



Orange County Auditor-Controller Internal Audit



First Follow-Up Revenue Generating
Operating Agreement Audit:
OC Community Resources/OC Parks –
Vintage Marina Partners, LP, HA78H-24-003

As of November 30, 2017

Audit Number 1740-A (Reference 1531-F1)
Report Date: February 20, 2018



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
I N T E R N A L A U D I T

Eric H. Woolery, CPA
Orange County Auditor-Controller

Scott Suzuki, CPA, CIA CISA	Director of Internal Audit
Nancy Ishida, CPA, CISA	Senior Audit Manager III
Elizabeth Wylde, CPA	Audit Manager I
Anisha John	Senior Auditor

12 Civic Center Plaza, Room 200
Santa Ana, CA 92701

Auditor-Controller Website
www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1740-A
(Reference 1531-F1)

February 20, 2018

TO: Dylan Wright, Director
OC Community Resources

SUBJECT: First Follow-Up Revenue Generating Operating Agreement Audit:
OC Community Resources/OC Parks – Vintage Marina Partners, LP (HA78H-24-003),
Original Audit No. 1531, Issued March 2, 2017

We have completed our First Follow-Up Revenue Generating Operating Agreement Audit: OC Community Resources/OC Parks – Vintage Marina Partners, LP as of November 30, 2017. Our final report is attached for your review.

The Internal Audit Division submits an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and to the Board of Supervisors (BOS) which details any critical and significant audit findings released in reports during the prior quarter and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this Follow-Up Audit will be included in future status reports to the AOC and BOS.

Eric H. Woolery, CPA
Auditor-Controller

Attachments

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Frank Kim, County Executive Officer
Lala Ragen, Deputy Chief Operating Officer
Cymantha Atkinson, Deputy Director of OC Community Resources
Stacy Blackwood, Director of OC Parks, OC Community Resources
Kirk Holland, Business Manager, OC Community Resources/OC Parks
Thea Bullock, Director of Compliance, OC Community Resources
Connie Chang, Financial and Strategic Planning Manager, OC Community Resources
Scott Mayer, Chief Real Estate Officer
Gail Dennis, Administrative Manager, CEO/Real Estate
Steven Wiegmann, Administrative Manager, CEO/Real Estate

*Dylan Wright, Director
OC Community Resources
February 20, 2018*

Other recipients of this report (cont.):

Tonya Riley, Director of Satellite Accounting Operations, Auditor-Controller
Win Swe, Accounting Manager III, Auditor-Controller/OC Community Resources
Yolanda Razo, Accounting Manager I, Auditor-Controller/OCCR Accounting
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor



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OC Community Resources/OC Parks –
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Internal Auditor's Report

**Audit No. 1740-A
(Reference 1531-F1)**

February 20, 2018

TO: Dylan Wright, Director
OC Community Resources

FROM: Eric H. Woolery, CPA
Auditor-Controller

SUBJECT: First Follow-Up Revenue Generating Operating Agreement Audit:
OC Community Resources/OC Parks – Vintage Marina Partners, LP
(HA78H-24-003), Original Audit No. 1531, Issued March 2, 2017

SCOPE

We completed a First Follow-Up Revenue Generating Operating Agreement Audit of OC Community Resources (OCCR)/OC Parks – Vintage Marina Partners, LP. The original audit was performed as a management advisory project at the request of OCCR. Our follow-up audit was limited to reviewing actions taken as of November 30, 2017, to implement recommendations for the **three (3) Significant Control Weaknesses** from our original audit. OCCR has informed us they will be responsible for following up on the implementation of the **eleven (11) Control Findings** from the original audit.

BACKGROUND

The original audit reviewed whether Vintage Marina's records adequately supported its monthly gross receipts to the County. During the original audit, Vintage Marina reported approximately \$42.1 million in gross receipts and remitted approximately \$6 million in rent to the County, was reimbursed by the County for approximately \$2.2 million of operating expenses, and was paid a management fee of \$1.3 million. The original audit identified **three (3) Significant Control Weaknesses** where the rent due was not calculated in accordance with the tenants' lease agreements, the tenants' gross receipts needed to be validated and reconciled, and there was a lack of oversight and management of Vintage Marina.

RESULTS

Our First Follow-Up Audit found that OCCR/OC Parks has **implemented two recommendations** and **is in the process of implementing one recommendation** from the original audit.

Based on our First Follow-Up Audit, the following is the implementation status of the three (3) original recommendations:

Finding No. 1 – Lack of Oversight and Management of Vintage Marina (Significant Control Weakness)

Recommendation No. 1: We recommend OCCR/OC Parks prepare written policies and procedures for the oversight and management of the Agreement with Vintage Marina and define the roles and responsibilities of those responsible for performing compliance monitoring and administering the Vintage Marina Agreement.



Internal Auditor's Report

Current Status and Planned Action: In Process. Our First Follow-up Audit found that, although OCCR/OC Parks prepared new policies and procedures, they did not address the oversight and management of the Agreement with Vintage Marina or define the roles and responsibilities of compliance monitoring and administration of the Vintage Marina Agreement. Therefore, OCCR/OC Parks is in the process of re-writing its policies and procedures to address the noted issues.

Due to the actions of OCCR/OC Parks, we consider the implementation of this recommendation in process.

Finding No. 2 – Tenants' Gross Receipts Need to be Validated and Reconciled (Significant Control Weakness)

Recommendation No. 2: We recommend OCCR/OC Parks work with Vintage Marina to develop and implement an annual audit plan and process to ensure the audit plan schedule and/or changes are approved in writing and communicated to OCCR Accounting to ensure the external CPA audits of its tenants are conducted timely, according to the Agreement. OCCR/OC Parks should also evaluate the feasibility of conducting interim monitoring audits or other accounting review procedures, in addition to the external audits, to confirm that the gross receipts reported to the County are accurate and adequately supported. In addition, we recommend that OCCR Accounting ensure that the audited financial statements are reviewed and reconciled in a timely manner and any amounts due and/or refunds are processed, including the overpayments/(underpayments) identified above [in the original audit].

Current Status: Implemented. Our First Follow-up Audit found that Vintage Marina developed and implemented an annual audit plan, which was provided to OCCR Accounting for the current year. Additionally, we found procedures are in place for the approval and communication of changes in the audit plan. OCCR Accounting determined that it was not feasible, due to lack of resources, to conduct interim monitoring audits or other accounting review procedures. Finally, OCCR Accounting has reviewed and reconciled the audited financial statements and all overpayments/(underpayments) have been processed.

Due to the actions of OCCR/OC Parks, we consider this recommendation implemented.

Finding No. 3 – Tenants' Rent Payments Are Not Calculated or Reported In Accordance with Lease Agreements (Significant Control Weakness)

Recommendation No. 3: We recommend OCCR/OC Parks require Vintage Marina to verify that the tenants' monthly statements of gross receipts format and monthly rent payments are properly calculated and in accordance with the lease agreements, including the separate identification of business categories with corresponding rent percentages. In addition, we recommend OCCR/OC Parks require Vintage Marina to remit overpayments and bill underpayments to the identified tenants.

Furthermore, we recommend OCCR ensure that Vintage Marina implements procedures to identify whether the remaining tenants' rent payments are properly calculated based on the tenants' accounting periods and that OCCR Accounting review the work.



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Current Status: Implemented. Our First Follow-up Audit found that tenants are using an updated monthly gross receipts format, which includes a separate identification of business categories that is in accordance with the lease agreement, and rent payments are properly calculated. All underpayments and overpayments have been remitted. Additionally, Vintage Marina is utilizing Excel to identify whether the tenants' rent payments are properly calculated and OCCR Accounting has received a copy of the Excel file in order to review the work.

Due to the actions of OCCR/OC Parks, we consider this recommendation implemented.

We appreciate the assistance extended to us by the personnel of OC Community Resources/OC Parks, CEO/Real Estate, and OCCR Accounting during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-2456 or Nancy Ishida (Senior Audit Manager) at (714) 796-8067.



Internal Auditor's Report

ATTACHMENT A: Follow-Up Audit Implementation Status

For purposes of reporting the implementation status of our audit recommendations, we utilize four distinct categories:

Implemented	In Process	Not Implemented	Closed
The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required.	The department is in the process of implementing our recommendation. Additional follow-up may be required.	The department has taken no action to implement our recommendation. Additional follow-up may be required.	Circumstances have changed surrounding our original finding/recommendation that: (1) make it no longer applicable or (2) the department has implemented and will only implement a portion of our recommendation. No further follow-up is required.
