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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

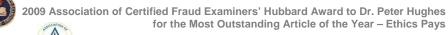
Director: Dr. Peter Hughes, MBA, CPA, CIA Senior Audit Manager: Autumn McKinney, CPA, CIA Audit Manager: Lily Chin, CPA, CGMA

RISK BASED AUDITING

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

AlCPA 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









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

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

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Director Certified Compliance & Ethics Professional (CCEP)

Certified Information Technology Professional (CITP)

Certified Internal Auditor (CIA)

Certified Fraud Examiner (CFE)

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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/audit



OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA







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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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,

the Hughes

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)

<u>Recommendation No. 1</u>: We recommend OC Dana Point Harbor require DPFD to retain the fuel throughput tickets for fuel dispensed to Dana Wharf Sportfishing.

<u>Current Status</u>: **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.

<u>Current Status</u>: **Implemented**. Our review of written agreements found that DPFD has established a written agreement for fuel throughput service.

OC Internal Auditor's Report



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.

<u>Current Status</u>: **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.

<u>Current Status</u>: **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:

Members, Board of Supervisors

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