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FIRST FOLLOW-UP AUDIT:

REVIEW OF LEASE REVENUE
OC COMMUNITY RESOURCES/OC PARKS
SUNSET AQUATIC PARK, LTD.,
DBA SUNSET AQUATIC MARINA
ORIGINAL AUDIT No. 2740

As of February 14, 2009

OC Community Resources/OC Parks satisfactorily implemented all three (3) audit recommendations from our original audit report.

During the original audit, Sunset Aquatic Marina reported approximately \$4.2 million in gross receipts and paid rent to the County of approximately \$717,000.

AUDIT NO: 2840-E REPORT DATE: APRIL 22, 2009

County Internal Auditor: Peter Hughes, Ph.D., MBA, CPA
Deputy Director: Eli Littner, CPA, CIA
Sr. Audit Manager: Autumn McKinney, CPA, CIA
Audit Manager: Carol Swe, CPA, CIA



RISK BASED AUDITING

Peer Review Compliant - 2001, 2004, 2007







RISK BASED AUDITING

Peer Review Compliant - 2001, 2004, 2007

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. 2840-E April 22, 2009

TO: Steve Franks, Director OC Community Resources

FROM: Dr. Peter Hughes, CPA County Internal Auditor

SUBJECT: First and Final Close-Out Follow-Up

Audit of Review of Lease Revenue Sunset Aquatic Park, Ltd., dba Sunset Aquatic Marina (Original Audit No. 2740,

Issued August 14, 2008)

We have completed a First and Final Close-Out Follow-Up Audit of Review of Lease Revenue Sunset Aquatic Park, Ltd., dba Sunset Aquatic Marina. Our audit was limited to reviewing, as of February 14, 2009, actions taken to implement the three recommendations in our original report dated August 14, 2008.

The results of our Follow-Up Audit are discussed in the OC Internal Auditor's Executive Report following this transmittal letter. Because satisfactory corrective action has been taken for all recommendations, this report represents the close-out of the original audit.

Each month I submit an **Audit Status Report** to the Board of Supervisors 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.

ATTACHMENTS

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

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OC Internal Auditor's Executive Report



Audit No. 2840-E APRIL 22, 2009

TO: Steve Franks, Director

OC Community Resources

FROM: Dr. Peter Hughes, CPA

County Internal Auditor/

SUBJECT: First and Final Close-Out Follow-Up Audit of Review of Lease Revenue

Sunset Aquatic Park, Ltd., dba Sunset Aquatic Marina, (Original Audit No.

e Hughes

2740, Issued August 14, 2008)

Scope of Review

We have completed a First and Final Close-Out Follow-Up Audit of Review of Lease Revenue Sunset Aquatic Park, Ltd., dba Sunset Aquatic Marina. Our audit was limited to reviewing actions taken as of February 14, 2009 to implement the three (3) recommendations made in our original audit report.

Background

The original audit reviewed whether Sunset Aquatic Marina's records adequately supported their monthly gross receipts reported to the County. During the original audit, Sunset Aquatic Marina generated approximately \$4.2 million in gross receipts and paid approximately \$717,000 in rent to the County. The original audit report contained three (3) recommendations related to the annual lease rent calculation, misclassification of sublease gross receipts, and boat launch parking non-resettable counter.

Results

OC Community Resources/OC Parks (OC Parks) and Sunset Aquatic Marina successfully implemented all three (3) of the recommendations. As such, this report represents the **final close-out** of the original audit. Following is the implementation status of the three (3) original recommendations:

Annual Lease Rent Calculation – Tax Basis Revenue vs. Gross Receipts (Control Finding)

<u>Recommendation No. 1</u>: We recommend that OC Parks require Sunset Aquatic Marina to calculate annual lease rent in accordance with Clause 8B of the Agreement.

<u>Current Status</u>: **Implemented.** Our review of documentation provided by OC Parks found that Sunset Aquatic Marina agreed to calculate annual lease rent using annual gross receipts in accordance with the Agreement, beginning with the 2008 calculation which is due by March 31, 2009.

OC Internal Auditor's Executive Report



2. Misclassification of Sublease Gross Receipts (Control Finding)

<u>Recommendation No. 2</u>: We recommend that OC Parks require Sunset Aquatic Marina to report sublessee gross receipts in the correct percentage rent categories.

<u>Current Status</u>: **Implemented.** Our review of documentation provided by OC Parks found that Sunset Aquatic Marina is now reporting sublessee gross receipts in the correct percentage rent categories.

3. Boat Launch Parking Non-Resettable Counter (Control Finding)

Recommendation No. 3: We recommend that OC Parks require Sunset Aquatic Marina to account for the sequential number on the Cash Box tickets during the balancing process to ensure there are no breaks in sequence.

<u>Current Status</u>: **Implemented.** Our review of documentation provided by OC Parks found that Sunset Aquatic Marina is accounting for the Cash Box ticket sequential number during balancing.

We appreciate the cooperation and assistance extended to us by OC Community Resources/OC Parks during our Follow-Up Audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at 834-5899, or Autumn McKinney, Senior Audit Manager at 834-6106.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

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Members, Audit Oversight Committee
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