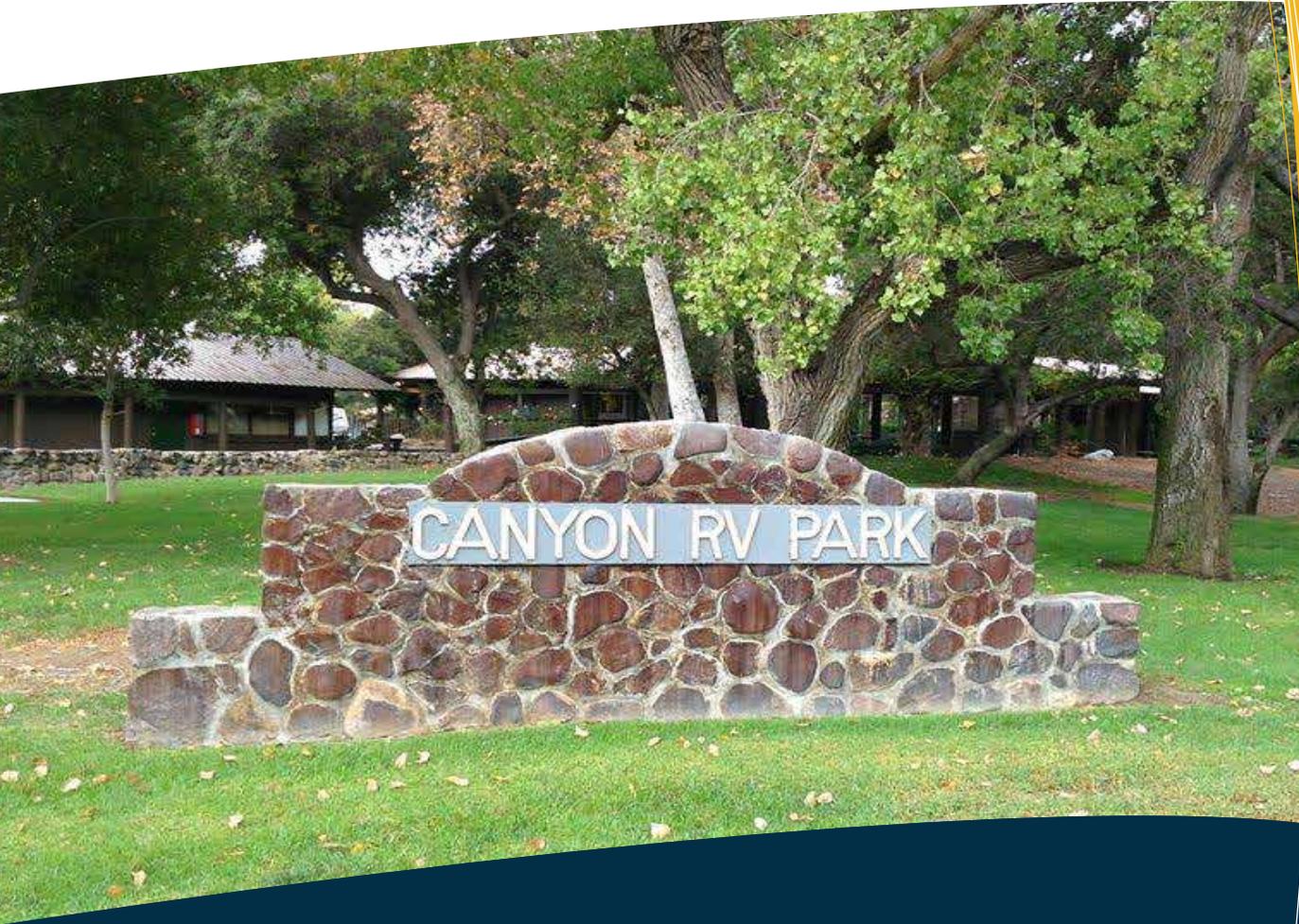




Orange County Auditor-Controller Internal Audit



First and Final Close-Out Follow-Up
Revenue Generating Lease Audit:
OC Community Resources/OC Parks –
Canyon R.V./Featherly Park, PR09B-16

As of February 28, 2018

Audit Number 1740-D (Reference 1641-F1)

Report Date: March 27, 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
Michael Dean, CPA, CIA, CISA	Audit Manager II
Gianne Acosta	Senior Auditor
Monica McCoy	Auditor II

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-D
(Reference 1641-F1)

March 27, 2018

TO: Dylan Wright, Director
OC Community Resources

SUBJECT: First and Final Close-Out Follow-Up Revenue Generating Lease Audit:
OC Community Resources/OC Parks – Canyon R.V./Featherly Park, PR09B-16
Original Audit 1641, Issued June 22, 2017

We have completed our First and Final Close-Out Follow-Up Revenue Generating Lease Audit: OC Community Resources (OCCR)/OC Parks – Canyon R.V./Featherly Park as of February 28, 2018. Our final report is attached for your review.

An **Audit Status Report** is submitted quarterly to the Audit Oversight Committee (AOC) and to the Board of Supervisors (BOS) detailing 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 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
- Thea Bullock, Director of Compliance, OC Community Resources
- Brian Rayburn, Business Office Manager, OC Community Resources
- Kirk Holland, Business Manager, OC Community Resources/OC Parks
- Connie Chang, Financial and Strategic Planning Manager, OC Community Resources
- Nicole Nguyen, Budget Manager, OC Community Resources
- Lyndsay Brennan, Budget Manager, OC Community Resources/OC Parks
- Scott Mayer, Chief Real Estate Officer, CEO/Real Estate
- Ronald Inouye, Administrative Manager, CEO/Real Estate
- Tonya Riley, Director of Satellite Accounting Operations, Auditor-Controller
- Salvador Lopez, Director of Satellite Accounting Operations, Auditor-Controller
- Win Swe, Accounting Manager III, Auditor-Controller/OCCR Accounting Services
- 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 – Canyon R.V./Featherly Park
Audit No. 1740-D (Reference 1641-F1)*

As of February 28, 2018

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Internal Auditor's Report

**Audit No. 1740-D
(Reference 1641-F1)**

March 27, 2018

TO: Dylan Wright, Director
OC Community Resources

FROM: Eric H. Woolery, CPA
Auditor-Controller

SUBJECT: First and Final Close-Out Follow-Up Revenue Generating Lease Audit:
OC Community Resources/OC Parks – Canyon R.V./Featherly Park, PR09B-16
Original Audit 1641

SCOPE

We have completed a First and Final Close Out Follow-Up Revenue Generating Lease Audit of OC Community Resources (OCCR)/OC Parks – Canyon R.V./Featherly Park. Our audit was limited to reviewing actions taken, as of February 28, 2018, to implement recommendations for the **two (2) Significant Control Weaknesses** from our original audit. OCCR informed us they will be responsible for following up on the implementation of the recommendations for the **six (6) Control Findings** from the original audit issued on June 22, 2017.

BACKGROUND

The original audit reviewed whether Canyon R.V.'s records adequately supported gross receipts and rent payments reported to the County. The original audit identified **two (2) Significant Control Weaknesses** related to the sub-operator's (OC Ropes Course) lack of records and internal controls over gross receipts and Canyon R.V.'s non-compliance with the required method of collecting gross receipts from OC Ropes Course.

RESULTS

Our First Follow-Up Audit found that both recommendations from the original audit are closed. Because the recommendations are closed, **this report represents the final close-out of the original audit.**

Based on our First Follow-Up Audit, the following is the implementation status of the two (2) original recommendations:

Finding No. 1 – Orange County Ropes Course Lacks Adequate Internal Controls and Financial Records (Significant Control Weakness)

Recommendation No. 1: We recommend that OCCR/OC Parks inform Canyon R.V. that the Agreement and Sub-Operating Agreement require OC Ropes Course to utilize cash controls such as a cashiering and/or reservation system or pre-numbered receipts, and to maintain source documents supporting the amount of gross receipts generated by the OC Ropes Course. The OC Ropes Course should also maintain financial records that separately identify all gross receipts from the OC Ropes Course and retain the records and supporting documents as required by the Agreement.



Internal Auditor's Report

Finding No. 2 – Canyon R.V. and OC Ropes Course Did Not Calculate OC Ropes Course Gross Receipts in Accordance With the Sub-Operating Agreement (Significant Control Weakness)

Recommendation No. 2: We recommend that OCCR/OC Parks require Canyon R.V. to comply with the Sub-Operating Agreement requirement that the OC Ropes Course pay rent to Canyon R.V. based on the percentage of its gross receipts stated in its Sub-Operating Agreement. In addition, we recommend that OCCR/OC Parks require Canyon R.V. to retain the source documents that support the gross receipts reported to the County.

Current Status for Both Recommendations: **Closed.** Our First Follow-up Audit found that OCCR/OC Parks and CEO Real Estate Management have authorized Canyon RV to change the Sub-Operating Agreement with OC Ropes Course to a fixed monthly rent. On February 11, 2018, Canyon R.V. Park, Inc. and OC Ropes Course signed a revised Sub-Operating Agreement for a five-year term. The Sub-Operating Agreement states that OC Ropes Course shall pay a fixed monthly rent to Canyon R.V. Park. Therefore, gross receipts from the ropes course will not be required to be reported to the County. The County reviewed and consented with the Sub-Operating Agreement.

Due to the actions taken by OCCR/OC Parks, we consider both recommendations closed.

We appreciate the assistance extended to us by OCCR/OC Parks and CEO/Real Estate personnel during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-2456 or Scott Suzuki, Director of Internal Audit, at (714) 834-5509.



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.
