# CITY OF SAN ANTONIO

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November 18, 2024

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Councilman, District 10

SUBJECT: Audit Report of Aviation Landing Fees

Mayor and Council Members:

We are pleased to send you the final audit report of the Aviation Landing Fees. This audit began in April 2024 and concluded with an exit meeting with department management in September 2024. Management's verbatim response is included in Appendix B of the report. The Aviation Department management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Buddy Vargas for:

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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# CITY OF SAN ANTONIO
# OFFICE OF THE CITY AUDITOR

**AVIATION DEPARTMENT**
AUDIT OF LANDING FEES
PROJECT NO. AU24-001
NOVEMBER 18, 2024

KEVIN W. BARTHOLD, CPA, CIA, CISA
CITY AUDITOR

# Table of Contents

**Executive Summary** ..... 2

**Background** ..... 3

**Audit Scope and Methodology** ..... 4

**Audit Results and Recommendations** ..... 5

**A. Validate Airline Self-Reporting** ..... 5

**Appendix A – Staff Acknowledgement** ..... 7

**Appendix B – Management Response** ..... 8

# Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Aviation Department, specifically the capturing and recording of landing fees. The audit objectives, conclusions, and recommendations follow:

**Determine if landing fees charged to airlines at San Antonio airports are accurate, complete, and in compliance with contracts and regulations.**

The San Antonio International Airport (SAT) Aviation Fiscal staff have adequate procedures that ensure landing fee rates are being charged in accordance with contractual requirements. In addition, there are procedures in place that ensure airline payments made to SAT are accurate and supported and end of year settlements to airlines are properly adjusted. Also, airline contracts are properly aligned with landing fee expectations and the Aviation Department have procedures in place to ensure that landing fee information are reported within the Federal Aviation Administration (FAA) guidelines. Finally, the Aviation Department have adequate procedures in place to verify appropriate user access for SAP within Aviation Fiscal.

However, the audit team identified an area in which controls could be improved over airline landing validation. Currently, airlines self-report the number of landings and types of aircraft. Although Aviation Fiscal have controls in place that confirm contractual landing fee rates charged to airlines, there is no process in place to validate the number of landings and weight of aircrafts.

We provided a recommendation to management to strengthen controls and resolve an issue. Aviation Department Management agreed with the audit finding and have developed a positive action plan to address the issue. Management's verbatim response is in Appendix B on page 8.

# Background

The San Antonio International Airport (SAT) charges landing fees to airlines that land at the airport. Airlines are categorized as either Signatory or Non-Signatory. Signatory airlines represent large passenger and cargo airlines that have signed a long-term agreement with SAT such as American Airlines and UPS. Non-Signatory airlines represent smaller passenger and cargo airlines which do not sign long-term agreements with SAT such as Frontier Airlines and DHL Express. There are currently 8 active signatory airlines and 14 active non-signatory airlines.

The Aviation Fiscal Division is responsible for managing and reviewing airline fees, including landing fees. Aviation's methodology for charging landing fees is a break-even process. Landing fees are determined by estimated recovery of expenses such as maintenance and operating and debt service. In addition, Aviation calculates a year-end settlement to determine a credit to airlines or amount due to Aviation, if applicable, based on total actual expenditures.

Airlines are charged monthly fees for utilizing the SAT airfield and they submit a monthly self-report to Aviation Fiscal, which includes all aircrafts that utilized the airfield area and the weight which is calculated by contracted rates. The landing fees are based on an annual landing fee rate times the weight of the aircraft per 1,000-pound unit, which is adjusted each fiscal year by the Aviation Department. Landing fee rates for FY 2023 were $2.53 for signatory and $2.91 for non-signatory/cargo and for FY 2024 were $3.48 for signatory and $4.01 for non-signatory/cargo. Additionally, the Aviation Department recorded landing fees at $15.8M in fiscal year 2023 and $18.3M as of July 31, 2024, in fiscal year 2024.

# Audit Scope and Methodology

The audit scope was Aviation landing fees from FY 2023 through March 2024 and included signatory and non-signatory airlines at SAT.

To gain an understanding of department operations, we interviewed Aviation Fiscal personnel and conducted walkthroughs of the processes and procedures involved with the billing, invoicing, and collection of landing fee revenue, airline settlements, and FAA financial report submission. Our primary criteria for this audit included airline contracts and the U.S. Department of Transportation FAA – Advisory Circular.

We assessed internal controls relevant to the audit objective. This included a review of the criteria above. In addition, as part of our testing procedures, we reviewed 25 judgmentally selected monthly self-reported landing fees submitted by airlines, within FY 2023 through FY 2024 totaling $2.9M in landing fee revenue. We reconciled the self-reports to Flight Stats[1] and the SAT landing fee rates to determine if payments to Aviation Fiscal were accurate and properly supported. We reviewed Aviation Fiscal end of year settlements sent to airlines and reconciled them to the SAT Settlement to determine if year-end adjustments reconciled to the Aviation fiscal year budget. Additionally, we reviewed a sample of active airline contracts to verify if contracts include landing fee expectations at SAT. We confirmed if Aviation properly submitted landing fee financial reports to ensure compliance with FAA guidelines. Finally, we reviewed for appropriate system user access.

We relied on computer-processed data in SAP to review and confirm invoice and settlement payments. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[1] Flight Stats is a third-party website that allows subscripted users to view real-time flight tracking, delays, airport departures and arrivals, and historical flight status by flight, airport, or route.

# Audit Results and Recommendations

Aviation Fiscal has procedures in place to review the monthly self-reports submitted by airlines and confirm landing fee rates charged to airlines. We reviewed a judgmental sample of 25 airline monthly self-reported landing fees submitted by airlines, within FY 2023 through FY 2024 totaling $2.9M in landing fee revenue, along with Aviation Fiscal invoices to the airlines and airline payments to the City. We recalculated the airline monthly self-reports and compared them to the required contractual landing fee rates. We verified that airlines were utilizing the correct landing fee rates per landings at SAT and airline invoices sent from Aviation Fiscal reconcile to the monthly self-reports. Additionally, we reviewed the payments that coincide to the sample of 25 airline monthly self-reports to the City for landing fees and determined that payments were accurate and complete.

Furthermore, we reviewed 8 signatory and 14 non-signatory airline contracts and determined they included landing fee information such as time of payment and late fee charges. In addition, we reviewed the U.S. Department of Transportation FAA - Advisory Circular requirements and confirmed that SAT is reporting landing fee information within FAA guidelines. Finally, we reviewed the Aviation Fiscal Department SAP user access and determined SAP user access was appropriate.

However, the audit team identified an area in which controls could be improved. Although Aviation Fiscal has controls in place that confirm contractual landing fee rates charged to airlines, there is no control in place to validate the number of landings and weight of aircrafts.

### A. Validate Airline Self-Reporting

Aviation Fiscal does not have a procedure in place to validate the number of aircraft landings and charged landing fees to monthly self-reports submitted by airlines. The audit team reviewed 19 judgmentally selected airline monthly self-reports and compared the number of landings reported by airlines to Flight Stats. We identified that 11 of the 19 airline monthly self-reports did not reconcile with Flight Stats.

Overall, we tested 2,694 landings at SAT recorded from airline self-reports and identified a total number of 105 errors, resulting in an error rate of 3.9%. Errors included landings that were over-reporting, under-reporting, and/or inaccurate identification of aircrafts.

Per best practices, Aviation Fiscal should validate and reconcile SAT aircraft landings to airline monthly self-reports. Without airline landing validation, incorrect data on number of landings and reporting fees provided by airlines could result in a financial risk to the City.

**Recommendation**

The Aviation Director design and implement a control to periodically validate the number and type of aircraft landings reported by airlines and reconcile to monthly airline self-reports.

# Appendix A – Staff Acknowledgement

Buddy Vargas, CPA, CIA, CFE, Audit Manager
Sabrina Saldana, Auditor in Charge
Jeffrey Barrs, CPA, CFE, Auditor

# Appendix B – Management Response

**CITY OF SAN ANTONIO**
SAN ANTONIO TEXAS 78283-3966

September 26, 2024

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Aviation Landing Fees

The Aviation Department has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

| Recommendation | | | | | |
|---|---|---|---|---|---|
| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| 1 | **Validate Airline Self- Reporting**<br><br>The Aviation Director design and implement a control to periodically validate the number and type of aircraft landings reported by airlines and reconcile to monthly airline self-reports. | 5 | Accept | Christopher Baning, DFA | December 1, 2024 |
| | **Action plan:** The Aviation department recently entered into a contract with Vector Airport Systems, LLC and they have the capability to provide the Aviation department with commercial aircraft landing data that can be used as a basis for comparing the airlines' landing reports. The Aviation fiscal team will be able to address any landing data discrepancies between the Vector Airport Systems, LLC reports and the airlines reports to prepare accurate invoices and reduce billing errors. | | | | |

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

Jesus H. Saenz, Jr.
Director of Airports
Aviation Department

10-29-24
Date

Jeff Coyle
Assistant City Manager
City Manager's Office

10·31·24
Date