



Internal Audit Department

O R A N G E C O U N T Y

AUDIT HIGHLIGHT

OCTOBER 5, 2010

SPECIAL PURPOSE LEASE REVIEW:
OC COMMUNITY RESOURCES/OC PARKS
SANTIAGO EQUESTRIAN CENTER
Audit No. 2934

WHY IS THIS AUDIT IMPORTANT?

Santiago Equestrian Center operates an equestrian center located within Limestone Canyon & Whiting Ranch Wilderness Park. Over the twenty (20) year term, this lease agreement is estimated to generate over **\$274,000** in rent to the County. Rent is paid to the County based on a percentage of gross receipts. We audit the underlying books and records to ensure gross receipts are complete and rent is properly paid as defined by the lease agreement. During the 12-month audit period of January 1, 2009 through December 31, 2009, Santiago Equestrian Center reported approximately **\$199,000** in gross receipts and paid the County approximately **\$16,000** in rent.

While this lease generates a relatively small amount of gross receipts, OC Parks requested our special purpose review of the lease as this is a new lease with a twenty (20) year term. The goal of our review is to help ensure the lessee's records are on the "right track" and to make any necessary corrections timely in the lease term.

WHAT THE AUDITORS FOUND?

Successes

We found that Santiago Equestrian Center's records adequately supported gross receipts of approximately \$199,000 and rent of approximately \$16,000 was properly paid to the County in accordance with the lease agreement.

Audit Findings and Control Recommendations

We identified **three (3) Control Findings** related to improving record keeping and the accounting methodology used to report gross receipts. OC Parks agreed with all three findings and recommendations and has worked with Santiago Equestrian Center to implement corrective actions.