



Agreed-Upon Procedures Report

SP20-001 Water & Wastewater System Mustang Hollow Campground Lease Payment Review

**City Auditor's Office
Kimberly L. Houston
Interim City Auditor**

October 12, 2021

Executive Summary

Background

The City through Water and Wastewater System (Management) has leased Mustang Hollow Campground, 40 acres of land and improvements north of Lake Corpus Christi in Live Oak County, Texas, to Kamping Pleasures, LLC (Lessee) since 1998. As requested by Management and in accordance with the amended CY2020 Annual Audit Plan, we conducted an agreed-upon procedures review of the Lessee's rent payments for the period April 2017 through March 2020.

Audit Objective

To review lease payments and ensure the City is receiving the greater of the minimum annual guarantee or 8% of all revenue for period April 2017 through March 2020.

Summary

We found the Lessee overstated gross sales reported by \$29,827 due to including sales tax payable in gross sales. This resulted in rent overpayment of \$2,393.



CITY AUDITOR'S OFFICE

INTERDEPARTMENTAL MEMORANDUM

To: Peter Zaroni, City Manager
Michael Murphy, Chief Operations Officer for Water Utilities
Kevin Norton, Director of Water and Wastewater System

From: Kimberly L. Houston, Interim City Auditor

Date: October 12, 2021

RE: Independent Internal Auditors' Report on Applying Agreed-Upon Procedures - Mustang Hollow Campground Lease Payment Review

INDEPENDENT INTERNAL AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Water and Wastewater System management (Management). These agreed-upon procedures were performed to determine if Kamping Pleasures, LLC (Lessee) is remitting required lease payments for the period of April 2017 - March 2020 in accordance with rental terms outlined in their Mustang Hollow Campground lease agreement. Management is responsible for ensuring the Lessee is properly reporting and remitting rent payments to the City. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Public Accountants and the standards applicable to attestation engagements contained in the *Governmental Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedures is the sole responsibility of those parties specified in this report. We make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

1. Procedure: Determine if gross sales are calculated correctly.

Findings:

- Lessee is reporting using gross sales on a self-generated report when agreement states City will provide reporting template
- Reported gross sales was overstated by \$29,827. This was due to the Lessee intentionally including sales tax payable in gross sales calculation.

2. Procedure: Determine quarterly or monthly payments are calculated correctly.

Findings:

- Lessee overpaid the City \$2,393 due to overstated gross sales.
- Lessee had late payments during a period of strict contract terms requiring payment the same day the reporting period ended which did not allow for period closing. A new contract resolved this issue.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the rent payment remittances for Mustang Hollow for the period April 2017 to March 2020. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Management at the City of Corpus Christi, Texas. and is not intended to be and should not be used by anyone other than these specified parties.