



INTERNAL AUDIT DEPARTMENT



**First Follow-Up Internal Control Audit:
CEO/Real Estate -
Revenue Generating Lease
Administration Process**

As of September 30, 2019

**Audit No. 1939-C (Reference 1730-F1)
Report Date: December 17, 2019**

Recommendation Status

2

Implemented

2

In Process

0

Not Implemented

0

Closed

OC Board of Supervisors

Chairwoman Lisa A. Bartlett
5th District

Vice Chair Michelle Steel
2nd District

Supervisor Andrew Do
1st District

Supervisor Donald P. Wagner
3rd District

Supervisor Doug Chaffee
4th District



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Audit No. 1939-C
(Reference 1730-F1)

December 17, 2019

To: Thomas "Mat" Miller, Chief Real Estate Officer
County Executive Office/Real Estate

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Subject: First Follow-Up Internal Control Audit: CEO/Real Estate – Revenue Generating Lease Administration Process

We have completed a follow-up audit of CEO/Real Estate's revenue generating lease administration process as of September 30, 2019, original Audit No. 1730, dated March 5, 2019. Details of our results immediately follow this letter. Additional information including background and our scope is included in Appendix A.

Our First Follow-up Audit concluded that CEO/Real Estate implemented two (2) recommendations and is in the process of implementing two (2) recommendations. A second follow-up audit will be performed in approximately six months and a follow-up audit report form is attached to facilitate that audit. Any recommendations not implemented or in process at that time will be brought to the attention of the Audit Oversight Committee at its next scheduled meeting.

We appreciate the assistance extended to us by CEO/Real Estate personnel during our follow-up audit. If you have any questions, please contact me at 714.834.5442 or Assistant Director Scott Suzuki at 714.834.5509.

Attachments

Other recipients of this report:
Members, Board of Supervisors
Members, Audit Oversight Committee
CEO/Real Estate Distribution
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Eide Bailly, LLP, County External Auditor

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RESULTS

FINDING NO. 1	Visual Lease
CATEGORY	Control Finding
RECOMMENDATION	We recommend that CEO/Real Estate prioritize the implementation of Visual Lease.
CURRENT STATUS & PLANNED ACTION	<p>In Process. CEO/Real Estate has begun implementing Visual Lease by entering key lease data into the system. CEO/Real Estate expects to fully implement the system by March 31, 2020.</p> <p>Based on the actions taken by CEO/Real Estate, we consider this recommendation in process.</p>

FINDING NO. 2	Policy and Procedures
CATEGORY	Control Finding
RECOMMENDATION	We recommend that CEO/Real Estate establish written policy and procedures that clearly delineate its responsibilities for revenue generating lease contract administration versus applicable department responsibilities.
CURRENT STATUS & PLANNED ACTION	<p>In Process. CEO/Real Estate has begun to establish written policy and procedures for revenue generating lease contract administration and expects to be completed by March 31, 2020.</p> <p>Based on the actions taken by CEO/Real Estate, we consider this recommendation in process.</p>

FINDING NO. 3	Revision of Rent and Security Deposit
CATEGORY	Control Finding
RECOMMENDATION	We recommend CEO/Real Estate ensure rent and security deposit revision memos are sent to tenants timely.



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CURRENT STATUS	<p>Implemented. We reviewed three rent and security revision memos and verified Visual Lease alerts were active, notifying lease increases to CEO/Real Estate team members.</p> <p>Based on the actions taken by CEO/Real Estate, we consider this recommendation implemented.</p>
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FINDING NO. 4	Documentation of Supervisory Review
CATEGORY	Control Finding
RECOMMENDATION	We recommend that CEO/Real Estate ensure supervisory review is properly documented on applicable reports.
CURRENT STATUS	<p>Implemented. We reviewed three Lease Compliance Inspection Reports and noted the CEO/Real Estate Leasing Manager approved all three reports.</p> <p>Based on the actions taken by CEO/Real Estate, we consider this recommendation implemented.</p>

AUDIT TEAM	<p>Scott Suzuki, CPA, CIA, CISA Michael Dean, CPA, CIA, CISA Zan Zaman, CPA, CIA Stephany Pantigoso</p>	<p>Assistant Director Senior Audit Manager Audit Manager Senior Auditor</p>
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APPENDIX A: ADDITIONAL INFORMATION

SCOPE	Our follow-up audit was limited to reviewing actions taken by CEO/Real Estate as of September 30, 2019 to implement the four (4) recommendations from our original Audit No. 1730, dated March 5, 2019.
BACKGROUND	The original audit evaluated operational effectiveness of internal control over the revenue generating lease administration process. The original audit identified four (4) Control Findings.



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APPENDIX B: FOLLOW-UP AUDIT IMPLEMENTATION STATUS

Implemented	In Process	Not Implemented	Closed
<p>The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required.</p>	<p>The department is in the process of implementing our recommendation. Additional follow-up may be required.</p>	<p>The department has taken no action to implement our recommendation. Additional follow-up may be required.</p>	<p>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.</p>

