

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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 3/15/2016	(3) CONTACT/PHONE Kerry Bailey 788-2979 Suzanne De Witt 781-4846	
(4) SUBJECT Submittal of a compliance audit of the concession contract with the Spirit of San Luis FY 2014-15. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the compliance audit of the concession contract with the Spirit of San Luis for fiscal year 2014-15.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input type="checkbox"/> Board Business (Time Est. ___)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: <u>1/ 8/2013</u>	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: James P. Erb, CPA, Auditor - Controller - Treasurer - Tax Collector

DATE: 3/15/2016

SUBJECT: Submittal of a compliance audit of the concession contract with the Spirit of San Luis FY 2014-15. (All Districts).

RECOMMENDATION

It is recommended that the Board receive, review, and file the compliance audit of the concession contract with the Spirit of San Luis for fiscal year 2014-15.

DISCUSSION

The County has contracted with the Spirit of San Luis since 1998. The Spirit of San Luis restaurant operates daily, offering diners the options of breakfast, lunch and dinner. The unique setting allows patrons to access the restaurant by both airplanes and cars.

The purpose of our audit was to determine whether the concessionaire's internal controls were adequate to safeguard and accurately account for cash receipts and whether rent payments were accurately calculated and remitted in a timely manner to the County. We also determined whether the concessionaire maintained the level of insurance required in the contract.

OTHER AGENCY INVOLVEMENT/IMPACT

Airports.

FINANCIAL CONSIDERATIONS

The concessionaire's agreement requires submittal of rent based on a percentage of monthly gross receipts.

RESULTS

We determined that the Spirit of San Luis was in compliance with the contract in all material respects and had adequate internal controls and insurance coverage. We also determined that rent payments were accurately calculated and received timely by Airport staff.

We offered one suggested improvement which is detailed in the attached report.

The ACTTC's program of periodic audits of contracted services helps maintain and improve internal controls and contract agreements thus contributing to the County's vision of a well governed community.

ATTACHMENTS

1. Spirit of San Luis Final Report



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

Spirit of San Luis Restaurant Concessionaire Compliance Audit

February 2016

**JAMES P. ERB, CPA
Auditor-Controller
Treasurer-Tax Collector-Public Administrator**



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

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JAMES P. ERB, CPA
Auditor-Controller
Treasurer-Tax Collector

James W. Hamilton, CPA
Assistant

TO: KEVIN BUMEN, DIRECTOR OF AIRPORTS

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 

DATE: FEBRUARY 23, 2016

SUBJECT: COMPLIANCE AUDIT OF THE CONCESSION CONTRACT WITH THE SPIRIT OF SAN LUIS FOR THE FISCAL YEAR 2014-15

Our office recently completed a compliance audit of the concession contract with the Spirit of San Luis for the fiscal year ended June 30, 2015.

Background

On October 1, 1998 the County of San Luis Obispo entered into a contract with the Spirit of San Luis to operate an airport food and sundry service for a period of 29 years. The contract required the Spirit of San Luis to remit a percentage of gross monthly receipts each month as rent for the premises. Since 1998 there have been three amendments to the contract. On November 26, 2001 Amendment #1 authorized a reimbursement to the Spirit of San Luis for roof repairs. On June 14, 2005, with Amendment #2, the Board of Supervisors agreed to the Spirit of San Luis terminating participation in the airport terminal snack bar and revised the monthly rent percentage to increase incrementally based on monthly gross receipts. On March 2, 2010 Amendment #3 authorized a reimbursement to the Spirit of San Luis for repairs and painting.

Purpose

The purpose of our audit was to determine the Spirit of San Luis' compliance with the financial and insurance provisions of the contract, and to determine whether internal controls were adequate to safeguard and accurately account for cash receipts.

Scope

Our review included testing and analysis of the Spirit of San Luis' accounting records, cash receipts, and rent payments. We also tested and analyzed insurance certificates for the year ending June 30, 2015 as well as Airport staff's documentation of receipt of rent payments for FY 2014-15.

Methodology

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Results

We determined that the Spirit of San Luis was in financial compliance with the contract in all material respects and had adequate internal controls and insurance coverage. We also determined that rent payments were accurately calculated and received timely by Airport staff.

Suggested Improvement

During our review we determined Airport staff were not reviewing the compensation submitted monthly to determine if the amount was calculated correctly based on the contracted tier rent percentages. The department has since implemented the practice of reconciling the concessionaire's gross monthly report to the contracted tier rent percentages.

We would like to thank Airport management and staff and the Spirit of San Luis for their cooperation during our review.