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FIRST AND FINAL CLOSE-OUT FOLLOW-UP REVENUE GENERATING LEASE AUDIT:

JOHN WAYNE AIRPORT DOLLAR RENT A CAR

As of March 16, 2016



Audit Number 1438-F1 (Reference 1534) Report Date: June 8, 2016



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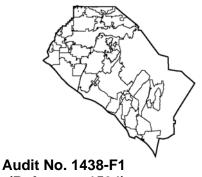
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ERIC H. WOOLERY, CPA AUDITOR-CONTROLLER

Transmittal Letter



(Reference 1534)

June 8, 2016

TO: Barry A. Rondinella, Airport Director John Wayne Airport

First and Final Close-Out Follow-Up Revenue Generating Lease Audit: SUBJECT: John Wayne Airport/Dollar Rent A Car, Original Audit No. 1438, Issued September 28, 2015

We have completed our First and Final Close-Out Follow-Up Revenue Generating Lease Audit of John Wayne Airport/Dollar Rent A Car. Our audit was limited to reviewing, as of March 16, 2016, action taken to implement the two (2) recommendations from our original audit report.

The results of our First Follow-Up Audit are discussed in the Internal Auditor's Report following this transmittal letter. We are pleased to report that our First Follow-Up Audit found that John Wayne Airport and Dollar Rent A Car have implemented the two (2) recommendations from our original audit report. As such, this report represents the final close-out of the original audit.

Each month I submit an Audit Status Report to the Board of Supervisors (BOS) where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

Toni Smart, CPA, Director Auditor-Controller Internal Audit Division

Attachment

Other recipients of this report: Members, Board of Supervisors Members, Audit Oversight Committee Eric H. Woolery, Auditor-Controller Frank Kim, County Executive Officer Mark Denny, Chief Operating Officer Jessica Witt, Deputy Chief Operating Officer Courtney Wiercioch, Assistant Airport Director, John Wayne Airport David DeLeon, Acting Deputy Airport Director of Business Development, John Wayne Airport Mariane Teschner, Deputy Airport Director of Finance & Administration, John Wayne Airport

Barry A. Rondinella, Airport Director John Wayne Airport June 8, 2016

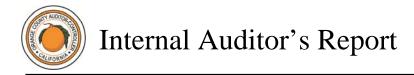
Barbara Swift, Business Development Manager, John Wayne Airport Tonya Riley, Director of Satellite Accounting Operations, Auditor-Controller Vivienne Thornton, Accounting Manager II, Auditor-Controller/JWA Accounting Operations Jessie Zhu, Accounting Manager I, Auditor-Controller/JWA Accounting Operations Kenneth Wong, Quality Assurance & Compliance Manager, John Wayne Airport Foreperson, Grand Jury Robin Stieler, Clerk of the Board of Supervisors

Macias Gini & O'Connell LLP, County External Auditor



First and Final Close-Out Follow-Up Revenue Generating Lease Audit: John Wayne Airport/Dollar Rent A Car Audit No. 1438-F1 (Reference 1534)

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Audit No. 1438-F1 (Reference 1534)

June 8, 2016

- TO: Barry A. Rondinella, Airport Director John Wayne Airport
- FROM: Toni Smart, CPA, Director Auditor-Controller Internal Audit Division
- SUBJECT: First and **Final Close-Out Follow-up** Revenue Generating Lease Audit: John Wayne Airport/Dollar Rent A Car, Original Audit No. 1438, Issued September 28, 2015

SCOPE

We have completed a First and Final Close-Out Follow-up Revenue Generating Lease Audit for John Wayne Airport (JWA) Hertz/Dollar Rent A Car (Dollar Rent A Car). Our follow-up was limited to reviewing actions taken as of March 16, 2016, to implement the two (2) recommendations made in the original audit.

BACKGROUND

The original audit reviewed whether Dollar Rent A Car's records adequately supported its monthly gross receipts reported to the County. During the original audit, Dollar Rent A Car generated approximately **\$7.76** million in gross receipts and paid the County approximately **\$776,000** in rent. The original audit identified two (2) findings related to gross receipts reduction by bad debts and compliance with monthly gross receipts report format.

RESULTS

Our follow-up review indicated that JWA implemented the recommendations from the original audit.

Finding No. 1 – Gross Receipts Reduced by Bad Debts (Control Finding)

<u>Recommendation No. 1:</u> We recommend that JWA require Dollar Rent A Car to properly report gross receipts by not reducing bad debts and pay rent owned of \$3,481. JWA should also require Dollar Rent A Car to pay related rent owed for the period subsequent to our audit period.

<u>Current Status:</u> **Fully Implemented.** On August 5, 2015, JWA sent Dollar Rent A Car a letter of audit findings explaining in detail the exact nature of the noncompliance findings and requiring Dollar Rent A Car to provide information on the actions taken to address the findings. On August 7, 2015, Dollar Rent A Car responded with a description of its corrective actions. The responses from Dollar Rent A Car indicated that the underreported gross receipts attributed to the bad debts from chargebacks between December 1, 2013 and July 31, 2015 totaled \$45,994. The bad debt reductions resulted in additional rent owed to JWA of \$4,599 (\$45,994 x 10%). On October 5, 2015, JWA received a payment of \$4,599 for the additional rent owned.



Finding No. 2 – Compliance with Monthly Gross Receipts Report Form (Control Finding)

<u>Recommendation No. 2:</u> We recommend that JWA require Dollar Rent A Car to comply with the County's monthly gross receipts report format by properly reporting the gross receipts before deductions and separately reporting or listing the permitted deduction items.

<u>Current Status:</u> **Fully Implemented.** On August 5, 2015, JWA sent Dollar Rent A Car a letter of audit findings explaining in detail the exact nature of the noncompliance findings and requiring Dollar Rent A Car to provide information on the actions taken to address the findings. On August 7, 2015, Dollar Rent A Car responded with a description of its corrective actions. We reviewed the October through December 2015 monthly gross receipts reports and found that Dollar Rent A Car properly reported the gross receipts before deductions and separately reported the permitted deduction items.

We appreciate the courtesy and cooperation extended to us by JWA personnel during our Follow-Up Audit. If we can be of further assistance, please contact me directly at (714) 834-5442 or Nancy Ishida, Senior Audit Manager at (714) 796-8067.