its oversight of rental car agency activities, Airports periodically selects rental car agencies for a concessionaire review per section 3.09 (Audit) of the Rental Car Concession and Lease Agreement (Agreement). Avis Budget Car Rental, LLC (Avis) was selected for a concessionaire review for the period October 1, 2015 through September 30, 2018. Avis owns and manages four (4) rental car subsidiaries (Avis, Budget, Payless, and Zipcar) located at the Sacramento International Airport. Accordingly, Airports contracted with the Department of Finance to perform the agreed-upon procedures engagement of Avis' rental car concession revenues for rental car activities occurring at the Sacramento International Airport.

### Audit Objective

To review Avis' rental car concession operations for compliance with the terms of the Agreement for the period October 1, 2015 through September 30, 2018.

### Summary

We noted several issues related to compliance with the Agreement. In addition, we noted Avis did not include \$610 late fee penalty due to Airport and \$109,674 of prepaid gas revenues to calculate its amount due to Airports. Therefore, Avis underpaid Airports by \$110,284 for the period under review.



County of Sacramento

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*Inter-Office Memorandum*

April 30, 2020

To: Cynthia A. Nichol, Director  
Sacramento County Department of Airports

From: Ben Lamera  
Director of Finance

A handwritten signature in blue ink, appearing to be "BL", next to the name Ben Lamera.

By: Hong Lun (Andy) Yu, CPA  
Audit Manager

Subject: **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES – REVIEW OF SACRAMENTO COUNTY DEPARTMENT OF AIRPORTS (AIRPORTS) CONCESSIONAIRE AGREEMENT WITH AVIS BUDGET CAR RENTAL, LLC (AVIS) PER ARTICLE 3.09 OF THE RENTAL CAR CONCESSION AND LEASE AGREEMENT FOR THE PERIOD FROM OCTOBER 1, 2015 TO SEPTEMBER 30, 2018**

We have performed the procedures enumerated below and on page 2, which were agreed to by you, for the Sacramento County Department of Airports (Airports). These agreed-upon procedures were performed solely to evaluate Avis Budget Car Rental, LLC's (Avis) rental car concession activities for the period October 1, 2015 to September 30, 2018 per Article 3.09 of the rental car concession and lease agreement. Airports' management is responsible for monitoring and maintaining sufficient internal controls related to rental car concessionaires operating at Sacramento International Airport. The sufficiency of the procedures is solely the responsibility of Airports. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to procedures referred to below and is not intended to pertain to any of Airports' and Avis' other operations, procedures, or compliance with laws and regulations.

The procedures and associated findings are as follows:

1. We evaluated the internal controls over accounting and administrative procedures pertaining to the recording of revenue.

Findings: (1) Avis did not have an independent Certified Public Accountant conduct an internal control review of its centralized computer system. See Attachment II, *Current Status of Prior Finding and Recommendation*.

(2) Audited Statement of Gross Revenues/Annual Report provided by independent Certified Public Accountant did not adequately address requirements listed in Article 3.09 Part A (3) and (4) of the Agreement. See Attachment III, *Current Findings and Recommendations*.

2. We performed certain tests of the accounting controls and transactions to determine both the reliability and accuracy of these controls and concessionaire operations.

Finding: We noted an exception as a result of our procedures. Avis excluded Prepaid Gas revenue from reported Gross Revenue to Airports. The exclusion impacted reported Gross Revenue Receipts. See Attachment III, *Current Findings and Recommendations*. Also see Attachment IV, *Schedule of Prepaid Gas Revenue Excluded from Gross Revenue Receipts*.

3. We reviewed revenue reported to Airports by the concessionaire, including the corresponding reimbursable expenses payable to Avis.

Finding: We noted an exception to revenue reported to Airports by the concessionaire as a result of our procedures. Prepaid gas revenue excluded from Gross Revenue Receipts. See Attachment I, *Schedule of Gross Revenue Reviewed and Privilege Fees Due*. We also noted that Avis submitted its audited Statement of Revenues/Annual Report after the required due dates. See Attachment III, *Current Findings and Recommendations*.

4. We determined that objectives in Avis' contract were implemented and are being followed.

Finding: We did not note any exceptions as a result of our procedures.

5. We prepared operating statements based on Avis' financial records for the period of October 1, 2015 to September 30, 2018.

Finding: We noted an exception as a result of our procedures. See Attachment I, *Schedule of Gross Revenue Reviewed and Privilege Fees Due*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform an audit or examination, the objective of which would be the expression of an opinion or conclusion, respectively, on Avis' fiscal processes or results of our procedures referred above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Cynthia A. Nichol, Airports Director

April 30, 2020

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Avis and Airports' management responses to the findings identified during our engagement are described in Attachment III, *Current Findings and Recommendations*. We did not perform procedures to validate Avis and Airports' management responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and Airports' management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Attachment I: *Schedule of Gross Revenue Reviewed and Privilege Fees Due*

Attachment II: *Current Status of Prior Finding and Recommendation*

Attachment III: *Current Findings and Recommendations*

Attachment IV: *Schedule of Prepaid Gas Revenue Excluded from Gross Revenue Receipts*

County of Sacramento Department of Airports  
Review of Avis Budget Car Rental, LLC  
Rental Car Concessionaire Operations at Sacramento International Airport  
Schedule of Gross Revenue Reviewed and Privilege Fees Due  
For the Period October 1, 2015 to September 30, 2018

For The Period of October 1, 2015 to September 30, 2016:

	<b>Gross Revenue Reported by Avis</b>	<b>Gross Revenue Reviewed</b> <sup>(1)</sup>	<b>Difference Under/(Over) Reported</b>	<b>Privilege Fee Rate</b>	<b>Recomputed Privilege Fees Due</b>	<b>Privilege Fees Paid</b> <sup>(2)</sup>	<b>Additional Fees Now Due/(Overpaid)</b>
	Column A	Column B	Column B - A	Column C	Column B x C	Column D	Column D - (B x C)
<b>October 2015</b>	\$ 3,048,087	3,080,553	32,466	10.00%	308,055	304,809	3,246
<b>November 2015</b>	2,548,829	2,574,802	25,973	10.00%	257,480	254,883	2,597
<b>December 2015</b>	2,412,752	2,435,617	22,865	10.00%	243,562	241,275	2,287
<b>January 2016</b>	2,355,144	2,377,667	22,523	10.00%	237,767	235,514	2,253
<b>February 2016</b>	2,590,580	2,612,667	22,087	10.00%	261,267	259,058	2,209
<b>March 2016</b>	2,802,101	2,825,705	23,604	10.00%	282,570	280,210	2,360
<b>April 2016</b>	2,580,146	2,600,738	20,592	10.00%	260,074	258,015	2,059
<b>May 2016</b>	3,064,390	3,105,789	41,399	10.00%	310,579	306,439	4,140
<b>June 2016</b>	3,093,461	3,132,565	39,104	10.00%	313,256	309,346	3,910
<b>July 2016</b>	3,343,975	3,383,430	39,455	10.00%	338,343	334,397	3,946
<b>August 2016</b>	3,386,686	3,422,449	35,763	10.00%	342,245	338,669	3,576
<b>September 2016</b>	2,980,519	3,022,148	41,629	10.00%	302,215	298,052	4,163
	<u>\$ 34,206,670</u>	<u>34,574,130</u>	<u>367,460</u> <sup>(3)</sup>		<u>3,457,413</u> <sup>(4)</sup>	<u>3,420,667</u>	<u>36,746</u> <sup>(5)</sup>
<b>Required Adjustments</b>							
							(4,964) <sup>(6)</sup>
							31,782 <sup>(7)</sup>
							163 <sup>(8)</sup>
							<u>\$ 31,945</u>

<sup>(1)</sup> Gross Revenue Reviewed includes prepaid gas revenue excluded from Gross Revenue Reported by Avis.

<sup>(2)</sup> Privilege fees are paid monthly.

<sup>(3)</sup> Difference between Gross Revenue Reported and Gross Revenue Reviewed is \$367,460, which includes \$49,636 under reported gross revenue and \$317,824 in unreported prepaid gas revenue. The \$49,636 under reported gross revenue amount is the net effect of \$34,256,306 (Gross Revenue per Avis' Annual Report) less \$34,206,670 (Gross Revenue Reported by Avis), which resulted in a \$4,964 (10% of \$49,636) payment due to Airports as noted in footnote (6).

<sup>(4)</sup> Required concession payments (Privilege Fees Due) is the greater of 10% gross revenue receipts or minimum annual guarantee (MAG) of \$2,587,627.

<sup>(5)</sup> Additional fees due at the end of September 30, 2016.

<sup>(6)</sup> Avis' Annual Report noted an underpayment amount of \$4,965 due to Airports. There is a difference of \$1 between underpayment amount noted on Avis' Annual Report and the calculated amount listed in footnote (3), which is likely caused by rounding. Avis issued a payment to Airports for the underpaid privilege fees due in the subsequent period on September 15, 2017. As such, the schedule is adjusted to reflect amount now due to Airports for prepaid gas excluded.

<sup>(7)</sup> Gross Revenue Reported by Avis excluded prepaid gas revenue in the amount of \$317,824. Additional fees due for excluded prepaid gas revenue result in a net of \$31,782 (10% of \$317,824). See Attachment IV, *Schedule of Prepaid Gas Revenue Excluded from Gross Revenue Receipts*. Also see Finding #4 on Attachment III, *Current Findings and Recommendations*.

<sup>(8)</sup> Audited Statement of Revenue/Annual Report submitted late. See Finding #3 on Attachment III, *Current Findings and Recommendations*.

County of Sacramento Department of Airports  
Review of Avis Budget Car Rental, LLC  
Rental Car Concessionaire Operations at Sacramento International Airport  
Schedule of Gross Revenue Reviewed and Privilege Fees Due  
For the Period October 1, 2015 to September 30, 2018

For The Period of October 1, 2016 to September 30, 2017:

	<b>Gross Revenue Reported by Avis</b>	<b>Gross Revenue Reviewed</b> <sup>(1)</sup>	<b>Difference Under/(Over) Reported</b>	<b>Privilege Fee Rate</b>	<b>Recomputed Privilege Fees Due</b>	<b>Privilege Fees Paid</b> <sup>(2)</sup>	<b>Additional Fees Now Due/ (Overpaid)</b>
	Column A	Column B	Column B - A	Column C	Column B x C	Column D	Column D - (B x C)
<b>October 2016</b>	\$ 3,001,339	3,035,024	33,685	10.00%	303,502	300,134	3,368
<b>November 2016</b>	2,448,058	2,471,589	23,531	10.00%	247,159	244,806	2,353
<b>December 2016</b>	2,304,229	2,325,580	21,351	10.00%	232,558	230,423	2,135
<b>January 2017</b>	2,308,175	2,333,466	25,291	10.00%	233,347	230,818	2,529
<b>February 2017</b>	2,338,372	2,363,853	25,481	10.00%	236,385	233,837	2,548
<b>March 2017</b>	2,945,098	2,979,539	34,441	10.00%	297,954	294,510	3,444
<b>April 2017</b>	2,796,220	2,832,280	36,060	10.00%	283,228	312,490	(29,262)
<b>May 2017</b>	2,988,801	3,038,886	50,085	10.00%	303,889	298,880	5,009
<b>June 2017</b>	3,512,456	3,558,184	45,728	10.00%	355,818	351,246	4,572
<b>July 2017</b>	3,385,320	3,422,516	37,196	10.00%	342,252	338,532	3,720
<b>August 2017</b>	3,566,706	3,602,149	35,443	10.00%	360,215	356,670	3,545
<b>September 2017</b>	3,258,277	3,295,390	37,113	10.00%	329,539	325,828	3,711
	<u>\$ 34,853,051</u>	<u>35,258,456</u>	<u>405,405</u> <sup>(3)</sup>		<u>3,525,846</u> <sup>(4)</sup>	<u>3,518,174</u>	<u>7,672</u> <sup>(5)</sup>

Required Adjustments

Add: Credit Taken on December 1, 2018 for Overpayment of Privilege Fees Due	32,252 <sup>(6)</sup>
Add: Fees Now Due for Prepaid Gas Revenue Excluded	39,924 <sup>(7)</sup>
Add: Late Fees	250 <sup>(8)</sup>
<b>Total Additional Fees Now Due</b>	<u>\$ 40,174</u>

<sup>(1)</sup> Gross Revenue Reviewed includes prepaid gas revenue excluded from Gross Revenue Reported by Avis.

<sup>(2)</sup> Privilege fees are paid monthly.

<sup>(3)</sup> Difference between Gross Revenue Reported and Gross Revenue Reviewed is \$405,405, which includes \$6,163 under reported gross revenue and \$399,242 excluded prepaid gas revenue. The \$6,163 under reported gross revenue amount is \$34,859,214 (Gross Revenue per Avis' Annual Report) less \$34,853,051 (Gross Revenue Reported by Avis).

<sup>(4)</sup> Required concession payments (Privilege Fees Due) is the greater of 10% gross revenue receipts or minimum annual guarantee (MAG) of \$2,911,786.

<sup>(5)</sup> Additional fees due at the end of September 30, 2017.

<sup>(6)</sup> Avis' Annual Report noted that actual payments from Avis exceeded required concession payments by \$32,252 as of year ended September 2017. Credit was taken by Avis on December 1, 2018. As such, the schedule is adjusted to reflect amount due to Airports for prepaid gas excluded.

<sup>(7)</sup> Gross Revenue Reported by Avis excluded prepaid gas revenue in the amount of \$399,242. Additional fees due for excluded prepaid gas revenue result in a net of \$39,924 (10% of \$399,242). See Attachment IV, *Schedule of Prepaid Gas Revenue Excluded from Gross Revenue Receipts*. Also see Finding #4 on Attachment III *Current Findings and Recommendations*.

<sup>(8)</sup> Audited Statement of Revenue/Annual Report submitted late. See Finding #3 on Attachment III, *Current Findings and Recommendations*.

County of Sacramento Department of Airports  
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Rental Car Concessionaire Operations at Sacramento International Airport  
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For the Period October 1, 2015 to September 30, 2018

For The Period of October 1, 2017 to September 30, 2018:

	<b>Gross Revenue Reported by Avis</b>	<b>Gross Revenue Reviewed</b> <sup>(1)</sup>	<b>Difference Under/(Over) Reported</b>	<b>Privilege Fee Rate</b>	<b>Recomputed Privilege Fees Due</b>	<b>Privilege Fees Paid</b> <sup>(2)</sup>	<b>Additional Fees Now Due/ (Overpaid)</b> Column D - (B x C)
	Column A	Column B	Column B - A	Column C	Column B x C	Column D	
<b>October 2017</b>	\$ 3,195,506	3,230,435	34,929	10.00%	323,043	319,551	3,492
<b>November 2017</b>	2,674,402	2,699,540	25,138	10.00%	269,954	267,440	2,514
<b>December 2017</b>	2,387,434	2,407,934	20,500	10.00%	240,793	242,649	(1,856)
<b>January 2018</b>	2,109,169	2,129,470	20,301	10.00%	212,947	242,649	(29,702)
<b>February 2018</b>	2,282,324	2,303,669	21,345	10.00%	230,367	242,649	(12,282)
<b>March 2018</b>	3,060,363	3,089,456	29,093	10.00%	308,946	306,036	2,910
<b>April 2018</b>	2,828,834	2,861,760	32,926	10.00%	286,176	282,883	3,293
<b>May 2018</b>	3,112,093	3,152,956	40,863	10.00%	315,296	311,209	4,087
<b>June 2018</b>	3,302,379	3,345,550	43,171	10.00%	334,555	330,238	4,317
<b>July 2018</b>	3,339,745	3,375,384	35,639	10.00%	337,538	333,975	3,563
<b>August 2018</b>	3,471,065	3,508,325	37,260	10.00%	350,833	347,106	3,727
<b>September 2018</b>	3,173,567	3,213,160	39,593	10.00%	321,316	317,357	3,959
	<u>\$ 34,936,881</u>	<u>35,317,639</u>	<u>380,758</u> <sup>(3)</sup>		<u>3,531,764</u> <sup>(4)</sup>	<u>3,543,742</u>	<u>(11,978)</u> <sup>(5)</sup>

Required Adjustments

Add: Credit Taken for Overpayment of Privilege Fees Due	49,946 <sup>(6)</sup>
Add: Fees Now Due for Prepaid Gas Excluded	37,968 <sup>(7)</sup>
Add: Late Fees	197 <sup>(8)</sup>
<b>Total Additional Fees Now Due</b>	<u>\$ 38,165</u>

<sup>(1)</sup> Gross Revenue Reviewed includes prepaid gas revenue excluded from Gross Revenue Reported by Avis.

<sup>(2)</sup> Privilege fee is paid monthly.

<sup>(3)</sup> Difference between Gross Revenue Reported and Gross Revenue Reviewed is \$380,758, which includes \$1,079 under reported gross revenue and \$379,679 excluded prepaid gas revenue. The \$1,079 under reported gross revenue amount is \$34,937,960 (Gross Revenue per Avis' Annual Report) less \$34,936,881 (Gross Revenue Reported by Avis).

<sup>(4)</sup> Required concession payments (Privilege Fees Due) is the greater of 10% gross revenue receipts or minimum annual guarantee (MAG) of \$2,963,033.

<sup>(5)</sup> Additional fee due at the end of September 30, 2018.

<sup>(6)</sup> Avis' Annual Report noted that actual payments from Avis exceeded required concession payments by \$49,946 as of the year ended September 2018. A credit was issued on March 12, 2019, which Avis subsequently used on invoices between March through June 2019. As such, the schedule is adjusted to reflect amount now due to Airports for prepaid gas excluded.

<sup>(7)</sup> Gross revenue reported by Avis excluded prepaid gas revenue in the amount of \$379,679. Additional fees due for excluded prepaid gas revenue result in a net of \$37,968 (10% of \$379,679). See Attachment IV, *Schedule of Prepaid Gas Revenue Excluded from Gross Revenue Receipts*. Also see Finding #4 on Attachment III, *Current Findings and Recommendations*.

<sup>(8)</sup> Audited Statement of Revenue/Annual Report submitted late. See Finding #3 on Attachment III, *Current Findings and Recommendations*.



County of Sacramento Department of Airports  
Review of Avis Budget Car Rental, LLC  
Rental Car Concessionaire Operations at Sacramento International Airport  
Current Status of Prior Year Finding and Recommendation  
For the Period of October 1, 2015 to September 30, 2018

**CURRENT STATUS OF PRIOR REVIEW FINDING AND RECOMMENDATION**

Finding and recommendation is copied over from prior review included in the report issued on August 12, 2013 for the period October 1, 2009 to September 30, 2011.

**CERTIFIED ANNUAL REPORTS**

Prior Year Comment:

In our review of compliance with reporting requirements as noted in their contract, we noted that in both years 2006/07 and 2007/08, Avis did not provide an internal control review of Avis' computer systems prepared by an independent Certified Public Accountant. (Prior year comment for audit of years 2006/07 and 2007/08)

In our review of compliance with reporting requirements as noted in their contract, we noted that in both years 2009/10 and 2010/11, Avis did not provide an internal control review of Avis' computer systems prepared by an independent Certified Public Accountant. (Prior year comment for audit of years 2009/10 and 2010/11)

Prior Year Recommendation:

We recommend that the Airport monitor Avis to ensure that the contract requirement for an internal control review, prepared by an independent Certified Public Accountant, is met. (Prior recommendation for audit of years 2006/07 and 2007/08)

As in previous years, we recommend that the Airport monitor Avis to ensure that the contract requirement for an internal control review, prepared by an independent Certified Public Accountant, is met. (Prior recommendation for audit of years 2009/10 and 2010/11)

Current Year Status:

We inquired with Airports at the entrance conference to determine if Avis is in compliance with Article #5.07, Part A (2) of the rental car concession and lease agreement. It does not appear that Airports has records of an audited review or report of Avis' centralized computer system being evaluated by an independent Certified Public Accountant. See Finding #1 in Attachment III, *Current Findings and Recommendations*.

County of Sacramento Department of Airports  
Review of Avis Budget Car Rental, LLC  
Rental Car Concessionaire Operations at Sacramento International Airport  
Current Findings and Recommendations

For the Period October 1, 2015 to September 30, 2018

**1. Unaudited Centralized Computer System**

Comment

As part of our audit procedures, we followed up on the prior year finding and recommendation documented in the audit report issued on August 12, 2013. Per prior year recommendation, Airports is to monitor Avis to ensure that the contract requirement for an internal control review, prepared by an independent Certified Public Accountant (CPA), is met. After inquiry with Airports staff, it does not appear that Airports has records of the reviews of internal control over Avis' centralized computer system. As such, the reporting requirement in Article 5.07 Part A (2) under Records and Payments of the Agreement is still not met.

We noted that the reporting requirement listed in Article 5.07 Part A (2) from prior year agreement has changed. As of October 1, 2014, Article 3.09 Concessionaire's Audit and Article 3.50 Records and Reports in the Agreement defines the items required from independent CPA for the evaluation of internal controls and recording and reporting. Items required listed in this Agreement does not include a report prepared by an independent CPA evaluating the adequacy of the internal controls over the operation of the centralized computer system.

Recommendation

Avis should provide internal control review over its centralized computer system to comply with Article 5.07 Part A (2). We recommend that Airports consider incorporating in its future Agreement with Avis the requirement of a Service Organization Control (SOC) 2 report or a similar report. A SOC 2 report will document independent CPA's evaluation of an organization's information systems relevant to security, availability, processing integrity, confidentiality or privacy. Since concessionable revenues and concession amount due reported to Airports are calculated using the car rental activities data extracted from Avis' Wizard System, it is critical to have an independent CPA evaluate the adequacy of internal control over the centralized computer system. The review should provide reasonable assurance that the information reported by Avis to Airports is complete and accurate.

Management Response (Avis)

The opinion letter that we provide from our external CPA implies the strengths and weaknesses of internal control for Avis / Budget as it is an audit of our yearly concessions to the airport. We have no further response except to say we disagree that the documentation we provided from our CPA did not meet the spirit and intent of the contract terms.

County of Sacramento Department of Airports  
Review of Avis Budget Car Rental, LLC  
Rental Car Concessionaire Operations at Sacramento International Airport  
Current Findings and Recommendations

For the Period October 1, 2015 to September 30, 2018

Management Response (Department of Airports)

Article 5.07 Part A (2) requiring Avis' centralized computer system to be evaluated by an independent Certified Public Accountant (CPA) is no longer required in the current October 1, 2014 agreement. Avis must adhere to the requirements of the current agreement, Article 3.09 Concessionaire's Audit and Article 3.50 Records and Reports, which do not require an independent CPA to evaluate the adequacy of the internal controls over the operation of the centralized computer system.

**2. Concessionaire's Audit Requirements (Evaluation of Internal Control) Missing**

Comment

Per Article 3.09 Part A, Concessionaire's Audit shall be in a format and in detail satisfactory to the County and shall include all requirements listed in Article 3.09 Part A (1) through (4). The independent CPA audited Statement of Revenues/Annual Report (combined reports) submitted did not adequately address Part A (3) and (4).

Per Article 3.09 A (3), audit shall include "*copies of any reports prepared by such CPA or by Concessionaire's internal audit staff for Concessionaire relating exclusively to this Agreement, and specifically describing any strengths or weaknesses of internal fiscal controls.*" Additionally, Article 3.09 A (4), audit shall include "*a management letter prepared by such CPA for Concessionaire relating exclusively to the Agreement, and specifically describing Concessionaire's internal accounting controls as they relate to cash handling, processing of receipts and security of cash at the Airport, including a control analysis of the strengths and weaknesses of such controls.*"

The audit report prepared by the independent CPA did not include any reports and management letters that specifically describe the strengths and weaknesses of internal controls. The independent auditor's report issued by the CPA firm only included a disclosure statement related to auditor's responsibility for the audit, which stated that "In making risk assessments [related to risks of material misstatement of the schedule], the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control." As such, requirements (3) and (4) of Article 3.09 are not met.

The requirements to include copies of any reports and management letters that specifically describe strengths and weaknesses of internal controls is to provide Airports with relevant information to assess the concessionaire's operation at the Sacramento International Airport and reliability of concessionable revenue reported to Airports.

County of Sacramento Department of Airports  
Review of Avis Budget Car Rental, LLC  
Rental Car Concessionaire Operations at Sacramento International Airport  
Current Findings and Recommendations

For the Period October 1, 2015 to September 30, 2018

Recommendation

Avis should provide the required reports and management letters to comply with Article 3.09 Part A (3) and (4). If such reports and letters are not provided by the due date, Airports should follow-up with Avis promptly. Additionally, Airports should consider modifying future Agreement with Avis to include consequences for non-compliance with Article 3.09 Part A (3) and (4).

Management Response (Avis)

The opinion letter that we provide from our external CPA implies the strengths and weaknesses of internal control for Avis / Budget as it is an audit of our yearly concessions to the airport. We have no further response except to say we disagree that the documentation we provided from our CPA did not meet the spirit and intent of the contract terms.

Management Response (Department of Airports)

Avis is required to adhere to Article 3.09 Part A (3) and (4) in the current October 1, 2014 agreement. The Department of Airports will set a deadline for Avis to comply and monitor compliance. The current agreement includes procedures in place if the Concessionaire does not meet the obligations of Article 3.09 Part A. The County may employ an independent CPA to perform the required audit and recover the cost of the audit, to include a fifteen percent (15%) administrative charge.

**3. Audited Statement of Revenues/Annual Report Submitted After Required Due Date**

Comment

Audited Statement of Revenues/Annual Report prepared by independent CPA for Avis were not submitted in a timely manner for the three years currently under review. The reports were submitted 49 days late for Agreement Year 2015/16, 75 days late for Agreement Year 2016/17, and 59 days late for Agreement Year 2017/18. Per the Agreement, the CPA certified annual Statement of Revenues are due no later than 120 days following the last day of every Agreement Year (Article 3.09) and Annual Reports are due no later than 60 days following the last day of each Agreement Year (Article 3.50 Part B). We confirmed with Airports staff that Avis submit a combined report (CPA certified annual Statement of Revenues and Annual Report) annually. This combined report is due no later than 60 days following the last day of each Agreement Year (Deadline: November 30).

Avis staff confirmed that these combined reports were submitted late to Airports. Per Avis, the CPA certified annual Statement of Revenues/Annual Reports for Agreement Years 2015/16

County of Sacramento Department of Airports  
Review of Avis Budget Car Rental, LLC  
Rental Car Concessionaire Operations at Sacramento International Airport  
Current Findings and Recommendations

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and 2017/18 were submitted in early January. No timeframe was provided for the report for Agreement Year 2016/17.

Per Article 3.50 Part C, *“If Concessionaire is delinquent for ten (10) days or more in furnishing to the County any annual report required under this Agreement, Concessionaire shall pay the County a One Hundred Dollars and 00/100ths (\$100.00) late fee for each month, or partial month, that the annual report is delinquent.”* Avis is required to pay a late fee to Airports for each delinquent annual report. In this case, a total of \$610 (\$163 for 2015/16, \$250 for 2016/17, and \$197 for 2017/18) is due to Airports for late fees.

Recommendation

Avis should submit the combined report in a timely manner to comply with Article 3.50 Part B. We recommend that Airports monitor Avis to ensure compliance with the terms of the Agreement. The audited annual Statement of Revenues/Annual Report should be submitted to Airports on or before November 30. We also recommend that Airports request for the \$610 additional fees now due from Avis for the late fees.

Management Response (Avis)

Avis did not specifically respond to this recommendation. Avis agrees to the \$110,284 amount due to the Department of Airports documented in Finding #4. The \$110,284 amount due includes the \$610 late fees noted in this Finding.

Management Response (Department of Airports)

Avis is required to submit Annual Report and Audited Statement of Revenues according to the terms in the Agreement as follows:

Article 3.09 Part A (1) - An audited statement of Gross Revenues shall be submitted to the Department Accounting Office by no later than one hundred twenty (120) calendar days following the last day of every Agreement Year.

Article 3.5 Part B - An Annual Report for each Agreement Year throughout the Terms of this Agreement not later than sixty (60) calendar days following the last day of each Agreement Year.

The Department of Airports will issue a one-time invoice of \$610 for late submission of annual reports for Agreement Years 2016, 2017 and 2018, per Current Findings and Recommendations No. 3.

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**4. Fuel Service Charge (Prepaid Gas) Excluded from Gross Revenue Reported**

Comment

We noted that Avis record charges related to gas in two categories (Gas and Prepaid Gas) in the Business Area Report (BAR). We inquired about the two categories used on the BAR data files and how the two categories are used to record fuel service charges for Avis. Specifically, Option #1 Cost of Replacement Fuel and Option #2 Prepaid Gas from the fuel service options list on the Rental Terms and Conditions document. Avis did not specify how the fuel service charge options were recorded in their response to our inquiry. Avis stated that “all gas” is not concessionable per their understanding of the Agreement terms. As such, gas revenue is excluded from gross revenue receipts to Airports.

Per Article 1.11 under the “Gross Revenues” section, only “*amounts collected from customers for cost of fuel replacement, where vehicles are not returned with the level of fuel required in the rental agreement*” are excludable from gross revenues (exclusion item #5 under Article 1.11). Prepaid Gas should be included in gross revenue reported to Airports if Avis is making the distinction between cost of replacement fuel and prepaid gas. See Attachment IV, *Schedule of Prepaid Gas Revenue Excluded from Gross Revenue Receipts*.

Recommendation

We recommend a discussion between Airports and Avis to determine the reasoning for excluding Prepaid Gas from gross revenue receipts. If deemed appropriate, Airports should collect unreported amount. We also recommend that Airports review and monitor the components used by Avis to calculate gross revenue reported to Airports to ensure that Avis is including all concessionable revenue in its report to Airports.

Management Response (Avis)

We reviewed the contract and agree that Prepaid Gas is a concessionable item and agree to the \$110,284 amount due to the airport.

Management Response (Department of Airports)

Based on the discussion with the County Counsel on February 18, 2020, the decision was made to require inclusion of prepaid gas in the Gross Revenue. The Department of Airports will issue a one-time invoice of \$109,674 for prepaid gas that should have been included in the Gross Revenue for CYs 2016, 2017 and 2018, per Current Findings and Recommendations No. 4.

The Department of Airports bills Avis straight 10% of the total revenue reported on a monthly basis. The past and current reports have no detail of concessionable and non-concessionable revenue, and The Department of Airports has no direct access to any of the accounting systems of Avis to verify if all billable activities are being captured. We rely on Avis’ Annual Report,

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audited by an independent CPA to reconcile their monthly revenue and payments made to the Airports.

The Department of Airports will require Avis to modify their future monthly reports to itemize concessionable and non-concessionable revenue rather than reporting by total gross sales only. This is to ensure that Avis will be billed according to the terms in the agreement.

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 Schedule of Prepaid Gas Revenue Excluded from Gross Revenue Receipts

For the Period October 1, 2015 to September 30, 2018

For The Period of October 1, 2015 to September 30, 2016:

	<b>Prepaid Gas Revenue (Avis)</b>	<b>Prepaid Gas Revenue (Budget)</b>	<b>Estimated Prepaid Gas Revenue (Payless)</b> <sup>(1)</sup>	<b>Total</b> <sup>(2)</sup>	<b>Privilege Fee Rate</b>	<b>Privilege Fees Due</b>
	Column A	Column B	Column C	Columns A + B + C	Column D	Column D x (A + B + C)
<b>October 2015</b>	\$ 13,180	17,393	1,892	32,465	10.00%	3,246
<b>November 2015</b>	10,800	13,065	2,108	25,973	10.00%	2,597
<b>December 2015</b>	10,243	10,756	1,866	22,865	10.00%	2,287
<b>January 2016</b>	9,872	10,106	2,545	22,523	10.00%	2,252
<b>February 2016</b>	9,029	10,512	2,546	22,087	10.00%	2,209
<b>March 2016</b>	10,133	10,694	2,777	23,604	10.00%	2,360
<b>April 2016</b>	6,330	10,730	2,382	19,442	10.00%	1,944
<b>May 2016</b>	13,714	14,212	3,116	31,042	10.00%	3,104
<b>June 2016</b>	12,176	15,705	2,477	30,358	10.00%	3,036
<b>July 2016</b>	11,603	13,106	3,001	27,710	10.00%	2,771
<b>August 2016</b>	11,157 <sup>(3)</sup>	12,961	2,709	26,827	10.00%	2,683
<b>September 2016</b>	15,643	14,801	2,484	32,928	10.00%	3,293
<b>Total</b>	<u>\$ 133,880</u>	<u>154,041</u>	<u>29,903</u>	<u>317,824</u> <sup>(4)</sup>		<u>31,782</u> <sup>(5)</sup>

<sup>(1)</sup> Estimated Prepaid Gas Revenue for Payless was extrapolated using data provided by Avis. As such, Prepaid Gas Revenue for Payless division on schedule is estimated at 0.89% of total revenue for Payless.

<sup>(2)</sup> Under Avis Budget Car Rental, LLC, there are four divisions (Avis Rent A Car System, LLC, Budget Rent A Car System, Inc., Payless Car Rental, Inc., and Zipcar, Inc.). Zipcar, Inc. does not appear to have prepaid gas revenue. Accordingly, Zipcar Inc. is excluded from this schedule.

<sup>(3)</sup> Data file for August 2016 is not available per Avis. As such, average Prepaid Gas Revenue for the period is used.

<sup>(4)</sup> Total Prepaid Gas Revenue excluded from reported gross revenue receipts to Airports for the period that ended on September 30, 2016. See Finding #4 on Attachment III, *Current Findings and Recommendations*.

<sup>(5)</sup> Required concession payments (Privilege Fees Due) is 10% gross revenue receipts.



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For The Period of October 1, 2016 to September 30, 2017:

	<b>Prepaid Gas Revenue (Avis)</b>	<b>Prepaid Gas Revenue (Budget)</b>	<b>Estimated Prepaid Gas Revenue (Payless)</b> <sup>(1)</sup>	<b>Total</b> <sup>(2)</sup>	<b>Privilege Fee Rate</b>	<b>Privilege Fees Due</b>
	Column A	Column B	Column C	Columns A + B + C	Column D	Column D x (A + B + C)
<b>October 2016</b>	\$ 14,011 <sup>(3)</sup>	15,358	2,815	32,184	10.00%	3,218
<b>November 2016</b>	10,401	10,533	2,346	23,280	10.00%	2,328
<b>December 2016</b>	9,240	9,148	2,214	20,602	10.00%	2,060
<b>January 2017</b>	10,599	11,190	2,097	23,886	10.00%	2,389
<b>February 2017</b>	11,041	11,314	1,872	24,227	10.00%	2,423
<b>March 2017</b>	16,966	14,653	2,463	34,082	10.00%	3,408
<b>April 2017</b>	14,198	18,857	2,987	36,042	10.00%	3,604
<b>May 2017</b>	19,405	27,522	3,280	50,207	10.00%	5,021
<b>June 2017</b>	17,861	23,933	3,684	45,478	10.00%	4,548
<b>July 2017</b>	13,376	19,193	4,419	36,988	10.00%	3,699
<b>August 2017</b>	13,948	16,377	4,952	35,277	10.00%	3,527
<b>September 2017</b>	17,081	16,787	3,121	36,989	10.00%	3,699
<b>Total</b>	<u>\$ 168,127</u>	<u>194,865</u>	<u>36,250</u>	<u>399,242</u> <sup>(4)</sup>		<u>39,924</u> <sup>(5)</sup>

<sup>(1)</sup> Estimated Prepaid Gas Revenue for Payless was extrapolated using data provided by Avis. As such, Prepaid Gas Revenue for Payless division on schedule is estimated at 1.05% of total revenue for Payless.

<sup>(2)</sup> Under Avis Budget Car Rental, LLC, there are four divisions (Avis Rent A Car System, LLC, Budget Rent A Car System, Inc., Payless Car Rental, Inc., and Zipcar, Inc.). Zipcar Inc. does not appear to have Prepaid Gas Revenue and its operation at the Sacramento International Airport ended in May 2017. Accordingly, Zipcar, Inc. is excluded from this schedule.

<sup>(3)</sup> Data file for October 2016 is not available per Avis. As such, average Prepaid Gas Revenue for the period is used.

<sup>(4)</sup> Total Prepaid Gas Revenue excluded from reported gross revenue receipts to Airports for the period that ended on September 30, 2017. See Finding #4 on Attachment III, *Current Findings and Recommendations*.

<sup>(5)</sup> Required concession payments (Privilege Fees Due) is 10% gross revenue receipts.

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For The Period of October 1, 2017 to September 30, 2018:

	<b>Prepaid Gas Revenue (Avis)</b>	<b>Prepaid Gas Revenue (Budget)</b>	<b>Estimated Prepaid Gas Revenue (Payless) <sup>(1)</sup></b>	<b>Total</b>	<b>Privilege Fee Rate</b>	<b>Privilege Fees Due</b>
	Column A	Column B	Column C	Columns A + B + C	Column D	Column D x (A + B + C)
<b>October 2017</b>	\$ 15,546	16,573	2,465	34,584	10.00%	3,458
<b>November 2017</b>	10,846	12,039	1,795	24,680	10.00%	2,468
<b>December 2017</b>	9,899	8,042	2,359	20,300	10.00%	2,030
<b>January 2018</b>	8,813	8,985	2,429	20,227	10.00%	2,023
<b>February 2018</b>	10,840	8,233	2,272	21,345	10.00%	2,135
<b>March 2018</b>	13,628	12,890	2,573	29,091	10.00%	2,909
<b>April 2018</b>	14,987	15,487	2,452	32,926	10.00%	3,293
<b>May 2018</b>	17,177	20,237	3,449	40,863	10.00%	4,086
<b>June 2018</b>	16,569	23,379	3,223	43,171	10.00%	4,317
<b>July 2018</b>	15,704	15,987	3,948	35,639	10.00%	3,564
<b>August 2018</b>	15,987	17,734	3,539	37,260	10.00%	3,726
<b>September 2018</b>	15,782	21,156	2,655	39,593	10.00%	3,959
<b>Total</b>	<u>\$ 165,778</u>	<u>180,742</u>	<u>33,159</u>	<u>379,679 <sup>(2)</sup></u>		<u>37,968 <sup>(3)</sup></u>

<sup>(1)</sup> Estimated Prepaid Gas Revenue for Payless was extrapolated using data provided by Avis. As such, Prepaid Gas Revenue for Payless division on schedule is estimated at 1.00% of total revenue for Payless.

<sup>(2)</sup> Total Prepaid Gas Revenue excluded from reported gross revenue receipts to Airports for the period that ended on September 30, 2018. See Finding #4 on Attachment III, *Current Findings and Recommendations*.

<sup>(3)</sup> Required concession payments (Privilege Fees Due) is 10% gross revenue receipts.

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Schedule of Prepaid Gas Revenue Excluded from Gross Revenue Receipts

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<b>Agreement Period</b>	<b>Prepaid Gas Revenue (Avis)</b>	<b>Prepaid Gas Revenue (Budget)</b>	<b>Estimated Prepaid Gas Revenue (Payless) <sup>(1)</sup></b>	<b>Total <sup>(2)</sup></b>	<b>Privilege Fee Rate</b>	<b>Privilege Fees Due</b>
	Column A	Column B	Column C	Columns A + B + C	Column D	Column D x (A + B + C)
2015-2016	\$ 133,880	154,041	29,903	317,824	10.00%	31,782
2016-2017	168,127	194,865	36,250	399,242	10.00%	39,924
2017-2018	165,778	180,742	33,159	379,679	10.00%	37,968
<b>Grand Total</b>	<b>\$ 467,785</b>	<b>529,648</b>	<b>99,312</b>	<b>1,096,745 <sup>(3)</sup></b>		<b>109,674 <sup>(4)</sup></b>

<sup>(1)</sup> Estimated Prepaid Gas Revenue for Payless was extrapolated using data provided by Avis. As such, Prepaid Gas Revenue for Payless division on schedule is estimated using a percentage rate for each of the three-year period under review.

<sup>(2)</sup> Under Avis Budget Car Rental, LLC, there are four divisions (Avis Rent A Car System, LLC, Budget Rent A Car System, Inc., Payless Car Rental, Inc., and Zipcar, Inc.). Zipcar Inc. does not appear to have prepaid gas revenue and its operation at the Sacramento International Airport ended in May 2017. Accordingly, Zipcar, Inc. is excluded from this schedule.

<sup>(3)</sup> Sum total of Prepaid Gas Revenue excluded from reported gross revenue receipts to Airports for the three-year period audited.

<sup>(4)</sup> Required concession payments (Privilege Fees Due) is 10% gross revenue receipts.