



INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

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**FIRST FOLLOW-UP AUDIT
LIMITED LEASE REVIEW OF
CANYON RECREATIONAL
VEHICLE PARK**

(ORIGINAL AUDIT No. 2449)

**AS OF
MARCH 31, 2006**

AUDIT NUMBER: 2545-E

REPORT DATE: August 22, 2006

Audit Director:	Peter Hughes, Ph.D., CPA
Deputy Director:	Eli Littner, CPA, CIA
Audit Manager:	Autumn McKinney, CPA, CIA
In-Charge Auditor:	Carol Swe, CPA, CIA

**First Follow-Up Audit
Limited Lease Review of Canyon Recreational Vehicle Park
Original Audit No. 2449**

**As of
March 31, 2006**

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ELI LITTNER
CPA, CIA, CFE, CFS, CISA
DEPUTY DIRECTOR

ALAN MARCUM
CPA, CIA
AUDIT MANAGER

MICHAEL J. GOODWIN
MBA, CPA, CIA, CFE
AUDIT MANAGER

AUTUMN MCKINNEY
CPA, CIA, CGFM
AUDIT MANAGER

Office of the Director
DR. PETER HUGHES
Ph.D., MBA, CPA, CIA, CFE, CITP

MAILING ADDRESS:
400 CIVIC CENTER DRIVE WEST
BUILDING 12, ROOM 232
SANTA ANA, CALIFORNIA 92701

TELEPHONE: (714) 834-5475
FAX: (714) 834-2880


EMAIL: peter.hughes@ocgov.com
WEBSITE: www.ocgov.com/audit/

Transmittal Letter

Audit No. 2545-E

August 22, 2006

TO: Bryan G. Speegle, Director
Resources and Development Management Department

FROM: Peter Hughes, Ph.D., CPA, Director
Internal Audit Department 

SUBJECT: First Follow-Up Audit of the Limited Lease Review of Canyon Recreational Vehicle Park, Original Audit No. 2449

We have completed the First Follow-Up Audit of the Limited Lease Review of Canyon Recreational Vehicle Park. Our audit was limited to reviewing actions taken, as of March 31, 2006, to implement the recommendations made in our original audit report dated October 27, 2004. The results of our Follow-Up audit are discussed in the **Internal Auditor's Report** following this transmittal letter.

At the request of the Audit Oversight Committee (AOC), we are to bring to their attention any audit recommendations we find still not addressed, resolved, or implemented after our Second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for their discussion. The Second Follow-Up Audit will be conducted six months from the date of this report (February 22, 2007). We have provided a Second Follow-Up Audit Report Form for completion prior to our Second Follow-Up Audit.

As the Director of Internal Audit, I now submit a monthly 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.

Because of these visible changes to our follow-up process, the Internal Audit Department is available to partner with all departments and agencies so that they can successfully implement or address difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report, recommendations or follow-up process.

ATTACHMENTS

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
David L. Rudat, Interim Deputy CEO/Infrastructure & Environmental Services
Kevin Thomas, Director, RDMD/Harbors, Beaches & Parks
Rich Adler, Chief, RDMD/HB&P/Lease Management
Mike Hentzen, Leasing Coordinator, RDMD/HB&P/Lease Management
Steve Danley, Director, RDMD/Administration
Mary Fitzgerald, Manager, RDMD/Accounting Services
Josie Velasquez, Chief, RDMD/Accounting/Santa Ana River, Watershed, Flood, Leases, and
Infrastructure
Vivienne Thornton, Administrative Manager I, RDMD/Accounting/Watershed, Flood,
Leases & Infrastructure
Brian Cich, Senior Accountant I, RDMD/Accounting/Leases & Infrastructure
Debra Lakin, Chief, RDMD/Central Quality Assurance
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors



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Ph.D., MBA, CPA, CIA, CFE, CITP

MAILING ADDRESS:
400 CIVIC CENTER DRIVE WEST
BUILDING 12, ROOM 232
SANTA ANA, CALIFORNIA 92701

TELEPHONE: (714) 834-5475
FAX: (714) 834-2880

EMAIL: peter.hughes@ocgov.com
WEBSITE: www.ocgov.com/audit/

INTERNAL AUDITOR'S REPORT

Audit No. 2545-E

August 22, 2006

Bryan Speegle, Director
Resources & Development Management Department
300 N. Flower Street
Santa Ana, CA 92703

We have completed the First Follow-Up Audit of the Limited Lease Review of Canyon Recreational Vehicle Park (Canyon RV). Our audit was limited to reviewing actions taken, as of March 31, 2006, to implement the recommendations made in our original audit report dated October 27, 2004.

The original audit report contained thirteen (13) recommendations. This First Follow-Up Audit found the following:

- Twelve (12) recommendations were fully implemented.
- One (1) recommendation was partially implemented.

The **one (1)** audit report recommendation that has not been fully implemented is noted below along with a comment on the current status. The item number from the October 27, 2004 report is shown in parentheses after the heading. We believe the remaining recommendation is still appropriate and further efforts should be made to fully implement it.

Note: the item contained in this follow-up audit report is considered a “**control finding.**” See *Attachment A* for a description of audit report items.

1. Supporting Documentation – Pre-Numbered Receipts (No. 3A)

Recommendation: We recommend that RDMD require Canyon RV Park to issue pre-numbered receipts for each rental and admission charge and account for receipts in the balancing process.

Current Status: **Partially Implemented.** During our Follow-Up Audit, we noted that Canyon RV began issuing pre-numbered receipts. However, for day use events (such as car or dog shows) Canyon RV did not issue pre-numbered receipts for each individual entry to the event as recommended. Instead, each entry was documented on a manual tally sheet and the total amount collected for the day was recorded on one pre-numbered receipt. To fully implement this recommendation, Canyon RV might consider issuing a two-part pre-numbered ticket (e.g. raffle ticket) for each entry, in lieu of handwritten receipts for each entry.

RDMD Planned Action:

RDMD has discussed this finding with Canyon RV Park and to fully implement this recommendation, Canyon RV Park has agreed to issue two-part pre-numbered tickets for day use events such as car and dog shows, effective immediately. This was confirmed by letter dated July 26, 2006 (attached) from Dana Busch, Operations Manager for Canyon RV Park.

We appreciate the cooperation and assistance extended to us by Canyon RV and RDMD staff during our follow-up audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at (714) 834-5899 or Autumn McKinney, Audit Manager at (714) 834-6106.

Sincerely,



Peter Hughes, Ph.D., CPA
Director, Internal Audit

ATTACHMENT A: Report Item Classifications

ATTACHMENT B: RDMD Management Response

Distribution Pursuant to Audit Oversight Committee Procedure No. 1

Members, Board of Supervisors

Members, Audit Oversight Committee

Thomas G. Mauk, County Executive Officer

David L. Rudat, Interim Deputy CEO/Infrastructure & Environmental Services

Kevin Thomas, Director, RDMD/Harbors, Beaches & Parks

Rich Adler, Chief, RDMD/HB&P/Lease Management

Mike Hentzen, Leasing Coordinator, RDMD/HB&P/Lease Management

Steve Danley, Director, RDMD/Administration

Mary Fitzgerald, Manager, RDMD/Accounting Services

Josie Velasquez, Chief, RDMD/Accounting/Santa Ana River, Watershed, Flood, Leases, and Infrastructure

Vivienne Thornton, Administrative Manager I, RDMD/Accounting/Watershed, Flood, Leases & Infrastructure

Brian Cich, Senior Accountant I, RDMD/Accounting/Leases & Infrastructure

Debra Lakin, Chief, RDMD/Central Quality Assurance

Foreperson, Grand Jury

Darlene J. Bloom, Clerk of the Board of Supervisors



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we have classified audit report items into three distinct categories:

Material Weaknesses:

Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to address “Material Weaknesses” brought to their attention immediately.

Significant Issues:

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

Control Findings:

Audit findings that require management’s corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.





COUNTY OF ORANGE

RESOURCES & DEVELOPMENT MANAGEMENT DEPARTMENT

Bryan Speegle, Director
300 N. Flower Street
Santa Ana, CA
P.O. Box 4048
Santa Ana, CA 92702-4048
Telephone: (714) 834-2300
Fax: (714) 834-5188

DATE: August 9, 2006
TO: Peter Hughes, Director, Internal Audit
FROM: Director, Resources and Development Management Department
SUBJECT: Response to Draft First Follow-Up Limited Review Audit – Canyon Recreational Vehicle Park – Featherly Regional Park

We have reviewed the Draft First Follow-Up Limited Review Audit by Internal Audit of Canyon Recreational Vehicle Park (Canyon RV Park) on the status of the thirteen recommendations contained in the original audit. Of these thirteen recommendations, the First Follow-Up Audit reported that twelve were fully implemented and one was partially implemented (Finding No. 3A). The First Follow-Up Audit also reiterated that the one partially implemented recommendation is still appropriate and further efforts should be made to fully implement it. RDMD agrees and has taken the following action described below.

Finding No. 3A – Supporting Documentation – Pre-Numbered Receipts

Excerpt from Original Audit:

Recommendation: We [Internal Audit] recommend that RDMD require Canyon RV Park to issue pre-numbered receipts for each rental and admission charge and account for receipts in the balancing process.

Excerpt from Draft First Follow-Up Audit:

*Current Status: **Partially Implemented.** During our Follow-Up Audit, we [Internal Audit] noted that Canyon RV began issuing pre-numbered receipts. However, for day use events (such as car or dog shows) Canyon RV did not issue pre-numbered receipts for each individual entry to the event as recommended. Instead, each entry was documented on a manual tally sheet and the total amount collected for the day was recorded on one pre-numbered receipt. To fully implement this recommendation, Canyon RV might consider issuing a two-part pre-numbered ticket (e.g. raffle ticket) for each entry, in lieu of handwritten receipts for each entry.*

RDMD Action Taken

RDMD has discussed this finding with Canyon RV Park and to fully implement this recommendation, Canyon RV Park has agreed to issue two-part pre-numbered tickets for day use events such as car and dog shows, effective




ATTACHMENT B: RDMD Management Response (Continued)

immediately. This was confirmed by letter dated July 26, 2006 (attached) from Dana Busch, Operations Manager for Canyon RV Park.

Thank you for allowing us the opportunity to respond to the draft letter. **Please attach a copy of this memorandum (and the attached letter) to your final letter.**

If you have any questions or need additional information, please contact Mike Hentzen of RDMD/HBP/Lease Management at (714) 834-6286.


for Bryan Speegle, Director

Attachment

cc: Kevin Thomas, Director, RDMD/HBP
Steve Danley, Director, RDMD/Administration
Debra Lakin, RDMD/CQA
Mary Fitzgerald, RDMD/AS
Mike Hentzen, RDMD/HBP



ATTACHMENT B: RDMD Management Response (Continued)

*St. Clair Property Management
10101 Slater Avenue, Ste. 234
Fountain Valley, CA 92708
714-963-7466 714-963-7461 fax*

July 26, 2006

County of Orange
Mike Hentzen, RDMD/HBP
P.O. Box 4048
Santa Ana, CA 92702-4048

Re: First Follow-up Audit of the Limited Lease Review of Canyon Recreational
Vehicle Park, Original Audit No. 2449

Dear Mike,

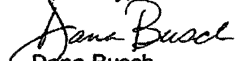
I am in receipt of the *Draft* of the about referenced First Follow-up Audit.

It is acknowledged that the Internal Audit Department did recommend, back in October of 2004, that we implement the use of a two-part pre-numbered ticket for use with our day use events such as dog shows and car shows.

We will in fact begin the use of this ticket system with our next event, which is a dog show this August 6, 2006.

Should anything further need to be addressed regarding this matter, please do not hesitate to contact me directly.

Sincerely,


Dana Busch
Operations Manager

