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FINAL CLOSE-OUT

FIRST FOLLOW-UP AUDIT

INTERNAL CONTROL AUDIT: OC DANA POINT HARBOR BOAT SLIP WAITLIST ADMINISTRATION

ORIGINAL AUDIT No. 1031

As of June 15, 2011

Our First Follow-Up Audit found that OC Dana Point Harbor fully implemented the two (2) recommendations from our original audit report dated November 29, 2010. During the original audit, OC Dana Point Harbor and its three operators — Dana Point Marina Company (East Marina), Dana West Marina (West Marina), and Vintage Marina Partners (Embarcadero Marina) maintained a total of 29 waitlists containing 3,378 applicants for 2,915 boat slips.

AUDIT NO: 1033-D REPORT DATE: JUNE 29, 2011

Director: Dr. Peter Hughes, Ph.D., CPA Deputy Director: Eli Littner, CPA, CIA Senior Audit Manager: Michael Goodwin, CPA, CIA Senior Internal Auditor: Abdul Khan, CPA, CIA

RISK BASED AUDITING

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

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

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



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

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/audit



OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA



Transmittal Letter



Audit No. 1033-D June 29, 2011

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 Audit of

Internal Control Audit:

OC Dana Point Harbor Boat Slip Waitlist Administration, Original Audit No. 1031,

Issued November 29, 2010

We have completed a First Follow-Up Audit of internal controls over OC Dana Point Harbor Boat Slip Waitlist Administration. Our audit was limited to reviewing, as of June 15, 2011, actions taken to implement the two (2) recommendations from our original audit. We conducted this First Follow-Up Audit in accordance with the FY 10-11 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. Because our First Follow-Up Audit found that OC Dana Point Harbor implemented the two recommendations, 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 critical and significant control weaknesses 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. 1033-D June 29, 2011

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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 Audit of Internal Control Audit:

OC Dana Point Harbor Boat Slip Waitlist Administration, Original Audit No. 1031, Issued November 29, 2010

Scope of Review

We completed a First Follow-Up Audit of our Internal Control Audit of OC Dana Point Harbor Boat Slip Waitlist Administration. Our audit was limited to reviewing actions taken as of June 15, 2011 to implement the **two (2) recommendations** in our original audit report.

Background

The original audit reviewed internal controls over OC Dana Point Harbor Boat Slip Waitlist Administration, which included an evaluation of internal controls for:

- Establishment and administration of boat slip waitlists to ensure boat slips and dry boat storage spaces are assigned properly, orderly, and fairly from the waitlists based on established procedures and the applicant's placement on the waitlists.
- Determination if boat slip waitlist administration is efficient and effective (no significant backlogs, duplication of work, or manual processes that could be automated), and if processes and controls are consistent between East Marina, West Marina and Embarcadero Marina.

There are a **total of 29 waitlists** for vessels of various sizes for East Marina, West Marina and Embarcadero Marina. During the audit period, there were **3,378 applicants** on the waitlists. Between July 1, 2009 and June 30, 2010, there were **403 boat slips and dry boat storage spaces assigned**. The original audit identified two (2) **Control Findings**.

Results

Our First Follow-Up Audit indicated OC Dana Point Harbor fully implemented the two (2) recommendations. As such, this represents the final close-out of the original audit. Based on the Follow-Up Audit we conducted, the following is the implementation status of the two (2) original recommendations.

1. West Marina: Website Waitlists Not Current (Control Finding)

OC Dana Point Harbor work with West Marina to ensure the website waitlists are updated on a regular basis to reflect the current status of the waitlists.

<u>Current Status:</u> **Implemented.** Computer system problems that had prevented the updating of the website waitlists were resolved and the online-accessible waitlists were updated. Regular updating is now performed on an ongoing basis. We reviewed website waitlists on West Marina's website and compared them to offline waitlists to determine if the website waitlists are updated on a regular basis and reflect the current status of the waitlists. No exceptions were noted. Therefore, we consider this recommendation to be implemented.

OC Internal Auditor's Report



2. West Marina and Embarcadero Marina: Review of Customer Files (Control Finding)
OC Dana Point Harbor work with West Marina and Embarcadero Marina to ensure they perform a review of customer files similar to the reviews performed in the East Marina.

<u>Current Status:</u> **Implemented.** Reviews of customer files at West Basin Marina and at Embarcadero Marina are being performed; however, these reviews were not documented in the customer file by the supervisors. Based on inquiry, the supervisors at West Basin Marina and Embarcadero Marina were not clear about having to document their review. Based on discussion with the auditor, the supervisors agreed to redesign *New Renter Check Sheet* and *New Tenant* documents at West Basin Marina and Embarcadero Marina respectively, to include signatures lines to show the documented review. All reviews will be documented on a go-forward basis. Therefore, we consider this recommendation to be implemented.

We appreciate the assistance extended by OC Dana Point Harbor during our Follow-Up Audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at 834-5899, or Michael Goodwin, Senior Audit Manager at 834-6066.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

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Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Alisa Drakodaidis, Deputy CEO, OC Infrastructure
Lisa Smith, Deputy Director, OC Dana Point Harbor
Paul Lawrence, Manager of Operations, OC Dana Point Harbor
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors