



INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

Recipient of the Institute of Internal Auditors
Award for Excellence

Integrity ♦ Objectivity ♦ Independence

LIMITED REVIEW OF LEASE REVENUE
FOR
SIGNATURE FLIGHT SUPPORT
(FIXED BASE OPERATION)

For the Period
November 1, 2004 through October 31, 2005

AUDIT NUMBER: 2582

REPORT DATE: May 12, 2006

Audit Director:	Peter Hughes, Ph.D., CPA
Deputy Director:	Eli Littner, CPA, CIA
Audit Manager:	Autumn McKinney, CPA, CIA
In-Charge Auditor:	Lily Chin, CPA
Senior Auditor:	Abdul Khan, CPA

**LIMITED REVIEW OF LEASE REVENUE
SIGNATURE FLIGHT SUPPORT**

**For the Period
November 1, 2004 through October 31, 2005**

TABLE OF CONTENTS

Transmittal Letter.....	i
INTERNAL AUDITOR’S REPORT.....	1
EXECUTIVE SUMMARY	3
OBJECTIVES.....	3
BACKGROUND.....	3
SCOPE.....	3
CONCLUSION.....	3
ATTACHMENT A: Report Item Classifications	4



COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT

Recipient of the Institute of Internal Auditors
Award for Excellence

Integrity ♦ Objectivity ♦ Independence

Office of the Director
DR. PETER HUGHES
Ph.D., MBA, CPA, CIA, CFE, CITP

MAILING ADDRESS:
400 CIVIC CENTER DRIVE WEST
BUILDING 12, ROOM 232
SANTA ANA, CALIFORNIA 92701

TELEPHONE: (714) 834-5475
FAX: (714) 834-2880
EMAIL: peter.hughes@ocgov.com
WEBSITE: www.ocgov.com/audit/

ELI LITTNER
CPA, CIA, CFE, CFS CISA
DEPUTY DIRECTOR

MICHAEL GOODWIN
CPA, CIA
AUDIT MANAGER

ALAN MARCUM
MBA, CPA, CIA, CFE
AUDIT MANAGER

AUTUMN MCKINNEY
CPA, CIA, CGFM
AUDIT MANAGER

Transmittal Letter

Audit No. 2582

May 12, 2006

TO: Alan L. Murphy, Director
John Wayne Airport

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

SUBJECT: Limited Review of Lease Revenue for Signature Flight Support
Parcel No. PM 1121-223-11, 11.1 (Fixed Base Operation)

We have completed our limited review of lease revenue for Signature Flight Support Corporation (Signature), for the period November 1, 2004 through October 31, 2005. The final report is attached.

As the Director of Internal Audit, I now submit a monthly audit status report to the Board of Supervisors (BOS) where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

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
Sandra Christ, Real Property Agent, JWA/Business Development
Sharon Tabata, Accounting Manager, JWA/Accounting
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors



COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT

Recipient of the Institute of Internal Auditors
Award for Excellence

Integrity ♦ Objectivity ♦ Independence

ELI LITTNER
CPA, CIA, CFE, CFS CISA
DEPUTY DIRECTOR

MICHAEL GOODWIN
CPA, CIA
AUDIT MANAGER

ALAN MARCUM
MBA, CPA, CIA, CFE
AUDIT MANAGER

AUTUMN MCKINNEY
CPA, CIA, CGFM
AUDIT MANAGER

Office of the Director
DR. PETER HUGHES
Ph.D., MBA, CPA, CIA, CFE, CITP

MAILING ADDRESS:
400 CIVIC CENTER DRIVE WEST
BUILDING 12, ROOM 232
SANTA ANA, CALIFORNIA 92701

TELEPHONE: (714) 834-5475
FAX: (714) 834-2880

EMAIL: peter.hughes@ocgov.com
WEBSITE: www.ocgov.com/audit/

INTERNAL AUDITOR'S REPORT

Audit No. 2582

May 12, 2006

TO: Alan L. Murphy, Director
John Wayne Airport

SUBJECT: Limited Review of Lease Revenue for Signature Flight Support
Parcel No. PM 1121-223-11, 11.01 (Fixed Base Operation)

We have performed a limited review of certain records and documents for the year ended October 31, 2005, pertinent to the lease agreement (Agreement) between the County of Orange (County) and Signature Flight Support Corporation (Signature), dated October 26, 1994, as amended. The Agreement is for a fixed base operation at John Wayne Airport (JWA) including the sale of aircraft fuel and car rental services.

The primary purpose of our review is to determine whether Signature's records adequately supported their computation of monthly fee payments to the County. We also reviewed compliance with certain other provisions of the Agreement, such as accounting methods and payment procedures.

Based on our limited review, we find that Signature has retained sufficient documentation to adequately support monthly fees paid to the County. **No material weaknesses, significant issues, or reportable conditions were identified.** See Attachment A for a description of report item classifications.

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

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

Alan Murphy, Director, John Wayne Airport

May 12, 2006

Page 2

Attachment A – Report Item Classifications

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

Sandra Christ, Real Property Agent, JWA/Business Development

Sharon Tabata, Accounting Manager, JWA/Accounting

Foreperson, Grand Jury

Darlene J. Bloom, Clerk of the Board of Supervisors

EXECUTIVE SUMMARY

OBJECTIVES

The Internal Audit Department conducted a limited review of lease revenue for Signature Flight Support Corporation (Signature) for the primary purpose of determining whether Signature's records adequately supported their computation of monthly fee payments to the County.

BACKGROUND

The County of Orange entered into a lease agreement (Agreement) with Signature dated October 26, 1994, for conducting a fixed base operation at John Wayne Airport (JWA) including the sale of aircraft fuel and car rental services. For the year ended December 31, 2004, Signature reported approximately 3.2 million gallons of fuel and oil purchased and \$20,301 in gross receipts from rental car operations, and paid the County approximately \$193,000 in rent.

SCOPE

Our review was limited to certain records and documents that support Signature's computation of monthly fee payments to the County for the period from November 1, 2004 to October 31, 2005. We also reviewed compliance with certain other provisions of the Agreement, such as accounting methods and payment 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 Signature has retained sufficient documentation to adequately support their computation of monthly fee payments to the County. **No material weaknesses, significant issues or reportable conditions were identified.** See Attachment A for a description of report item classifications.



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify 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 deficiency in the design or operation of 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.

