



OC Board of Supervisors' Internal Audit Department

O R A N G E C O U N T Y

AUDIT HIGHLIGHT JUNE 5, 2009

INTERNAL AUDITOR'S REPORT TO THE BOARD OF SUPERVISORS

REVENUE GENERATING LEASE AUDIT: OC PUBLIC WORKS BELLA'S KITCHEN Audit No. 2838

WHAT WE FOUND?

We found that Bella's Kitchen's records adequately supported gross receipts of **\$869,000** and rent of **\$87,000** was properly paid to the County in accordance with the lease agreement, except for inadequate records for locker fees and rent overpaid on sales tax.

We identified five (5) **Control Findings** related to lease compliance that if implemented will help further ensure the complete and accurate reporting of future rent. OC Public Works agreed with all five (5) findings and recommendations and is working with Bella's Kitchen to implement corrective actions.

WHY IS THIS AUDIT IMPORTANT?

Over the 10 year life of this lease agreement, as extended, it is estimated to generate over \$700,000 in rent to the County. Rent is paid to the County based on a percentage of gross receipts. We audit the underlying books and records to ensure gross receipts are complete and proper rent is paid as defined by the lease agreement. During the audit period of September 1, 2007 through August 31, 2008, Bella's Kitchen reported approximately \$869,000 in gross receipts and paid the County approximately \$87,000 in rent.

BACKGROUND INFORMATION (SEE COMPLETE AUDIT REPORT FOR DETAIL)

The County of Orange entered into a lease agreement with Bella's Kitchen, dated May 5, 2004, for the operation of a food service establishment located in the Manchester Office Building at the Lamoreaux Family Justice Center in Orange.

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