

Internal Audit Department

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

Revenue Generating Lease Audit: OC DANA POINT HARBOR/ DOLPHIN SAFARI, INC.

For the Period
September 1, 2013 through August 31, 2014

**\$2.2M REPORTED GROSS RECEIPTS
FOR TWELVE-MONTH AUDIT PERIOD
\$271,000 RENT TO THE COUNTY**

Dolphin Safari, Inc. operates charter vessels and related sales of merchandise, food, and beverages located at OC Dana Point Harbor.

We audited the underlying books and records to ensure reported gross receipts are supported and rent is properly paid as defined by the lease agreement. During the twelve-month audit period of September 1, 2013 through August 31, 2014, Dolphin Safari, Inc. reported approximately \$2.2M in gross receipts and paid approximately \$271,000 in rent.

The Internal Audit Department found that Dolphin Safari, Inc.'s records adequately supported reported gross receipts and rent owed to the County was properly paid.

AUDIT NO: 1434
REPORT DATE: APRIL 3, 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

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OC Fraud Hotline (714) 834-3608



Transmittal Letter



Audit No. 1434 April 3, 2015

TO: Brad Gross, Director
OC Dana Point Harbor

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

SUBJECT: Revenue Generating Lease Audit of
OC Dana Point Harbor/Dolphin Safari, Inc.
HA78H-24-003-00

We have completed our revenue generating lease audit of Dolphin Safari, Inc. for the period September 1, 2013 through August 31, 2014. We performed this audit in accordance with our *FY 2014-15 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors. Our final report is attached for your review.

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.

Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

ATTACHMENTS

Other *recipients* of this report are listed on the **OC Internal Auditor's Report** on page 2.

OC Internal Auditor's Report



**Revenue Generating Lease Audit of
OC Dana Point Harbor/Dolphin Safari, Inc.
Audit No. 1434**

For the Period September 1, 2013 through August 31, 2014

Transmittal Letter	i
OC Internal Auditor's Report	
OBJECTIVES	1
RESULTS	1
BACKGROUND	2
SCOPE	2

OC Internal Auditor's Report



Audit No. 1434

April 3, 2015

Audit Highlight

Dolphin Safari, Inc. operates charter vessels and related sales of merchandise, food, and beverages located at OC Dana Point Harbor.

During the 12-month audit period from September 1, 2013 to August 31, 2014, Dolphin Safari, Inc. generated approximately **\$2.2 million** in gross receipts and paid the County approximately **\$271,000** in rent.

We found that Dolphin Safari's records adequately supported reported gross receipts and rent owed to the County was properly paid.

TO: Brad Goss, Director
OC Dana Point Harbor

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

SUBJECT: Revenue Generating Lease Audit of OC Dana Point Harbor/
Dolphin Safari, Inc., HA78H-24-003-00

OBJECTIVES

We have performed an audit of certain records and documents for the period from September 1, 2013 through August 31, 2014, pertinent to the lease agreement (Agreement) between the County of Orange (County) and Dolphin Safari, Inc. (Dolphin Safari) dated July 18, 2007, as extended. The Agreement is for the operation of vessel charters and related sales of merchandise, food, and beverages located at OC Dana Point Harbor. Our audit objectives were:

1. The primary objective of our audit is to determine whether Dolphin Safari's records adequately supported their monthly gross receipts reported to the County and rent owed is properly paid.
2. The secondary objective of our audit is to determine whether Dolphin Safari complies with certain other financial provisions of the Agreement, such as monthly gross receipts statement format and annual financial statement requirements.

In addition, while performing the audit we may identify internal control weaknesses for which we will identify suggestions for improvement.

RESULTS

Objective #1: We found that Dolphin Safari's records adequately supported gross receipts reported to the County and rent owed was properly paid.

Objective #2: We found that Dolphin Safari complied with certain other financial provisions of the Lease Agreement such as the monthly gross receipts statement format and annual financial statement requirements.

OC Internal Auditor's Report



BACKGROUND

The County of Orange (County) entered into a 5-year lease agreement with Dolphin Safari, Inc. dated July 18, 2007, for the operation of vessel charters located at OC Dana Point Harbor. The agreement was extended through July 31, 2017. Dolphin Safari, Inc. provides vessel charters, sells snacks, beverages, and merchandise. During the 12-month audit period ending August 31, 2014, Dolphin Safari, Inc. generated approximately **\$2.2** million in gross receipts and paid the County approximately **\$271,000** in rent.

SCOPE

Our audit was limited to certain records and documents that support Dolphin Safari's gross receipts reported to the County for the twelve-month audit period from September 1, 2013 through August 31, 2014. Our audit included inquiry, auditor observation, and limited testing for assessing the adequacy of documentation and ensuring completeness of reported gross receipts.

Acknowledgment

We appreciate the courtesy extended to us by the personnel at Dolphin Safari, Inc., OC Dana Point Harbor and OC Community Resources (OCCR)/Accounting Services during our audit. If you have any questions regarding our revenue generating lease audit, please contact me directly at (714) 834-5475, or Autumn McKinney, Senior Audit Manager at 834-5430.

Attachments

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, OCCR/Accounting Services
Susan Long, Manager, OCCR/Accounting Services
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor