

Internal Audit Department

O R A N G E C O U N T Y
6th Largest County in the USA

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

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010, 2013



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



ORANGE COUNTY BOARD OF SUPERVISORS'
Internal Audit Department

GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010, 2013

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

Dr. Peter Hughes **Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE, CFF, CGMA**
Director Certified Compliance & Ethics Professional (CCEP)
 Certified Information Technology Professional (CITP)
 Certified Internal Auditor (CIA)
 Certified Fraud Examiner (CFE)
 Certified in Financial Forensics (CFF)
 Chartered Global Management Accountant (CGMA)

E-mail: peter.hughes@iad.ocgov.com



Michael Goodwin **CPA, CIA**
 Assistant Director/
 Senior Audit Manager

Alan Marcum **MBA, CPA, CIA, CFE**
 Senior Audit Manager

Autumn McKinney **CPA, CIA, CISA, CGFM**
 Senior Audit Manager Certified Information Systems Auditor (CISA)
 Certified Government Financial Manager (CGFM)

Hall of Finance & Records

12 Civic Center Plaza, Room 232
 Santa Ana, CA 92701

Phone: (714) 834-5475

Fax: (714) 834-2880

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



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
Revenue Generating Lease Audit:
OC Dana Point Harbor/Dana Point Fuel
Dock, Original Audit No.1344, Issued July
21, 2014

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.

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Revenue Generating Lease Audit:
OC Dana Point Harbor/Dana Point Fuel Dock***

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OC Internal Auditor's Report



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 Revenue Generating Lease Audit:
OC Dana Point Harbor/Dana Point Fuel Dock, Original Audit No. 1344,
Issued July 21, 2014

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 DPFDD use a serially numbered sequence for gift certificate numbers.

Current Status: **Implemented.** Our review of gift certificates found that DPFDD 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 DPFDD 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 DPFDD 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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Susan Long, Administrative Manager II, OCCR/Accounting Services
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Foreperson, Grand Jury
Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor