

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
July 25, 2017
“Communications Received and Filed” Item

To: Board of Supervisors
From: Department of Finance
Subject: Review Of Hertz Rent A Car Concessionaire With The Department Of Airports
For The Period October 1, 2011 To April 30, 2015
Supervisory District(s): All
Contact: Joyce Renison, Director of Finance, 874-7248

RECOMMENDATION

Receive and file the attached agreed upon procedures report, *Review of Hertz Rent A Car Concessionaire with the Department of Airports for the Period October 1, 2011 to April 30, 2015.*

Respectively submitted,

Ben Lamera
Director of Finance

Attachment

ATT 1 - Review of Hertz Rent A Car Concessionaire with the Department of Airports for the Period October 1, 2011 to April 30, 2015.

Department of Finance

Ben Lamera,
Director



Agenda Date: July 25, 2017

ATT 1

Auditor-Controller Division

Joyce Renison,
Assistant Auditor-Controller

County of Sacramento

June 9, 2017

To: John Wheat
Director of Airports

From: Ben Lamera
Director of Finance

By: Alan A. Matré, C.P.A.
Chief of Audits

A handwritten signature in black ink, appearing to read "Alan A. Matré", is written over the printed name and title.

Subject: **REVIEW OF HERTZ RENT A CAR CONCESSIONAIRE WITH THE
DEPARTMENT OF AIRPORTS FOR THE PERIOD OCTOBER 1, 2011
TO APRIL 30, 2015**

We have performed the procedures enumerated below for Hertz Rent A Car (Hertz) concessionaire operations at the Sacramento International Airport for the contract years October 1, 2011 through April 30, 2015. These procedures were performed solely to verify that Hertz has reported gross sales and paid the appropriate concessionaire fees, according to their contract with County of Sacramento, Department of Airports (Airports). This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. 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.

The procedures we performed are summarized as follows:

- Evaluated the internal controls over accounting and administrative procedures pertaining to the recording of revenues.

Finding: Hertz did not have an independent certified public accountant conduct an internal control review of its computer system. See Attachment II, *Current Status of Prior Finding and Recommendation*.

- Performed certain tests of the accounting controls and transactions to determine both the reliability and accuracy of these controls and concessionaire operations.

Finding: No exceptions were noted as a result of our procedures.

- Reviewed revenues reported to Airports by Hertz.

Finding: Hertz submitted its audited *Statement of Revenue Reports* after the required due dates. See Attachment I, *Schedule of Revenue Activity*. Also see Attachment III, *Current Findings and Recommendations*.

We were not engaged to, and did not perform an audit, the objectives of which would be the expression of an opinion on the financial statements of Hertz. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Hertz's responses to the findings identified during our engagement are described in Attachment III, *Current Findings and Recommendations*. We did not perform procedures to validate Hertz's 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 Airport's management and should not be used for any other purpose. However this report is a matter of public record and its distribution is not limited.

Attachments

cc: Members, Board of Supervisors
Nancy Newton, Assistant County Executive
David Villanueva, Deputy County Executive
Britt Ferguson, Chief Fiscal Officer
Camelia Radulescu, Senior Accounting Manager

COUNTY OF SACRAMENTO
DEPARTMENT OF AIRPORTS
HERTZ RENT A CAR
RENTAL CAR CONCESSION AND LEASE AGREEMENT REVIEW
SCHEDULE OF REVENUE ACTIVITY

FOR THE PERIOD OCTOBER 1, 2011 TO APRIL 30, 2015

Contract Year
October 1, 2011 to September 30, 2012

<u>Month</u>	<u>Year</u>	<u>Gross Revenue</u>	<u>Revenue on Supporting Reports¹</u>	<u>Difference</u>	<u>Concession Fee Remitted</u>
October	2011	\$ 1,912,539	1,912,539		191,254
November	2011	1,649,486	1,649,486		164,949
December	2011	1,509,365	1,509,365		150,937
January	2012	1,406,548	1,406,548		140,655
February	2012	1,494,861	1,494,861		149,486
March	2012	1,953,336	1,953,336		195,334
April	2012	1,817,700	1,817,700		181,770
May	2012	1,903,220	1,903,220		190,322
June	2012	1,960,324	1,960,324		196,032
July	2012	2,007,603	2,007,603		200,760
August	2012	2,321,853	2,321,853		232,185
September	2012	<u>2,051,834</u>	<u>2,051,834</u>		<u>205,183</u>
Totals		<u>\$ 21,988,669</u>	<u>21,988,669</u>		<u>2,198,867</u>

Contract Year
October 1, 2012 to September 30, 2013

<u>Month</u>	<u>Year</u>	<u>Gross Revenue</u>	<u>Revenue on Supporting Reports¹</u>	<u>Difference</u>	<u>Concession Fee Remitted</u>
October	2012	\$ 2,156,092	2,156,092		215,609
November	2012	1,837,937	1,837,937		183,794
December	2012	1,624,532	1,624,532		162,453
January	2013	1,739,435	1,739,435		173,944
February	2013	1,783,465	1,783,465		178,347
March	2013	2,065,352	2,065,352		206,535
April	2013	2,053,878	2,053,878		205,388
May	2013	2,148,621	2,148,621		214,862
June	2013	2,184,124	2,184,124		218,412
July	2013	2,197,919	2,197,919		219,792
August	2013	2,362,710	2,362,710		236,271
September	2013	<u>2,151,890</u>	<u>2,151,890</u>		<u>215,189</u>
Totals		<u>\$ 24,305,955</u>	<u>24,305,955</u>		<u>2,430,596</u>

COUNTY OF SACRAMENTO
DEPARTMENT OF AIRPORTS
HERTZ RENT A CAR
RENTAL CAR CONCESSION AND LEASE AGREEMENT REVIEW
SCHEDULE OF REVENUE ACTIVITY

FOR THE PERIOD OCTOBER 1, 2011 TO APRIL 30, 2015

Contract Year
October 1, 2013 to September 30, 2014

<u>Month</u>	<u>Year</u>	<u>Gross Revenue</u>	<u>Revenue on Supporting Reports¹</u>	<u>Difference</u>	<u>Concession Fee Remitted</u>
October	2013	\$ 2,110,900	2,110,900		211,090
November	2013	1,778,699	1,778,699		177,870
December	2013	1,758,516	1,758,516		175,852
January	2014	1,695,948	1,695,948		169,595
February	2014	1,792,614	1,792,614		179,261
March	2014	2,064,645	2,064,645		206,465
April	2014	1,857,202	1,857,202		185,720
May	2014	1,966,267	1,966,267		196,627
June	2014	2,097,543	2,097,543		209,754
July	2014	2,023,500	2,023,500		202,350
August	2014	2,107,701	2,107,701		210,770
September	2014	<u>2,013,336</u>	<u>2,013,336</u>		<u>201,334</u>
Totals		<u>\$ 23,266,871</u>	<u>23,266,871</u>		<u>2,326,687</u>

Contract Year
October 1, 2014 to April 30, 2015

<u>Month²</u>	<u>Year</u>	<u>Gross Revenue</u>	<u>Revenue on Supporting Reports¹</u>	<u>Difference</u>	<u>Concession Fee Remitted</u>
October	2014	\$ 1,996,310	1,996,310		199,631
November	2014	1,793,882	1,793,882		179,388
December	2014	1,560,240	1,560,240		156,024
January	2015	1,618,558	1,618,558		161,856
February	2015	1,673,652	1,673,652		167,365
March	2015	1,886,282	1,886,282		188,628
April	2015	<u>1,980,147</u>	<u>1,980,147</u>		<u>198,015</u>
Totals		<u>\$ 12,509,071</u>	<u>12,509,071</u>		<u>1,250,907</u>

¹ Supporting reports were only obtained for the months that were tested.

² Hertz merged with Dollar Rent A Car and Thrifty Car Rental in April 2015. Airports requested the Hertz review be conducted up to merger.

COUNTY OF SACRAMENTO
DEPARTMENT OF AIRPORTS
HERTZ RENT A CAR
CONTRACT REVIEW
CURRENT STATUS OF PRIOR FINDING AND RECOMMENDATION
FOR PERIOD OCTOBER 1, 2011 TO APRIL 30, 2015

**CURRENT STATUS OF PRIOR FINDING AND RECOMMENDATION (Report dated
January 3, 2014 for the period October 1, 2009 to September 30, 2011)**

Certified Annual Statements

Comment

In our review of compliance with reporting requirements as noted in their contract, we noted that in both years 2009-10 and 2010-11, The Hertz Corporation (Hertz) did not provide an internal control review of Hertz' computer systems prepared by an Independent Certified Public Accountant.

Recommendation

We recommend that the Sacramento County Department of Airports monitor Hertz to ensure that the contract requirement for an internal control review, prepared by an Independent Certified Public Accountant, is met.

Current Status

During our review, Hertz continued not to submit an independent certified public accountant conduct an internal control review of its computer system. See Finding #2 in Attachment III, *Current Findings and Recommendations*.

COUNTY OF SACRAMENTO
DEPARTMENT OF AIRPORTS
HERTZ RENT A CAR
RENTAL CAR CONCESSION AND LEASE AGREEMENT REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
FOR PERIOD OCTOBER 1, 2011 TO APRIL 30, 2015

1. Late Submission of Statement of Revenue Reports

Comment

Hertz Rent-A-Car (Hertz) submitted its audited Statement of Revenue Reports for fiscal years ending: September 30, 2012, September 30, 2013, September 30, 2014, and September 30, 2015 late to the Department of Airports (Airports). Per section #5.07 (Reports and Payments), Part A(1) of the rental car concession and lease agreement, *“Within sixty (60) days after the close of each Lease year of operation: a Statement of Revenues for the preceding Lease Year covering all business transacted by Concessionaire at Airport. The annual Statement of revenues shall be certified by an independent Certified Public Accountant or Concessionaire’s Chief Financial Officer and shall be provided in such detail as is determined to be satisfactory by the Director.”* Audited Statement of Revenue Reports are due by November 30th (60 days after the close of the fiscal period (September 30th)) to Airports.

Airports received the September 30, 2012 Statement of Revenue Reports on February 5, 2013 (67 days late). The September 30, 2013 Statement of Revenue Reports were received by Airports on December 6, 2013 (6 days late). The September 30, 2014 Statement of Revenue Reports were received by Airports on March 29, 2016 (487 days late). The September 30, 2015 Statement of Revenue Reports were received by Airports on March 29, 2016 (120 days late). Hertz did not provide an explanation as to why the Statement of Revenue Reports were submitted late to Airports.

Recommendation

We recommend that the Airport ensures that Hertz complies with section #5.07, Part A(1) of the rental car concession and lease agreement and submit an audited Statement of Revenue Reports to them by the required due date of November 30th.

Management Response

Hertz shows that the audits were issued on the dates detailed below. Although it does appear that two of the audits omitted the required internal controls opinion, the audits for the years ended September 30, 2012 and September 30, 2015 both included the internal controls opinion. Since it isn’t required on most audits, it appears that it was mistakenly omitted for the years ended September 30, 2013 and September 30, 2014. Hertz added a note to our files and highlighted in yellow to ensure that this non-standard internal controls opinion is included with the audit going forward. Hertz will also ensure audits are issued timely going forward.

COUNTY OF SACRAMENTO
DEPARTMENT OF AIRPORTS
HERTZ RENT A CAR
RENTAL CAR CONCESSION AND LEASE AGREEMENT REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR PERIOD OCTOBER 1, 2011 TO APRIL 30, 2015

Audit Period	Date received Per Auditor	Number of Days late per Auditor	Date Mailed	Calc Days Late	Includes Internal Controls Opinion?
9/30/2012	2/5/2013	67	FedExed 2/5/2013	67	Yes
9/30/2013	12/6/2013	6	11/27/2013	(3)	No
9/30/2014	3/29/2016	487	11/26/2014	(4)	No
9/30/2015	3/29/2016	120	FedExed 1/28/2016*	59	Yes

* Delivered February 1, 2016 per FedEx tracking. March 29, 2016 was the date the auditor requested the 2014 and 2015 audits from us, but they had been mailed previously.

2. Unaudited Centralized Computer System

Comment

Hertz did not have an independent Certified Public Accountant evaluate the adequacy of the internal controls over its centralized computer system used to record car rental activities. Per section #5.07 (Reports and Payments), Part A(2) of the rental car concession and lease agreement, *“If Concessionaire maintains its accounting records through a centralized computer system, a report prepared by an independent Certified Public Accountant on the adequacy of Concessionaire’s internal controls over the operations of the system. Specifically, such report should certify that controls are adequate to ensure proper identification and recording of all transactions related to Concessionaire’s operations under this agreement.”* Hertz did have internal control reports prepared by and independent Certified Public Accountant, but the reports did not give an opinion related to the adequacy of internal controls for its centralized computer system.

Recommendation

The Airport should ensure that Hertz complies with section #5.07, Part A(2) of the rental car concession and lease agreement and have its centralized computer system evaluated by an independent Certified Public Accountant.

COUNTY OF SACRAMENTO
DEPARTMENT OF AIRPORTS
HERTZ RENT A CAR
RENTAL CAR CONCESSION AND LEASE AGREEMENT REVIEW
FINDINGS AND RECOMMENDATIONS

FOR PERIOD OCTOBER 1, 2011 TO APRIL 30, 2015

Management Response

See Hertz's management response to Finding #2 located on page 1 of Attachment III at Finding #1 (*Late Submission of Statement of revenue Reports*).