



CITY OF ATLANTA

City Auditor's Office
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Performance Audit:

Department of Aviation Concessions Management Unit

What We Found

The airport has designed effective controls over financial reporting, and the controls seem to be working as intended. Although relying on concessionaires' self-reported revenue carries inherent risk, the airport's internal audits indicate compliance with revenue reporting requirements. The Department of Aviation's Internal Audit unit found underreporting amounting to about 0.2% in 151 audits of concessionaires conducted over 20 months.

Our review of leasehold, product categories, and bill rule information entered into the billing system for a random sample of 63 concession locations found that all information accurately reflected the concessionaire lease agreement terms and would therefore generate accurate bills based on gross receipts.

The concessions management unit had implemented best practices in four of five broad areas we identified in industry literature. These include periodic meetings with concessionaires, marketing the concessions program, conducting physical inspections, and incorporating customer satisfaction into compliance monitoring. The unit did not maintain complete and comprehensive files for each concessionaire.

We observed the unit's quality assurance inspection process. Consistent with best practices, the compliance team made unscheduled visits and used concession observation forms to document periodic inspections that included detailed observation and evaluation of facility appearance, customer service, merchandise and product quality, and food or safety/sanitation. Due to understaffing, however, the unit conducted no inspections between April and August 2015 and performed no open and closed assessments during 2015 to assess whether concessionaires were complying with approved hours of operation.

While the unit conducted physical inspections consistent with best practices, it did not, at the time of our audit, assess compliance with approved products or prices. We noted prices that appeared to exceed the standard of street plus 10% in 12 of 22 items that we reviewed.

Why We Did This Audit

We undertook this audit because terminal concessions are a significant source of airport revenue, and the department relies on concessionaires' self-reported gross receipts to calculate amounts due for rent, which carries inherent risks.

What We Recommended

To improve recordkeeping and ensure files contain accurate, up-to-date, retrievable information, the director of the concessions management unit should:

- Establish policies and procedures for maintaining up-to-date concessionaire files using summary sheets and ticklers to ensure complete and comprehensive files.
- Work with Atlanta Information Management to transition to electronic performance monitoring with reporting and GPS capabilities.

To ensure that the concessions management unit has the resources necessary to monitor concessionaires' compliance with lease agreement terms, the airport general manager should:

- Ensure the compliance team maintains adequate staffing to consistently conduct quality assurance reviews.
- Monitor the performance of the third party group responsible for pricing analysis and market basket studies to ensure that concessionaires comply with pricing policy.

For more information regarding this report, please use the "contact" link on our website at www.atlaudit.org