



# INTERNAL AUDIT REPORT

LEASE AND CONCESSION AGREEMENT AUDIT

FIREFLY RENT-A-CAR, LLC DBA FIREFLY

AUGUST 1, 2014 – MAY 31, 2015

ISSUE DATE: MAY 09, 2016

REPORT NO. 2016-06

## EXECUTIVE SUMMARY

### AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine whether:

1. Aviation Business Development monitoring controls are adequate and effective to ensure:
  - Firefly Rent-A-Car LLC Reported Concession Fees were complete, properly calculated, and remitted timely to the Port.
2. Firefly complied with significant financial provisions of the agreement.
3. Customer Facility Charges (CFC) were properly collected and remitted.

We reviewed and analyzed records for the Agreement period. For purposes of rendering our opinion, we focused on the period August 1, 2014 - May 31, 2015.

Details of our audit's scope and methodology are on page 6.

### BACKGROUND

Firefly Rent-A-Car LLC dba Firefly assumed the Simply Wheelz LLC dba Advantage Rent-A-Car business in June 2014, and the business started to operate in August 2014.

The terms of the agreement provide for a Minimum Annual Guarantee (MAG) of 80% of the total amount paid to the Port in the previous agreement year. Additionally, the agreement requires Percentage Fee equal to ten percent (10%) of gross revenues, provided the fee is higher than the monthly MAG.

### AUDIT RESULT

Management controls were effective to ensure Lessee materially complied with the terms of the Lease and Concession Agreement, as amended. The reported concession fees and Customer Facility Charge were materially complete, properly calculated, and remitted timely to the Port.

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## TRANSMITTAL LETTER

Audit Committee  
Port of Seattle  
Seattle, Washington

We have completed an audit of Firefly Rent-A-Car LLC. We reviewed information for the period August 1, 2014 - May 31, 2015.

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 findings and conclusions based on our audit objectives.

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



Joyce Kirangi, CPA, CGMA  
Director, Internal Audit

### AUDIT TEAM

Margaret Songtantaruk, Senior Auditor

### RESPONSIBLE MANAGEMENT TEAM

Jim Schone, Director AV Business Development

Rudy Caluza, Director Accounting and Financial Reporting

## BACKGROUND

Firefly Rent-A-Car LLC dba Firefly assumed the Simply Wheelz LLC dba Advantage Rent A Car business in June 2014, and the business started to operate in August 2014.

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## FINANCIAL HIGHLIGHTS

### KEY FINANCIAL RESULTS FOR FIREFLY RENT A CAR LLC AGREEMENT

AGREEMENT PERIOD	REPORTED GROSS REVENUES	MAG/CONCESSION PAID
8/01/2014 – 5/31/2015 <sup>1</sup>	\$494,335.00	\$516,661.00
<b>TOTAL</b>	<b>\$494,335.00</b>	<b>\$516,661.00</b>

Data Source: PeopleSoft and Propworks  
 Note: <sup>1</sup>Concession Fees were not exceed MAG.

## AUDIT SCOPE AND METHODOLOGY

We reviewed information for the period August 1, 2014 - May 31, 2015. We utilized a risk-based audit approach from planning to testing. 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 Port management monitoring controls were effective to ensure whether reported concession fees were complete, properly calculated, and remitted timely to the port, we:
  - o Reviewed the lessee’s chart of accounts to determine whether all revenue accounts were included in the reported revenues to the Port.
  - o Reconciled the reported revenues to detail Daily Reconciled Business Report (DRB) by revenue category.
  - o Tested risk-based sample of 8 closed car rental agreements to determine whether revenue adjustments and/or reductions were valid and refunded.
  - o Analyzed Port records to determine the timeliness of submitted MAG/Concession Fee payments.
2. To determine whether Port management and Firefly complied with significant financial terms of the Lease and Concession Agreement, as amended. We reviewed the:
  - o Agreement to identify significant financial compliance requirements.
  - o Insurance coverage and surety bond to determine whether they were adequate and in force for the audit period.

3. To determine whether Customer Facility Charges (CFC) were properly collected and remitted timely to the Port, we:
  - o Analyzed the CFC calculation and reporting.
  - o Recalculated the CFC based on the lessee's accounting records for all rental agreements under the audit period, and reconciled the calculated result to the CFC amount reported to the Port.
  - o Tested a risk-based sample of 12 closed car rental agreements to determine whether lessee calculated CFC was based on the correct check-out and return date and time.
  - o Analyzed all payment records for the audit period to determine whether payments were remitted by the required due dates.

## CONCLUSION

Management controls were effective to ensure Lessee materially complied with the terms of the Lease and Concession Agreement, as amended. The reported concession fees and Customer Facility Charge were materially complete, properly calculated, and remitted timely to the Port.