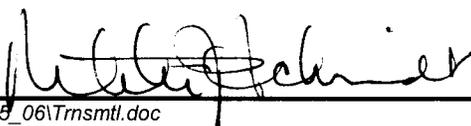


**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor-Controller		(2) MEETING DATE February 28, 2006		(3) CONTACT/PHONE Lisa R. Jackson (805) 781-4846	
(4) SUBJECT  Submittal of an audit report on Mustang Water Slides concession for the period of January 1, 2004 through October 31, 2005.					
(5) SUMMARY OF REQUEST  We reviewed and tested the concessionaire's revenue recording procedures and rent calculations. In addition, we reviewed insurance coverage and interviewed the management of concession operations. We found that the concessionaire was not recording group rental revenues in the register and that there were excessive "voids" being rung.					
(6) RECOMMENDED ACTION  Please review the report and direct the department to respond back to the Board within four months on the status of implementing the audit recommendations.					
(7) FUNDING SOURCE(S) N/A		(8) CURRENT YEAR COST N/A		(9) ANNUAL COST N/A	
(10) BUDGETED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A <input type="checkbox"/> NO					
(11) OTHER AGENCY/ADVISORY GROUP INVOLVEMENT (LIST):					
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, How Many? _____ <input type="checkbox"/> Permanent _____ <input type="checkbox"/> Limited Term _____ <input type="checkbox"/> Contract _____ <input type="checkbox"/> Temporary Help _____					
(13) SUPERVISOR DISTRICT(S) 1st, 2nd, 3rd, 4th, 5th, <u>All</u>			(14) LOCATION MAP <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A		
(15) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Presentation <input type="checkbox"/> Board Business (Time Est. _____)			(16) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions (Orig + 4 copies) <input type="checkbox"/> Contracts (Orig + 4 copies) <input type="checkbox"/> Ordinances (Orig + 4 copies) <input checked="" type="checkbox"/> N/A		
(17) NEED EXTRA EXECUTED COPIES? <input type="checkbox"/> Number: _____ <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A			(18) APPROPRIATION TRANSFER REQUIRED? <input type="checkbox"/> Submitted <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		

(19) ADMINISTRATIVE OFFICE REVIEW	B-9 (2.28.06)
	

**County of San Luis Obispo**  
*Office of the Auditor-Controller*  
1055 Monterey Street Room D220  
San Luis Obispo, California 93408  
(805) 781-5040 FAX (805) 781-1220



**GERE W. SIBBACH, CPA**  
*Auditor-Controller*  
**BILL ESTRADA**  
*Assistant*

TO: HONORABLE BOARD OF SUPERVISORS  
FROM: GERE W. SIBBACH, AUDITOR-CONTROLLER *by BE*  
DATE: FEBRUARY 28, 2006  
SUBJECT: AUDIT OF THE MUSTANG WATER SLIDE

Summary

We present our audit report on the Mustang Water Slides concession for the period of January 1, 2004 through October 31, 2005.

Recommendation

Please review the report and direct the department to respond back to the Board within four months on the status of implementing the audit recommendations.

Discussion

We reviewed and tested the concessionaire's revenue recording procedures and rent calculations. In addition, we reviewed insurance coverage and interviewed the management of concession operations. We found that the concessionaire was not recording group rental revenues in the register and that there were excessive "voids" being rung.

Other Agency Involvement/Impact

None.

Financial Considerations

The County receives rent (seasonal) based on a tiered percentage of sales, 10% up to \$100,000 and 12% on any additional revenues. The amount of rent paid to the County over the audit period was approximately \$135,000.

Results

The results of our audit identified the need to record group revenues in the register and to properly train employees on the use of the cash registers.

*BE*

**County of San Luis Obispo**  
*Office of the Auditor-Controller*  
1055 Monterey Street Room D220  
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**GERE W. SIBBACH, CPA**  
*Auditor-Controller*  
**BILL ESTRADA**  
*Assistant*

January 25, 2006

Duane Leib, Director of General Services  
County of San Luis Obispo, Department of General Services  
1087 Santa Rosa Street  
San Luis Obispo, CA. 93408

Dear Mr. Leib:

Our office recently completed a review of the Mustang Water Slides concessionaire for the period of January 1, 2004 through October 31, 2005.

Purpose

The objective of the review was to verify the concessionaire's compliance with the concession agreement dated June 4, 1996, and to evaluate the adequacy of internal controls over the concessionaire's accounting records.

Scope

The period covered was January 1, 2004 to October 31, 2005. We reviewed and tested revenue-recording procedures and rent calculations by selecting 2 sample months from the audit period and reconciling the concessionaire's daily cash receipts to revenue amounts reported to the County. We also examined accounting records and reviewed cash handling procedures to evaluate the adequacy of internal controls. Additionally, we reviewed current insurance coverage as required by said contract.

Findings and Recommendations

1. GROUP RENTAL REVENUE NOT RECORDED ON Z TAPE

We found that not all of the customer groups or party activity was being recorded in the register. For June 2004 and July 2005, monies totaling \$9,161 and \$2,200, respectively, were collected from groups and not entered into the register for recording. The concessionaire could not provide any receipting for this group activity. The contract states that the concessionaire shall keep true and accurate books and records, showing all of its business transactions.

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Recommendation

We recommend that all revenue that is received be entered into the cash register system so they it is properly recorded into the concessionaire's books.

2. EXCESSIVE VOIDS

We found an excessive amount of 'voids' being keyed in the cash register. During the month of July 2005, we noted, 'voids' totaling \$11,300.00 for that month. The concessionaire has stated that many times due to the amount of traffic, items are rung into the register and then the patron changes their mind, causing a 'void' to be keyed. An excessive number of voids is an indication of weak cashiering controls.

Recommendation

We recommend that the concessionaire train their cashiers on the properly handling of void transactions and that the concessionaire monitor the voids to ensure they are not excessive.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.

Sincerely,

Gere W. Sibbach, CPA  
Auditor-Controller



Bill Estrada  
Assistant Auditor-Controller

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COUNTY OF SAN LUIS OBISPO  
**Department of general services**

COUNTY GOVERNMENT CENTER • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5200  
DUANE P. LEIB, DIRECTOR

TO: GERE SIBBACH, AUDITOR CONTROLLER  
FROM: *D. Leib*  
DUANE P. LEIB, GENERAL SERVICES DIRECTOR  
DATE: FEBRUARY 9, 2006  
SUBJECT: RESPONSE TO MUSTANG WATER SLIDES CONCESSION AUDIT

We have reviewed the draft report on the audit at Mustang Water Slides concession prepared by your staff. Thank you for the opportunity to comment. Our response is as follows:

**Group Rental Revenue Not Recorded on Z Tape**

The concessionaire had failed to record in the register monies collected from group activity and could not provide receipting for group activity. We agree with the recommendation that all revenue that is received must be entered into the cash register system. We will contact the concessionaire and advise that they shall do so in every case.

**Excessive Voids**

An excessive amount of voids were found to have been keyed into the cash register.

We agree with the recommendation that the concessionaire better train their cashiers on the proper handling of void transactions and the concessionaire monitor the voids to ensure that they are not excessive. We shall contact the concessionaire to advise them of this complaint and will expect to see a more careful monitoring of this situation.

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