

# INTERNAL AUDIT REPORT

LEASE AND CONCESSION AGREEMENT AUDIT

EAN HOLDINGS, LLC DBA ENTERPRISE, ALAMO RENT-A-CAR,  
AND NATIONAL CAR RENTALS

MAY 17, 2012 -MAY 31, 2014

ISSUE DATE: MAY 09, 2016  
REPORT NO. 2016-05

## EXECUTIVE SUMMARY

### AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine whether:

1. EAN Holdings, LLC (EAN) reported Concession Fees were complete, properly calculated, and remitted timely to the Port.
2. Port management and EAN complied with significant financial terms of the agreement, as amended.
3. Customer Facility Charges (CFC) were properly collected and remitted timely to the Port.

We reviewed information for the period May 17, 2012 - May 31, 2014. Details of audit scope and methodology are on page 5.

### BACKGROUND

Enterprise Rent-A-Car, Alamo Rent-A-Car, and National Car Rentals are operated under EAN Holdings, LLC agreement.

The lease and concession agreement with EAN became effective on May 17, 2012. The terms of the agreement provide for a MAG at 85% of the total amount paid to the Port in the previous agreement year. Additionally, the agreement requires a Percentage Fee equal to ten percent (10%) of gross revenues, provided the fee is higher than the monthly MAG payment.

### AUDIT RESULT

EAN Holdings, LLC materially complied with the terms of the Lease and Concession Agreement as amended.

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## TRANSMITTAL LETTER

Audit Committee  
Port of Seattle  
Seattle, Washington

We have completed an audit of EAN Holding, LLC dba Enterprise, Alamo Rent-A-Car, and National Car Rentals. We reviewed information for the period May 17, 2012 - May 31, 2014.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions and findings based on our audit objectives.

We extend our appreciation to the management and staff of the Aviation Business Development Department, and the Accounting & Financial Reporting for their assistance and cooperation during the audit.



Joyce Kirangi, CPA, CGMA  
Director, Internal Audit.

AUDIT TEAM	RESPONSIBLE MANAGEMENT TEAM
Margaret Songtantaruk , Sr. Auditor	Jim Schone, Director, Aviation Business Development.
Roneel Prasad, Internal Auditor	James Jennings, Manager, Aviation Properties Group.

## BACKGROUND

Enterprise, Alamo Rent-A-Car, and National Car Rentals are operated under EAN Holdings, LLC agreement.

The lease and concession agreement with EAN became effective on May 17, 2012.

The terms of the agreement provide a Minimum Annual Guarantee (MAG) of 85% of the total amount paid to the Port in the previous agreement year. Additionally, the agreement requires a Percentage Fee equal to 10% of gross revenues, provided the Percentage Fee is higher than the MAG payment.

## FINANCIAL HIGHLIGHTS

### KEY FINANCIAL RESULTS FOR EAN HOLDINGS, LLC AGREEMENT

AGREEMENT YEAR	REPORTED GROSS REVENUES	CONCESSION PAID
2012 <sup>1</sup> -2013	80,118,236	8,011,824
2013-2014	86,058,051	8,605,805
<b>TOTAL</b>	<b>\$166,176,287</b>	<b>\$ 16,617,629</b>

Data Source: PeopleSoft Financials

Note: <sup>1</sup> 05/17/2012 – 05/31/2014

## AUDIT SCOPE AND METHODOLOGY

We reviewed information for the period May 17, 2012 – May 31, 2014. We utilized a risk-based audit approach from planning to testing. To obtain a complete understanding of the financial requirements of the agreement between the Port of Seattle and EAN Holding LLC (EAN), we gathered information through document requests, interviews, observation, and data analysis.

We applied additional detailed audit procedures to areas with the highest likelihood of significant negative impact as follows:

1. To determine whether the reported concession was complete, properly calculated, and remitted timely to the Port.
  - Reviewed the lessee's chart of accounts to determine whether all revenue accounts were included in the reported revenues to the Port.
  - Reconciled the reported revenues to:
    - Detail Daily Business Reports (DBR) by revenue item. Additionally the revenue items were reviewed to determine whether all items subject to the concession fee were included in the reported revenue.
    - Certified Audit Statement of Gross Revenues, independently verified by a CPA.

- Tested a risk-based sample of 102 closed rental agreements (RA) to determine whether:
    - Concessionable revenue items on RA agreed to the amount recorded in the DBR.
    - Adjustments were actually refunded to customers, and were not mere reduction to revenues subject to the concession fee.
  - Reviewed Port records to determine the timeliness of submitted concession payments.
2. To determine whether Port management and EAN complied with significant financial terms of the Lease and Concession Agreement, as amended.

We reviewed the following:

- The actual agreement to identify significant financial compliance requirements.
  - Certified Audited Statement of Gross Revenues for Compliance with the timely and complete submission requirements.
  - Surety bond amount to ensure compliance with the requirements in the agreement, as amended.
  - The insurance coverage to ensure compliance with lease terms.
  - Non-RAC Concession Contract & North Parcel Rents are properly maintained and calculated.
3. To determine whether Customer Facility Charges (CFC) were properly collected and remitted timely to the Port.
- Analyzed the methodology of CFC calculation and reporting.
  - Calculated CFC based on the lessee's accounting records for all rental agreements in the audit period, and reconciled the calculated result to the CFC amount reported to the Port.
  - Tested a risk-based sample of 26 closed RAs to determine whether the CFC calculation was accurate.
  - Reviewed all payment records for the audit period to determine whether payments were remitted by the required due dates.

## CONCLUSION

EAN Holdings, LLCA materially complied with the terms of the Lease and Concession Agreement as amended.