

Metropolitan Nashville Airport Authority

MEMORANDUM

TO: Raul Regalado, President and CEO

CC: Monty Burgess, Senior Vice President and COO
Stan Van Ostran, Vice President and CFO
John Howard, Asst. Vice President of Properties and Business Development
Tom Bibb, Director of Properties
Rebecca Ramsey, Manager of Properties

FROM: Julie Zwicknagel, Internal Auditor

DATE: September 14, 2009

SUBJ: The Hertz Corporation Audit Report

Background

On April 24, 1987, the Hertz Corporation (“Hertz”) entered into a Service Site Lease Agreement with the Metropolitan Nashville Airport Authority (“Authority”). The Agreement granted Hertz the right to use certain unimproved real property, located at the Nashville International Airport for the operation of a maintenance/garage and storage facility associated with the lessee’s on-airport automobile rental concession. The term of the Agreement was for a period of fifteen (15) years with two (2) five (5) year options to renew. The options would automatically be renewed unless the Lessee provided the Authority’s President with a 60 day written notice prior to the expiration of the previous term.

Hertz would pay to the Authority an annual rent on 217,800 square feet of land at a net land rental of \$0.18 per square foot per annum continuing until December 31, 1992. Commencing January 1, 1993, and for each subsequent five (5) year period during the term of the Agreement, the net land rental rate would be determined by the following method:

- a. Value of the land (less any permanent fixed capital improvements made by Lessee) would be established by a Member of the Appraisal Institute (“MAI”) designated appraiser, as selected by the parties, based upon unimproved land for general airport use.
- b. The net land rental, as adjusted commencing January 1, 1993, and for each subsequent five (5) year period thereafter, including renewal option, would be determined by a capitalized percentage return to the Authority based on the established appraised value determined in (a) above.

- c. The Authority affirmed that any increase in the net land rental would be limited to a maximum of fifty percent (50%) over the immediately preceding net land capital.
- d. In no event would the net land rental rate agreed to or adjusted to be less than \$0.18 per square foot per annum.

In addition to the net land rent, Hertz agreed to reimburse the Authority for the actual costs of preparing the Assigned Area for development by Hertz at a rate of \$0.07 per square foot per annum through September 13, 2002. All the service site preparation fees have been properly reimbursed to the Authority.

On September 14, 1987, Hertz entered into the original Concession Agreement with the Authority. The Agreement granted Hertz the right to operate an automobile rental concession at the Nashville International Airport for a period of five (5) years. The Authority issued subsequent Invitations to Bid (“ITB”) in 1993 and 1999 resulting in the Authority’s consecutive Concession Agreements with Hertz.

On May 4, 1989, Hertz entered into a Quick Turn-Around (“QTA”) Facility Lease Agreement with the Authority. The Agreement granted Hertz the right to use two (2) bays in the quick turn-around facility to fuel, replenish fluids, vacuum, wash, etc. of the Lessee’s on-airport automobile fleet. The quick turn-around facility would allow Hertz to quickly and efficiently place its vehicles back into active service after their return by customers. The term of the Agreement was for the period June 6, 1998 through September 13, 2002. The Agreement included two (2) five (5) year options to renew that would automatically be renewed unless the Lessee provided the Authority’s President with a 60 day written notice prior to the expiration of the previous term.

Hertz would pay to the Authority an annual rent on 22,450 square feet of land at a net land rental of \$0.18 per square foot per annum continuing until December 31, 1992. Commencing January 1, 1993, and for each subsequent five (5) year period during the term of the Agreement, the net land rental rate would be adjusted to the same net land rental rate of the Lessee’s on-airport service site Lease Agreement terms. In no event would the net land rental be less than \$0.18 per square foot per annum.

On December 3, 1997, Properties informed Hertz through a Letter of Notification that the service site rental rate of \$0.22 per square foot per annum would be adjusted to \$0.25 per square foot per annum, effective January 1, 1998 through December 31, 2003. The rate increase was based on a Cost of Living Increase (“COLI”) rather than the appraisal method set forth in the Lease Agreement as agreed to by all the rental car companies.

On May 15, 2000, Hertz entered into the current Concession Agreement with the Authority. The Agreement granted Hertz the right to operate an automobile rental concession at the Nashville International Airport for a period of seven (7) years. Hertz agreed to pay to the Authority the greater of a minimum annual guarantee of Two Million One Hundred Thirty Three Thousand Two Hundred and 00/100 Dollars (\$2,133,200), which was subject to an annual adjustment based on prior year rentals, or 9.25% of gross revenues.

In addition to the minimum annual guarantee and/or percentage of gross revenue payments required, Hertz agreed to pay a fixed monthly rental for use of counter and office space and parking spaces. The Concessionaire leases from the Authority 1,187 square feet of counter and office space within the Ground Transportation Center in the amount of Thirty Six and 00/100 Dollars (\$36.00) per square foot per annum. Hertz has the exclusive use of 116,906 square feet of covered automobile parking spaces in the amount of Three and 30/100 Dollars (\$3.30) per square foot per annum.

The Agreement stated that Hertz would furnish a written statement to the Authority, prepared in accordance with generally accepted accounting principles and certified by a responsible officer of Concessionaire, that the minimum annual guarantee and the percentage payment paid by the Concessionaire to the Authority during the preceding contract year were made in accordance with the terms of the Agreement. The statement would contain gross revenues as shown on the books and records of Hertz that were used to compute the percentage payment made to the Authority.

On the twentieth (20th) day of the second month following the end of each calendar year of the term of the Agreement, Hertz agreed to pay to the Authority the balance of the rent, if any, due to the Authority for the preceding calendar year on account of the percentage payment provisions. The rental, though payable monthly, would be computed on a calendar basis. If any refund was due to Hertz, such refund would be applied to future rental payments due to the Authority.

On February 7, 2003 and February 24, 2003, Properties informed Hertz through Letters of Notification that the quick turn-around facility and service site rental rates of \$0.25 per square foot per annum would be adjusted to \$0.28 per square foot per annum, effective January 1, 2003 through December 31, 2008, based upon a COLI adjustment.

On April 13, 2007, Properties informed Hertz through a Letter of Notification that the existing Concession Agreement would be extended on a month-to-month basis effective May 15, 2007, in order for the Authority to review the recent Consolidated Rental Car Facility ("CONRAC") study. The results of the CONRAC study would determine the Authority's plan with respect to a new agreement for the right to operate an automobile concession at the Nashville International Airport.

On April 19, 2007, through a Letter of Understanding, the Authority granted Hertz the use of the airport facilities located at 804 Hangar Lane for the purpose of parking surplus rental cars. Hertz agreed to pay to the Authority Two Thousand Five Hundred and 00/100 Dollars (\$2,500) per month for the use of approximately One Hundred and Fifty (150) parking spaces. The term of the Letter of Understanding was for one (1) month effective May 9, 2007, which automatically renewed on a month-to-month basis unless either party canceled with a thirty (30) day advance written notice.

On April 30, 2007, Properties informed Hertz through a Letter of Notification that the Authority would no longer accept a written statement prepared by an officer of the corporation and Hertz would be required to employ an independent Certified Public Accountant ("CPA") to furnish a written statement to the Authority.

On August 31, 2007, Properties informed Hertz through a Letter of Notification that the minimum annual guarantee would be adjusted to Two Million Two Hundred Seventy Five Thousand Three Hundred and Thirteen and 00/100 Dollars (\$2,275,313), effective May 1, 2007.

On December 6, 2007, Properties informed Hertz through a Letter of Notification that the Authority would be moving forward with developing a design for construction of CONRAC and implementing a Contract Facility Charge (“CFC”) to fund the project. The Authority would implement a CFC in the amount of \$4.00 per transaction per day, effective January 1, 2008. The Authority provided Hertz with a reporting form for CFC’s, which were required to accompany the monthly reports and remitted on the tenth (10th) day of the following month. CFC charges were to be stated as a separate line item on Rental Agreements and placed in a separate account isolated from the other fees and charges paid on a monthly basis.

On December 19, 2007, Properties informed Hertz through Letters of Notification that the service site and quick turn-around facility rental rates of \$0.28 per square foot per annum would be adjusted to \$0.30 per square foot per annum, effective January 1, 2008 through December 31, 2012, based upon a COLI adjustment.

On May 19, 2008, Properties informed Hertz through a Letter of Notification that the minimum annual guarantee would be adjusted to Two Million Two Hundred Twenty Three Thousand Seven Hundred and Forty and 00/100 Dollars (\$2,223,740), effective May 1, 2008.

On May 19, 2009, Properties informed Hertz through a Letter of Notification that the minimum annual guarantee would be adjusted to Two Million One Hundred Thirty Three Thousand Two Hundred and 00/100 Dollars (\$2,133,200), effective May 1, 2009.

Hertz’s percent of gross revenues includes payments from rental customers at the main terminal area, Signature Flight FBO, and Atlantic Aviation. The following are the gross revenues and percentage payment provisions for Hertz per the Statement of Gross Receipts and Concession Payments for the Year Ended April 30, 2009, provided by PricewaterhouseCoopers, LLP:

	Main Terminal	Signature Flight FBO	Atlantic Aviation	Total
May 2008	\$2,545,911	\$11,923	\$27,119	\$2,584,953
June	2,391,127	16,345	31,286	2,438,758
July	2,203,108	16,520	22,013	2,241,641
August	2,283,023	11,747	19,930	2,314,700
September	2,096,951	20,494	24,933	2,142,378
October	2,300,088	21,940	25,594	2,347,622
November	1,837,665	13,192	22,368	1,873,225
December	1,559,643	14,208	16,548	1,590,399
January 2009	1,425,599	11,831	19,335	1,456,765
February	1,464,239	14,744	16,893	1,495,876

March	1,575,990	12,053	14,984	1,603,027
April	1,788,154	17,964	21,246	1,827,364
Total Gross Revenue	\$23,471,498	\$182,961	\$262,249	\$23,916,708
Contractual Percentage Rate				X 9.25%
Calculated Percentage Payment				<u>\$2,212,295</u>
Minimum Annual Guarantee				<u>\$2,223,740</u>
Amount Paid by Hertz				<u>\$2,413,350</u>
(Under)/Over Payment				<u>\$189,610</u>

Hertz's percentage payments from gross revenues were \$2,212,295. Thus, the minimum annual guarantee was greater than the percentage payment provisions. The total rent paid by Hertz to the Authority for the Year Ended April 30, 2009, was \$2,413,350; therefore, Hertz had an overpayment of rent to the Authority in the amount of \$189,610. Accordingly, Hertz was due a refund for the overpayment of rent.

The Authority's Finance Department determined on August 17, 2009, that Hertz had an overpayment of rent to the Authority in the amount of \$189,610 and issued Hertz a credit memo (CRM#0001620) accordingly. Finance based the determination upon the minimum annual guarantee, percentage payment provisions, and the total rent paid to the Authority for the Year Ended April 30, 2009.

Due to the current economic conditions, Hertz was only able to fulfill the monthly minimum annual guarantee payments for the months of November 2008 through April 2009.

Objectives

The objectives of the audit were as follows:

1. Determine the validity of gross revenue amounts reported and fees paid to the Authority;
2. Determine compliance with contract terms and operational requirements; and
3. Document and evaluate existing internal controls.

Testing

In order to satisfy the audit objectives, the following tests were performed:

1. Selected 3 months for detailed testing (July, October 2008, and March 2009). For each month selected, performed the following:
 - a. Obtained the monthly fixed rent invoices from Authority's Accounts Receivable and determined the amount for janitorial services at the QTA Facility were not accurately invoiced.
 - b. Obtained monthly revenue report and performed the following:
 - i. Reviewed report for mathematical accuracy.
 - ii. Tied amounts per report to amounts reported to the Authority.
 - iii. Sub selected 5 days each month and performed the following:
 1. Obtained the Daily Activity Report for the day selected.
 2. Reviewed report for mathematical accuracy.
 3. Tied amounts per report to the monthly revenue report.
 4. For a selection of rental agreements, tied all revenue information per the signed rental agreement to the Daily Activity Report.
 5. Reviewed rental agreements for mathematical accuracy.
 6. Verified that the concession fee recovery amount on the rental agreement agreed to the Concession Agreement.
 - iv. Reviewed excluded amounts, such as carbon offset fees, surcharges, taxes, or discounts for appropriateness and compliance with Concession Agreement.
 - c. Obtained a copy of Hertz's general ledger and verified that the revenue amounts per the general ledger were consistent with the revenue amounts reported to the Authority.
 - d. Obtained a copy of the Tennessee Sales and Use Tax form.
 - i. Tied revenue amounts per sales tax form to revenue amounts reported to the Authority.
 - e. Obtained a copy of the quarterly Motor Vehicle Rental Surcharge Tax form.
 - i. Reconciled revenue amounts reported to the State to revenue figures reported to the Authority.

- f. Obtained a listing of rental agreements. Reviewed listing to identify any missing rental agreement numbers. Traced a selection of rental agreements for inclusion in the appropriate Daily Activity Report.
- g. Obtained a listing of prepaid internet reservations. Verified that vehicles checked out at this airport were included in the gross revenues reported to the Authority.
- h. Obtained a listing of customer facility charges (“CFC”) collected in the month of March 2009.
 - i. Reviewed report for mathematical accuracy.
 - ii. Tied amounts per report to amounts reported to the Authority.
 - iii. Sub selected 5 days of the month and performed the following:
 - 1. Reviewed report for mathematical accuracy.
 - 2. Tied amounts per report to rental agreements.
 - 3. For a selection of rental agreements, verified CFC per the signed rental agreement agreed to the Daily Activity Report.
 - 4. Verified CFC on rental agreements agreed to Authority approved rate.
- 2. Determined through observations that the premises was maintained in a clean, neat, and attractive condition and appearance.
- 3. Determined Hertz maintained adequate insurance coverage.
 - a. Obtained a copy of the current certificate of insurance on file.
 - b. Verified that the comprehensive public liability and property damage, automobile, and fire insurance coverage met or exceeded the amounts specified in the contract.
 - c. Verified that the certificate of insurance was not current.
- 4. Determined Hertz maintained an Irrevocable Letter of Credit (“LOC”).
 - a. Obtained a copy of the current LOC.
 - b. Verified that the LOC coverage met or exceeded the amount specified in the contract.
 - c. Verified the LOC was current and adhered to all other contract terms.
- 5. Determined that Hertz’s method of used vehicle disposition was appropriate.
- 6. Obtained a current listing of all vehicles in the fleet. Reviewed the list and verified that there were automobiles with a model year more than one year older than the current year model being used.
- 7. Determined Hertz was meeting operational requirements.
 - a. Through observations, determined that employees were well trained, experienced, uniformed, professional, and courteous.
- 8. Through inquiry and observation, reviewed the existing internal controls in place.

Conclusion

Based upon the audit, the following was determined with respect to the stated objectives:

1. A billing error was noted in the amount invoiced for janitorial services at the QTA Facility, as noted in finding #1.
2. Properties did not have a current copy of Hertz's certificate of insurance on file, as noted in finding #2.
3. Hertz's current fleet of vehicles includes automobiles with a model year more than one year older than the current year, as noted in finding #3.
4. The Authority is not in compliance with the Courtesy First customer service program, as noted in finding #4.
5. The Concession Fee Recovery is not listed on the rental agreement in the same area as the Concessionaire's other separately stated charges, as noted in finding #5.

Finding #1

Observation

A billing error was noted in the amount invoiced for janitorial services at the QTA Facility.

Background

An objective of the audit was to determine that Hertz's monthly invoicing agreed to the schedule of rental fees and charges in the Lease Agreements. Through audit testing, a billing error was noted in the amount invoiced for janitorial services at the QTA Facility.

The Authority made arrangement with Service Management Systems ("SMS") to provide janitorial services for the QTA Facility beginning January 1, 2005. The services performed were policing and performing general janitorial duties such as cleaning the restroom and trash removal. SMS placed an SMS employee at the QTA Facility on a part-time basis for 4 hours per day (2 hours in the morning, 2 hours in the evening), 7 days per week.

The monthly cost for the janitorial services was \$1,543.92, which was proportionately shared among the rental car companies that used the QTA Facilities. The monthly invoicing was properly assessed from January 1, 2005, through December 31, 2007. The rental car companies invoiced amount and percentage requirement are detailed below.

Description	Invoiced Amount	% Requirement
Janitorial Services for QTA - Hertz	441.12	28.57%
Janitorial Services for QTA - Avis	441.12	28.57%
Janitorial Services for QTA - Vanguard	441.12	28.57%
Janitorial Services for QTA - Budget	220.56	14.29%
Monthly Invoiced Amount (01/01/05 - 12/31/07)	\$1,543.92	100.00%

Due to ongoing trash problems at the QTA Facility, the Authority determined that a part-time SMS employee in the QTA Facility did not properly address the trash problems. Therefore, the Authority decided it was necessary to assign a full time (8 hours per day, 7 days per week) SMS employee to the QTA Facility. The monthly cost for the janitorial services would increase from \$1,543.92 to \$2,967.83 and would be proportionately shared among the rental car companies utilizing the QTA Facilities. The increased billing would be effective on the January 1, 2008 invoicing. The rental car company's revised invoiced amounts are detailed below.

Description	Invoiced Amount
Janitorial Services for QTA - Hertz	847.95
Janitorial Services for QTA - Avis	847.95
Janitorial Services for QTA - Vanguard	847.95
Janitorial Services for QTA - Budget	423.98
Monthly Invoiced Amount (Effective 01/01/08)	\$2,967.83

However, Internal Audit was not able to find any supporting documentation, either in Properties or Finance's files, requesting the increase in monthly invoicing for janitorial services at the QTA Facility. Therefore, the monthly invoiced amount was not changed through Finance's accounts receivable billings and the rental car companies have continued to pay the same amount for janitorial services at the QTA since January 2005.

The underpayment of fees to the Authority for janitorial services for the QTA Facility has been calculated by rental car company and is detailed below.

Description	Monthly Invoiced Amount (01/01/05 - 12/31/07)	Monthly Invoiced Amount (Effective 01/01/08)	Variance	Months Invoiced Inaccurately (1/1/08 - 9/1/09)	Amount due to the Authority
Janitorial Services for QTA - Hertz	441.12	847.95	(406.83)	21	(8,543.43)
Janitorial Services for QTA - Avis	441.12	847.95	(406.83)	21	(8,543.43)
Janitorial Services for QTA - Vanguard	441.12	847.95	(406.83)	21	(8,543.43)
Janitorial Services for QTA - Budget	220.56	423.98	(203.42)	21	(4,271.82)
Total	\$1,543.92	\$2,967.83	(\$1,423.91)		(\$29,902.11)

It should be noted that the conditions at the QTA Facility have improved since SMS has been providing full time janitorial services.

Recommendation

Properties should request the Finance Department to invoice Hertz and the other rental car companies for their underpayment of fees to the Authority for janitorial services at the QTA Facility and to update billing information accordingly.

Additionally, Properties should provide the Finance Department with the necessary supporting documentation to process invoice changes as they arise.

Management Response

Properties will request the Finance Department to invoice Hertz and the other rental car companies for janitorial services at the appropriate rate retroactive to January 1, 2008 and henceforth. Hertz and all other rental car companies will be notified accordingly.

Further, Properties will provide the Finance Department with the necessary supporting documentation to process these specific invoice changes as they arise in keeping with our process to notify them on a weekly basis of financial impacts to agreements.

Finding #2

Observation

Properties did not have a current copy of Hertz's certificate of insurance on file.

Background

According to Article XIV, Section 14.1 of the Concession Agreement, "Concessionaire shall, at its expense, procure, and maintain the following types and amounts of insurance set forth below:

- a. Comprehensive General (Public) Liability and Property Damage Insurance in an amount of not less than One Million and 00/100 (\$1,000,000) Dollars combined single limit. Such insurance shall include contractual liability insurance to insure Concessionaire's obligation to indemnify and hold Authority, its Board of Commissioners, its officers and its employees harmless in accordance with the indemnification provisions of this Agreement.
- b. Comprehensive Automobile Liability in an amount of not less than One Million and 00/100 (\$1,000,000) Dollars combined single limit.
- c. Property Insurance for physical damage to the property of Concessionaire including permanent improvements and contents of its Assigned Area, covered for the full replacement value."

An objective of the audit was to determine Hertz maintained adequate insurance coverage and that the certificate of insurance was current and adhered to all other contract terms. Through audit testing, it was determined that Hertz maintained adequate insurance coverage; however, the certificate of insurance on file with Properties was expired.

Recommendation

Properties should request Hertz to provide the Authority with a current certificate of insurance and make certain Hertz annually submits an updated certificate of insurance to ensure compliance with contract terms.

Management Response

Properties has requested and received an updated certificate of insurance from Hertz. Contract Suspense system has been revised to prevent this from being overlooked in the future.

Finding #3

Observation

Hertz's current fleet of vehicles includes automobiles with a model year more than one year older than the current year.

Background

According Article V, Section 5.8 of the Concession Agreement, "Concessionaire shall at all time maintain, at its own expense, on the Airport, an adequate number of automobiles to meet the reasonable public demand therefore. Such automobiles shall at all times be maintained by Concessionaire, at its own expense, in good operating order and free from known mechanical defects and shall be kept in a clean, neat, and attractive condition, inside and out. Concessionaire agrees that it shall at no time use automobiles whose model year is more than one (1) year older than the current year model."

An objective of the audit was to review Hertz's current listing of vehicles in their fleet to ensure that no automobiles more than one (1) year older than the current year model were being used. Through audit testing, it was determined that on July 14, 2009, Hertz had a total of 1,222 vehicles on-site and 35 of those vehicles were a 2007 model year, which is considered more than one year older than the current year model. The details of the vehicles on-site by model year are noted below.

<u>Model Year</u>	<u>Vehicle Count</u>
2007	35
2008	395
2009	761
2010	31
Total Vehicles	1,222

Recommendation

On an annual basis, Hertz should review its fleet of vehicles to ensure automobiles with a model year older than the current year are removed from the fleet of vehicles used at the Airport.

Properties should annually request Hertz to provide the Authority with a current vehicle listing to ensure Hertz is complying with contract requirements.

Management Response

Current economic conditions have led to the evolution of fleet policy industry wide. Many, if not most, rental car companies have implemented a practice to retain vehicles an additional year if under a certain mileage. This is largely due to the impact of the auto industry downturn and resulting impact to the opportunity for fleet deals enjoyed by the RACs historically.

However, Properties will, on an annual basis, request Hertz provide a current vehicle listing to better monitor the current practices and compliance with their concession agreement requirements.

Finding #4

Observation

The Authority is not in compliance with the Courtesy First customer service program.

Background

According to Article VIII, Section 8.5 of the Concession Agreement, “Concessionaire shall train all employees before the employees are allowed to perform services. Additionally, all employees must attend the Authority’s Courtesy First customer service program.”

On November 19, 2004, Internal Audit made the following audit recommendation:

“The Authority strives to provide the utmost customer service to the patrons of the Airport. MNAA should consider implementing annual customer service training for the concessionaire’s to ensure that customer courtesy is a priority.”

Management responded to the audit recommendation as noted below.

“The Authority initiated the Courtesy First Program, a customer service-training program in 1994. All MNAA tenants were required to participate in the program. Training sessions focused on the importance of being courteous and responsive to a customer needs. Although, the Courtesy First Program is still contained as a tenant lease requirement, the program as it existed prior to 2001 is no longer active. It is recommended that the Authority work with the Nashville Convention & Visitors Bureau in developing a new customer service program. Once the training program is developed, MNAA tenants will be required to participate on an annual basis. The recommendation time line for implementing the customer service program will be in the Spring of 2005.

Properties will assist in coordinating Authority initiatives when customer service training is re-implemented.”

On September 25, 2008, Internal Audit made the following recommendation:

“Since the Authority strives to provide the utmost customer service to the customers of the Airport, the Authority should re-institute the Courtesy First customer service program or a similar program for Concessionaires throughout the airport; thus ensuring that customer courtesy remains a priority throughout the airport.”

Management responded to the audit recommendation as noted below.

“The Authority is presently implementing Action Plans for accomplishing the strategic objectives for the Nashville Airports’ Experience (“NAE”), our core competency. As a part of this process, the Authority will evaluate the implementation of customer service training programs for our Business Partners focused on education of the NAE. The process for developing the strategic objectives of the “NAE Buy In with Partners” will start during an action planning session on October 10, 2008. Properties will be the lead group for developing the NAE Buy In with Partners, which will be outlined in future concessionaire agreements. The Authority Community Affairs & Customer Service (“CACS”) Department will serve as a conduit for implementing customer service training for the Business Partners.”

It should be noted that a customer service training program for Concessionaire’s has not been implemented at the Airport.

Recommendation

To enhance the Authority's commitment to providing the Nashville Airports Experience to its passengers and business partners, the Authority should re-institute the Courtesy First customer service program or a similar program for Concessionaire's throughout the Airport.

Management Response

*The Authority is presently implementing Action Plans for accomplishing the strategic objectives for the Nashville Airports' Experience ("NAE"), our core competency. MNAA staff members have received customer service training from the Nashville Convention and Visitors Bureau. The program entitled **Creating Applause**, a CVB member's only program, was revised to incorporate components of the NAE while focusing on attitude, product knowledge, listening skills, solving problems and exceeding expectations. In mid-August 2009, the CVB agreed to provide this program to MNAA tenants even if they are not members of the MNAA organization. Discussions on how to implement the program are now underway with the CVB trainer and Hertz will be one of the first tenant partners to be offered the program. The Hertz employee **Creating Applause** program will be implemented by the Spring of 2010.*

Finding #5

Observation

The Concession Fee Recovery is not listed on the rental agreement in the same area as the Concessionaire's other separately stated charges.

Background

According to Article IX, Section 9.9 of the Concession Agreement, "Concessionaire shall recover the nine and one-quarter percentage (9.25%) of gross revenues payment from customers by disclosing it separately on Rental Agreements. Concessionaire agrees it shall use the terminology "Concession Fee Recovery" or "Concession Fee Recumbent" on the Rental Agreements. Concessionaire agrees that this terminology shall be listed on the Rental Agreement in the same area provided for Concessionaire's other separately stated charges and shall not be included in that part of the Rental Agreement on which taxes are collected by Concessionaire."

As noted below, the Concession Fee Recovery is properly identified on the rental agreement; however, it is included as part of the taxes collected by Concessionaire. The Concessionaire is required to include the Concession Fee Recovery in the same area as other separately stated charges.



TNNAS11 0148611

VEHICLE 0149417754211 08 NIL MARINER 4XS
 LIC TN269SPG CLS Z MILES OUT 10004 FUEL OUT 8/8
 NL&SR Y TK CAP 16.5 STALL F A 182

RENTED: 07/08/08 18:00 @ NASHVILLE INT'L AIP
 RETURN: 07/11/08 17:30 @ NASHVILLE INT'L AIP

You agree to pay charges at the rates and in the amounts that appear on the left of the table below. Taxable charges are denoted by a T, and additional details about some charges appear beneath the table. Our estimates of Your total charges appear on the right of the table below. Our estimates assume (1) You will rent and return the vehicle at the times and places indicated, (2) if a mileage charge applies, You will drive no more than the distance indicated and (3) You will not incur any charges that either are listed below opposite **** or cannot be calculated until return. If any of these assumptions is incorrect, additional charges or charges at higher rates may apply.

CHARGE RATE / AMOUNT	CHARGE ESTIMATE
TIME / MILEAGE CHGS: RATE PLAN - 5744A	CLASS - C
5 @ \$ 46.75/ DAY WITH ALL MILES FREE	\$ 233.75
EXTRA CHARGES IF APPLICABLE	
\$ 24.00/ EX HOUR	
SUBTOTAL	T\$ 233.75
ADDITIONAL CHARGES	
NEVERLOST \$ 11.95DY/ 59.75WK/ 235.00MNTH T\$	59.75
FEES FOR ANY ADDITIONAL AUTHORIZED OPERATORS NOT INCLUDED.	T\$ ****
OPTIONAL SERVICES	
FUEL & SERVICE \$.220 /MI \$ 3.96 /GAL 16.5 /TK CAP T\$	****
REFUELING FEE \$ 6.99	T\$ ****
ASSESSMENTS / FEES / TAXES	
CONCESSION FEE RECOVERY 0.25% T\$	27.15
CONT FAC CHG T\$	20.00
TAX 13.250% ON EST. TAXABLE TTL \$ 340.65 \$	45.14
TOTAL ESTIMATED CHARGE	\$ 385.79

It should be noted that the proper Concession Fee Recovery of 9.25% is being assessed, collected, and remitted to the Authority by Hertz on a monthly basis.

Recommendation

Properties should request Hertz to include the Concession Fee Recovery in the same area as other separately stated charges to ensure compliance with contract terms.

Management Response

Properties will request Hertz to include the Concession Fee Recovery in the same area as other separately stated charges to ensure compliance with agreement terms.