Thrifty Car Rental operates an on-airport car rental agency at John Wayne Airport. Annual gross receipts generated are approximately \$9.2 million and percentage rent paid to the County is approximately \$920,000 plus approximately \$29,000 flat rent for Ready Car spaces.

The Internal Audit Department found that Thrifty Car Rental's records adequately supported gross receipts and overall rent was properly paid.

For the Period November 1, 2006 through October 31, 2007

> AUDIT NO: 2733 REPORT DATE: JUNE 25, 2008

Audit Director: Peter Hughes, Ph.D., MBA, CPA Deputy Director: Eli Littner, CPA, CIA Sr. Audit Manager: Autumn McKinney, CPA, CIA Audit Manager: Carol Swe, CPA, CIA Senior Auditor: Susan Nestor, CPA, CIA



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Dr. Peter Hughes Office of The Director	 Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE Certified Compliance & Ethics Professional (CCEP) Certified Information Technology Professional (CITP) Certified Internal Auditor (CIA) Certified Fraud Examiner (CFE)
E-mail:	peter.hughes@iad.ocgov.com
Eli Littner Deputy Director	CPA, CIA, CFE, CFS, CISA Certified Fraud Specialist (CFS) Certified Information Systems Auditor (CISA)
Michael J. Goodwin Senior Audit Manager	CPA, CIA
Alan Marcum Senior Audit Manager	MBA, CPA, CIA, CFE
Autumn McKinney Senior Audit Manager	CPA, CIA, CISA, CGFM 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 Director Peter Hughes





Transmittal Letter

AUDIT NO. 2733 June 25, 2008

- TO: Alan L. Murphy, Director John Wayne Airport
- **FROM:** Dr. Peter Hughes, CPA, Director Internal Audit Department
- SUBJECT: Review of Lease Revenue DTG Operations, Inc. (Thrifty Car Rental), PM 1121-390-30

We have completed our review of lease revenue for DTG Operations, Inc. (Thrifty Car Rental) for the period November 1, 2006 through October 31, 2007. The final Internal Auditor's Report is attached.

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.

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.

ATTACHMENT

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

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For the Period November 1, 2006 through October 31, 2007

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INTERNAL AUDITOR'S REPORT

AUDIT No. 2733

JUNE 25, 2008

TO:	Alan L. Murphy, Director John Wayne Airport
FROM:	Dr. Peter Hughes, CPA, Director Internal Audit Department
SUBJECT:	Review of Lease Revenue DTG Operations, Inc. (Thrifty Car Rental) PM 1121-390-30

Audit Highlight

Thrifty Car Rental operates an on-airport car rental agency at John Wayne Airport. Annual gross receipts generated are approximately \$9.2 million and percentage rent paid to the County is approximately \$920,000 plus approximately \$29,000 flat rent for Ready Car spaces.

The Internal Audit Department found that Thrifty Car Rental's records adequately supported gross receipts and overall rent was properly paid.

OBJECTIVES

We have performed a review of certain records and documents for the period from November 1, 2006 through October 31, 2007, pertinent to the lease agreement (Agreement) between the County of Orange (County) and DTG Operations, Inc. (Thrifty Car Rental), dated February 4, 2003, as amended and assigned. The Agreement is for the operation of an on-airport car rental agency at John Wayne Airport.

The primary purpose of our review is to determine whether Thrifty Car Rental's records adequately supported their monthly gross receipts reported to JWA. We also reviewed compliance with certain other provisions of the Agreement, such as accounting methods and payment procedures.

BACKGROUND

The County of Orange entered into a lease agreement (Agreement) with DTG Operations, Inc. (Thrifty Car Rental) dated February 4, 2003, as amended and assigned, for the operation of an on-airport car rental agency at John Wayne Airport (JWA). During the year ended October 31, 2007, Thrifty Car Rental generated approximately \$9.2 million in gross receipts at JWA and paid the County approximately \$920,000 in percentage rent. Additional flat rent to the County of approximately \$29,000 was paid on Ready Car parking spaces located in the JWA garage.



SCOPE

Our review was limited to certain records and documents that support Thrifty Car Rental's gross receipts reported to the County for 12month period of November 1, 2006 to October 31, 2007. We also reviewed compliance with certain other provisions of the Agreement, such as accounting methods and payment procedures. Our review included inquiry, auditor observation, and limited testing for assessing the adequacy of documentation and ensuring completeness of reported gross receipts.

CONCLUSION

Based on our review, we find that Thrifty Car Rental's records adequately supported monthly gross receipts reported to JWA. No material weaknesses, significant issues or control findings were identified. See Attachment A for a description of report item classifications.

ACKNOWLEDGEMENT

We appreciate the courtesy and cooperation extended to us by the personnel at Thrifty Car Rental, JWA Business Development, JWA Accounting, and JWA/Quality Assurance & Compliance. If you have any questions regarding our review of lease revenue, please call me, Eli Littner, Deputy Audit Director, at (714) 834-5899, or Autumn McKinney, Senior Audit Manager, at (714) 834-6106.

ATTACHMENT A: Report Item Classifications

Distribution Pursuant to Audit Oversight Committee Procedure No. 1: Members, Board of Supervisors
Members, Audit Oversight Committee
Loan Leblow, Assistant Airport Director, John Wayne Airport
Roy Freeman, Deputy Airport Director, JWA/Business Development
David De Leon, Manager, JWA/Parking, Ground Transportation, and Special Projects
Barbara Swift, Real Property Agent, JWA/Parking, Ground Transportation, and Special Projects
Lisa Kawashima, Manager, JWA Accounting
Scott Suzuki, Quality Assurance and Compliance Manager, John Wayne Airport
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

Material Weaknesses:

Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to address "Material Weaknesses" brought to their attention immediately.

• Significant Issues:

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

Control Findings and/or Efficiency/Effectiveness Issues:

Audit findings that require management's corrective action to implement or enhance processes and internal controls. Control Findings and Efficiency/Effectiveness issues are expected to be addressed within our follow-up process of six months, but no later than twelve months.