



Eric H. Woolery • Auditor-Controller, County of Orange

PRESS RELEASE

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AUDITOR-CONTROLLER RELEASES AUDIT OF OC DANA POINT HARBOR/DANA POINT MARINA INN OPERATING AGREEMENT

Audit finds Four Critical Control Weaknesses in Unauthorized “Friends & Family” Discount Program

May 11, 2016 – Orange County Auditor-Controller Eric Woolery today released the first of several audits on various aspects of the operations at the Dana Point Harbor. The first is an audit of the “Revenue Generating Operating Agreement” for the Dana Point Marina Inn, a property owned by the County of Orange.

The purpose of the financial audit was to determine (1) whether Great Western Hotels Corporation (GWHC), the management firm retained by the County to operate the Dana Point Marina Inn, kept adequate financial records to support its monthly gross receipts report to the County; (2) whether records supported monthly operating expense reimbursements; and (3) whether GWHC complied with a variety of other financial provisions of its operating agreement with the County.

“While the financial reports appear to be in order, the audit uncovered an unauthorized discount program for County harbor employees and their ‘friends and families’,” said Woolery. “County employees who oversee contracts at Dana Point Harbor have enjoyed a discount program for an indeterminate number of years. However, this program has never been authorized by the Board of Supervisors.”

The discount program consisted of a verbal understanding that County employees of the Dana Point Harbor – as well as their “friends and family” – could stay at the Marina Inn for \$35 per night for a standard room and \$50 per night for a one or two-bedroom suite. Standard room rates for the public range from \$100 to \$350 per night, depending on the season. The discount program was promptly suspended on October 23, 2015, based on information received during the audit process.

Four *critical* control weaknesses were identified:

1. GWHC had a long-standing employee discount program for County employees of Dana Point Harbor, which had not been reviewed by County Counsel, or authorized by the County Executive Office or the Board of Supervisors.
2. At least two key Dana Point Harbor managers who oversaw GWHC's contract utilized the employee discount program. These managers approved GWHC's operating agreement, annual budget and were charged with monitoring GWHC's performance.
3. Two key managers, one a County employee under contract to the City of Dana Point and the other a County harbor employee, utilized the discount rate a total of 176 nights in one calendar year. The employee under contract to the City stayed in a suite for 147 nights including nearly the entire month of July, which is a high-occupancy time and supposedly not available for the discount program.
4. The audit could not identify any written policy or any approval by the County Executive Office or the Board of Supervisors to support the discount program for the County harbor employees or their "friends and families."

Four *significant* control weaknesses were also identified:

1. Inadequate documentation retained for discount rate reservations.
2. Inadequate oversight of key managers' usage of employee discount rate program.
3. Inadequate oversight of extended discount rate stays.
4. Inadequate definition of eligibility of employee discount rate program.

Should the County wish to authorize the discount rate program, the audit report lists 12 recommendations to remedy the issues identified in the report including working with County Counsel to clearly define the discount rate program, obtain the approval of the Board of Supervisors, and improve the supervision and documentation for the discount program reservations.

The Auditor-Controller will conduct a follow up report in November 2016 to determine if the recommendations have been implemented and that adequate controls are in place.

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