FINAL CLOSE-OUT

FIRST FOLLOW-UP AUDIT:

REVENUE GENERATING LEASE AUDIT
JOHN WAYNE AIRPORT
BUDGET RENT A CAR SYSTEMS, INC.

Original Audit No. 2931

AS OF MARCH 3, 2011

$10.4 MILLION GROSS RECEIPTS ANNUALLY
$1.6 MILLION RENT PAID TO THE COUNTY ANNUALLY

Our First Follow-Up Audit found that John Wayne Airport and Budget Rent A Car Systems, Inc. satisfactorily implemented one (1) recommendation from our original audit report.

During the original audit, Budget Rent A Car Systems, Inc. reported approximately $10.4 million in gross receipts and paid rent to the County of approximately $1.6 million. Over its 12 year term, this lease agreement is estimated to generate over **$17 million** in rent to the County.

AUDIT NO: 1038-C
REPORT DATE: MARCH 16, 2011

Director: Dr. Peter Hughes, CPA
Deputy Director: Eli Littner, CPA, CIA
Senior Audit Manager: Autumn McKinney, CPA, CIA
Senior Internal Auditor: Susan Nestor, CPA, CIA

Internal Audit Department

ORANGE COUNTY

6th Largest County in the USA

Independence Objectivity Integrity

Orange County Board of Supervisors' Internal Audit Department

GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

Dr. Peter Hughes	**Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE, CFF**
Director of Internal Audit	Certified Compliance & Ethics Professional (CCEP)
	Certified Information Technology Professional (CITP)
	Certified Internal Auditor (CIA)
	Certified Fraud Examiner (CFE)
	Certified in Financial Forensics (CFF)
E-mail:	peter.hughes@iad.ocgov.com

Eli Littner	**CPA, CIA, CFE, CFS, CISA**
Deputy Director	Certified Fraud Specialist (CFS)
	Certified Information Systems Auditor (CISA)
Michael J. Goodwin	**CPA, CIA**
Senior Audit Manager	
Alan Marcum	**MBA, CPA, CIA, CFE**
Senior Audit Manager	
Autumn McKinney	**CPA, CIA, CISA, CGFM**
Senior Audit Manager	Certified Government Financial Manager (CGFM)

Hall of Finance & Records

12 Civic Center Plaza, Room 232
Santa Ana, CA 92701

Phone: (714) 834-5475 Fax: (714) 834-2880

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OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA

Transmittal Letter

Audit No. 1038-C **March 16, 2011**

TO: Alan L. Murphy, Director
John Wayne Airport

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: First and Final Close-Out Follow-Up Audit of Revenue Generating Lease: Budget Rent A Car Systems, Inc., Original Audit No. 2931, Issued August 31, 2010

We have completed a First Follow-Up Audit of the Revenue Generating Lease with Budget Rent A Car Systems, Inc. Our audit was limited to reviewing, as of March 3, 2011, actions taken to implement one (1) recommendation in our original report dated August 31, 2010.

The results of our Follow-Up Audit are discussed in the **OC Internal Auditor's Report** following this transmittal letter. Because satisfactory corrective action has been taken for the recommendation, **this report represents the 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.

Attachments

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 2.

Table of Contents

First and Final Close-Out Follow-Up Audit:
Revenue Generating Lease Audit John Wayne Airport
Budget Rent A Car Systems, Inc., Original Audit No. 2931
Audit No. 1038-C

As of March 3, 2011

OC Internal Auditor's Report

Audit No. 1038-C **March 16, 2011**

TO: Alan L. Murphy, Director
John Wayne Airport

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: First and Final Close-Out Follow-Up Audit of Revenue Generating Lease: Budget Rent A Car Systems, Inc., Original Audit No. 2931, Issued August 31, 2010

Scope of Review

We have completed a First Follow-Up Audit of the Revenue Generating Lease with Budget Rent A Car Systems, Inc. Our audit was limited to reviewing actions taken as of March 3, 2011 to implement the one (1) recommendation made in our original audit report.

Background

The original audit reviewed whether Budget Rent A Car Systems, Inc.'s records adequately supported their monthly gross receipts reported to the County. During the original audit, Budget Rent A Car Systems, Inc. generated approximately $10.4 million in gross receipts and the rent paid to the County was approximately $1.6 million. The original audit identified one **(1) control finding** where no additional rent was owed.

Results

John Wayne Airport and Budget Rent A Car Systems, Inc. implemented the one (1) recommendation from the original audit report. Following is the implementation status of the original recommendation:

Receipts from Default Customers Not Reported (Control Finding)
Recommendation No. 1: We recommend that JWA require Budget Rent A Car Systems, Inc. to begin reporting the administrative fees as gross receipts subject to percentage rent.

Current Status: **Implemented.** Our review of the reportable gross receipts categories for the sample month of January 2011 found that Budget Rent A Car Systems, Inc. is now reporting the administrative fees for significantly overdue vehicles as gross receipts.

Acknowledgement

We appreciate the cooperation and assistance extended to us by the personnel at John Wayne Airport during our Follow-Up Audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at (714) 834-5899 or Autumn McKinney, Senior Audit Manager at (714) 834-6106.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
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David De Leon, Administrative Manager, JWA/Business Development/Asset Management
Barbara Swift, Real Property Agent, JWA/Business Development
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