

PORT OF SEATTLE – HERTZ CORPORATION

INDEPENDENT ACCOUNTANTS' REPORT ON
AGREED-UPON PROCEDURES RELATING TO HERTZ
CORPORATION AGREEMENT FOR THE TWO TWELVE
MONTH PERIODS ENDED OCTOBER 31, 2008 AND 2007

INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES

July 29, 2009

To: Applicable Management of Port of Seattle

We have performed procedures requested by you with respect to the calculation and payment of concessionable revenue, and audit requirements included in the Rental Car Lease and Concession Agreement (the Agreement) dated November 1st 2004 between the Port of Seattle (POS) and Hertz Corporation (Hertz) for the two twelve month periods ended October 31st 2008 and 2007. This report is solely for your information and is not to be used for any other purpose. It is intended to assist the Port of Seattle (POS) in evaluating compliance with the rental lease requirements. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Following is a listing of the procedures that we performed with respect to the above noted lease period and the results and conclusions we formed as a result of such procedures.

General Description of Procedures Performed

The majority of our fieldwork was performed with the assistance of Hertz's accounting personnel in Oklahoma City, Oklahoma. Hertz uses a "counter automated system" (ASAP), which is generated at the point of entry into a rental agreement (RA) by a customer. The customer's information is entered into the system field for documentation. Then, the customer's information is downloaded to the CARRENT System, which tracks rental activity and reconciles RAs. Upon completion of this entry, ASAP assigns a sequential number to the RA and when the car is checked back in, the sale is closed and a final payment is calculated by the system. Revenue is posted to the applicable month by type and based on the closing date. Hertz generates an Excel spreadsheet called the Rental Agreement Detail report (RAD), [*See Exhibit A*] February 2007. This spreadsheet lists all rental agreements in numeric sequence by month and revenue type. From the RAD Report, Hertz prepares the Rental Agreement Summary Report (RAS), [*See Exhibit B*] February 2007. This RAS report shows the monthly revenue breakout by category and totals to Concessionable Revenue used to calculate concessionable amounts due the POS.

We obtained the entire RAD report for the test months February 2007, September 2007 March 2008, and October 2008. We also obtained the RAD report for the two twelve month periods ended October 31, 2008 and 2007 for the off site locations: Seatac Marriot and Pacific HWY/HLE. Finally, we obtained the Rental Agreement Summary (RAS) reports for the two twelve month periods ended October 31, 2008 and 2007. The following is a listing of procedures performed during this engagement.

1. **Rental Agreements**

We selected a sample of 80 total closed rental agreements from the months of February 2007, September 2007, March 2008, and October 2008 and obtained copies of each closed RA. In selecting these samples, we analyzed the revenue collected on each agreement and agreed it to the amount posted in the RAD report. We noted no exceptions.

2. **Agreed RAD report to RAS** – The RAD report shows the monthly detail revenue totals by account, Local, Intercity, LIS, PAI, LDW, Fuel, Additional Driver, etc. For the two twelve month periods ended October 31, 2008 and 2007, we agreed totals in the RAD report to the revenue amounts in the RAS report for our test months of February 2007, September 2007, March 2008 and October 2008.

We noted that certain revenue categories in the RAS report were excluded or deducted from concessionable revenue reported to the POS. The Agreement defines Gross Revenue as to what must be included and what is excluded from concessionable revenue. Based on that definition, we reviewed all revenue sources and deductions to determine whether Hertz was properly including or excluding all appropriate revenue. RAS reports revenue and deductions based on specific revenue accounts in the RAD report. Additionally, we analyzed revenue and deduction line item to make our determinations as to contract compliance. Following are descriptions of the findings resulting from this analysis, which we have included in our Schedule of Findings.

- We noted that *Local Rentals* at the airport location were deducted from concessionable revenues during the twelve months ended October 31, 2007. These revenues should be concessionable per rental agreement contract definition of an “*Airport Customer*” at POS Lease Concession Agreement 1.5. *As such, for the twelve months ended October 31, 2007, Local Rental deduction totaled \$609,363, which has been included in the Schedule of Findings.*
- We noted that revenue from off airport locations *Pacific HWY/HLE and Seatac Marriot* were omitted from concessionable revenue for the twelve months ended October 31, 2007. These locations are within 3 miles from the airport; per the Lease agreement Airport Customers at these locations are concessionable. *The Pacific HWY/HLE location had Airport Customer revenues of \$242,087 and the Seatac Marriot location had Airport Customer revenues of \$75,533 for the twelve month period ended October 31, 2007, which has been included in the Schedule of Findings.*

For the twelve months ended October 31, 2008, total revenues for both off airport locations discussed above were reported to the POS. These revenues which totaled \$746,268, included both Airport Customers and Non-Airport Customers, have been shown in the Schedule of Findings as being reported to the POS. Based on the lease agreement, revenues from Non-Airport Customers at off-airport locations is not concessionable. *As such, we have shown revenues from Non-Airport Customers at Pacific HWY/HLE location of (\$414,761) and the Seatac Marriot location of (\$4,610) as deductions from concessionable revenues reported for the twelve months ended October 31, 2008 in the Schedule of Findings.*

- We noted that revenue from off airport locations *Pacific HWY/HLE and Seatac Marriot* were reported net of local rentals in the months of June, July, August and September of 2008. *These revenues totaled \$58,157 and have been included in the Schedule of Findings as Under Reported Revenues for the twelve month period ended October 31, 2008.*
 - We noted that *Pacific HWY/HLE Non-local Rentals of \$1,995 and Seatac Marriot Non-local Rentals of \$371*, for the twelve months ended October 31, 2008 *and Pacific HWY Non-Local Rentals of \$2,433* for the twelve months ended October 31, 2007 were deducted from concessionable revenues on the RAD. These totals represent rental agreements entered into by **out of state customers, based on their address**, whose zip codes were changed to a local zip code by Hertz personnel in order to eliminate the concession charge on the rental agreement. The Rental Lease Agreement which defines an “Airport Customer” is not based on zip code, but rather on arrival at the airport in the last 12 hours. As there is no way for us to verify when the customer arrived as it is not documented in the Hertz supporting documentation and the fact that Hertz personnel have changed the zip code in order to eliminate the concession charge, *we feel that these customers are concessionable; hence, we have included these revenues as part of concessionable revenue in our Schedule of Findings.*
 - We noted that *Local Rentals deduction for Pacific HWY/HLE and Seatac Marriot location totaling \$16,573 for the twelve month period ended October 31, 2008 and \$6,431 for the twelve month period ended October 31, 2007* were deducted from concessionable revenues. Based on review of supporting documentation, Hertz was charging some of its local rental customers’ concession fee. *Thus, we have included those rental agreement revenues as concessionable in the Schedule of Findings.*
 - We noted that a *Business Rebate* of \$1,596 was deducted from revenue twice in the month of June 2007. *We have included this as concessionable revenue in the Schedule of Findings for the twelve month period ended October 31, 2007.*
3. **Testing for Contract Compliance Items** – Contract compliance items of the Agreement that we tested included Article 5.1 Concession Fees; 5.2.2 Annual Report; 5.2.5 Rental Car Concession Fee; and 7.2.1 Report Forms and Records.

Concession Fee and Recovery of Percentage Fee – We agreed the total monthly Concessionable Revenue for the Airport location for each month of the two twelve-month periods ended October 31, 2008 and 2007 per the Port of Seattle Revenue Report to the monthly concession payments received by the Port of Seattle. We were able to verify that amounts paid were ten percent of total concessionable revenue per the fee worksheet for the months that concessionable revenues exceeded the monthly minimum guarantee. In the months that concession revenue did not exceed the monthly minimum guarantee amount, we noted that Hertz paid the minimum guarantee.

- We noted that monthly statement letters for the offsite locations, Seatac Marriot and Pacific HWY/HLE, were reported to the POS for the twelve months ended October 31, 2008, but not for the twelve months ended October 31, 2007. *Also, for the two off site locations: Seatac Marriot and Pacific HWY we were unable to determine that Concessionable payments were paid.* The Port of Seattle will be responsible for reconciling the concession payments.

Annual Report – Based on the Agreement, “Concessionaire shall submit, for the approval of the Port, an "Annual Report" for each Agreement year during the Term of this Agreement. Such Annual Report shall be submitted no later than ninety (90) calendar days following the last day of each Agreement Year. Concessionaire shall bear the entire cost of preparing and providing such reports. The Annual Report shall be prepared by Concessionaire and signed by its chief financial officer, or their designee, attesting to the amounts shown. The Annual Report shall also be audited by an independent certified public accounting firm in accordance with generally accepted auditing standards ("GAAS"), with a copy of the independent certified public accounting firm's audit report sent to the Port stating that in its professional opinion, based on the audit, the Concession Fees paid by the Concessionaire during the previous Agreement Year were properly calculated and paid in accordance with the terms and conditions of the Agreement. *Based on the date per the audit report for the two twelve-month periods ended October 31, 2008 and 2007, the reports are dated within the 90 calendar days, as required by the agreement. However, we are unable to verify that the POS received the annual report within the 90 calendar days required per lease agreement.*

Customer Facility Charge – The Port requires Hertz to collect a Customer Facility Charge (CFC) of \$4/day, which started in 2006 on all vehicle rental transactions originating at the Airport. This fee increased to \$5/day effective July 1st 2008. For the rental agreements selected in the Months of February 2007, September 2007, March 2008, and October 2008, we were able to verify that Hertz is charging customers appropriately on the rental agreements. We were also able to verify that total CFC’s for the above selected months were paid to the POS, per its cash receipt report. *Based on our testing, it appears that CFC’s are being collected and paid to the Port as required in the Agreement.*

Conclusion

Based upon our detailed testing, nothing came to our attention that rental agreement revenue per supporting rental agreements is not being captured by the system’s summary reports used to report revenue. The discrepancies resulting from our testing and disclosed above, relate primarily to the types of revenue deducted and adjustments made in RAS by Hertz in reporting and paying concession rent. Included on the next page is a Schedule of Findings that quantify the revenue items we have added to total concessionable revenue including *Local Rental deductions, Unreported revenue from Pacific HWY/HLE, Seatac Marriot, and adjustments for Non-local Rentals for Pacific HWY and Seatac Marriot.* These unreported revenues and revenue adjustments total \$937,443 for the twelve month period ended October 31, 2007 and (\$342,275) for the twelve month period ended October 31, 2008.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on financial balances of Hertz or compliance of the audited parties with contract requirements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

An agreed-upon procedures engagement is one in which a practitioner is engaged by a client to issue a report of findings based on specific procedures performed on a subject matter. The specified parties and the practitioner agree upon the procedures to be performed by the practitioner that the specified parties believe are appropriate. In an engagement performed under this section, the practitioner does not perform an examination or a review, and does not provide an opinion or negative assurance. Instead, the practitioner's report on agreed-upon procedures is in the form of procedures and findings.

Sincerely,

Certified Public Accountants
Seattle, Washington

HERTZ

SCHEDULE OF FINDINGS

FOR THE TWELVE MONTHS ENDED OCTOBER 31, 2008

	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Total
Hertz Reported Gross Revenue	4,873,727	4,229,952	4,091,544	4,288,054	4,630,962	4,444,603	4,948,317	5,356,562	6,899,435	8,303,577	5,779,229	4,940,419	62,786,381
Hertz Reported Gross Revenue- Off site	52,526	53,213	53,248	51,412	55,947	-	60,653	61,926	126,816	140,915	71,785	18,027	746,268
FINDINGS: ADD													
Seatac Pacific HWY/HLE Local Rentals	(38,139)	(39,066)	(38,334)	(39,972)	(39,598)	(30,308)	(40,182)	(31,161)	(34,422)	(45,404)	(38,175)	-	(414,761)
Seatac Marriott Local Rentals	(863)	-	(81)	(1,235)	-	(275)	(365)	(157)	(598)	(1,036)	-	-	(4,610)
Under Reported Revenues	-	-	-	-	-	-	-	10,059	14,618	20,592	12,888	-	58,157
Pacific HWY/HLE non-local rentals	10	77	48	319	672	60	-	-	-	-	-	809	1,995
Seatac Marriott non-local rentals	265	-	-	-	-	-	-	-	-	-	-	106	371
Additional Airport Customers	863	-	81	1,235	-	275	-	157	591	4,947	2,646	5,778	16,573
Total Additions	(37,864)	(38,989)	(38,286)	(39,653)	(38,926)	(30,248)	(40,547)	(21,102)	(19,811)	(20,901)	(22,641)	6,693	(342,275)
Audited Gross Revenues	4,888,189	4,244,176	4,106,506	4,299,813	4,647,983	4,414,355	4,968,423	5,397,386	7,006,440	8,423,591	5,828,373	4,965,139	63,190,374
Concession Fee Payable - 10%	488,819	424,418	410,651	429,981	464,798	441,456	496,842	539,739	700,644	842,359	582,837	496,514	6,319,037
Less Concession Fee Paid/Adjustments	(488,705)	(424,410)	(410,638)	(429,826)	(464,731)	(441,402)	(496,842)	(539,723)	(700,586)	(841,866)	(582,573)	(495,845)	(6,317,146)
Add'l Concession Payable	\$ 114 \$	8 \$	13 \$	155 \$	67 \$	33 \$	(0) \$	16 \$	58 \$	493 \$	265 \$	669 \$	1,891

Note: "Less Concession Fee Paid/Adjustments" represents the reported concession fee.

HERTZ

SCHEDULE OF FINDINGS

FOR THE TWELVE MONTHS ENDED OCTOBER 31, 2007

	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Total
Hertz Reported Gross Revenue- Main	4,499,211	4,450,136	4,116,779	3,991,421	4,636,880	4,381,480	4,789,920	5,516,355	7,079,390	8,192,169	5,980,654	5,484,672	63,119,067
FINDINGS: ADD													
Pacific HWY/HLE	21,814	13,930	9,679	9,984	10,707	10,136	13,846	22,201	40,395	44,078	26,745	18,572	242,087
Seatac Marriott	5,264	4,867	4,817	5,188	5,309	4,317	4,702	6,429	9,168	11,062	5,363	9,047	75,533
Business Rebate	-	-	-	-	-	-	-	1,596	-	-	-	-	1,596
Local Rental Deduction	55,287	59,976	67,256	36,580	43,054	720	60,399	66,559	72,932	78,661	67,939	-	609,363
Pacific HWY/HLE non-local rentals	105	80	101	1,143	67	-	330	-	39	568	-	-	2,433
Additional Airport Customers	822	128	192	1,235	404	117	627	388	988	1,024	-	506	6,431
Total Additions	83,292	78,981	82,045	54,130	59,541	15,290	79,904	97,173	123,522	135,393	100,047	28,125	937,443
Audited Gross Revenues	4,582,503	4,529,117	4,198,824	4,045,551	4,696,421	4,396,770	4,869,824	5,613,528	7,202,912	8,327,562	6,080,701	5,512,797	64,056,510
Concession Fee Payable - 10%	458,250	452,912	419,882	404,555	469,642	439,677	486,982	561,353	720,291	832,756	608,070	551,280	6,405,651
Less Concession Fee Paid/Adjustments	(458,158)	(452,893)	(419,853)	(404,317)	(469,595)	(439,665)	(486,887)	(561,154)	(720,189)	(832,597)	(608,070)	(546,772)	(6,400,151)
Add'l Concession Payable	\$ 93 \$	\$ 19 \$	\$ 29 \$	\$ 238 \$	\$ 47 \$	\$ 12 \$	\$ 96 \$	\$ 198 \$	\$ 103 \$	\$ 159 \$	\$ (0) \$	\$ 4,508 \$	\$ 5,501

Note: "Less Concession Fee Paid/Adjustments" represents the reported concession fee.

EXHIBIT A

SAMPLE RAD

(RENTAL AGREEMENT DETAIL REPORT)

SOURCE	LOCAL REV 3100	I/C REV 3101	LDW 3140	UNB 3140	UNB 3140	LIS 2169	UNB 2169	PAI 2145	UNB 2145	UNB 2145	CUST FAC 2108	FT TAX 2194	TAX 2210	MVLT 2217	AGE DIF 3103	AAO 3104	OTHER MISC 3105
CFC ADJUST Total											1,604.0						
EMPLOYEE Total	(812.4)										(444.0)	(3.5)	(2,033.4)				(9,493.3)
JE ADJ Total			(1,607.3)			(444.2)		(33.0)									
MISC ADDIN Total																	
REVENUE Total	2,473,957.7	231,562.3	518,262.1	(392,927.5)	69,215.2	(11,115.9)	18,154.4	(1,346.4)	281,852.0	3,850.4	694,704.3	316.0	8,769.0	7,022.0	(8.3)		(628.2)
SADI ADJ Total	(2,440.0)																
Grand Total	2,470,705.4	231,562.3	516,654.8	(392,927.5)	68,771.0	(11,115.9)	18,121.4	(1,346.4)	283,012.0	3,846.9	692,670.9	316.0	8,769.0	7,013.8			(10,121.5)
SOURCE	ASAP MISC ADJ 3106	VOUCHER ADJ 3107	RATE ADJ 3109	VEH UPGRADE 3110	SVC CHG 3130	CHILD SEAT 3132	SKI RACK 3134	NEVERLOST 3137	SATL RADIO 3139	VLF 3711	REFUEL 3721	ITV AP SVC 3751					
CFC ADJUST Total																	
EMPLOYEE Total																	
JE ADJ Total	(193.6)								(119.4)	(6.0)							
MISC ADDIN Total																	
REVENUE Total	50.0	68.6	(12.0)	35.0	200.0	30.0	790.0	90,660.9	1,413.0	36.7	159,001.7	2,266.3					
SADI ADJ Total																	
Grand Total	(143.6)	68.6	(12.0)	35.0	2,275.0	3,020.0	790.0	90,541.5	1,407.0	36.7	159,001.7	2,266.3					

EXHIBIT B
SAMPLE RAS
(RENTAL AGREEMENT SUMMARY REPORT)

