FINAL CLOSE-OUT

LIMITED REVIEW OF LICENSE REVENUE FOR

SCIENCE ENRICHMENT SERVICES, INC.

For the Period
September 1, 2005 through August 31, 2006

AUDIT NUMBER: 2645  REPORT DATE: JUNE 25, 2007

Audit Director: Peter Hughes, Ph.D., CPA
Deputy Director: Eli Littner, CPA, CIA
Senior Audit Manager: Autumn McKinney, CPA, CIA
Audit Manager: Lily Chin, CPA
Final Close-Out

LIMITED REVIEW OF LICENSE REVENUE
SCIENCE ENRICHMENT SERVICES, INC.

For the Period
September 1, 2005 through August 31, 2006

TABLE OF CONTENTS

Transmittal Letter...................................................................................................................................... i
INTERNAL AUDITOR’S REPORT...................................................................................................................... 1
EXECUTIVE SUMMARY ............................................................................................................................... 3
  OBJECTIVES................................................................................................................................................ 3
  BACKGROUND........................................................................................................................................... 3
  SCOPE.......................................................................................................................................................... 3
  CONCLUSION............................................................................................................................................. 3

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT
RESPONSES .................................................................................................................................................. 4
  Refund Processing Fee.................................................................................................................................. 4

ATTACHMENT A: Report Item Classifications .............................................................................................. 5
ATTACHMENT B: RDMD Management Responses ....................................................................................... 6
June 25, 2007

TO: Bryan Speegle, Director
Resources and Development Management Department

FROM: Peter Hughes, Ph.D., CPA, Director
Internal Audit Department

SUBJECT: Final Close-Out Limited Review of License Revenue for Science Enrichment Services, Inc.

We have completed our limited review of license revenue for Science Enrichment Services, Inc. for the period September 1, 2005 through August 31, 2006. The final Internal Auditor’s Report is attached along with your response to our one recommendation.

This report represents the final report. In addition, during the draft report process RDMD made satisfactory corrective action to implement the one recommendation. Therefore, we will not perform a follow-up audit and this report represents the final close-out of the audit.

Each month I submit an Audit Status Report to the Board of Supervisors (BOS) where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with RDMD so that you can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations.

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

Other recipients of this report:
Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Alisa Drakodaidis, Deputy CEO/Infrastructure & Environmental Services
Parker Hancock, Director, RDMD/Harbors, Beaches & Parks
Richard Adler, Chief, RDMD/HB&P/Lease Development and Management
Mike Hentzen, Lease Coordinator, RDMD/HB&P/Lease Development and Management
Andrea Richard, Lease Compliance Officer, RDMD/HB&P/Lease Development and Management
Steve Danley, Director, RDMD/Administration
Mary Fitzgerald, Manager, RDMD/Accounting Services
Josie Velasquez, Chief, RDMD/Accounting/Santa Ana River, Watershed, Flood, Leases and Infrastructure
Vivienne Thornton, Admin. Manager I, RDMD/Accounting/Watershed, Flood, Leases and Infrastructure
Brian Cich, Senior Accountant I, RDMD/Accounting/Leases and Infrastructure
Debra Lakin, Chief, RDMD/Central Quality Assurance
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors
INTERNAL AUDITOR'S REPORT

Audit No. 2645

June 25, 2007

TO: Bryan Speegle, Director
    Resources and Development Management Department

SUBJECT: Final Close-Out Limited Review of License Revenue for Science Enrichment Services, Inc.

We have performed a limited review of certain records and documents for the period from September 1, 2005 through August 31, 2006, pertinent to the license agreement (Agreement) between the County of Orange (County) and Science Enrichment Services, Inc. dba Science Adventures (Science Enrichment), dated May 12, 2004. The Agreement is limited to the operation of summer day camp programs in the County’s regional parks.

The primary purpose of our review is to determine whether Science Enrichment’s records adequately supported their gross receipts reported to the County. We also reviewed compliance with certain other provisions of the Agreement, such as accounting methods and payment procedures.

Based on our limited review, we find that Science Enrichment has retained sufficient documentation to adequately support monthly gross receipts reported to the County. No material weaknesses or significant issues were identified. However, we did identify one control finding which is noted in the Detailed Observations, Recommendations and Management Responses section of this report. See Attachment A for a description of report item classifications.

In addition, during the draft report process RDMD made satisfactory corrective action to implement the one recommendation. Therefore, we will not perform a follow-up audit and this report represents the final close-out of the audit.

We appreciate the courtesy and cooperation extended to us by the personnel at Science Enrichment, RDMD/Harbors, Beaches & Parks, and RDMD/Accounting. If you have any questions regarding our limited review of license revenue, please call me directly or Eli Littner, Deputy Director at (714) 834-5899 or Autumn McKinney, Senior Audit Manager at (714) 834-6106.
Attachment A – Report Item Classifications
Attachment B – RDMD Management Responses

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:
  Members, Board of Supervisors
  Members, Audit Oversight Committee
  Thomas G. Mauk, County Executive Officer
  Alisa Drakodaidis, Deputy CEO/Infrastructure & Environmental Services
  Parker Hancock, Director, RDMD/Harbors, Beaches & Parks
  Richard Adler, Chief, RDMD/HB&P/Lease Development and Management
  Mike Hentzen, Lease Coordinator, RDMD/HB&P/Lease Development and Management
  Andrea Richard, Lease Compliance Officer, RDMD/HB&P/Lease Development and Management
  Steve Danley, Director, RDMD/Administration
  Mary Fitzgerald, Manager, RDMD/Accounting Services
  Josie Velasquez, Chief, RDMD/Accounting/Santa Ana River, Watershed, Flood, Leases and Infrastructure
  Vivienne Thornton, Admin. Manager I, RDMD/Accounting/Watershed, Flood, Leases and Infrastructure
  Brian Cich, Senior Accountant I, RDMD/Accounting/Leases and Infrastructure
  Debra Lakin, Chief, RDMD/Central Quality Assurance
  Foreperson, Grand Jury
  Darlene J. Bloom, Clerk of the Board of Supervisors
EXECUTIVE SUMMARY

OBJECTIVES
The Internal Audit Department conducted a limited review of license revenue for Science Enrichment Services, Inc. dba Science Adventures (Science Enrichment) for the primary purpose of determining whether Science Enrichment’s records adequately supported their monthly gross receipts reported to the County.

BACKGROUND
The County of Orange entered into a license agreement (Agreement) with Science Enrichment Services, Inc. dated May 12, 2004, for the operation of summer day camp in the County’s regional parks. In June 2006, Science Enrichment became a division of the Knowledge Learning Corporation. During the 12 month review period, Science Enrichment reported $100,557 in gross receipts and paid the County $12,067 in license fees.

SCOPE
Our review was limited to certain records and documents that support Science Enrichment’s gross receipts reported to the County for 12 month period of September 1, 2005 to August 31, 2006. We also reviewed compliance with certain other provisions of the Agreement, such as accounting methods and payment procedures. Our review included inquiry, auditor observation, and limited testing for assessing the adequacy of documentation and ensuring completeness of reported gross receipts.

CONCLUSION
Based on our limited review, we find that Science Enrichment has retained sufficient documentation to adequately support monthly gross receipts reported to the County. **No material weaknesses or significant issues were identified.** However, we identified one control finding which is noted in the Detailed Observations, Recommendations, and Management Responses section of this report. See Attachment A for a description of report item classifications.

Upon reviewing RDMD’s Management Response and supporting documentation provided, we determined that RDMD has taken satisfactory corrective action to implement our one recommendation that was a relatively minor item. As such, we will not perform a follow-up audit and this report represents the final close-out of the audit.
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Refund Processing Fee
Clause 2 of the General Provisions of the Agreement defines gross receipts to include all admission, entry, rental, and other fees of any nature or kind charged by the Licensee. Science Enrichment charges a $25 processing fee when a parent requests a refund.

Finding No. 1: During our testing of two sample camp sessions, we noted that Science Enrichment charged three refund processing fees, for a total of $75. The $75 was not reported as gross receipts to the County. Science Enrichment informed us that it did not report the fees because it was established to help recover their administrative costs incurred in processing refunds. However, in accordance with the Agreement this fee should be reported as gross receipts.

Recommendation No. 1: We recommend RDMD require Science Enrichment report refund processing fees as gross receipts.

RDMD Response: Concur. RDMD provided Science Enrichment with a copy of Audit No. 2645 and discussed the finding with Science Enrichment’s Accounting Manager. In accordance with the terms of the Agreement, Science Enrichment will now report processing fees as gross receipts. Also, at RDMD’s request, Science Enrichment calculated thirty-one refund processing fees not reported for the 2006 season and submitted a check for $94 (31 x $25 x 12%). Attached is Science Enrichment’s Amy Wiedner email, KLC Check No. 100055396, and RDMD receipt No. R070940.
ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we have classified audit report items into three distinct categories:

**Material Weaknesses:**
Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to immediately address “Material Weaknesses” brought to their attention.

**Significant Issues:**
Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

**Control Findings:**
Audit findings that require management’s corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.
DATE: June 18, 2007
TO: Peter Hughes, Ph.D., CPA, Director
    Internal Audit Department
FROM: Director, Resources & Development Management Department
SUBJECT: Response to Limited License Review of Science Enrichment Services, Inc. - Audit No. 2645

The Resources and Development Management Department (RDMD) has reviewed the Draft Letter of the Internal Audit Department's Limited Review of the license agreement (Agreement) between the County of Orange (County) and Science Enrichment Services, Inc. dba Science Adventures (Science Enrichment), dated May 12, 2004. [In 2006, Science Enrichment became a division of Knowledge Learning Corporation.] The Agreement is limited to the operation of a summer day camp program in several of the County's regional parks. For the 2006 summer program, Science Enrichment generated over $100,000 in gross receipts and paid the County $12,067 in rent, which reflects the Agreement's fee of 12% of gross receipts.

Internal Audit concluded that Science Enrichment retained sufficient documentation to adequately support the gross receipts reported to the County, and no material weaknesses or significant issues were identified. However, the audit did identify one control finding and made one recommendation. RDMD's response to the control finding is provided below.

Refund Processing Fee
Clause 2 of the General Provisions of the Agreement defines gross receipts to include all admission, entry, rental, and other fees of any nature or kind charged by the Licensee. Science Enrichment charges a $25 processing fee when a parent requests a refund.

Finding No. 1: During our testing of two sample camp sessions, we noted that Science Enrichment charged three refund processing fees, for a total of $75. The $75 was not reported as gross receipts to the County. Science Enrichment informed us that it did not report the fees because it was established to help recover their administrative costs incurred in processing refunds. However, in accordance with the Agreement this fee should be reported as gross receipts.
Recommendation No. 1: We recommend RDMD require Science Enrichment report refund processing fees as gross receipts.

RDMD Response: Concur. RDMD provided Science Enrichment with a copy of Audit No. 2645 and discussed the finding with Science Enrichment’s Accounting Manager. In accordance with the terms of the Agreement, Science Enrichment will now report processing fees as gross receipts. Also, at RDMD’s request, Science Enrichment calculated thirty-one refund processing fees not reported for the 2006 season and submitted a check for $93 (31 x $25 x 12%). Attached Science Enrichment’s Amy Wiedner email, KLC Check No. 100055386, and RDMD receipt No. R0709040.

Based on the abovementioned documentation and the relatively minor nature of the finding, we request that the Final Audit Report also be issued as a Final Close-Out Audit Report.

Thank you for allowing us to respond to your draft report. If you have any questions or need additional information, please feel free to contact Andrea Richard of my staff at (714) 834-4677.

Bryan Speegle, Director

Attachments

cc: Thomas G. Mauk, County Executive Officer
    Alisa Drakodaidis, Deputy CEO/Infrastructure & Environmental Services
    Parker Hancock, Director, RDMD/Harbors, Beaches, & Parks
    Mark Denny, Assistant Director, RDMD/Harbors, Beaches & Park
    Mike Brajdic, Program Manager, RDMD/HBP/Program Management
    Mike Hentzen, Leasing Coordinator, RDMD/HBP/Lease Management
    Andrea Richard, Real Property Agent, RDMD/HBP/Lease Management
    Steve Danley, Director, RDMD/Administration
    Mary Fitzgerald, Manager, RDMD/Accounting Services
    Debra Lakin, Chief, RDMD/Central Quality Assurance
    Diane Villanueva, CEO
### Charges

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**Notation**

ACCOUNT CODING #405-405-0300-6620-86-EH21680 PER ANDREA RICHARD. FOR RENT FROM AUDIT.

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The fees, deposits, dedications, reservations or other exactions imposed by this development approval must be protested, if at all, within the 90 day-approval period imposed by Government Code section 66020.
### Knowledge Learning Corporation

**Invoice**

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**Vendor: ORANGE CO**

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**Knowledge Learning Corporation**

**Totals**

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**Payment**

**Date:** 29-MAY-07

**Checking:** 10055396

**Amount:** 93.00

**Note:**
- Verify the authenticity of this multiform security document.
- Check background area changer color gradually from top to bottom.

**Payment to the Order of:**

ORANGE CO

TREASURER-TAX COLLECTOR

P.O. BOX 1982

SANTA ANA, CA, 92702

**Authorized Signature**

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Limited Review of License Revenue for Science Enrichment Services, Inc.

Resources and Development Management Department

Audit No. 2645

Page 9