

COUNTY OF MONTEREY
OFFICE OF THE AUDITOR-CONTROLLER
INTERNAL AUDIT DIVISION
LAKE SAN ANTONIO AND LAKE NACIMIENTO OPERATIONS
INTERIM AUDIT UPDATE



April 2019

Rupa Shah, CPA –Auditor-Controller
Harvey Howells, CPA, CIA – Chief Deputy Auditor-Controller, Internal Audit Division

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Executive Summary

Pursuant to Monterey County's 2018-2019 Internal Audit Plan as approved by the Board of Supervisors the Auditor-Controller's Internal Audit Division (IAD) has been performing an audit of Monterey County's Lake San Antonio and Lake Nacimiento operations (Park Operations). The IAD has nearly completed its audit fieldwork of County activities relating to Park Operations. Audit procedures have included inquiry, observation, process mapping and controls analysis, data analysis, and legal and regulatory review of the existing agreement. Additional detailed transaction testing of the operator's books and records remains outstanding as of the time of this report. Resource Management Agency (RMA) has reached out to the operator concerning this request. We are waiting to hear from the operator on an acceptable date for our testing.

Interim Audit Recommendations:

To date the IAD has identified preliminary observations surrounding certain operational activities within RMA. RMA management has been informed verbally but has not had a chance to respond formally. It is important that management have time to review, understand, and respond appropriately. We have deferred comment on any of these issues until they are fully vetted. All internal audit observations will be detailed in the final audit report.

The following recommendations are the result of the IAD's review of RMA's Lake San Antonio Business Plan and legal and regulatory review of the existing contract with Basecamp (formally known as Urban Parks Concessionaire). The IAD has deemed it important to provide these recommendations promptly in light of management's contract negotiation efforts surrounding Lake Nacimiento, as well as, capital improvement strategies at Lake San Antonio. These recommendations have also been shared with RMA management and should be considered tentative until the final report is issued. Based on our review RMA should:

- Ensure contractual terms are more equitable and provide the proper incentive for Basecamp to maximize revenues and minimize expenditures.
- Ensure integrity of data reported by requiring, as a condition of the new contract, a complete financial statement audit to include Basecamp's Balance Sheet, Income Statement, Statement of Equity and Statement of Cash Flows.
- Require Basecamp submit budget plans and performance analysis as a condition of the contract. Basecamp should be held accountable to provide these items.
- Ensure properly executed lease agreement of County's assets is established with Basecamp. The lease should properly identify the County's assets included in the agreement and ensure such assets be properly insured and maintained.
- Reconsider Lake San Antonio's capital investment strategy to ensure it is more reasonable given the lake's capacity to recover such costs. Ideally a business plan should propose capital and non-capital cost in alignment with estimated revenues. Analysis should be performed that estimate return on investment (ROI) and/or break-even point—the point at which the asset begins generating a profit.

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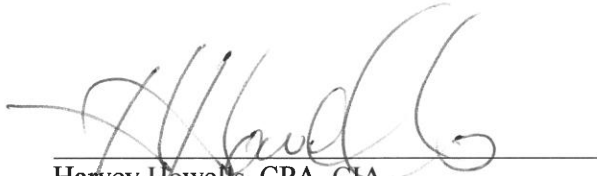
Distribution

Monterey County Parks Ad Hoc Committee

Audit Team

Harvey Howells, Chief Deputy, Office of the Auditor-Controller, Internal Audit Division

Issued this 5 day of April 2019,

A handwritten signature in dark ink, appearing to read 'H. Howells', is written over a horizontal line.

Harvey Howells, CPA, CIA
Chief Deputy, Office of the Auditor-Controller, Internal Audit Division
County of Monterey, California