



County of Allegheny

Office of the Controller

REPORT ON CONTRACT COMPLIANCE PROCEDURES
PERFORMED FOR VANGUARD CAR RENTAL USA, INC.
CONTRACT # 0769
(D/B/A ALAMO RENT A CAR & NATIONAL CAR RENTAL)
FOR THE PERIOD MAY 1, 2006 THROUGH APRIL 30, 2009

(Non-Audit Service)

JULY 21, 2010

**County of Allegheny
Office of the Controller
Mark Patrick Flaherty
Controller**

**104 County Courthouse
436 Grant Street
Pittsburgh, PA 15219
Phone: (412) 350-4660
Fax: (412) 350-4770**

E-mail: Controller@county.allegheny.pa.us



MARK PATRICK FLAHERTY
CONTROLLER

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET
PITTSBURGH, PA 15219-2498
PHONE (412) 350-4660 • FAX (412) 350-3006

GUY A. TUMOLO
DEPUTY CONTROLLER

May 17, 2010

Mr. Bradley Penrod
Executive Director
Allegheny County Airport Authority
P.O. Box 12370
Pittsburgh, PA 15231-0370

SUBJECT: REPORT ON CONTRACT COMPLIANCE
 PROCEDURES PERFORMED FOR VANGUARD CAR RENTAL USA, INC.
 CONTRACT # 0769
 (D/B/A ALAMO RENT A CAR & NATIONAL CAR RENTAL)
 FOR THE PERIOD MAY 1, 2006 THROUGH APRIL 30, 2009

Dear Mr. Penrod:

We have performed certain procedures we considered necessary to assess Vanguard's (d/b/a Alamo Rent A Car and National Car Rental), currently Enterprise Holdings, rent remittances made pursuant to Section 4.01 of its Pittsburgh International Airport On-Airport Rental Car Concession Agreement (Concession Agreement) with the Allegheny County Airport Authority (Airport Authority) for the period May 1, 2006 through April 30, 2009. These procedures were performed as a non-audit service. Therefore, this engagement is not covered by Generally Accepted Government Auditing Standards.

Under the terms of Section 4.01 of the Concession Agreement, Vanguard shall pay to the Airport Authority the greater of ten percent of gross revenue received from the operation of the rental car concession or the stipulated Minimum Annual Guarantee (MAG). The MAG increases each year and ranged from \$1,342,868 to \$1,511,410 during the term of the Concession Agreement that began May 1, 2003 and expired on April 30, 2008.

Mr. Bradley Penrod
 May 17, 2010

The Airport Authority approved Vanguard's request to exercise the option term which extends the Concession Agreement for five years commencing May 1, 2008 and terminating on April 30, 2013. The MAG for the first year of the extension is 80% of the rent due for the prior lease year. For May 1, 2008 through April 30, 2009 the MAG was \$1,552,310. For each of the remaining four years, the MAG shall be 80% of the prior lease year's rent due, but never less than the prior year's MAG.

Our testing found that Vanguard did not properly report gross revenue for the engagement period. Vanguard failed to include revenue from certain rental agreements in its reporting to the Airport Authority. However, it included non-concession revenue in its reporting to the Airport Authority which overstated gross revenue. Overall, gross revenue was overstated by a net total of \$1,060,483 for the three year period. The following table summarizes the original gross revenue reported, the amount paid by Vanguard, the additional gross revenue identified during our procedures, as well as the non-concession revenue that Vanguard included in gross revenue for the three year period ended April 30, 2009.

	For the Year Ended April 30,		
	2007	2008	2009
Original Gross Revenue	\$ 17,196,199	\$ 19,392,342	\$ 16,616,197
Concession percentage	10%	10%	10%
10% of Gross Revenue	\$ 1,719,620	\$ 1,939,234	\$ 1,661,620
Minimum Annual Guarantee	\$ 1,467,388	\$ 1,511,410	\$ 1,552,310
Rent Due: Greater of 10% Gross Revenue OR Minimum Annual Guarantee	\$ 1,719,620	\$ 1,939,234	\$ 1,661,620
Amount Paid by Vanguard	\$ 1,741,487	\$ 1,946,476	\$ 1,803,767
Amount Due Airport Authority (Vanguard)	(21,867)	(7,242)	(142,147)
Credit Used by Vanguard	21,867	7,242	142,147
Credit Remaining as of May 17, 2010	0	0	0
Omitted Rental Agreements Non-Concession Revenue	19,050 (363,916)	16,752 (408,242)	11,499 (335,626)
Net Overstated Gross Revenue	(344,866)	(391,490)	(324,127)
Concession percentage	10%	10%	10%
Credit Due Vanguard	\$ (34,486)	\$ (39,149)	\$ (32,413)

Mr. Bradley Penrod
May 17, 2010

For each of the three years, ten percent of gross revenue exceeded the MAG. Additionally, the amount paid by Vanguard exceeded the original rent due for each lease year, which entitled Vanguard to a credit. As of the date of this report, Vanguard had used the available credit from each of the three lease years. Therefore, ten percent of the net overstated gross revenue is due as a credit to Vanguard, currently Enterprise Holdings.

The details regarding the exclusion of certain rental agreement revenue, as well as non-concession revenue is described in our attached schedule of observations and recommendations. The Airport Authority's response is on page 5, and Enterprise Holdings (Vanguard) response is on page 6.

We would like to thank the staff of the Airport Authority and Enterprise Holdings for their courtesy and cooperation during our review.

Very truly yours,



Lori A. Churilla
Assistant Deputy Controller, Auditing



MARK PATRICK FLAHERTY
Controller

cc: Airport Authority Board of Directors
Honorable Rich Fitzgerald, President, County Council
Honorable William Russell Robinson, County Council
Honorable Dan Onorato, Chief Executive, Allegheny County
Mr. James M. Flynn, Jr., County Manager, Allegheny County
Ms. Amy Griser, Budget Director, Allegheny County
Mr. Joseph Catanese, Director of Constituent Services, County Council
Ms. Jennifer Liptak, Budget Director, County Council
Mr. James R. Gill, Chief Financial Officer, Allegheny County Airport Authority
Mr. Stephen W. Robinson, Controller, Allegheny County Airport Authority
Mr. Guy A. Tumolo, Deputy Controller, County Controller's Office
Mr. Robert J. Lentz, Assistant Deputy, County Controller's Office
Ms. Pamela Goldsmith, Communications Director, County Controller's Office
Mr. David Litzau, Controller, Enterprise Holdings

REPORT ON CONTRACT COMPLIANCE PROCEDURES PERFORMED FOR
VANGUARD CAR RENTAL USA, INC.
SCHEDULE OF OBSERVATIONS AND RECOMMENDATIONS
FOR THE PERIOD MAY 1, 2006 THROUGH APRIL 30, 2009

1. **Gross Revenue Improperly Reported to the Airport Authority**

Observations:

During our testing we found that Vanguard did not properly report gross revenue to the Airport Authority for the three year engagement period from May 1, 2006 through April 30, 2009.

Vanguard maintains separate general ledger accounts for revenues received from Bayer employees. The revenues received from these rentals were not included in the submission of gross concession revenue to the Airport Authority. For the three year period ended April 30, 2009, Vanguard did not include \$47,301 as gross concession revenue.

It was also determined that Vanguard was including Passenger Car Rental Tax (PCRT) in its monthly submissions of gross concession revenue to the Airport Authority. The PCRT is a two percent Pennsylvania state tax on all rental cars and should not have been included as concession revenue. For the three year period ended April 30, 2009, Vanguard overstated gross concession revenue by a total of \$1,107,784.

In total for the three year period ended April 30, 2009, Vanguard understated gross concession revenue by \$47,301 and overstated gross concession revenue by \$1,107,784 for a net overstatement of \$1,060,483. This overstatement results in a credit due to Vanguard, currently Enterprise Holdings, of \$106,048 for the three year period ended April 30, 2009.

Recommendations:

We recommend that Vanguard, currently Enterprise Holdings, immediately adjust its record keeping & reporting to ensure that rental revenues received from Bayer employees are included and the PCRT revenue is excluded from gross concession revenue in the future.

We also recommend that Vanguard, currently Enterprise Holdings, work with the Airport Authority regarding the deduction of its credit.



PITTSBURGH INTERNATIONAL AIRPORT

Allegheny County Airport Authority
Landside Terminal, 4th Floor Mezz.
P.O. Box 12370
Pittsburgh, PA 15231-0370

412-472-3500

www.FlyPittsburgh.com

July 20, 2010

Mr. Jon Keenan
Staff Auditor II
Allegheny County Controller's Office
219 County Courthouse
436 Grant Street
Pittsburgh, PA 15219

Dear Mr. Keenan:

We concur with the audit finding that the Passenger Car Rental Tax (PCRT) should not have been included in Vanguard's monthly submission of gross concession revenue calculation to the Airport Authority for the three year audit period ending April 30, 2009. Accordingly, we agree that Vanguard, currently Enterprise Holdings, is due a credit of \$106,048 for this three year period. The Authority will work with Vanguard, currently Enterprise Holdings, to credit their account for this audit finding.

Please finalize and release this audit report.

Thank you for your good work on this audit.

Sincerely,

A handwritten signature in cursive script that reads "Stephen W. Robinson".

Stephen W. Robinson
Controller

Cc: James R. Gill, CFO



July 15, 2010

Enterprise Rent-A-Car
4489 Campbells Run Road
Pittsburgh, PA 15205-1311
412.505.4099
412.505.7005 f
enterprise.com

Ms. Lori Churilla
Assistant Deputy Controller, Auditing
County of Allegheny
Office of the Controller
104 Courthouse
436 Grant Street
Pittsburgh, Pa 15219-2498

Dear Ms. Churilla,

Please accept this as our response to the recommendations included in the draft copy of your Report on Contract Compliance Procedures Performed for Vanguard Car Rental USA, Inc. #0769 (d/b/a Alamo Rent A Car & National Car Rental) for the period May 1, 2006 through April 30, 2009.

Rental revenues from Bayer are now no longer handled from the Pittsburgh International Airport and therefore are no longer includable in revenue.

We do not include the "PCRT revenue" in gross Concession Revenue.

We have reached out to the Allegheny County Airport Authority regarding the deduction of the credit owed to us.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. M. Litzau'.

David M. Litzau
Group Controller