

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Paul S. Grossgold, Director
General Services Agency

Date: June 16, 2011

From: Christine L. Cohen

Subject: **FOLLOW-UP AUDIT OF GENERAL SERVICES AGENCY LEASE/OPERATOR AGREEMENT
ADMINISTRATION**

We have completed our follow-up audit of the General Services Agency (GSA) lease/operator agreement administration. The results of our follow-up audit are summarized below.

BACKGROUND

GSA contracts with private parties to manage two campground sites (Kenney Grove and Steckel Park) and three golf courses (Rustic Canyon, Saticoy, and Soule Park). Each agreement specifies payments to the County consisting of base rents and a percentage of gross receipts to be paid as rent. GSA recognized revenue of \$530,779 from these agreements during fiscal year 2009-10.

SCOPE

Our overall audit objective was to determine whether proper corrective actions were implemented by GSA management to address the issues noted in our prior audit report dated March 9, 2007. Specifically, we:

- reviewed the adequacy of dedicated resources to strengthen lease administration;
- determined whether capital improvements for each lease/operator agreement were properly monitored, verified, and documented;
- evaluated whether contract life-cycle monitoring was improved to properly track contract milestones;
- verified the collection of monies due and determined whether controls were adequate;
- assessed whether lessee compliance with insurance requirements was monitored adequately; and
- determined whether lessee systems of accounts and records were submitted for approval.

We performed audit tests and evaluations using documents and records provided by GSA management. The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors using documents and records for the period October 2005 through September 2010.

FINDINGS

Overall, GSA made significant progress in improving the administration of lease/operator agreements. Our follow-up audit found that GSA management had effectively completed corrective action on all of the findings in the prior audit report.

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Specifically, we noted that GSA had taken measures to strengthen lease administration through the use of the contract management software, Contract Assistant. The notification component of Contract Assistant allowed proper monitoring of lease stipulations and enabled the timely notification to lessees of late payments and required certificates of insurance. Key lease data could be more readily tracked to facilitate proper contract life-cycle monitoring and assist with capital improvement lease compliance.

Our audit verified that adequate controls were put in place to properly manage the collection of monies due with the accurate monitoring of base rents and percentage rents due dates. We also determined that lessees adhered to the requirement of submitting and obtaining approval of systems of accounts and records.

This report does not contain findings requiring corrective action by GSA management.

We appreciate the cooperation and assistance extended by you and your staff during this engagement.

cc: Honorable Linda Parks, Chair, Board of Supervisors
Honorable John C. Zaragoza, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Kathy Long, Board of Supervisors
Honorable Peter C. Foy, Board of Supervisors
Michael Powers, County Executive Officer