FINAL CLOSE-OUT FIRST FOLLOW-UP AUDIT:

REVENUE GENERATING LEASE OF OC PUBLIC WORKS RIVER VIEW GOLF COURSE

AS OF MARCH 29, 2013

\$1.76M GROSS RECEIPTS **ANNUALLY** \$90,400 RENT TO THE COUNTY **ANNUALLY**

Our First Follow-Up Audit found that OC Public Works implemented one (1) recommendation and the one (1) remaining recommendation was closed for the purpose of follow-up. During the original audit, OC Public Works/River View Golf Course reported approximately \$1.76 million in gross receipts and paid rent to the County of about \$90,400.

> AUDIT NO: 1235-A (Original Audit No. 1135)

REPORT DATE: JUNE 25, 2013

Director: Dr. Peter Hughes, MBA, CPA, CIA Senior Audit Manager: Alan Marcum, CPA, CIA Audit Manager: Lily Chin, CPA, CGMA

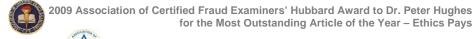
RISK BASED AUDITING

GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010



AICPA American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach

for the Most Outstanding Article of the Year - Ethics Pays

District - Patricia C. Bates, Vice Chair S 0 2 I ഗ Chairman > Nelson, Φ 0 Shawn J S T District 0 Spitzer σ Todd a 0 T District ш р С 0 2nd District - John M.W. Moorlach 0 1st District - Janet Nguyen

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Independence

Objectivity

Internal Audit Department

GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

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	Certified Information Technology Professional (CITP)
	Certified Internal Auditor (CIA)
	Certified Fraud Examiner (CFE)
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To access and view audit reports or obtain additional information about the OC Internal Audit Department, visit our website: www.ocgov.com/audit



OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA





Transmittal Letter

Audit No. 1235-A June 25, 2013

- TO: Ignacio Ochoa, Interim Director OC Public Works
- **FROM:** Dr. Peter Hughes, CPA, Director Internal Audit Department
- SUBJECT: First and Final Close-Out Follow-Up of Revenue Generating Lease Audit: OC Public Works/River View Golf Course, Original Audit No. 1135, Issued September 25, 2012

We have completed a First Follow-Up of Revenue Generating Lease Audit of OC Public Works/River View Golf Course. Our audit was limited to reviewing, as of March 29, 2013, actions taken to implement the **two (2) recommendations** from our original audit report dated September 25, 2012. We conducted this First Follow-Up Audit in accordance with the *FY 12-13 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors (BOS).

The results of our First Follow-Up Audit are discussed in the **OC Internal Auditor's Report** following this transmittal letter. Because one recommendation has been implemented and one recommendation has been closed for the purpose of follow-up, **this report represents the close-out of the original audit.**

Each month I submit an 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.

Other recipients of this report are listed on the OC Internal Auditor's Report on page 2.

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OC Internal Auditor's Report



Audit No. 1235-A

June 25, 2013

TO:	Ignacio Ochoa, Interim Director OC Public Works
FROM:	Dr. Peter Hughes, CPA, Director <i>Jetutyughes</i> Internal Audit Department
SUBJECT:	First and Final Close-Out Follow-Up of Revenue Generating Lease Audit: OC Public Works/ River View Golf Course, Original Audit No. 1135, Issued September 25, 2012

Scope of Review

We have completed a First Follow-Up of Revenue Generating Lease Audit of OC Public Works/River View Golf Course. Our audit was limited to reviewing, as of March 29, 2013, actions taken to implement the **two (2) recommendations** from our original audit report dated September 25, 2012.

Background

We conducted the revenue generating lease audit to determine whether River View Golf Course's (River View) records adequately supported their monthly gross receipts reported to the County. During the original audit period, River View reported approximately \$1.76 million in gross receipts and paid rent to the County of about \$90,400. The original audit identified two (2) recommendations related to better documentation and monitoring of golf course unplayable days and establishing written agreements with the independent golf professionals.

Results

Our First Follow-Up Audit found that OC Public Works (OCPW) implemented one (1) recommendation, and one (1) recommendation has been closed. The following is the implementation status of the two (2) original recommendations:

Finding No. 1 – Better Documentation and Monitoring Needed for Extended Unplayable Days (Control Finding)

Recommendation No. 1: We recommend that OCPW implement procedures to better document and monitor unplayable days when they exist for an extended period of time.

<u>Current Status</u>: **Implemented.** We found that OCPW has established procedures for monitoring unplayable days. OCPW/Accounting commenced forwarding to OCPW/Real Estate Services a copy of River View's Monthly Rent Report which includes the number of unplayable days in the month. OCPW/Real Estate Services will note the number of unplayable days reported. If the reported unplayable days exceed 60 days, OCPW/Real Estate will investigate the reasonableness of unplayable days and document its findings and report to Accounting of any discrepancies found. During the follow-up audit period, there were no unplayable days reported by River View. As such, investigation was not required. Because OCPW established procedures for monitoring unplayable days, we considered this recommendation implemented.



Finding No. 2 – Written Agreement Needed between River View and Golf Professionals (Control Finding)

Recommendation No. 2: We recommend that OC Public Works require River View establish written agreements with the golf professionals ensuring terms, conditions, and responsibilities related to golf instruction are defined.

<u>Current Status</u>: **Closed.** As stated in OCPW's response to the original audit report, OCPW recommended to River View that they establish written agreements with the golf professionals, and River View acknowledged that this was a good business practice. OCPW noted that since the lease agreement did not have a provision requiring such written agreement with golf professionals who are independent contractors, OCPW cannot compel River View to comply under the current lease. OCPW can only recommend to River View. Therefore, for the purpose of our follow-up, we will close the recommendation.

We appreciate the courtesy and cooperation extended to us by the personnel at River View Golf Course and OC Public Works. If you have any questions regarding our first follow-up audit, please contact me directly at 834-5475 or Alan Marcum, Senior Audit Manager at 834-4119.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors Members, Audit Oversight Committee Michael B. Giancola, County Executive Officer Mary Fitzgerald, Director, OCPW/Administrative Services Randi Dunlap, Policy and Compliance Manager, OCPW/Central Quality Assurance Carolee Condon, Manager, OCPW/Real Estate Services Josie Alvarez, Property Management Supervisor, OCPW/Real Estate Services Catherine Lapid, Real Property Agent, OCPW/Real Estate Services Howard Thomas, Manager, OCPW/Accounting James Christiansen, Chief, OCPW/Accounting/Santa Ana River, Watershed, Flood, Leases and Infrastructure Brian Cich, Senior Accountant, OCPW/Accounting/Leases and Infrastructure Larry Stansifer, Administrative Manager, OCPW/Central Quality Assurance Foreperson, Grand Jury Susan Novak, Clerk of the Board of Supervisors Vavrinek, Trine, Day and Co., LLP, County External Auditor