

Internal Audit Department

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

Audit of Revenue Generating Operating Agreement: JWA/PARKING CONCEPTS, INC. VALET PARKING

For the Period September 1, 2009
through August 31, 2010

\$3.9 MILLION GROSS RECEIPTS ANNUALLY
\$2.5 MILLION REVENUE PAID TO THE
COUNTY ANNUALLY

Parking Concepts, Inc. (PCI) operates valet parking at John Wayne Airport. Over its three (3) year term, this operating agreement is estimated to generate approximately **\$7 million** in revenue to the County. Revenue is paid to the County based on a percentage of gross receipts collected by PCI. We audit the underlying books and records to ensure gross receipts are complete and revenue is properly paid as defined by the agreement. Gross receipts reported during the 12-month audit period were approximately **\$3.9 million** and revenue paid to the County was approximately **\$2.5 million**.

The Internal Audit Department found that PCI's records adequately supported gross receipts and revenue owed was properly paid.

AUDIT NO: 1035
REPORT DATE: APRIL 29, 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

RISK BASED AUDITING

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



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



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

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

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OC Fraud Hotline (714) 834-3608



Transmittal Letter



Audit No. 1035 April 29, 2011

TO: Alan L. Murphy, Director
John Wayne Airport

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

SUBJECT: Audit of Revenue Generating Operating
Agreement: John Wayne Airport,
Parking Concepts, Inc., Valet Parking
PM 1121-400-0024

We have completed our revenue generating operating agreement audit of JWA/Parking Concepts, Inc. - Valet Parking for the period September 1, 2009 through August 31, 2010. We are pleased to report that Parking Concepts, Inc.'s records adequately supported gross receipts and revenue owed to the County was properly paid. The **OC Internal Auditor's Report** is attached. We performed this Revenue Generating Operating Agreement Audit in accordance with our FY 2010-11 Audit Plan approved by the Audit Oversight Committee.

Each month I submit an **Audit Status Report** to the BOS where I detail any critical or 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 3.

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John Wayne Airport
Parking Concepts, Inc., Valet Parking
Audit No. 1035***

For the Period
September 1, 2009 through August 31, 2010

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OC Internal Auditor's Report



Audit No. 1035

April 29, 2011

TO: Alan L. Murphy, Director
John Wayne Airport

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

SUBJECT: Audit of Revenue Generating Operating Agreement:
JWA/Parking Concepts, Inc., Valet Parking PM 1121-400-0024

Audit Highlight

Parking Concepts, Inc. operates valet parking and related services at John Wayne Airport.

Over the three (3) year term, this operating agreement is estimated to generate about **\$7 million** in revenue to the County. Gross receipts generated during the 12-month audit period were about **\$3.9 million** and revenue paid to the County was about **\$2.5 million**.

The Internal Audit Department found that Parking Concepts, Inc.'s records adequately supported gross receipts and revenue owed was properly paid.

OBJECTIVES

We have performed an audit of certain records and documents for the period from September 1, 2009 through August 31, 2010, pertinent to the operating agreement (Agreement) between the County of Orange (County) and Parking Concepts, Inc. (PCI), dated January 12, 2009. The Agreement is for the operation of valet parking and related services at John Wayne Airport. Our audit objectives are:

- (1) The primary purpose of our audit is to determine whether Parking Concepts, Inc.'s records adequately support their monthly gross receipts reported to the County and revenue owed is properly paid.
- (2) The secondary purpose of our audit is to determine whether Parking Concepts, Inc. complies with certain other financial provisions of the Agreement, such as accounting methods, monthly gross receipts statement format, and annual financial statement requirements.

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

BACKGROUND

The County of Orange entered into an Agreement with Parking Concepts, Inc. (PCI), dated January 12, 2009 for the operation of valet parking and related services (such as car washing) located at John Wayne Airport. During the audit period, PCI reported approximately **\$3.9 million** in gross receipts and paid the County approximately **\$2.5 million** in revenue. Over the three (3) year term, this operating agreement is estimated to generate about **\$7 million** in revenue to the County.



SCOPE

Our audit was limited to certain records and documents that support PCI's gross receipts reported to the County for the 12-month audit period of September 1, 2009 through August 31, 2010. Our audit included inquiry, auditor observation, and limited testing for assessing the adequacy of documentation and ensuring completeness of reported gross receipts.

RESULTS

Below are the results of our audit:

- ▶ **Objective #1 – Adequate Records:** Determine whether PCI's records adequately support monthly gross receipts reported to the County and revenue owed is properly paid.
- ▶ **Results:** We found that PCI's records adequately supported the reported gross receipts and revenue owed was properly paid.

- ▶ **Objective #2 – Compliance:** Determine whether PCI complies with certain other financial provisions of the agreement.
- ▶ **Results:** We found that PCI complied with certain other financial provisions of the agreement such as accounting methods, annual financial statements, and monthly gross receipts statement format.

ACKNOWLEDGMENT

We appreciate the courtesy and cooperation extended to us by the personnel at John Wayne Airport and Parking Concepts, Inc. If you have any questions regarding our audit, please call 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:

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Members, Audit Oversight Committee
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Roy Freeman, Deputy Airport Director, JWA/Business Development
David De Leon, Administrative Manager, JWA/Business Development/Asset
Management
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