## COUNTY OF ORANGE BOARD OF SUPERVISORS'

# INTERNAL AUDIT DEPARTMENT

Audit No. 2761





Providing Facts and Perspectives Countywide

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TO: Bryan G. Speegle, Director

Resources and Development Management Department

SUBJECT: Special Purpose Review of Strawberry Farms Golf Club

We have performed a special purpose review of certain records and documents as of July 12, 2007, pertinent to the lease agreement (Agreement) between the County of Orange (County) and Sand Canyon LLC, a California limited liability company (Sand Canyon), dated November 8, 1996, as amended. Sand Canyon has requested an assignment of the Agreement to a new owner. The purpose of our review was to perform a high level review of Sand Canyon's accounting records to determine whether Sand Canyon owed the County material amounts of rent prior to the assignment of the Agreement.

### **BACKGROUND**

July 31, 2007

The Agreement is primarily to maintain and operate an eighteen-hole golf course, driving range, and pro-shop on properties owned by the County and the Irvine Ranch Water District (IRWD). The facilities are named the Strawberry Farms Golf Club (SFGC).

In 2003, we conducted a limited review of SFGC's records and documents to determine whether SFGC's records adequately supported their computation of monthly rent payments to the County. We also reviewed compliance with certain other provisions of the Agreement, such as accounting methods and payment procedures. During that audit, we identified certain misclassifications in gross receipts resulting in rent owed to the County. After that audit, we performed two follow-up audits conducted in 2005 and 2006 and determined that SFGC had successfully implemented all audit recommendations and had retained sufficient documentation to adequately support monthly gross receipts reported to the County.

## **SCOPE**

Our special purpose review was limited to the following procedures:

- We performed analytical procedures reviewing for reasonableness of changes in gross receipts by rent category for the period 1/01/03 through 12/31/06:
- We reconciled monthly rent reported to the County with SFGC's detail point of sale records for the year ended 12/31/06 and for the month of May 2007;
- We reconciled gross receipts reported to the County with SFGC's bank statements for the month of May 2007;

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• We reconciled gross receipts reported to the County with SFGC's sales tax returns and audited financial statements for the year ended 12/31/06.

Our scope did not include the following:

- Testing of detailed transactions;
- Reviewing source documents, controls, and procedures;
- Reviewing compliance with certain other terms of the Agreement.

# CONCLUSION

Based on the procedures performed in our special purpose review, and the results of our prior audits performed in 2003 through 2006, nothing came to our attention to indicate that additional amounts of rent are owed to the County.

We appreciate the cooperation and assistance extended to us by the personnel at Sand Canyon, RDMD/HB&P/Real Estate, and RDMD/Accounting Services during our special purpose review. If additional information is needed, please call me at 834-5475 or Autumn McKinney, Senior Audit Manager at 834-6106.

Sincerely,

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

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