

Internal Audit Department

REVENUE GENERATING LEASE AUDIT: JOHN WAYNE AIRPORT CATERINA'S

For the Period
December 1, 2007 through November 30, 2008

Caterina's operates a nuts and candy concession establishment located in Terminal A at John Wayne Airport. Gross receipts reported during the audit period were approximately **\$969,000** and rent paid to the County was approximately **\$213,000**. From the lease inception date of March 1996 through March 2009, the County has received approximately \$2 million in rent.

The Internal Audit Department found that Caterina's records adequately supported gross receipts and rent owed was properly paid.

AUDIT NO: 2832
REPORT DATE: MAY 22, 2009

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Providing Facts and Perspectives Countywide

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OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA

Transmittal Letter



Audit No. 2832 May 22, 2009

TO: Alan L. Murphy, Director
John Wayne Airport

FROM: Dr. Peter Hughes, CPA
County Internal Auditor

SUBJECT: Revenue Generating Lease Audit:
John Wayne Airport/Caterina's,
PM 1121-360-38

We have completed our revenue generating lease audit of Caterina's for the period December 1, 2007 through November 30, 2008. We are pleased to report that we found Caterina's records adequately supported gross receipts reported to the County. The final **OC Internal Auditor's Executive Report** is attached.

Each month I submit an **Audit Status Report** to the 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 request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

Attachments

Other recipients of this report listed on the **OC Internal Auditor's Executive Report** on page 3.

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John Wayne Airport/Caterina's
Audit No. 2832***

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December 1, 2007 through November 30, 2008

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OC Internal Auditor's Executive Report



Audit No. 2832

May 22, 2009

TO: Alan L. Murphy, Director
John Wayne Airport

FROM: Dr. Peter Hughes, CPA
County Internal Auditor

SUBJECT: Revenue Generating Lease Audit:
John Wayne Airport/Caterina's, PM 1121-360-38

Audit Highlight

Caterina's operates a nuts and candy concession establishment located in Terminal A at John Wayne Airport. Gross receipts reported during the audit period were approximately **\$969,000** and rent paid to the County was approximately **\$213,000**.

The Internal Audit Department found that Caterina's records adequately supported gross receipts and rent owed was properly paid.

OBJECTIVES

We have performed an audit of certain records and documents for the period from December 1, 2007 through November 30, 2008, pertinent to the lease agreement (Agreement) between the County of Orange (County) and Caterina's, a California Corporation, dated February 1, 1996, as amended. The Agreement is for the operation of a nuts and candy concession establishment. Our audit objectives are:

- (1) The primary purpose of our audit is to determine whether Caterina's records adequately support their monthly gross receipts reported to the County and rent owed is properly paid.
- (2) The secondary purpose of our audit is to determine whether Caterina's complies with certain other financial provisions of the Agreement, such as accounting methods, monthly gross receipts statement format, and annual financial statement requirements.

In addition, while performing the audit we may identify internal control weaknesses for which we will identify suggestions for improvement.

BACKGROUND

The County entered into an Agreement with Rietkerk Enterprises, LLC dba Caterina's, dated February 1, 1996 for the operation of a nuts and candy concession establishment located at John Wayne Airport. In April 2000, the members of the Rietkerk Enterprises formed a California corporation known as Caterina's and transferred the ownership. The Agreement was assigned to Caterina's on September 12, 2000 and expired on June 30, 2006. Currently Caterina's is on a month-to-month tenancy. During the audit period, Caterina's reported approximately \$969,000 in gross receipts and paid the County approximately \$213,000 in rent. From the Agreement inception date of March 1996 through March 2009, the County received approximately \$2 million in rent.



SCOPE

Our audit was limited to certain records and documents that support Caterina's gross receipts reported to the County for the 12-month period of December 1, 2007 to November 30, 2008. Our audit included inquiry, auditor observation, and limited testing for assessing the adequacy of documentation and ensuring completeness of reported gross receipts.

RESULTS

Below are the results of our audit:

Objective #1 – Adequate Records: Determine whether Caterina's records adequately support monthly gross receipts reported to the County and rent owed is properly paid.

Results: We found Caterina's records adequately supported the reported gross receipts and rent owed was properly paid.

Objective #2 – Compliance: Determine whether Caterina's complies with certain other financial provisions of the agreement.

Results: We found Caterina's generally complied with certain other financial provisions of the agreement such as accounting methods, monthly gross receipts statement format, and annual financial statements.

ACKNOWLEDGMENT

We appreciate the courtesy and cooperation extended to us by the personnel at Caterina's, JWA/Business Development, JWA/Accounting Services, and JWA/Quality Assurance & Compliance. If you have any questions regarding our revenue generating lease audit, please call me directly; or Eli Littner, Deputy Director at (714) 834-5899, or Autumn McKinney, Senior Audit Manager at (714) 834-6106.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

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