4

~

0

FINAL CLOSE-OUT FIRST FOLLOW-UP AUDIT:

JOHN WAYNE AIRPORT PARKING CONCEPTS, INC.
ORIGINAL AUDIT No. 2732

As of February 1, 2010

\$35.5 MILLION IN GROSS RECEIPTS REMITTED ANNUALLY TO JWA

John Wayne Airport and Parking Concepts, Inc. fully implemented all fourteen (14) recommendations noted in our original audit.

During the original audit, Parking Concepts, Inc. collected and remitted \$35.5 million in gross receipts to JWA and received operating fees of approximately \$4 million.

AUDIT NO: 2937-A REPORT DATE: MARCH 31, 2010

Director: Dr. Peter Hughes, MBA, CPA, CIA 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









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

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

Dr. Peter Hughes Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE

> **Director** 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 CPA, CIA, CFE, CFS, CISA

Deputy Director Certified Fraud Specialist (CFS)

Certified Information Systems Auditor (CISA)

Michael Goodwin CPA, CIA

Senior Audit Manager

Independence

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

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. 2937-A March 31, 2010

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: John Wayne Airport - Parking Concepts, Inc., Original Audit No. 2732,

Issued August 6, 2009

We have completed a First Follow-Up Audit of Revenue Generating Operating Agreement Audit: John Wayne Airport - Parking Concepts, Inc. Our audit was limited to reviewing, as of February 1, 2010, actions taken to implement fourteen (14) recommendations from our original audit. We conducted this First Follow-Up Audit in accordance with the *FY 09-10 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors (BOS).

The results of our First Follow-Up Audit are discussed in the **OC Internal Auditor's Report** following this transmittal letter. Because satisfactory corrective action has been taken for all fourteen (14) audit recommendations, **this report represents the close-out of the original audit.** We commend John Wayne Airport and Parking Concepts, Inc. for their timeliness and responsiveness in taking corrective actions on our audit recommendations.

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.

Other recipients of this report are listed on the OC Internal Auditor's Report on page 5.

Table of Contents

First and Final Close-Out Follow-Up Audit: John Wayne Airport - Parking Concepts, Inc. Audit No. 2937-A

As of February 1, 2010

Transn	nittal Letter	İ
OC Inte	ernal Auditor's Report	
Sco	ppe of Review	1
Background		1
Results		1
1.	PCI's Fees Billed Are Based on Scheduled Hours, Not Actual Hours Worked (Two Control Findings)	1
2.	Labor Reports May Not Reflect Actual Labor Activity (Control Finding)	2
3.	One Job Code Used For Two Billable Supervisory Categories (Control Finding)	2
4.	Allocating Maintenance Positions to Supervisor Positions (Two Control Findings)	2
5.	Allocating Clerical Positions to Supervisor Positions (Control Finding)	3
6.	Allocating Chief Auditor Positions to Shift Supervisor Position (Control Finding)	3
7.	Some Employee's Job Codes Not Current (Control Finding)	3
8.	Employee Timecard Documentation Not Adequate (Control Finding)	4
9.	Late Employee Timecards (Control Finding)	4
10.	Fees Billed to JWA Not Adjusted When Substitutions Occur (Two Control Findings)	4
11.	Audit Costs (Control Finding)	5



Audit No. 2937-A March 31, 2010

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: John Wayne Airport - Parking

Concepts, Inc., Original Audit No. 2732, Issued August 6, 2009

te Hughes

Scope of Review

We have completed a First Follow-Up Audit of Revenue Generating Operating Agreement Audit: John Wayne Airport - Parking Concepts, Inc. Our audit was limited to reviewing, as of February 1, 2010, actions taken to implement fourteen (14) recommendations from our original audit.

Background

The original audit reviewed whether Parking Concepts, Inc.'s (PCI) records adequately supported monthly gross receipts collected and remitted to the County and the fees billed to John Wayne Airport (JWA). During the original audit, PCI collected and remitted \$35.5 million in gross receipts to JWA and received operating fees of approximately \$4 million.

The original audit found that PCI's records adequately supported gross receipts collected and remitted to JWA. However, their operating fees billed to JWA were not adequately supported. This was primarily because PCI's employee timecards and labor distribution reports did not reflect the actual job code worked by the employee when the employee substituted or backfilled for another position category. The fourteen (14) recommendations identified areas where PCI's record keeping should be enhanced to support the operating fees billed to JWA.

Results

Our First Follow-Up Audit indicated that John Wayne Airport (JWA) and Parking Concepts, Inc. (PCI) fully implemented all fourteen (14) recommendations. **As such, this report represents the final close-out of the original audit.** The following is the implementation status of the fourteen (14) recommendations:

1. PCI's Fees Billed Are Based on Scheduled Hours, Not Actual Hours Worked (Two Control Findings)

Recommendation No. 1: JWA should require PCI to prepare its monthly billing based on the actual hours worked, not to exceed the limits specified in the Operating Agreement.

<u>Current Status</u>: **Implemented.** Our review of documentation provided by JWA for the sample month of November 2009 found that PCI prepared the monthly billing based on actual hours worked, with respect to the Operating Agreement limits.



Recommendation No. 2: JWA should require PCI to prepare and retain a supporting schedule that reconciles hours per the Labor Distribution Report with hours billed to JWA.

<u>Current Status</u>: **Implemented.** Our review of documentation provided by JWA for the sample month of November 2009 found that PCI prepared a supporting schedule reconciling the Labor Distribution Report with hours billed to JWA.

2. Labor Reports May Not Reflect Actual Labor Activity (Control Finding)

Recommendation No. 3: JWA should require PCI to ensure its employees document the actual job codes on their timecards and require PCI to allocate employee hours to the correct job codes when preparing the Labor Distribution Report.

<u>Current Status</u>: **Implemented.** Our review of a sample of ten (10) PCI employee timecards for November 2009 provided by JWA found that the actual job codes were documented on the timecards and allocated correctly by PCI when preparing the Labor Distribution Report.

3. One Job Code Used For Two Billable Supervisory Categories (Control Finding)

<u>Recommendation No.4</u>: JWA should require PCI to utilize unique job codes for each of the two billable supervisory position categories required by the Operating Agreement.

<u>Current Status</u>: **Implemented.** Our review of the November 2009 Labor Distribution Report provided by JWA found that PCI now has two unique job codes for the two billable supervisory position categories.

4. Allocating Maintenance Positions to Supervisor Positions (Two Control Findings)

<u>Recommendation No. 5</u>: We recommend that JWA evaluate whether PCI's substitution of maintenance/janitorial staff for Exit Plaza Supervisor positions is appropriate.

<u>Current Status</u>: **Implemented.** JWA evaluated PCI's practice of substituting employees between the supervisory and maintenance functions of the contract. While such substituting was not envisioned in the contract, JWA determined there is no contractual prohibition against the practice. JWA plans to address the issue of substitutions in the next self-parking contract.

<u>Recommendation No. 6:</u> Depending on the outcome of Recommendation No. 5, JWA should evaluate whether PCI should credit JWA for the maintenance/janitorial staff billed as Exit Plaza Supervisors.



<u>Current Status</u>: **Implemented.** Based on JWA's evaluation made for Recommendation No. 5 above, JWA does not intend to pursue any reimbursement from PCI for their substitution practices. This recommendation is considered implemented.

5. Allocating Clerical Positions to Supervisor Positions (Control Finding)

<u>Recommendation No. 7:</u> Because there is a certain minimum level of clerical work to be performed, JWA should evaluate whether it is appropriate for PCI to allocate and bill such a large portion of the clerical employee's hours as a Supervisor substitute.

<u>Current Status</u>: **Implemented.** JWA evaluated PCI's practice of substituting employees between the functional components of their operation. While such substitution was not envisioned for the contract, JWA determined there is no contractual prohibition against the practice nor is there any contractual requirement for clerical staffing levels. JWA plans to address the issue of substitutions in the next self-parking contract.

6. Allocating Chief Auditor Positions to Shift Supervisor Position (Control Finding)

<u>Recommendation No. 8:</u> We recommend that JWA evaluate whether PCI's substitution and billing of the Chief Auditor position for the Shift Supervisor position is appropriate.

<u>Current Status:</u> **Implemented.** JWA has evaluated PCI's practice of substituting employees between functional components of their operation. While such substitution was not envisioned for the contract, JWA determined there is no contractual prohibition against the practice nor is there any contractual requirement for any auditing function separate from the two billable auditor positions. JWA plans to address the issue of substitutions in the next self-parking contract.

7. Some Employee's Job Codes Not Current (Control Finding)

Recommendation No. 9: When employees permanently change positions, JWA should require PCI to update the job code on employee timecards and the Labor Distribution Reports in a timely manner so that the Labor Distribution Reports adequately support the hours billed to JWA.

<u>Current Status:</u> **Implemented.** While we were informed there have been no recent permanently changed positions at PCI, our review of a sample of November 2009 PCI employee timecards provided by JWA found that PCI is now recording job codes on employee timecards and ensuring that the Labor Distribution Reports adequately support the labor hours, by category, billed to JWA. This recommendation is considered implemented.



8. Employee Timecard Documentation Not Adequate (Control Finding)

<u>Recommendation No. 10:</u> We recommend that JWA require PCI to maintain adequate employee timecard documentation. Specifically, PCI should ensure its employees sign their timecards and supervisors document their review of timecards. Additionally, PCI should ensure employees document on their timecards the actual location and actual job code.

<u>Current Status:</u> **Implemented.** Our review of a sample of five (5) PCI employee timecards for December 2009 provided by JWA found that the employees signed their timecards, supervisors documented their review of the timecards, and the employees' actual location and actual job code were documented on the timecards.

9. Late Employee Timecards (Control Finding)

<u>Recommendation No. 11:</u> We recommend that JWA require PCI to update its Labor Distribution Report for late timecards.

<u>Current Status:</u> **Implemented.** We were informed there were no late timecards for our review as PCI has been enforcing employee timecard due dates. As PCI is now ensuring Labor Distribution Reports reflect the accurate labor hour information and now provides a reconciliation of any discrepancies to JWA, we consider this recommendation to be implemented.

10. Fees Billed to JWA Not Adjusted When Substitutions Occur (Two Control Findings)

Recommendation No. 12: We recommend that JWA evaluate whether PCI should be allowed to bill the same hourly rate if an employee in a lower billable position category is substituted for a higher billable position category.

<u>Current Status:</u> **Implemented.** JWA has evaluated PCI's billing practices with respect to backfilling higher billable positions and found there is no contractual prohibition against the practice.

<u>Recommendation No. 13:</u> We recommend that JWA evaluate whether limits can be established for substitutions between different billable rate position categories.

<u>Current Status:</u> **Implemented.** JWA evaluated PCI's billing practices with respect to backfilling higher billable positions. While such substitution was not envisioned for the contract, JWA determined that based upon current contractual wording it is not possible to impose limits on substitutions between the billable rate categories. JWA plans to address the issue of substitutions between different billing rates in the next self-parking contract.



11. Audit Costs (Control Finding)

Recommendation No. 14: This audit has determined PCI's employee timecards and labor distribution reports are inadequate and do not adequately support the monthly fees billed to JWA. As such, JWA should bill PCI for the audit costs of \$11,520.

<u>Current Status:</u> **Implemented.** Our review of documentation provided by JWA found that PCI reimbursed JWA for audit costs of \$11,520.

We appreciate the cooperation and assistance extended to us by 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
Thomas G. Mauk, County Executive Officer
Loan Leblow, Assistant Airport Director
Roy Freeman, Deputy Airport Director, JWA/Business Development
Scott Hagen, Deputy Airport Director, JWA/Operations
Steve Siemion, Deputy Airport Director, JWA/Finance & Administration
David De Leon, Business Development Manager, JWA/Business Development
Robert Holden, Manager, JWA/Landside Operations
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