

Internal Audit Department

O R A N G E C O U N T Y
6th Largest County in the USA

FINAL CLOSE-OUT FIRST FOLLOW-UP AUDIT: REVENUE GENERATING LEASE AUDIT: OCCR/OC PARKS IRVINE PARK RAILROAD & CONCESSIONS

Original Audit No. 2935

AS OF MARCH 15, 2011

**\$1.25 MILLION GROSS
RECEIPTS ANNUALLY
\$188,000 RENT PAID TO THE
COUNTY ANNUALLY**

Our First Follow-Up Audit found that OCCR/OC Parks and Irvine Park Railroad & Concessions satisfactorily implemented all three (3) recommendations from our original audit report.

During the original audit, Irvine Park Railroad & Concessions reported approximately **\$1.25 million** in gross receipts and paid rent to the County of approximately **\$188,000**. Over its approximate 21 year term, this lease agreement is estimated to generate approximately **\$3.8 million** in rent to the County.

AUDIT NO: 1038-B
REPORT DATE: APRIL 15, 2011

Director: Dr. Peter Hughes, CPA
Deputy Director: Eli Littner, CPA, CIA
Senior Audit Manager: Autumn McKinney, CPA, CIA
Senior Internal Auditor: Susan Nestor, CPA, CIA

RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award for Recognition of Commitment to Professional Excellence, Quality, and Outreach



GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

Dr. Peter Hughes Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE, CFF
Director of Internal Audit
Certified Compliance & Ethics Professional (CCEP)
Certified Information Technology Professional (CITP)
Certified Internal Auditor (CIA)
Certified Fraud Examiner (CFE)
Certified in Financial Forensics (CFF)
E-mail: peter.hughes@iad.ocgov.com

Eli Littner CPA, CIA, CFE, CFS, CISA
Deputy Director
Certified Fraud Specialist (CFS)
Certified Information Systems Auditor (CISA)

Michael J. Goodwin CPA, CIA
Senior Audit Manager

Alan Marcum MBA, CPA, CIA, CFE
Senior Audit Manager

Autumn McKinney CPA, CIA, CISA, CGFM
Senior Audit Manager
Certified Government Financial Manager (CGFM)

Hall of Finance & Records

12 Civic Center Plaza, Room 232
Santa Ana, CA 92701

Phone: (714) 834-5475

Fax: (714) 834-2880

To access and view audit reports or obtain additional information about the
OC Internal Audit Department, visit our website: www.ocgov.com/audit



OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA

Transmittal Letter



Audit No. 1038-B April 15, 2011

TO: Steve Franks, Director
OC Community Resources

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: **First and Final Close-Out** Follow-Up
Audit of Revenue Generating Lease:
OCCR/OC Parks - Irvine Park Railroad &
Concessions, Original Audit No. 2935,
Issued October 5, 2010

We have completed a First Follow-Up Audit of the Revenue Generating Lease with Irvine Park Railroad & Concessions. Our audit was limited to reviewing, as of March 15, 2011, actions taken to implement the three (3) recommendations made in our original report dated October 5, 2010.

The results of our Follow-Up Audit are discussed in the **OC Internal Auditor's Report** following this transmittal letter. Because satisfactory corrective action has been taken for all three (3) recommendations, **this report represents the close-out of the original audit.**

Each month I submit an **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.

Attachments

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

Table of Contents



***First and Final Close-Out Follow-Up Audit:
Revenue Generating Lease Audit of
OC Community Resources/OC Parks
Irvine Park Railroad & Concessions,
Original Audit No. 2935
Audit No. 1038-B***

As of March 15, 2011

Transmittal Letter	i
OC Internal Auditor's Report	
Scope of Review	1
Background	1
Results	1
1. Maintain Monthly Schedule of Rental Payments (Control Finding)	1
2. No Supporting Documentation Retained for Voids/Refunds (Control Finding)	2
3. Gross Receipts Reported Should Be Based On Recorded Sales Rather Than Cash Collected (Control Finding)	2

OC Internal Auditor's Report



Audit No. 1038-B

April 15, 2011

TO: Steve Franks, Director
OC Community Resources

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: **First and Final Close-Out** Follow-Up Audit of Revenue Generating Lease:
OCCR/OC Parks - Irvine Park Railroad & Concessions,
Original Audit No. 2935, Issued October 5, 2010

Scope of Review

We have completed a First Follow-Up Audit of the Revenue Generating Lease with Irvine Park Railroad & Concessions. Our audit was limited to reviewing actions taken as of March 15, 2011 to implement the three (3) recommendations made in our original audit report.

Background

The original audit reviewed whether Irvine Park Railroad & Concessions' records adequately supported their monthly gross receipts reported to the County. During the original 12-month audit period, Irvine Park Railroad & Concessions generated approximately \$1.25 million in gross receipts and the rent paid to the County was approximately \$188,000. The original audit identified three (3) **control findings** where no additional rent was owed.

Results

OC Community Resources/OC Parks and Irvine Park Railroad & Concessions implemented all three (3) recommendations from the original audit report. Following is the implementation status of the original recommendations:

1. Maintain Monthly Schedule of Rental Payments (**Control Finding**)

Recommendation No. 1: We recommend that OC Parks require Irvine Park Railroad & Concessions to maintain a monthly schedule of the rental agreements and payments received for Party Pavilion and Moonbounce rentals.

Current Status: **Implemented.** Our review of the new reservation log and monthly gross receipts statement for December 2010 found that Irvine Park Railroad & Concessions is now maintaining a monthly schedule of Party Pavilion and Moonbounce rentals.



2. No Supporting Documentation Retained for Voids/Refunds (Control Finding)

Recommendation No. 2: We recommend OC Parks require Irvine Park Railroad & Concessions to retain all supporting documents (cash register receipts with employee signature and reason) related to void or refund transactions.

Current Status: **Implemented.** Our review of a sample of refund and void documentation found that Irvine Park Railroad & Concessions is now retaining supporting documents related to void or refund transactions.

3. Gross Receipts Reported Should Be Based On Recorded Sales Rather Than Cash Collected (Control Finding)

Recommendation No. 3: We recommend that OC Parks require Irvine Park Railroad & Concessions to report gross receipts based on sales recorded in cash registers.

Current Status: **Implemented.** Our review of Irvine Park Railroad & Concessions' January 2011 sales journals and cash register reports found that reported gross receipts are now based on sales recorded in the cash registers and are not reduced by cash shortages.

Acknowledgement

We appreciate the cooperation and assistance extended to us by the personnel at OCCR/OC Parks and Irvine Park Railroad & Concessions 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, Senior Audit Manager at (714) 834-6106.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Alisa Drakodaidis, Deputy CEO, OC Infrastructure
Anna Peters, Director of Administrative Services, OC Community Resources
Mark Denny, Director, OC Community Resources/OC Parks
Michael Brajdic, Deputy Director, OC Community Resources/OC Parks
Kirk Holland, Program Manager, OC Community Resources/OC Parks
Rich Adler, Real Estate Manager, OC Community Resources/OC Parks
Michael Hentzen, Lease Manager, OC Community Resources/OC Parks
Tonya Burnett, Accounting Manager, OC Community Resources/Accounting
Win Swe, Manager, OC Community Resources/Accounting
Joanne Bond, Accounting Office Supervisor, OCCR Accounting
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisor