# FINAL CLOSE-OUT FIRST FOLLOW-UP AUDIT:

REVIEW OF LICENSE REVENUE JOHN WAYNE AIRPORT/ GAT AIRLINE GROUND SUPPORT ORIGINAL AUDIT NO. 2734

As of JANUARY 28, 2009

John Wayne Airport satisfactorily implemented all six (6) audit recommendations from our original audit report.

During the original audit, GAT Airline Ground Support reported approximately \$1.4 million in gross receipts and paid fees to the County of approximately \$140,000.

### AUDIT NO: 2840-C REPORT DATE: APRIL 22, 2009

County Internal Auditor: Peter Hughes, Ph.D., MBA, CPA Deputy Director: Eli Littner, CPA, CIA Sr. Audit Manager: Autumn McKinney, CPA, CIA Audit Manager: Lily Chin, CPA Sr. Internal Auditor: Susan Nestor, CPA, CIA

# CInternal Audit Department

RISK BASED AUDITING

Peer Review Compliant – 2001, 2004, 2007



2008 Association of Local Government Auditors' Bronze Website Award



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

# Internal Audit Department

Ζ

O

 $\mathbf{C}$ 

Ш

Б

Ζ

1

R

O



### **RISK BASED AUDITING**

Peer Review Compliant - 2001, 2004, 2007

### **Providing Facts and Perspectives Countywide**

<b>Dr. Peter Hughes</b> County Internal Auditor	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

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

## Letter from Dr. Peter Hughes, CPA





### **Transmittal Letter**

Audit No. 2840-C April 22, 2009

- TO: Alan L. Murphy, Director John Wayne Airport
- **FROM:** Dr. Peter Hughes, CPA County Internal Auditor
- SUBJECT: First and Final Close-Out Follow-Up Audit: Review of License Revenue for JWA/GAT Airline Ground Support (Original Audit No. 2734, Issued July 24, 2008)

We have completed a First and Final Close-Out Follow-Up Audit of License Revenue for GAT Airline Ground Support. Our audit was limited to reviewing, as of January 28, 2009, actions taken to implement the <u>six</u> recommendations in our original report dated July 24, 2008.

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

Each month I submit an **Audit Status Report** to the Board of Supervisors where I detail any material and significant audit findings 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 listed on the Internal Auditor's Report on page 3.

# **Table of Contents**



### First and Final Close-Out Follow-Up Audit: Review of License Revenue for JWA/GAT Airline Ground Support (Original Audit No. 2734) Audit No. 2840-C

As of January 28, 2009

Trar	smittal Letter	i
OC	OC INTERNAL AUDITOR'S EXECUTIVE REPORT	
Res	ults	1
1.	Additional Fees Owed – Interior Aircraft Cleaning (Control Finding)	1
2.	Additional Fees Owed – Interior Aircraft Cleaning (Control Finding)	2
3.	Additional Fees Owed – Interior Aircraft Cleaning (Control Finding)	2
4.	Additional Fees Owed – 10% Surcharge (Control Finding)	2
5.	Additional Fees Owed – 10% Surcharge (Control Finding)	2
6.	Audit Costs (Control Finding)	2



### Audit No. 2840-C

April 22, 2009

TO:	Alan L. Murphy, Director
	John Wayne Airport
_	Da II I
FROM:	Dr. Peter Hughes, CPA
	Dr. Peter Hughes, CPA
SUBJECT:	First and Final Close-Out Follow-Up Audit of
	Review of License Revenue for GAT Airline Ground
	Support (Original Audit No. 2734, Issued July 24, 2008)

### Scope of Review

We have completed a First and Final Close-Out Follow-Up Audit of Review of License Revenue for GAT Airline Ground Support. Our audit was limited to reviewing actions taken as of January 28, 2009 to implement the six (6) recommendations made in our original audit report.

### Background

The original audit reviewed whether GAT Airline Ground Support's records adequately supported their monthly gross receipts reported to the County. During the original audit, GAT Airline Ground Support generated approximately \$1.4 million in gross receipts and paid approximately \$140,000 in rent to the County. The original audit identified six (6) recommendations related to additional fees and audit costs owed.

### Results

John Wayne Airport (JWA) and GAT Airline Ground Support successfully implemented all six (6) of the recommendations. As such, this report represents the **final close-out** of the original audit. Following is the implementation status of the original six (6) recommendations:

### 1. Additional Fees Owed – Interior Aircraft Cleaning (Control Finding)

<u>Recommendation No. 1</u>: We recommend that JWA require GAT to pay additional fees owed as determined by JWA for the misclassification of interior aircraft cleaning for the audit period of August 1, 2006 through July 31, 2007.

<u>Current Status</u>: **Implemented.** After additional analysis, JWA determined that the services provided by the licensee do not rise to the level of interior aircraft cleaning under the terms of their contract. As such, there were no additional fees assessed under the interior aircraft cleaning provisions of the license agreement. This appears appropriate and we consider the recommendation implemented.

# **OC Internal Auditor's Executive Report**



### 2. Additional Fees Owed – Interior Aircraft Cleaning (Control Finding)

<u>Recommendation No. 2</u>: We also recommend that JWA determine whether GAT should pay similar fees owed for the periods of August 19, 2004 (license inception) through July 31, 2006 and August 1, 2007 through month of correction.

Current Status: Implemented. See status for Recommendation No. 1 above.

### 3. Additional Fees Owed – Interior Aircraft Cleaning (Control Finding)

<u>Recommendation No. 3</u>: We also recommend that for future periods depending on the outcome of Recommendation No. 1. above, JWA require GAT to record sufficient details to support amounts charged for baggage handling and aircraft parking/towing vs. interior aircraft cleaning in its accounting records and its invoices to Delta Airlines.

Current Status: Implemented. See status for Recommendation No. 1 above.

### 4. Additional Fees Owed – 10% Surcharge (Control Finding)

<u>Recommendation No. 4</u>: We recommend that JWA require GAT to pay additional rent owed of \$13,887 for the audit period of August 1, 2006 through July 31, 2007.

<u>Current Status</u>: **Fully Implemented.** JWA received additional rent of \$13,887 for the audit period of August 1, 2006 through July 31, 2007.

### 5. Additional Fees Owed – 10% Surcharge (Control Finding)

<u>Recommendation No. 5:</u> We also recommend that JWA determine whether GAT should pay similar rent owed for the periods of August 19, 2004 (license inception) through July 31, 2006 and August 1, 2007 through month of correction.

<u>Current Status</u>: **Fully Implemented.** JWA received additional rent of \$37,276 for the periods of August 19, 2004 through July 31, 2006 and August 1, 2007 through April 2008.

### 6. Audit Costs (Control Finding)

<u>Recommendation No. 6</u>: We recommend that JWA assess audit costs of \$4,800 to GAT.

<u>Current Status</u>: **Fully Implemented.** JWA assessed and received payment for audit costs of \$4,800 from GAT.

We appreciate the cooperation and assistance extended to us by JWA/Quality Assurance & Compliance during our Follow-Up Audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at 834-5899, or Autumn McKinney, Senior Audit Manager at 834-6106.

# **OC Internal Auditor's Executive Report**



Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors Members, Audit Oversight Committee Thomas G. Mauk, County Executive Officer Loan Leblow, Assistant Airport Director Roy Freeman, Deputy Airport Director, JWA/Business Development Ralph Sanchez, Business Development Manager, JWA/Airlines, Concessions & Real Property Contracts Jessica Dixon, Real Property Agent, JWA/Airlines, Concessions & Real Property Contracts Steve Siemion, Deputy Airport Director, JWA/Finance and Administration Lisa Kawashima, Accounting Manager, JWA/Accounting Scott Suzuki, Manager, JWA/Quality Assurance & Compliance Foreperson, Grand Jury Darlene J. Bloom, Clerk of the Board of Supervisors