



**INTERNAL AUDIT DEPARTMENT**  
**COUNTY OF ORANGE**

*Integrity  
Objectivity  
Independence*

**LIMITED REVIEW OF  
OPERATING AGREEMENT WITH  
PARKING CONCEPTS, INC. FOR  
VALET PARKING SERVICES  
AT JOHN WAYNE AIRPORT**

For the Period  
May 1, 2004 through April 30, 2005

**AUDIT NUMBER: 2557**

**REPORT DATE: SEPTEMBER 22, 2005**

<b>Audit Director:</b>	<b>Peter Hughes, Ph.D., CPA</b>
<b>Deputy Director:</b>	<b>Eli Littner, CPA, CIA</b>
<b>Audit Manager:</b>	<b>Autumn McKinney, CPA, CIA</b>
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**LIMITED REVIEW OF OPERATING AGREEMENT WITH  
PARKING CONCEPTS, INC. FOR  
VALET PARKING SERVICES AT JOHN WAYNE AIRPORT**

**For the Period  
May 1, 2004 through April 30, 2005**

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**Transmittal Letter**

Audit No. 2557

September 22, 2005

TO: Alan L. Murphy, Director  
John Wayne Airport

FROM: Peter Hughes, Ph.D., CPA, Director  
Internal Audit Department 

SUBJECT: Limited Review of Parking Concepts, Inc. Valet Parking Services  
PM 1121-400-12, 12.1, 12.2, 12.3, 12.4, 12.5

We have completed our limited review of the operating agreement with Parking Concepts, Inc. for valet parking services at John Wayne Airport for the period May 1, 2004 through April 30, 2005. The final report is attached along with your responses to our recommendations.

**Please note**, beginning in January 2005, we implemented a more structured and rigorous follow-up audit process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). **In the past, we followed-up on lease audit recommendations during a subsequent lease audit, which could be several years later.** As a matter of policy, our first Follow-Up Audit will now begin at six months upon the official release of the report. The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our second Follow-Up Audit will now begin at 12 months from the release of the original report by which time all audit recommendations are expected to be addressed or implemented.

At the request of the AOC, we are to bring to their attention any audit recommendations we find still not addressed, resolved or implemented after our second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for their discussion.

As the Director of Internal Audit Department, I make a monthly audit status presentation to the BOS where I detail any significant and material audit findings released in reports during the prior month and the status of audit recommendation implementations as disclosed by Follow-Up Audits. Accordingly, the results of this review will be included in a future summary to the BOS.

*Mr. Alan Murphy, Director, John Wayne Airport*

*September 22, 2005*

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Because of these visible changes to our follow-up process, the Internal Audit Department is available to partner with all departments and agencies so that they can successfully implement or address difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report, recommendations or follow-up process.

We have attached a Follow-Up Audit Tracking Document template. Your department should complete this template as our audit recommendations are implemented. When we perform our follow-up audit approximately six months from the date of this report, we will request the completed document to facilitate our review.

Additionally, we will be submitting Customer Survey of Audit Services to you shortly. Please complete the survey and return it to Renee Aragon, Executive Secretary, Internal Audit Department. We appreciate the courtesy and cooperation of your staff during our review.

Attachment

Other recipients of this report:

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

David De Leon, Manager, JWA/Parking, Ground Transportation and Special Projects

Sharon Tabata, Manager, JWA/Accounting

Scott Hagen, Manager, JWA/Landside Operations

Foreman, Grand Jury

Darlene J. Bloom, Clerk of the Board of Supervisors



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INTERNAL AUDITOR'S REPORT

Audit No. 2557

September 22, 2005

TO: Alan L. Murphy, Director  
John Wayne Airport

SUBJECT: Limited Review of Operating Agreement with Parking Concepts, Inc. for Valet  
Parking Services at John Wayne Airport  
PM 1121-400-12, 12.1, 12.2, 12.3, 12.4, 12.5

We have performed a limited review of certain records and documents for the year ended April 30, 2005, pertinent to the operating agreement (Agreement) between the County of Orange (County) and Parking Concepts, Inc. (PCI), dated May 1, 2001, as amended. The Agreement is primarily for the operation of the valet parking services located at John Wayne Airport.

The primary purpose of our review is to determine whether PCI's records adequately supported gross receipts remitted to the County. We also reviewed compliance with certain other provisions of the Agreement, such as accounting methods and cash handling procedures.

Based on our limited review, we find that PCI has retained sufficient documentation to adequately support monthly gross receipts remitted to the County, except for a key reconciliation as discussed in Finding No. 1 below. **No material weaknesses or significant issues were identified.** We did identify a total of five control findings related to compliance with the Agreement or improving controls that are noted in the Detailed Observations, Recommendations and Management Responses section of this report. See Attachment A for a description of report item classifications.

We appreciate the courtesy and cooperation extended to us by the personnel at PCI, JWA Business Development, and JWA Accounting. If you have any questions regarding our limited review of the operating agreement, please contact Eli Littner, Deputy Audit Director, at (714) 834-5899 or Autumn McKinney, Audit Manager, at (714) 834-6106.

Peter Hughes, Ph.D., CPA  
Director, Internal Audit

*Mr. Alan Murphy, Director, John Wayne Airport*

*September 22, 2005*

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Attachment A – Report Item Classifications

Attachment B – JWA Management Response

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

David De Leon, Manager, JWA/Parking, Ground Transportation and Special Projects

Sharon Tabata, Manager, JWA/Accounting

Scott Hagen, Manager, JWA/Landside Operations

Foreman, Grand Jury

Darlene J. Bloom, Clerk of the Board of Supervisors

## EXECUTIVE SUMMARY

### OBJECTIVES

The Internal Audit Department conducted a limited review of the operating agreement with Parking Concepts, Inc. (PCI) for the primary purpose of determining whether PCI's records adequately supported gross receipts remitted to the County.

### BACKGROUND

The County of Orange entered into an operating agreement (Agreement) with PCI, dated May 1, 2001, as amended, for the operation of valet parking services at John Wayne Airport. During the limited review period of May 1, 2004 to April 30, 2005, PCI remitted to the County over \$3.5 million in gross receipts and the County paid PCI approximately \$1.4 million in operator fees.

### SCOPE

Our review was limited to certain records and documents that support PCI's gross receipts remitted to the County for the period from May 1, 2004 to April 30, 2005. We also reviewed compliance with certain other provisions of the Agreement, such as accounting methods and cash handling 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 limited review, we find that PCI has retained sufficient documentation to adequately support monthly gross receipts remitted to the County, except for a key reconciliation as discussed in Finding No. 1 below. **No material weaknesses or significant issues were identified.** We did identify a total of five control findings related to compliance with the Agreement or improving controls that are noted in the Detailed Observations, Recommendations and Management Responses section of this report. See Attachment A for a description of report item classifications.



## DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

### **Daily Ticket Reconciliation and Physical Vehicle Inventory**

A key reconciliation that should be performed by PCI is a daily reconciliation between the ticket counts (net difference in tickets issued and collected) and the physical inventory count of the cars left in the valet parking lot overnight (layover inventory). This is an important reconciliation because significant differences in ticket counts could indicate a control weakness and/or lost revenue to the County.

**Finding No. 1 and 2:** During our review, we noted that no differences existed on each of the 10 daily ticket reconciliations sampled. Some differences are expected due to potential timing differences and occasional errors. Upon discussion with PCI, it was determined that PCI did not use the actual layover inventory counts in the reconciliation and instead made the counts agree. Therefore, in effect, the tickets and layover inventory counts were not being reconciled by PCI. When we revised the 10 sample reconciliations to include the actual layover inventory counts, the count differences ranged from an absolute value of 8 to 28.

**Recommendation No. 1:** We recommend that JWA require PCI to use the actual layover inventory counts in the daily ticket reconciliations.

**JWA Response:** Concur. Per attached August 9 letter from PCI, actual inventory counts are now being used.

**Estimated Completion:** Immediate implementation.

**Recommendation No. 2:** We recommend that JWA review the daily ticket reconciliation to ensure ticket count differences are within acceptable limits.

**JWA Response:** Concur. PCI now sends to JWA the Actual Inventory Count report with the daily reconciliation. JWA reviews the reconciliation on a daily basis. PCI will be contacted for any significant ticket counts noted.

**Estimated Completion:** Immediate implementation.

**Finding No. 3:** PCI did not provide to the County daily license plate vehicle inventories as required by Clause 12.B of the Operating Agreement.

**Recommendation No. 3:** We recommend that JWA require PCI to provide the daily license plate vehicle inventories.

**JWA Response:** Concur. Per attached August 9 letter from PCI, daily license plate vehicle inventories are now being delivered daily.

**Estimated Completion:** Immediate implementation.



## **Restrictive Endorsement of Checks**

**Finding No. 4:** PCI does not restrictively endorse checks immediately upon receipt. PCI will need to obtain a restrictive endorsement stamp from JWA.

**Recommendation No. 4:** We recommend that JWA require PCI to restrictively endorse checks immediately upon receipt.

**JWA Response:** Concur. Per attached August 29 letter from PCI, cashiers will begin using endorsement stamp upon receipt from JWA.

**Estimated Completion:** Immediate implementation.

## **Unpaid Valet Parking Fees**

Section VI.C of PCI's Operations Manual states that a patron unable to pay the charge due will complete a Statement of Unpaid Parking Fees. The statement will show the patron's name, address, telephone number, driver's license number, and vehicle license number.

**Finding No. 5:** We reviewed a sample of eight Statements of Unpaid Parking Fees and found that:

- One statement was missing the patron's telephone number and driver's license.
- One statement was missing the patron's telephone number and vehicle license number.
- One statement was missing the vehicle license number.

**Recommendation No. 5:** We recommend that JWA remind PCI to obtain complete documentation for unpaid valet parking fees.

**JWA Response:** Concur. Per attached August 9 letter from PCI, cashiers are being retrained on proper procedures for the Statements of Unpaid Parking Fee forms.

**Estimated Completion:** Immediate implementation.



## **ATTACHMENT A: Report Item Classifications**

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For purposes of reporting our audit observations and recommendations, we have classified 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 or processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

### **Control Findings:**

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





# MEMO



September 6, 2005

**TO:** Peter Hughes, Ph.D, CPA, Director of Internal Audit  
**FROM:** Alan L. Murphy, Airport Director *ALM*  
**SUBJECT:** Limited Review of Operating Agreement with Parking Concepts, Inc.  
Parcel No. PM 1121-400-12  
Audit No. 2557

RECEIVED  
INTERNAL AUDIT DEPARTMENT  
2005 SEP 20 PM 2:38

This is in response to Internal Audit Department's review of certain records and documents related to contract revenue for the period from May 1, 2004 through April 30, 2005 pursuant to the Operating Agreement with Parking Concepts, Inc., (PCI) for valet parking services at John Wayne Airport. The review found that PCI has retained sufficient documentation to adequately support monthly gross receipts reported to the County of Orange, except for a key reconciliation referenced in Finding No. 1. No material weaknesses or significant issues were identified. Five reportable conditions related to compliance with the Agreement were identified as presented below:

Daily Ticket Reconciliation and Physical Vehicle Inventory:

A key reconciliation that should be performed by PCI is a daily reconciliation between the ticket counts (net difference in tickets issued and collected) and the physical inventory count of the cars left in the valet parking lot overnight (layover inventory). This is an important reconciliation because significant differences in ticket counts could indicate a control weakness and/or lost revenue to the County.

**Finding No. 1 and 2:** No differences existed on each of the 10 daily ticket reconciliations sampled. Some differences are expected due to potential timing differences and occasional errors. PCI did not use the actual layover inventory counts in the reconciliation and instead made the counts agree.

**Recommendation No. 1:** We recommend that JWA require PCI to use the actual layover inventory counts in the daily ticket reconciliation.

**JWA Response:** Concur. Per attached August 9 letter from PCI, actual inventory counts are now being used.

**Estimated Completion:** Immediate implementation.



Peter Hughes, Ph.D, CPA  
Parking Concepts, Inc.  
Audit No. 2557  
Page 2

**Recommendation No. 2:** We recommend that JWA review the daily ticket reconciliation to ensure ticket count differences are within acceptable limits.

**JWA Response:** Concur. PCI now sends to JWA the Actual Inventory Count report with the daily reconciliation. JWA reviews the reconciliation on a daily basis. PCI will be contacted for any significant ticket counts noted.

**Estimated Completion:** Immediate implementation.

**Finding No. 3:** PCI did not provide to the County daily license plate vehicle inventories as required by Clause 12.B of the Operating Agreement.

**Recommendation No. 3:** We recommend that JWA require PCI to provide the daily license plate vehicle inventories.

**JWA Response:** Concur. Per attached August 9 letter from PCI, daily license plate vehicle inventories are now being delivered daily.

**Estimated Completion:** Immediate implementation.

Restrictive Endorsement of Checks

**Finding No. 4:** PCI does not restrictively endorse checks immediately upon receipt. PCI will have to obtain a restrictive endorsement stamp from JWA.

**Recommendation No. 4:** We recommend that JWA require PCI to restrictively endorse checks immediately upon receipt.

**JWA Response:** Concur. Per attached August 29 letter from PCI, cashiers will begin using endorsement stamp upon receipt from JWA.

**Estimated Completion:** Immediate implementation.

Unpaid Valet Parking Fees

**Finding No. 5:** A sample of eight Statements of Unpaid Parking Fees were reviewed and found that:

- One statement was missing the patron's telephone number and driver's license.
- One statement was missing the patron's telephone number and vehicle license number.
- One statement was missing the vehicle license number.



Peter Hughes, Ph.D, CPA  
Parking Concepts, Inc.  
Audit No. 2557  
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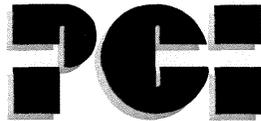
**Recommendation No. 5:** We recommend that JWA remind PCI to obtain complete documentation for unpaid valet parking fees.

**JWA Response:** Concur. Per attached August 9 letter from PCI, cashiers are being retrained on proper procedures for the Statements of Unpaid Parking Fee forms.

**Estimated Completion:** Immediate implementation.

c: Loan Leblow, Assistant Airport Director  
Lori Peters, Deputy Airport Director, Finance & Administration  
Sharon Tabata, Accounting Manager





P A R K I N G   C O N C E P T S   I N C .

August 9, 2005

David DeLeon  
John Wayne Airport  
3160 Airway Avenue  
Costa Mesa, CA 92626

Dear David,

**INTERNAL AUDITOR'S REPORT NO. 2557 - VALET PARKING SERVICES**

In response to the above report, Parking Concepts provides the following responses to the findings:

Recommendation No. 1 – Our staff has fully implemented the actual overnight inventory counts into the daily ticket reconciliations. This procedure is current being performed on a daily basis.

Recommendation No. 3 – The overnight license plate inventories are currently being delivered to accounting on a daily basis with the daily reporting for this operation.

Recommendation No. 5 – PCI is re-training all cashiers in the proper procedures for the "promise-to-pay". In addition, our audit staff will review the "promise-to-pay" forms for proper completion. Any incomplete forms will be reviewed with the cashier.

The above procedures will be reviewed by our auditors and senior on-site staff and results will be forward to our corporate office.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kermit Kingsbury', written over a horizontal line.

Kermit Kingsbury  
Vice President  
cc: Gill Barnett  
Jim Mecham

■ 12 Mauchty  
Building 1

■ Irvine  
California 92618

■ 949 753-7525  
949 753-7526 Fax

■ E Mail  
parkingconcepts@pciinc.com





**P A R K I N G   C O N C E P T S   I N C .**

August 29, 2005

Sharon Tabata  
John Wayne Airport  
3160 Airway Avenue  
Costa Mesa, CA 92626

Dear Sharon,

INTERNAL AUDITOR'S REPORT NO. 2557 - VALET PARKING SERVICES

In response to the above Auditor's Report and your e-mailed message of August 24<sup>th</sup>, we are providing our response to finding #4.

PCI management and staff will be pleased to commence the use of a restrictive endorsement stamp and can implement the usage immediately upon receipt of said stamps. Our senior staff at the airport can give you a list of the locations requiring these stamps. It would require a stamp at each cashiering location.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kermit Kingsbury', written over a horizontal line.

Kermit Kingsbury  
Vice President  
cc: David DeLeon  
Gill Barnett  
Jim Mecham

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