

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
April 10, 2018
“*Communications Received and Filed*” Item

To: Board of Supervisors

From: Department of Finance

Subject: Agreed-Upon Procedures Review Of Sacramento County Department Of Airports
Concessionaire Agreement With Enterprise Holdings, Inc.’s For The Period From
October 1, 2014 To September 30, 2016

Supervisory
District(s): All

Contact: Joyce Renison, Assistant Auditor-Controller, 874-7248

DISCUSSION

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. The attached agreed-upon procedures report, for your information, is for Enterprise Holdings, Inc. and covers the period October 1, 2014 to September 30, 2016. Enterprise Holdings, Inc. owns and manages three (3) rental car business units (Alamo, Enterprise, and National) located at the Sacramento International Airport. Accordingly, Airports contracted with the Department of Finance to perform the agreed-upon procedures review of Enterprise Holdings, Inc.’s rental car concession revenues for rental car activities occurring at the Sacramento International Airport.

Respectfully submitted,

Ben Lamera
Director of Finance

Attachment

ATT 1 – Agreed-Upon Procedures Review Of Airports Concessionaire Agreement With
Enterprise Holdings, Inc. For The Period From Oct. 1, 2014 To Sept. 30, 2016



County of Sacramento

Inter-Office Memorandum

January 26, 2018

To: John Wheat, Director
Sacramento County Department of Airports

From: Ben Lamera
Director of Finance

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

A handwritten signature in blue ink, appearing to read "Alan A. Matré", is written over the printed name of the Chief of Audits.

Subject: **AGREED-UPON PROCEDURES – REVIEW OF SACRAMENTO COUNTY DEPARTMENT OF AIRPORTS (AIRPORTS) CONCESSIONAIRE AGREEMENT WITH ENTERPRISE HOLDINGS, INC.'S (ENTERPRISE) PER SECTION 3.09 OF THE RENTAL CAR CONCESSION AND LEASE AGREEMENT FOR THE PERIOD FROM OCTOBER 1, 2014 TO SEPTEMBER 30, 2016**

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 Enterprise Holdings, Inc.'s (Enterprise) rental car concession activities for the period October 1, 2014 to September 30, 2016 per section 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 Enterprise's 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.

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

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

3. We reviewed revenues reported to Airports by the concessionaire, including the corresponding management fees and reimbursable expenses payable to Enterprise.

Finding: We noted Enterprise did not have its gross revenues audited by an independent Certified Public Accountant as required by the concessionaire agreement. See Attachment I, *Schedule of Gross Revenue Reviewed and Privilege Fees Due*. Also see Attachment II, Comment and Recommendation.

4. We determined that objectives in the Enterprise Management Plans 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 Enterprise's financial records for the period of October 1, 2014 to September 30, 2016.

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

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 Enterprise's 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.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, 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*

cc: Members, Board of Supervisors
Nancy Newton, Assistant County Executive
David Villanueva, Deputy County Executive
Britt Ferguson, Chief Financial Officer, County Executive Office
Jennifer Simkins, Real Estate Specialist, Sacramento County Department of Airports
Camelia Radulescu, Senior Airport Manager, Sacramento County Department of Airports

SACRAMENTO COUNTY DEPARTMENT OF AIRPORTS
 REVIEW OF ENTERPRISE HOLDINGS
 RENTAL CAR CONCESSIONAIRE OPERATIONS AT SACRAMENTO INTERNATIONAL AIRPORT
 SCHEDULE OF GROSS REVENUE REVIEWED AND PRIVILEGE FEES DUE
 FOR THE PERIOD OCTOBER 1, 2014 TO SEPTEMBER 30, 2016

For The Period of October 1, 2014 to September 30, 2015:

	Gross Revenue Reported By Enterprise	Gross Revenue Audited	Privilege Fee Rate	Recomputed Privilege Fees Due	Privilege Fee Paid ¹	Additional Fees Now Due/ (Overpaid)
October 2014	\$ 3,575,482.86	3,575,482.86	10.00%	357,548.29	357,548.29	
November 2014	2,787,521.19	2,787,521.19	10.00%	278,752.12	278,752.12	
December 2014	2,921,500.96	2,921,500.96	10.00%	292,150.10	292,150.10	
January 2015	2,913,416.41	2,913,416.41	10.00%	291,341.64	291,341.64	
February 2015	2,830,910.34	2,830,910.34	10.00%	283,091.03	283,091.03	
March 2015	3,305,532.03	3,305,532.03	10.00%	330,553.20	330,553.20	
April 2015	3,493,857.73	3,493,857.73	10.00%	349,385.77	349,385.77	
May 2015	3,586,580.09	3,586,580.09	10.00%	358,658.01	358,658.01	
June 2015	3,634,077.39	3,634,077.39	10.00%	363,407.74	363,407.74	
July 2015	3,880,655.43	3,880,655.43	10.00%	388,065.54	388,065.54	
August 2015	4,203,607.68	4,203,607.68	10.00%	420,360.77	420,360.77	
September 2015	3,659,571.32	3,659,571.32	10.00%	365,957.13	365,957.13	
	<u>\$ 40,792,713.43</u>	<u>40,792,713.43</u>		<u>4,079,271.34</u>	<u>4,079,271.34</u>	

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

	Gross Revenue Reported By Enterprise	Gross Revenue Audited	Privilege Fee Rate	Recomputed Privilege Fees Due	Privilege Fee Paid ¹	Additional Fees Now Due/ (Overpaid)
October 2015	\$ 3,959,148.41	3,959,148.41	10.00%	395,914.84	395,914.84	
November 2015	3,388,605.17	3,388,605.17	10.00%	338,860.52	338,860.52	
December 2015	3,286,480.24	3,286,480.24	10.00%	328,648.02	328,648.02	
January 2016	3,437,294.56	3,437,294.56	10.00%	343,729.46	343,729.46	
February 2016	3,461,322.27	3,461,322.27	10.00%	346,132.23	346,132.23	
March 2016	3,858,621.16	3,858,621.16	10.00%	385,862.12	385,862.12	
April 2016	3,549,373.16	3,549,373.16	10.00%	354,937.32	654,937.32	
May 2016	3,954,709.98	3,954,709.98	10.00%	395,471.00	395,471.00	
June 2016	3,943,378.94	3,943,378.94	10.00%	394,337.89	394,337.89	
July 2016	4,228,584.81	4,228,584.81	10.00%	422,858.48	422,858.48	
August 2016	4,464,221.26	4,464,221.26	10.00%	446,422.13	446,422.13	
September 2016	4,165,430.77	4,165,430.77	10.00%	416,543.08	416,543.08	
	<u>\$ 45,697,170.73</u>	<u>45,697,170.73</u>		<u>4,569,717.07</u>	<u>4,569,717.07</u>	

¹Privilege fees are paid monthly.

SACRAMENTO COUNTY DEPARTMENT OF AIRPORTS
REVIEW OF ENTERPRISE HOLDINGS
RENTAL CAR CONCESSIONAIRE OPERATIONS AT SACRAMENTO INTERNATIONAL AIRPORT
COMMENT AND RECOMMENDATION
FOR THE PERIOD OCTOBER 1, 2014 TO SEPTEMBER 30, 2016

Unaudited Gross Revenues

Comment

Enterprise Holdings, Inc. (Enterprise) did not have its gross revenues audited for the period October 1, 2014 to September 30, 2014 and the period October 1, 2015 to September 30, 2016. Per section 3.09 (A) (Concessionaire's Audit) of the concessionaire agreement, "Concessionaire shall employ an independent Certified Public Accountant (CPA) at Concessionaire's cost, to perform an audit of the books and records of Concessionaire, as they pertain to this Agreement, for each Agreement Year...". Enterprise did report gross revenues and concessionaire payments to the Department of Airports, but the annual concessionaire activities per the agreement were not confirmed by an independent CPA.

Recommendation

Sacramento International Airport should notify Enterprise they are out of compliance with the concessionaire agreement by not having an independent CPA perform an audit of their books and records.

Management's Response

I am the controller for Enterprise over the Sacramento airport. We weren't aware of the CPA audit requirements with the new agreement. This was different from the prior agreement. I have engaged a CPA to audit the 2016-2017 years, but we just started that once we received the preliminary notice, so it won't be complete until later in February. Once that is complete we can request them to go back to the prior years if the airport is requiring it. We can definitely get those started but wanted to prioritize the current agreement year.