Final Close-Out

First Follow-Up
Revenue Generating Lease Audit:
OC Dana Point Harbor/
Dana Point Fuel Dock
As of January 23, 2015

Our First Follow-Up Audit found that OC Dana Point Harbor and Dana Point Fuel Dock satisfactorily implemented or addressed all four (4) recommendations from our original audit report.

During the original audit period, Dana Point Fuel Dock reported approximately $2.17M in gross receipts and paid $70,800 in total rent.

Audit No: 1344-F1
(Reference 1439)
Original Audit No. 1344

Report Date: March 24, 2015

Director: Dr. Peter Hughes, MBA, CPA, CIA
Senior Audit Manager: Autumn McKinney, CPA, CIA
Audit Manager: Lily Chin, CPA, CGMA

Risk Based Auditing
American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management
2009 Association of Certified Fraud Examiners’ Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays
2008 Association of Local Government Auditors’ Bronze Website Award
2005 Institute of Internal Auditors’ Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach
Providing Facts and Perspectives Countywide

RISK BASED AUDITING

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To access and view audit reports or obtain additional information about the OC Internal Audit Department, visit our website: www.ocgov.com/audits

OC Fraud Hotline (714) 834-3608
Transmittal Letter

Audit No. 1344-F1 March 24, 2015

TO: Brad Gross, Director
OC Dana Point Harbor

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: First and Final Close-Out Follow-Up

We have completed a First and Final Close-Out Follow-Up of Revenue Generating Lease Audit for Dana Point Fuel Dock. Our audit was limited to reviewing, as of January 23, 2015, actions taken to implement the four (4) recommendations from our original audit report. We conducted this First Follow-Up Audit in accordance with the FY 14-15 Audit Plan and Risk Assessment approved by the Audit Oversight Committee and Board of Supervisors (BOS).

The results of our First Follow-Up Audit are discussed in the OC Internal Auditor’s Report following this transmittal letter. We are pleased to report that our First Follow-Up Audit found that OC Dana Point Harbor and Dana Point Fuel Dock have implemented or addressed all four (4) recommendations from our original audit report. As such, this report represents the final close-out of the original audit.

Each month I submit an Audit Status Report to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

Other recipients of this report are listed on the OC Internal Auditor’s Report on page 2.
First and Final Close-Out Follow-Up
Revenue Generating Lease Audit:
OC Dana Point Harbor/Dana Point Fuel Dock

Audit No. 1344-F1

As of January 23, 2015

Transmittal Letter

OC Internal Auditor's Report
Scope of Review
We have completed a First Follow-Up Audit of Revenue Generating Lease Audit for Dana Point Fuel Dock. Our audit was limited to reviewing actions taken, as of January 23, 2015, to implement the four (4) recommendations from our original audit report.

Background
The original audit reviewed whether Dana Point Fuel Dock’s records adequately supported their monthly gross receipts reported to the County. During the original audit, Dana Point Fuel Dock (DPFD) generated approximately $2.17M in gross receipts and paid $70,800 in total rent. The original audit identified four (4) findings related to recordkeeping for fuel throughput service and gift certificates, and reporting gift certificate sales.

Results
OC Dana Point Harbor and DPFD implemented or addressed all four (4) recommendations from the original audit report. As such, this report represents the final close-out of the original audit. Following is the implementation status of the four (4) original recommendations:

1. Supporting Documentation Not Retained for Fuel Throughput Service Client (Control Finding)
   Recommendation No. 1: We recommend OC Dana Point Harbor require DPFD to retain the fuel throughput tickets for fuel dispensed to Dana Wharf Sportfishing.
   Current Status: Implemented. Our review of sampled fuel throughput tickets for fuel dispensed to Dana Wharf Sportfishing found that DPFD is now retaining the tickets for recordkeeping. In addition, the new fuel throughput service written agreement states that DPFD will use a three-part slip/document to record each fuel transaction and retain one copy for its recordkeeping.

2. Written Agreement Not Established for Fuel Throughput Service (Control Finding)
   Recommendation No. 2: We recommend OC Dana Point Harbor require DPFD establish a written agreement for the fuel throughput service to ensure terms and conditions and rates are clearly defined in writing.
   Current Status: Implemented. Our review of written agreements found that DPFD has established a written agreement for fuel throughput service.
3. Gift Certificates Not Pre-Numbered (Control Finding)  
Recommendation No. 3: We recommend OC Dana Point Harbor require DPFD use a serially numbered sequence for gift certificate numbers.  

Current Status: Implemented. Our review of gift certificates found that DPFD uses sequentially pre-numbered gift certificates.

4. Sale of Gift Certificates Reported as Gross Receipts when Redeemed, Rather than when Sold (Control Finding)  
Recommendation No. 4: We recommend OC Dana Point Harbor require DPFD report gift certificate sales as gross receipts when sold as required by the lease.

Current Status: Addressed/Closed-Out. Although OC Dana Point Harbor concurred with the recommendation, it has allowed DPFD to report gift certificate sales as gross receipts when redeemed due to very low activity and differing percentage rent categories which is unknown when gift certificates are sold. Because OC Dana Point Harbor has allowed reporting gross receipts when gift certificates are redeemed, we consider this recommendation to be addressed or closed-out.

We appreciate the assistance extended to us by OC Dana Point Harbor personnel during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-5475, or Autumn McKinney, Senior Audit Manager at (714) 834-5430.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

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Members, Audit Oversight Committee  
Michael B. Giancola, County Executive Officer  
Mark Denny, Chief Operating Officer  
Jessica O’Hare, Assistant to the Chief Operating Officer  
Lisa Smith, Deputy Director, OC Dana Point Harbor  
Salvador Lopez, Section Manager, OC Community Resources (OCCR)/Accounting Services  
Susan Long, Administrative Manager II, OCCR/Accounting Services  
Yolanda Vazquez, Administrative Manager I, OCCR/Accounting Services  
Foreperson, Grand Jury  
Clerk of the Board of Supervisors  
Macias Gini & O’Connell LLP, County External Auditor