

# Memorandum



CITY OF DALLAS

DATE: December 23, 2005

TO: Honorable Mayor and Members of the City Council

SUBJECT: Follow-up report of the January 9, 2004, *Audit of Aviation Concession Operations--Report #405*

We conducted this follow-up under the authority of Chapter IX of the City Charter, and according to applicable government auditing standards. We included tests of records and reviews of program guidelines and procedures that we considered necessary in the circumstances. Our objective was to determine whether management had implemented the original audit's recommendations or had taken other acceptable actions to remedy the control weaknesses identified in the original audit report.

The original audit contained four findings with seven recommendations. Management implemented five of the recommendations and partially implemented two.

## **1. Two concession contracts were renewed prematurely.**

**We recommended** that the Director of Aviation (AVI) consult with the City Manager to ensure that written procedures are developed to specifically address how requests for contract renewal options will be evaluated, the criteria used to determine a contractor's performance, and an acceptable time frame (prior to the end of a contract term) when a renewal option may be exercised. These procedures should also specify when City Council approval is required. Additionally, management could include criteria in the contract specifying under what conditions renewal options may be exercised.

*We found that AVI consulted with the City Manager and City Attorney and developed written policies and procedures governing all aspects of contract renewal including limitations on how long before its expiration renewals can occur (Implemented).*

**2. AVI needs to enforce accounts receivable procedures.**

**We recommended** that the Director of AVI ensure:

- The minimum annual guaranteed (MAG) underpayment is properly accounted for as an accounts receivable.
- City policy and procedures are enforced.

*We found AVI now treats the MAG payment as an account receivable, and enforces policy and procedures regarding revenue computation and recording (Implemented).*

**3. Contract oversight needs to be improved.**

**We recommended** that the Director of AVI:

- A. Develop written procedures that, as a minimum, address:
- Inspecting, monitoring, and evaluating the required capital improvements;
  - Identifying a specific person or position responsible for monitoring contract performance; and
  - Reconciling monthly revenue reported by concessionaires to their annual reports.

*We found that AVI identified a person/position responsible for monitoring contract performance—the Property Manager, who addresses capital improvement contract compliance and reconciles concessionaire revenue He is currently writing those procedures (Partially implemented).*

B. Confirms that concessionaires meet their initial capital investment improvements obligations. If concessionaires do not fulfill these obligations, then the Director should seek payment from the concessionaires in accordance with the provision of the concessions contract.

*There are currently no contracts requiring capital investments until 2011. When that time comes, the Property Manager will oversee compliance according to the procedures he is writing currently (Partially implemented).*

**4. Contract provisions did not adequately protect the City's financial interests.**

**We recommended** that the Director of AVI:

- Continue collection efforts on amounts due from parking operator from contract year ending 12/31/02.

*We found that AVI and the City Attorney are attempting to collect the amounts due from the former parking operator **(Implemented)**.*

- Promptly determine whether the parking concessionaire will meet MAG requirements for contract year ending 12/31/03, and refer to the City Attorney as may be necessary.

*AVI found that the MAG payment for the next contract year was short, and referred the matter to the City Attorney **(Implemented)**.*

- Ensure that all concession contracts provide options to protect and enforce the City's interest, such as:
  - Allowing the City to collect monthly payments no less than 1/12<sup>th</sup> of the MAG;
  - Allowing the City to withhold or reduce compensation/payments until contract requirements are met; and
  - Consult with the City Attorney to seek modification of existing contracts to allow the above options.

*New and renewing contracts specify monthly collection of MAG. There is no withholding by the City because the vendor collects the money and provides the City's share daily **(Implemented)**.*

Paul T. Garner  
Assistant City Auditor

c: Kenneth Gwyn, Director of Aviation