



# OC Board of Supervisors' Internal Audit Department

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

## AUDIT HIGHLIGHT

October 7, 2008

INTERNAL AUDITOR'S REPORT TO THE BOARD OF SUPERVISORS

### REVIEW OF LEASE REVENUE LAKE FOREST GOLF AND PRACTICE CENTER, Audit No. 2737

#### WHAT WE FOUND?

American Golf Corporation properly paid rent of approximately \$148,000 to the County in accordance with the terms of its lease agreement for the Lake Forest Golf and Practice Center. No material weaknesses or significant issues were identified.

In addition, we noted certain control findings related to lease compliance or internal controls that if implemented will help to further ensure the complete and accurate reporting of future rent.

#### WHY WE DID THIS AUDIT?

We performed this audit to ensure the County is receiving the proper rent as defined by the lease agreement.

#### WHY IS THIS AUDIT IMPORTANT?

Rent is paid to the County based on a percentage of gross receipts. We audit the underlying books and records to ensure gross receipts are complete. During the 12-month audit period ending March 31, 2008, American Golf Corporation generated approximately \$2 million in gross receipts and paid the County approximately \$148,000 in rent. American Golf Corporation also pays rent to the City of Lake Forest for the adjacent property as described below.

#### BACKGROUND INFORMATION (SEE COMPLETE AUDIT REPORT FOR DETAIL)

The Orange County Flood Control District entered into a lease agreement with American Golf Corporation dated January 31, 1990, as amended, for the operation of a golf course, driving range, snack bar, pro shop, and golf instruction located on the El Toro Retarding Basin in conjunction with adjacent land owned by the City of Lake Forest.

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For more information, please contact Dr. Peter Hughes, CPA, Director of the Internal Audit Department at (714) 834-5475 or [peter.hughes@iad.ocgov.com](mailto:peter.hughes@iad.ocgov.com)