

Internal Audit Department

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

REVENUE GENERATING LICENSE AUDIT: OC COMMUNITY RESOURCES/OC PARKS CALIFORNIA JUNIOR LIFEGUARD PROGRAMS, INC.

For the Period
January 1, 2008 through December 31, 2008

California Junior Lifeguard Programs, Inc. operates a summer day camp program at Sunset Beach and at Salt Creek Beach under two license agreements. Gross receipts reported during the audit period were approximately **\$471,000** and the fees paid to the County were approximately **\$71,000**. Over their two and three year terms, the license agreements are estimated to generate fees of **\$210,000** to the County.

The Internal Audit Department found that California Junior Lifeguard Programs, Inc.'s records adequately supported gross receipts and overall fees were properly paid to the County.

AUDIT NO: 2835
REPORT DATE: JULY 14, 2009

County Internal Auditor: Dr. Peter Hughes, CPA
Deputy Director: Eli Littner, CPA, CIA
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 ORANGE COUNTY BOARD OF SUPERVISORS' **Internal Audit Department**

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Providing Facts and Perspectives Countywide

RISK BASED AUDITING

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OC Fraud Hotline (714) 834-3608



Transmittal Letter



Audit No. 2835 July 14, 2009

TO: Steve Franks, Director
OC Community Resources

FROM: Dr. Peter Hughes, CPA
County Internal Auditor

SUBJECT: Revenue Generating License Audit:
OC Community Resources/OC
Parks/California Junior Lifeguard
Programs, Inc., BE35A-3 (Sunset Beach)
and BE74Q-21 (Salt Creek Beach)

We have completed our revenue generating license audit of California Junior Lifeguard Programs, Inc. for the period January 1, 2008 through December 31, 2008. We are pleased to report that we found California Junior Lifeguard Programs, Inc.'s records adequately supported gross receipts reported to the County. The final **County Internal Auditor's Report** is attached. We performed this Revenue Generating License Audit in accordance with our FY 2008-09 Audit Plan approved by the Audit Oversight Committee.

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 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 are listed on the **County Internal Auditor's Report** on page 3.

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OC Community Resources/OC Parks
California Junior Lifeguard Programs, Inc.
Audit No. 2835*

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January 1, 2008 through December 31, 2008

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County Internal Auditor's Report



Audit No. 2835

July 14, 2009

TO: Steve Franks, Director
OC Community Resources

FROM: Dr. Peter Hughes, CPA
County Internal Auditor

SUBJECT: Revenue Generating License Audit:
OC Community Resources/OC Parks/California Junior
Lifeguard Programs, Inc. BE35A-3 (Sunset Beach) and
BE74Q-21 (Salt Creek Beach)

Audit Highlight

California Junior Lifeguard Programs, Inc. operates a summer day camp program at Sunset Beach and at Salt Creek Beach under two license agreements. Gross receipts reported during the audit period were approximately **\$471,000** and fees paid to the County were approximately **\$71,000**. Over their two and three year terms, the license agreements are estimated to generate fees of **\$210,000** to the County.

The Internal Audit Department found that California Junior Lifeguard Programs, Inc.'s records adequately supported gross receipts and overall fees were properly paid to the County.

OBJECTIVE

We have performed an audit of certain records and documents for the period from January 1, 2008 through December 30, 2008, pertinent to the two license agreements (Agreements) between the County of Orange (County) and California Junior Lifeguard Programs, Inc., a California Corporation, dated February 6, 2007 and February 6, 2008. The Agreements allow California Junior Lifeguard Programs, Inc. to operate a junior lifeguard summer day camp program at Sunset Beach and at Salt Creek Beach. Our audit objectives were:

- (1) The primary purpose of our audit is to determine whether California Junior Lifeguard Programs, Inc.'s records adequately support their monthly gross receipts reported to the County and fee owed is properly paid.
- (2) The secondary purpose of our audit is to determine whether California Junior Lifeguard Programs, Inc. complies with certain other financial provisions of the Agreements, such as accounting methods, monthly gross receipts statement format, and financial statement requirements.

In addition, while performing the audit we may identify internal control weaknesses for which we will identify suggestions for improvement.

BACKGROUND

The County entered into two license agreements with California Junior Lifeguard Programs, Inc. dated February 6, 2007 and February 6, 2008 for the operation of a junior lifeguard summer day camp program at Salt Creek Beach and at Sunset Beach. During the audit period, California Junior Lifeguard Programs, Inc. reported approximately \$471,000 in total gross receipts and paid the County approximately \$71,000 in total rent. Over their two and three year terms, the license agreements are estimated to generate approximately \$210,000 in total fees to the County.



SCOPE

Our audit was limited to certain records and documents that support California Junior Lifeguard Programs, Inc. gross receipts reported to the County for the 12-month period of January 1, 2008 to December 30, 2008. Our audit included inquiry, auditor observation, and limited testing for assessing the adequacy of documentation and ensuring completeness of reported gross receipts.

RESULTS

Below are the results of our audit:

Objective #1 – Adequate Records: Determine whether California Junior Lifeguard Programs, Inc.'s records adequately support monthly gross receipts reported to the County and rent owed is properly paid.

Results: We found that California Junior Lifeguard Programs, Inc.'s records adequately supported reported gross receipts and overall fees were properly paid.

Objective #2 – Compliance: Determine whether California Junior Lifeguard Programs, Inc. complies with certain other financial provisions of the agreement.

Results: We found that California Junior Lifeguard Programs, Inc. overall complied with certain other financial provisions of the agreement such as accounting methods and monthly gross receipts statement format.

ACKNOWLEDGMENT

We appreciate the courtesy and cooperation extended to us by the personnel at California Junior Lifeguard Programs, Inc., OCCR/OC Parks/Real Estate and OCCR/Accounting Services. If you have any questions regarding our revenue generating license audit, please call me directly; or Eli Littner, Deputy Director at (714) 834-5899, or Autumn McKinney, Senior Audit Manager at (714) 834-6106.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
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