

Internal Audit Department

O R A N G E C O U N T Y
6th Largest County in the USA

Revenue Generating License Audit: JOHN WAYNE AIRPORT AIRPORT TERMINAL SERVICES, INC.

For the Period
May 1, 2013 through April 30, 2014

**\$2.7M GROSS RECEIPTS FOR
TWELVE-MONTH AUDIT
PERIOD
\$268K RENT TO THE COUNTY**

Airport Terminal Services, Inc. (ATS) is authorized through a license agreement with the County of Orange to conduct and operate commercial aviation ramp services and other contract ground services at John Wayne Airport.

We audited the underlying books and records to ensure reported gross receipts were supported and rent was properly paid as defined by the license agreement. During the twelve-month audit period of May 1, 2013 through April 30, 2014, ATS reported approximately \$2.7M in gross receipts and paid rent to the County of approximately \$268K.

The Internal Audit Department found that ATS adequately supported reported gross receipts and rent owed to the County was properly paid.

AUDIT No: 1343

REPORT DATE: JUNE 30, 2014

Director: Dr. Peter Hughes, MBA, CPA, CIA
Senior Audit Manager: Alan Marcum, CPA, CIA
Senior Internal Auditor: Susan Nestor, CPA, CIA

RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010, 2013



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach



ORANGE COUNTY BOARD OF SUPERVISORS'
Internal Audit Department

GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010, 2013

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

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



Michael Goodwin **CPA, CIA**
Senior Audit Manager

Alan Marcum **MBA, CPA, CIA, CFE**
Senior Audit Manager

Hall of Finance & Records

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

Phone: (714) 834-5475

Fax: (714) 834-2880

To access and view audit reports or obtain additional information about the OC Internal Audit Department, visit our website: www.ocgov.com/audit



OC Fraud Hotline (714) 834-3608



Transmittal Letter



Audit No. 1343 June 30, 2014

TO: Alan L. Murphy, Director
John Wayne Airport

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

SUBJECT: Revenue Generating License Audit: John Wayne
Airport Terminal Services, Inc., PM 1121-360-45

We have completed our Revenue Generating License Audit of Airport Terminal Services, Inc. for the period May 1, 2013 through April 30, 2014. We performed this audit in accordance with our *FY 2013-14 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisor (BOS). Our final report is attached for your review.

Each month I submit an **Audit Status Report** to the 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.

Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

ATTACHMENTS

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

Table of Contents



*Revenue Generating License Audit:
John Wayne Airport Terminal Services, Inc.
Audit No. 1343*

For the Period May 1, 2013 through April 30, 2014

| | |
|-------------------------------------|----------|
| Transmittal Letter | i |
| OC Internal Auditor's Report | |
| OBJECTIVES | 1 |
| RESULTS | 1 |
| BACKGROUND | 2 |
| SCOPE | 2 |



Audit No. 1343

June 30, 2014

TO: Alan L. Murphy, Director
John Wayne Airport

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

SUBJECT: Revenue Generating License Audit: John Wayne Airport
Terminal Services, Inc., PM 1121-360-45

Audit Highlight

Airport Terminal Services, Inc. (ATS) provides airline related services at John Wayne Airport under a license agreement with the County of Orange. Services provided may include, but are not limited to, loading or unloading of aircraft, baggage handling, parking of aircraft and aircraft towing services.

During the 12-month audit period ending April 30, 2014, ATS reported approximately \$2.7 million in gross receipts to the County and paid percentage rent of approximately \$268K.

We found that ATS's records adequately supported gross receipts reported and rent paid.

OBJECTIVES

We have performed an audit of certain records and documents of Airport Terminal Services, Inc. (ATS) for the period from May 1, 2013 through April 30, 2014. ATS is licensed by the County of Orange to provide airline related services at John Wayne Airport. These services may include, but are not limited to, the following activities: loading and unloading aircraft, baggage handling services, parking of aircraft, aircraft towing and push back servicing of aircraft, and those additional activities normally recognized by airlines as being ramp or ground services. This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code Section 1236. Our audit objectives were:

1. The primary objective of our audit was to determine whether ATS's records adequately supported gross receipts reported to the County and paid rent owed.
2. The secondary objective of our audit was to determine whether ATS complies with certain other financial provisions of the License Agreement.

In addition, while performing the audit we may identify internal control weaknesses for which we would identify suggestions for improvement.

RESULTS

Objective #1: We found that ATS's records adequately supported gross receipts reported to the County and rent paid.

Objective #2: We found that ATS complied with certain other financial provisions of the License Agreement such as the monthly gross receipts statement format.



BACKGROUND

The County of Orange entered into a license agreement with Airport Terminal Services, Inc. (ATS) to provide airline related ground services at John Wayne Airport.

During the 12-month audit period ending April 30, 2014, ATS reported approximately \$2.7 million in gross receipts and paid the County \$268K in rent.

SCOPE

Our audit was limited to certain records and documents that support ATS's gross receipts reported to the County for the twelve-month audit period from May 1, 2013 through April 30, 2014. Our audit included inquiry, auditor observation, and limited testing for assessing the adequacy of documentation and ensuring completeness of reported gross receipts.

Acknowledgment

We appreciate the courtesy extended to us by Airport Terminal Services, John Wayne Airport staff during our audit. If you have any questions regarding our revenue generating license audit, please contact me directly at (714) 834-5475, or Alan Marcum, Senior Audit Manager at 834-4119.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Michael B. Giancola, County Executive Officer
Mark Denny, Chief Operating Officer
Jessica O'Hare, Assistant to the Chief Operating Officer
Ralph Sanchez, Deputy Airport Director, JWA/Business Development
Barbara Swift, Administrative Manager, JWA/Business Development
Mariane Teschner, Deputy Airport Director, JWA/Finance & Administration
Megan Vu, Accounting Services Manager, JWA/Accounting
Scott Suzuki, Internal Audit Manager, JWA/Quality Assurance & Compliance
Foreperson, Grand Jury
Susan Novak, Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor