

# Internal Audit Department

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

## Revenue Generating Lease Audit: OC PUBLIC WORKS/ LAKE FOREST GOLF AND PRACTICE CENTER

For the Period  
October 1, 2012 through September 30, 2013

**\$1.6M REPORTED GROSS RECEIPTS  
FOR TWELVE-MONTH AUDIT PERIOD  
\$158,000 RENT TO THE DISTRICT**

American Golf Corporation operates the Lake Forest Golf and Practice Center located at El Toro Retarding Basin under the lease agreement with the Orange County Flood Control District (District).

We audited the underlying books and records to ensure reported gross receipts are supported and rent is properly paid as defined by the lease agreement. During the twelve-month audit period of October 1, 2012 through September 30, 2013, American Golf Corporation reported approximately \$1.6M in gross receipts and paid approximately \$158,000 in rent for the Lake Forest Golf and Practice Center.

The Internal Audit Department found that American Golf Corporation's records for the Lake Forest Golf and Practice Center adequately supported reported gross receipts and rent owed to the Orange County Flood Control District was properly paid.

AUDIT NO: 1345  
REPORT DATE: JULY 21, 2014

**Director:** Dr. Peter Hughes, MBA, CPA, CIA  
**Senior Audit Manager:** Alan Marcum, CPA, CIA  
**Audit Manager:** Lily Chin, CPA, CGMA

### RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010, 2013



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

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



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 to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach



ORANGE COUNTY BOARD OF SUPERVISORS'  
**Internal Audit Department**

*GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010, 2013*

*Providing Facts and Perspectives Countywide*

**RISK BASED AUDITING**

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



**OC Fraud Hotline (714) 834-3608**



## Transmittal Letter



**Audit No. 1345 July 21, 2014**

**TO:** Shane Silsby, Director  
OC Public Works

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

**SUBJECT:** Revenue Generating Lease Audit of OC Public  
Works/Lake Forest Golf and Practice Center,  
Parcel J01B01

We have completed our revenue generating lease audit of Lake Forest Golf and Practice Center for the period October 1, 2012 through September 30, 2013. We performed this audit in accordance with our *FY 2013-14 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors. Our final report is attached for your review.

Each month I submit an **Audit Status Report** to the 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.

Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

### ATTACHMENTS

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

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OC Public Works/Lake Forest Golf and Practice Center  
Audit No. 1345*

For the Period October 1, 2012 through September 30, 2013

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**Audit No. 1345**

**July 21, 2014**

TO: Shane Silsby, Director  
OC Public Works

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

SUBJECT: Revenue Generating Lease Audit of  
OC Public Works/Lake Forest Golf and Practice Center,  
Parcel J01B01

## Audit Highlight

American Golf Corporation operates the Lake Forest Golf and Practice Center located at the El Toro Retarding Basin under the lease agreement with the Orange County Flood Control District.

During the 12-month audit period ending September 30, 2013, American Golf generated approximately \$1.6 million in gross receipts and paid the Orange County Flood Control District approximately \$158,000 in rent.

We found that American Golf's records adequately supported reported gross receipts and rent paid.

## OBJECTIVES

We have performed an audit of certain records and documents for the period from October 1, 2012 through September 30, 2013, pertinent to the lease agreement (Agreement) between the Orange County Flood Control District (District) and American Golf Corporation, a California Corporation (American Golf), dated January 31, 1990, as amended. The Agreement is for operating the Lake Forest Golf and Practice Center located at the El Toro Retarding Basin. Our audit objectives were:

1. The primary objective of our audit is to determine whether American Golf's records adequately supported their monthly gross receipts reported to the District and rent owed is properly paid.
2. The secondary objective of our audit is to determine whether American Golf complies with certain other financial provisions of the Agreement, such as monthly gross receipts statement format and annual financial statement requirements.

In addition, while performing the audit we may identify internal control weaknesses for which we will identify suggestions for improvement.

## RESULTS

**Objective #1:** We found that American Golf's records adequately supported gross receipts reported to the District and rent owed was properly paid.

**Objective #2:** We found that American Golf complied with certain other financial provisions of the Agreement such as the monthly gross receipts statement format and annual financial statement requirements.



## BACKGROUND

The Orange County Flood Control District (District) entered into a lease agreement (Agreement) with American Golf Corporation, a California Corporation (American Golf) dated January 31, 1990, as amended, for the operation of golf course related operations which consist of a driving range, snack bar, pro shop, and golf instruction located at the El Toro Retarding Basin in conjunction with adjacent land owned by the City of Lake Forest. During the 12-month audit period ending September 30, 2013, American Golf generated approximately **\$1.6 million** in gross receipts at the Lake Forest Golf and Practice Center and paid the District approximately **\$158,000** in rent. American Golf also pays rent to the City of Lake Forest for the adjacent property.

## SCOPE

Our audit was limited to certain records and documents that support American Golf's gross receipts reported to the District for the twelve-month audit period from October 1, 2012 through September 30, 2013. Our audit included inquiry, auditor observation, and limited testing for assessing the adequacy of documentation and ensuring completeness of reported gross receipts.

## Acknowledgment

We appreciate the courtesy extended to us by the personnel at American Golf Corporation, OC Public Works, County Executive Office/Corporate Real Estate, and OC Public Works/Accounting Services during our audit. If you have any questions regarding our revenue generating lease audit, please contact me directly at (714) 834-5475, or Alan Marcum, Senior Audit Manager at 834-4119.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors  
Members, Audit Oversight Committee  
Michael B. Giancola, County Executive Officer  
Mark Denny, Chief Operating Officer  
Jessica O'Hare, Assistant to the Chief Operating Officer  
Robyn Uptegraff, Assistant Director, OC Public Works  
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Kevin Onuma, Manager, OCPW/OC Flood  
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Randi Dunlap, Manager, Policy and Compliance, CQA, OCPW  
Foreperson, Grand Jury  
Susan Novak, Clerk of the Board of Supervisors  
Macias Gini & O'Connell LLP, County External Auditor