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

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RISK BASED AUDITING


Providing Facts and Perspectives Countywide

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The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.

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 six 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.
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

Transmittal Letter i
OC INTERNAL AUDITOR’S EXECUTIVE REPORT 1
Results 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
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)
   Recommendation No. 1: 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.

   Current Status: 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.
2. **Additional Fees Owed – Interior Aircraft Cleaning (Control Finding)**  
Recommendation No. 2: 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)**  
Recommendation No. 3: 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)**  
Recommendation No. 4: 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.

Current Status: **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)**  
Recommendation No. 5: 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.

Current Status: **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)**  
Recommendation No. 6: We recommend that JWA assess audit costs of $4,800 to GAT.

Current Status: **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.
Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

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