Revenue Generating Lease Audit:  
**OC PARKS/ STRAWBERRY FARMS GOLF CLUB, LLC**

For the Period  
January 1, 2012 through December 31, 2012

Strawberry Farms Golf Club, LLC (SFGC) maintains and operates an eighteen-hole golf course, driving range and pro shop on a parcel owned by the County of Orange (County) within Mason Regional Park and an adjoining parcel surrounding the Sand Canyon Reservoir owned by the Irvine Ranch Water District (IRWD) under the lease agreement with the County. The County and IRWD have agreed to combine said parcels for the purpose of the lease. The County manages this lease on behalf of IRWD, and the rent due from SFGC is allocated equally between the County and IRWD. 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 January 1, 2012 through December 31, 2012, SFGC reported approximately $7.5 million in gross receipts and paid approximately $1.002 million in total rent for which the County received about $501,000 and IRWD received about $501,000. The lease agreement is estimated to generate over $5.01 million in rent due to the County for the next ten years.

The Internal Audit Department found that Strawberry Farms Golf Club's records adequately supported reported gross receipts and rent owed to the County was properly paid.

**AUDIT NO:** 1231  
**REPORT DATE:** JUNE 27, 2013

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

**RISK BASED AUDITING**

- 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 For the Most Outstanding Article of the Year
- 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
Internal Audit Department


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

OC Fraud Hotline (714) 834-3608
Transmittal Letter

Audit No. 1231 June 27, 2013

TO: Steve Franks, Director
OC Community Resources

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

SUBJECT: Revenue Generating Lease Audit:
OC Parks/Strawberry Farms Golf Club,
LLC, PR48A-28

We have completed our revenue generating lease audit of Strawberry Farms Golf Club, LLC, for the period January 1, 2012 through December 31, 2012. The final Internal Auditor's Report is attached. We performed this Revenue Generating Lease Audit in accordance with our FY 2012-13 Audit Plan and Risk Assessment approved by the Audit Oversight Committee.

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 listed on the OC Internal Auditor's Report on page 2.
Revenue Generating Lease Audit:
OC Parks/Strawberry Farms Golf Club, LLC
Audit No. 1231

For the Period
January 1, 2012 through December 31, 2012

Transmittal Letter i

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OBJECTIVE
We have performed an audit of certain records and documents of Strawberry Farms Golf Club, LLC for the period from January 1, 2012 through December 31, 2012. Strawberry Farms Golf Club, LLC is a lessee, as assigned, under the lease agreement (Lease Agreement) with the County of Orange (County). The Lease Agreement is primarily for the operation and maintenance of an eighteen-hole golf course, driving range and pro shop. Our audit objectives were:

(1) The primary objective of our audit is to determine whether Strawberry Farms Golf Club’s records adequately supported gross receipts reported to the County and paid rent owed.

(2) The secondary objective of our audit is to determine whether Strawberry Farms Golf Club complies with certain other financial provisions of the Lease Agreement.

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 Strawberry Farms Golf Club’s records adequately supported gross receipts reported to the County and rent paid.

Objective #2: We found that Strawberry Farms Golf Club complied with certain other financial provisions of the Lease Agreement such as the monthly gross receipts statement format.
BACKGROUND
The County entered into a 45-year lease agreement with Sand Canyon, LLC, dated November 8, 1996, for the development and operation and maintenance of the Strawberry Farms Golf Club. The golf course is located on a parcel owned by the County within Mason Regional Park and an adjoining parcel surrounding the Sand Canyon Reservoir owned by the Irvine Ranch Water District (IRWD). The County and IRWD have agreed to combine said parcels for the purpose of the lease. The County manages this lease, and the rent due from the golf course is allocated equally between the County and IRWD. This original lease agreement was assigned to Strawberry Farms Golf Club, LLC in 2007.

During the twelve-month audit period from January 1, 2012 through December 31, 2012, Strawberry Farms Golf Club, LLC generated approximately $7.5 million in gross receipts and paid approximately $1.002 million in total rent for which the County received about $501,000 and IRWD received about $501,000.

SCOPE
Our audit was limited to certain records and documents that support Strawberry Farm Golf Club’s gross receipts reported to the County for the twelve-month audit period from January 1, 2012 through December 31, 2012. Our audit included inquiry, auditor observation, and limited testing for assessing the adequacy of documentation and ensuring completeness of reported gross receipts.

ACKNOWLEDGEMENT
We appreciate the courtesy and cooperation extended to us by the personnel at Strawberry Farms Golf Club, OC Parks and OC Community Resources (OCCR) Accounting Services. If you have any questions regarding our revenue generating lease audit, please call me directly at (714) 834-5475, or Alan Marcum, Senior Audit Manager at (714) 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
- Anna Peters, Administrative Services Director, OCCR/Administrative Services
- Mark Denny, Director, OCCR/OC Parks
- Mike Brajdic, Deputy Director, OCCR/OC Parks
- Kirk Holland, Program Manager, OCCR/OC Parks/Program Management
- Rich Adler, Real Estate Manager, OCCR/OC Parks/Real Estate
- Mike Hentzen, Lease Manager, OCCR/OC Parks/Real Estate
- Salvador Lopez, Section Manager, OCCR/Accounting
- Win Swe, Manager, OCCR/Accounting Services
- Paul Cook, General Manager, Irvine Ranch Water District
- Robert Jacobson, Treasurer, Irvine Ranch Water District
- Foreperson, Grand Jury
- Susan Novak, Clerk of the Board of Supervisors
- Vavrinek, Trine, Day & Co., County External Auditor