



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

MARIA M. OMS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

February 11, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DEPARTMENT OF PARKS AND RECREATION - AUDITS OF GOLF
COURSE AND RECREATION AREA REVENUE AGREEMENTS**

At the request of the Department of Parks and Recreation (DPR), we contracted with a Certified Public Accounting firm, Mayer Hoffman McCann P.C. (Mayer), to audit ten golf course and recreation area revenue agreements that DPR had with nine contractors. The purpose of the audits was to determine whether the contractors properly reported their gross receipts and paid the correct rent to the County.

The audits disclosed that contractors underpaid the County \$20,872 and overpaid \$82. However, Mayer also reported that due to internal control weaknesses and the lack of proper accounting records, they were unable to determine if two of the nine contractors properly reported their gross receipts and paid the correct rent to the County. DPR has collected \$20,872 in underpayments and credited the contractors for the \$82 in overpayments.

Attached is a list of the contractors, the facilities they operate and the amounts underpaid/overpaid. Mayer reported the following significant issues:

- Mayer could not determine whether Lifetime Sports and Lazy AM Emporium properly reported their gross receipts and paid the correct rent to the County because the contractors lacked sufficient controls and did not maintain adequate accounting records. Mayer believes the lack of accounting records could result in materially inaccurate gross receipt records and inaccurate rent payments to the County.

- Mayer reported that Raging Waters Group, Inc. and American Golf Corporation (Chester Washington Golf Course) had internal control weaknesses that could potentially result in errors going undetected. However, for these contractors, the weaknesses did not prevent Mayer from determining if the contractors properly reported their gross receipts and paid the correct rent to the County.
- Mayer determined that VICO Golf LLC (VICO) did not properly report its gross receipts and paid incorrect rent to the County for 20 days for its lease at Victoria Park Golf Course. The error occurred because a County environmental investigation partially closed the Golf Course during January and February 2007. The County and VICO agreed that VICO would pay reduced rent during the closure. According to Mayer, the revenue exclusion covered 39 days. However, Mayer found that VICO excluded its revenue for 59 days. Mayer recommended that VICO recalculate the rent due to the County for these two months, using the appropriate exclusion dates. Mayer also noted that VICO classified some revenue incorrectly when calculating its rent due, resulting in a \$9,609 underpayment to the County. Mayer believes the revenue exclusion and incorrect revenue classification issues could result in inaccurate gross receipt records and inaccurate rent payments to the County.

Mayer met with each of the contractors they audited to discuss the results of the audits. DPR requested each of the contractors to provide a corrective action plan and indicated that they worked with the contractors to resolve the audit findings.

Due to the significance of the audit findings (mainly lack of sufficient controls and inadequate accounting records), and the fact that this audit only covered a sample of DPR's revenue agreements, we recommend DPR management ensure all the Department's revenue agreement contractors maintain adequate accounting records. DPR management indicated that they will ensure contractors maintain adequate accounting records, and that all new or amended revenue agreements contain penalty provisions. In addition, DPR management will enforce penalty provisions for contractors who do not comply.

If you would like to review any of the individual reports, please call me or your staff may call Jim Schneiderman at (213) 253-0101.

WLW:MMO:JLS:TK

Attachment

c: William T Fujioka, Chief Executive Officer
Russ Guiney, Director, Department of Parks and Recreation
Public Information Office
Audit Committee

**DEPARTMENT OF PARKS AND RECREATION
FINANCIAL/COMPLIANCE AUDITS OF REVENUE AGREEMENTS
FISCAL YEAR 2006-07**

Contractor	Facility	Agreement Type	Amount Under/(Over) Paid to the County
Raging Waters Group, Inc.	Bonelli Water Theme Park	Concession	\$11,232 (2)
VICO GOLF LLC	Victoria Park Golf Course	Lease	\$9,609 (3)
Lifetime Sports	Cerritos Tennis	Concession	\$31 (1)
Alondra Golf Course, Inc.	Alondra Golf Course	Lease	\$0
East Shore Recreational Vehicle Campground	Bonelli Park RV	Concession	\$0
American Golf Corporation	Chester Washington Golf Course	Lease	\$0 (2)
American Golf Corporation	Los Verdes Golf Course	Lease	\$0
Wheel Fun Rentals	Santa Fe Dam Food, Boat & Bait	Concession	\$0
Lazy AM Emporium	Bonelli Park Equestrian	Concession	(\$10) (1)
Rusty Miller Tennis Academy	Arcadia Tennis	Concession	(\$72)
TOTAL NET DUE TO THE COUNTY			\$20,790

- (1) Due to internal control weaknesses and inadequate accounting records, Mayer could not determine whether the contractors properly reported and paid all rent due. However, based on the records that were available, Mayer noted rent calculation errors which resulted in the under and over payments to the County. Additional under or over payments may have been identified if the contractors had adequate records.
- (2) Mayer identified internal control weaknesses with the contractors' accounting records that could potentially result in errors going undetected. However, for these contractors, the weaknesses did not prevent Mayer from determining if the contractors properly reported their gross receipts and paid the correct rent to the County.
- (3) Mayer found the contractor classified certain revenue incorrectly, which resulted in the underpayment to the County. Mayer also found the contractor incorrectly excluded certain revenue during a two-month period and recommended the contractor recalculate these revenues and the rent due to the County for that period.