



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 11

Agenda Date: August 26, 2022

In Control: Audit and Accountability Committee Meeting

DEPARTMENT: Office of the City Auditor

DEPARTMENT HEAD: Kevin Barthold

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Acceptance of the Office of the City Auditor report AU21-008 Audit of the Aviation Leases Billing and Collections

SUMMARY:

Determine if property management of Aviation facilities is properly managed to include billing and collections for leases.

BACKGROUND INFORMATION:

Background

The San Antonio International Airport (SAT) and Stinson Municipal Airport (SSF) offer leases for buildings, ground, or building and ground combined. Buildings include hangars or offices, while ground space mainly includes aprons outside of hangars. SAT has airfield lease agreements with 33 tenants, and SSF has airfield lease agreements with 13 tenants. In fiscal year 2020 property leases account for over \$10.4 million of the airport's operating and maintenance revenue budget,

totaling over \$85.4 million.

Leases typically fall under one of two categories. The first category is for 5-years or less and does not require tenants to have capital investment. The second category covers leases beyond 5-years but not exceeding 40 years and tenants agree to a capital investment project.

The Properties Division monitors tenants' compliance with contractual requirements. Furthermore, when needed, they work as a point of contact between the tenants and other City departments. The Properties Division works closely with the Fiscal Division to manage the lease revenue process.

Scope and Methodology

The audit scope included lease processes from fiscal years 2019 - 2021. We reviewed the overall lease monitoring process for compliance. We also reviewed the accuracy of revenue reporting, and accounts receivable monitoring to determine the adherence with lease terms. Finally, we reviewed for appropriate user access for relevant systems.

Conclusions

Overall, property management of Aviation facilities is properly managed, to include billing and collections for leases. Aviation has effective procedures that ensure the appropriate execution of leases and lease renewals. In addition, Aviation has controls in place to ensure tenants properly occupy City-owned properties and requests for construction or modifications of properties are approved. The Fiscal Division has effective procedures and controls that ensure tenants are appropriately invoiced, and payments are accurate.

However, we observed opportunities for improvement regarding contract administrative plans, lease monitoring, and user access. The Aviation Department can strengthen controls surrounding the accuracy of Contract Administrative Plans. Additionally, they can improve lease oversight, specifically concerning periodic monitoring. Lastly, the Aviation Department can strengthen controls regarding periodic user access reviews.

We made recommendations to improve these opportunities. Management agreed with the recommendations and developed positive corrective action plans.

ISSUE:

This item is briefing only.

FISCAL IMPACT:

This item is briefing only.

ALTERNATIVES:

This item is briefing only.

RECOMMENDATION:

Staff recommends acceptance of this audit report.