



**CITY AND COUNTY OF SAN FRANCISCO**

**OFFICE OF THE CONTROLLER  
FINANCIAL AUDITS DIVISION**

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Controller**

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February 23, 2006

Audit Number 04041

San Francisco Airport Commission  
P.O. Box 8097  
San Francisco International Airport  
San Francisco, CA 94128

Subject: **Review of CPA Audits of Thrifty Rent-A-Car System, Inc.**  
**Reporting Period:** January 1, 2002 through December 31, 2004  
**Reported Revenues:** \$23,512,249

President and Members:

The Airport Commission (Commission) has an agreement with JMT Leasing, Inc. (JMT) dba Thrifty Car Rental, to operate an automobile rental service at the San Francisco International Airport (SFO). On July 17, 2001, the Commission approved the assignment of the agreement from JMT to Thrifty Rent-A-Car System, Inc. (Thrifty). As allowed in the agreement (Section 3.04), the airport director issued a memo in June 2002 that required Thrifty to submit an annual audit by a certified public accountant (CPA) for each year. Thrifty submitted an annual audit report for the three years under review. To assess whether we should conduct a separate concession audit of Thrifty, we attempted to perform steps to assure us that the CPA's audits were adequate. We also verified whether the revenues reported by Thrifty to the Airport Department (Airport) agreed with the revenues reported by the CPA.

Deloitte & Touche LLP conducted all of the audits that Thrifty submitted to the Airport for the three years. According to Thrifty's accounting manager, Deloitte & Touche would not provide us information about how the audit was conducted because it will only discuss the audit with its client, Thrifty. We reviewed the audit reports that Thrifty submitted to the Airport, which stated that the auditors conducted the audit according to generally accepted auditing standards. Because we could not review the CPA's audit procedures, we are not concluding that the Airport can rely on those audits. However, we performed a limited review of Thrifty's revenue accounts that it uses to report its monthly revenues to the Airport. We found that Thrifty's procedures for reporting monthly revenues to the Airport were adequate. As a result of this review, we are not conducting a separate audit of Thrifty. However, during this review we identified the following matters:

1. Thrifty over-reported its gross revenues because it erroneously included \$1,355,364 of prepaid fuel revenue in the gross revenues it reported to the Airport for the audit period. The agreement (Section 3.01) specifies that reimbursement of replacement fuel is excluded from gross revenues, and the Airport considers prepaid fuel as a reimbursement of replacement fuel, according to an Airport property manager. Because Thrifty paid the percentage rent, which is 10 percent of gross revenues, Thrifty overpaid rent totaling \$135,536 for the audit period as shown on Table 1.

**Table 1**  
**Over-reported Prepaid Fuel Revenue and Overpaid Rent**  
**January 1, 2002 Through December 31, 2004**

Year	Prepaid Fuel Revenue	Overpaid Rent
2002	\$396,344	\$39,634
2003	524,653	52,465
2004	434,367	43,437
Total	\$1,355,364	\$135,536

We recommend that the Airport credit Thrifty for \$135,536 in overpaid rent because of revenues that Thrifty over-reported during the audit period.

2. Thrifty has a net overpayment of rent during the audit period totaling \$10,778. During 2003, Airport records show that Thrifty underpaid rent and fees totaling \$20,583. Most of the underpaid rent is due to Thrifty erroneously claiming in August 2003 rent that Thrifty believed it had overpaid for January and February 2002 and March 2003. During 2004, Airport records show that Thrifty overpaid rent totaling \$31,361. Most of the overpaid rent was because Thrifty overpaid the monthly minimum rent for seven months beginning January 2004. The difference of \$10,778 is the net overpayment due to Thrifty as of January 5, 2006.

We recommend that the Airport credit Thrifty for \$10,778 in net overpaid rent.

3. The CPA audit report did not include a schedule that compared the reported revenues to audited revenues. The airport director's June 2002 memo required Thrifty to submit an audit report that has a comparison of the audited revenues to the revenues Thrifty reported to the Airport, and to explain any significant difference. We compared the reported revenues to the audited revenues and found that the 2002 reported revenues agreed with the audited revenues. However, we identified some differences in 2003 and 2004, but we did not obtain an explanation for the differences shown on Table 2 because the amounts were insignificant.

**Table 2**  
**Comparison of Reported and Audited Revenues**  
**January 1, 2003 Through December 31, 2004**

Year	Reported Revenues	Audited Revenues	Difference
2003	\$7,661,383	\$7,659,722	\$1,661
2004	8,471,835	8,469,835	2,000
Total	\$16,133,218	\$16,129,557	\$3,661

We recommend that the Airport require Thrifty to have its CPA include in future audit reports a schedule that compares the audited and reported revenues, and explains any significant differences, if any.

4. While Thrifty submitted its 2002 audit report just two days late, Thrifty was substantially late in submitting the 2003 and 2004 audit reports. The agreement (Section 3.04) requires Thrifty to submit a CPA audit report within 90 days of the start of each lease year. Because the lease year starts on December 30, Thrifty must submit the CPA audit report by March 30. Thrifty's transmittal letter that accompanied the 2003 audit report was dated May 28, 2004. Since the Airport did not maintain a receipt log of audit reports until late 2004 according to airport accounting staff, we are unable to determine exactly when the Airport received the audit report. However, based on the transmittal date, Thrifty was 59 days late in submitting the 2003 audit report to the Airport. For the 2004 audit report, the Airport's log shows that the Airport received the audit report on May 23, 2005, or 54 days late. The agreement (Section 8) authorizes the Airport to assess a \$500 fine per violation day for late submission of required reports, which would include the CPA audit report.

We recommend that the Airport require Thrifty to submit its annual CPA audit report by March 30 of each year. The Airport should also consider imposing the \$500 per day fine if Thrifty fails to comply with this requirement in future lease years.

We are advising you of these findings so that you can take the appropriate actions to resolve them. The Controller's Financial Audits Division will be working with the Airport Department to follow up in six months on the status of the recommendations made in this letter. Please call me at (415) 554-7656 or Edwin De Jesus at (415) 554-7636 if we can be of further assistance on these matters.

Sincerely,

*Original signed by:*

Ben Carlick

Audit Manager

cc: John Martin, Airport Director  
Gary Franzella, Assistant Deputy Director Aviation and Concessions  
Ben Kutnick, Airport Finance Director  
Kristi Bolles, Manager, Corporate Operations Accounting, Dollar Thrifty Automotive Group, Inc.  
Noriaki Hirasuna, Director, Controller's Financial Audits Division

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