



# INTERNAL AUDIT DEPARTMENT



**First Follow-Up Internal Control Audit:  
OC Dana Point Harbor  
Special Revenue Fund 108  
Selected Processes & Controls**

**As of March 31, 2018**

**Audit No. 1735-B (Reference 1423-F1)  
Report Date: July 30, 2018**

## **OC Board of Supervisors**

Chairman Andrew Do  
1st District

Vice Chairman Shawn Nelson  
4th District

Supervisor Michelle Steel  
2nd District

Supervisor Todd Spitzer  
3rd District

Supervisor Lisa Bartlett  
5th District



## INTERNAL AUDIT DEPARTMENT

---

Audit No. 1735-B  
(Reference 1423-F1)

July 30, 2018

To: Dylan Wright, Director  
OC Community Resources

From: Scott Suzuki, CPA, Acting Director  
Internal Audit Department

Subject: First Follow-Up Internal Control Audit:  
OC Dana Point Harbor Special Revenue Fund 108 Selected Processes &  
Controls

---

We have completed a follow-up audit of Special Revenue Fund 108 as of March 31, 2018, original Audit No. 1423, dated April 24, 2017. Our final report is attached for your review.

An audit status report is submitted quarterly to the Audit Oversight Committee (AOC) and the Board of Supervisors (Board) detailing any critical and significant audit findings released in reports during the prior quarter 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 AOC and Board.

If you have any questions, please contact me directly at 714.834.5509 or Michael Dean, Senior Audit Manager, at 714.834.4101.

### Attachments

#### Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Frank Kim, County Executive Officer
- Lala Ragen, Deputy Chief Operating Officer
- Cymantha Atkinson, Deputy Director of OC Community Resources
- Stacy Blackwood, Director of OC Parks, OC Community Resources
- Shannon Levin, Harbor Manager, OCCR/OC Parks
- Thea Bullock, Director of Compliance & Staff Development, OC Community Resources
- Brian Rayburn, Business Office Manager, OC Community Resources
- Connie Chang, Finance & Strategic Planning Manager, OC Community Resources
- Salvador Lopez, Director of Satellite Accounting Operations, Auditor-Controller
- Win Swe, Accounting Manager III, Auditor-Controller/OCCR Accounting Services
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Vavrinek, Trine, Day & Co., LLP, County External Auditor

# INTERNAL AUDIT DEPARTMENT

INTRODUCTION	
<b>SCOPE</b>	Our audit was limited to reviewing actions taken as of March 31, 2018 to implement the eight (8) recommendations from our original Audit No. 1423, dated April 24, 2017.
<b>BACKGROUND</b>	The original audit reviewed internal control over OC Dana Point Harbor (OCDPH) Special Revenue Fund 108 to ensure the special revenue fund is properly administered and maintained in compliance with County policy and procedures and utilized in accordance with fund requirements. The original audit identified seven (7) Control Findings and one (1) Efficiency and Effectiveness Finding.
<b>RESULTS</b>	Our First Follow-Up Audit found that OCCR implemented five (5) recommendations, one (1) recommendation is in process, and the remaining two (2) recommendations were closed from the original audit.
<b>RECOGNITION</b>	We appreciate the assistance extended to us by OC Community Resources during our Follow-Up Audit.

CURRENT STATUS OF AUDIT RECOMMENDATIONS	
<b>FINDING No. 1</b>	<b>The County is in the Process of Addressing One Recommendation Made in the FY 2013-14 Grand Jury Report</b>
<b>CATEGORY</b>	<b>Efficiency &amp; Effectiveness Finding</b>
<b>RECOMMENDATION</b>	We recommend OCCR continue to evaluate various options for operating the East Basin and West Basin marinas.
<b>CURRENT STATUS</b>	<b>Implemented.</b> At the time of our audit, we found that OCCR/OC Parks and CEO/Real Estate were in negotiations with a private developer to redevelop and manage Dana Point Harbor under a Public-Private Partnership agreement. While the Master Lease (a copy has been reviewed by the Auditor-Controller) had not yet been approved at the time, OCCR/OC Parks had taken notable steps in pursuing the option of managing OCDPH under a Public-Private Partnership. Since our audit, the Board approved an Option and Master Lease Agreement for the revitalization of Dana Point Harbor with Dana Point Harbor Partners. Due to the actions taken by OCCR, we consider this recommendation implemented.



# INTERNAL AUDIT DEPARTMENT

<b>FINDING No. 2</b>	<b>A Memorandum or Agreement Was Not Created Detailing Parking Enforcement Services or Coverage</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend OCCR partner with OCSD to review the current business arrangement and create an MOU or written agreement for the provision of parking enforcement services. This agreement should clearly identify the coverage of the service and the handling of any credits.
<b>CURRENT STATUS</b>	<b>Closed.</b> In June 2017, OC Parks and OCSD/Dana Point Police Services met to discuss the ongoing need for parking patrol in Dana Point Harbor. It was determined that OCSD has opted not to establish an MOU; therefore an agreement cannot be created. Parking enforcement services are currently billed by OCSD to OCDPH based on a Cost Apply Agreement. Due to these circumstances, we consider this recommendation closed.

<b>FINDING No. 3</b>	<b>A Mechanism to Measure the Parking Enforcement Service Received in the Harbor Was Not Established</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend OCCR partner with OCSD to explore ways to establish a system or mechanism to track the amount of time that CSOs spend on performing services for the harbor that, at a minimum, includes a record or patrol schedule showing deployment of a CSO to harbor related activities.
<b>CURRENT STATUS</b>	<b>Closed.</b> OCCR stated that the amount billed by OCSD is based on a formula and not on services performed. Keeping track of services performed would not provide useful information as the time spent enforcing parking in OCDPH would vary from month to month, but the monthly cost would remain the same. OCSD is responsible for Community Service Officer (CSO) staff hours and assignments; however, discussions with OCCR determined that OCSD has opted not to establish a time tracking system. Due to these circumstances, we consider this recommendation closed.

<b>FINDING No. 4</b>	<b>A Discrepancy Was Noted Between the Actual and the Proposed Community Service Officer Charges from July Through December 2015</b>
<b>CATEGORY</b>	<b>Control Finding</b>



# INTERNAL AUDIT DEPARTMENT

---

<b>RECOMMENDATION</b>	We recommend OCCR partner with OCSD to determine the actual cost for the entire service period (Fiscal Year 2015-16) and make applicable corrective adjustments to Fund 108.
<b>CURRENT STATUS</b>	<b>Implemented.</b> In March 2016, OCSD corrected the overcharge noted in the original audit. The total cost adjustment was (\$2,149), which was applied over the last four months of fiscal year 2015-16. We verified that the adjustments were processed to Fund 108 accordingly. Due to the actions taken by OCCR and OCSD, we consider this recommendation implemented.

---

<b>FINDING No. 5</b>	<b>Controls Were Not in Place to Ensure Certain Journal Vouchers Posted to Fund 108 Were Accurate</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend OCCR establish policies and procedures to clearly define the responsibility in the department to ensure that transactions posted to Fund 108 are reviewed and any discrepancies identified are resolved.
<b>CURRENT STATUS &amp; PLANNED ACTION</b>	<b>In Process.</b> OCCR has assigned the responsibility of monitoring Fund 108 journal vouchers prior to posting to a Budget Analyst; however, written policies and procedures have not yet been established. Therefore, we consider this recommendation in process.

---

<b>FINDING No. 6</b>	<b>Controls Were Not in Place to Ensure Rental Information Was Accurate and Clear</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend that OCCR continue to review the current information on the Facility Use Application Packet and the website for renting any facility at the OC Sailing & Events Center, make necessary updates and revisions to ensure proper rental information is delivered to potential renters, and update all relevant documents that would be used as a reference for the rental reservations.
<b>CURRENT STATUS</b>	<b>Implemented.</b> OCCR/OC Parks updated and revised the Facility Rental Packet in July 2017. We reviewed the packet and found that it is current and available on the OC Sailing & Events Center website. Information on the website was also updated. The discrepancies identified in the original audit have been addressed. Due to the actions taken by OCCR, we consider this recommendation implemented.

---



# INTERNAL AUDIT DEPARTMENT

<b>FINDING No. 7</b>	<b>Facilities Rental Reservation Process Can Be Enhanced</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend OCCR continue to evaluate the current reservation process to ensure rental facilities are accessible and ready for renters at scheduled times.
<b>CURRENT STATUS</b>	<b>Implemented.</b> We found that the reservation process is now managed through a point-of-sale system, which is consistent with other OC Parks locations. Additionally, an OC Parks employee is stationed at the Harbor building to provide access to the facility. Due to the actions taken by OCCR, we consider this recommendation implemented.

<b>FINDING No. 8</b>	<b>County Facility Use Application Form Was Not Used for All Reservations</b>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RECOMMENDATION</b>	We recommend OCCR ensure the authorized County Facility Use Application Form is used consistently for all SEC facility rentals, and supervisory review and approval is required to process a refund or issue a credit.
<b>CURRENT STATUS</b>	<b>Implemented.</b> OCCR stated that the updated Facility Use Application form is used consistently for all SEC facility rentals and the refund process at the SEC is consistent with all other OC Parks locations. We reviewed the security deposit refund process and found that supervisory review and approval is required to process a refund. Due to the actions taken by OCCR, we consider this recommendation implemented.

<b>AUDIT TEAM</b>	Michael Dean, CPA, CIA, CISA Gianne Acosta	Senior Audit Manager Senior Auditor
-------------------	---	--





# INTERNAL AUDIT DEPARTMENT

## APPENDIX A: FOLLOW-UP AUDIT IMPLEMENTATION STATUS

Implemented	In Process	Not Implemented	Closed
The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required.	The department is in the process of implementing our recommendation. Additional follow-up may be required.	The department has taken no action to implement our recommendation. Additional follow-up may be required.	Circumstances have changed surrounding our original finding/ recommendation that: (1) make it no longer applicable or (2) the department has implemented and will only implement a portion of our recommendation. No further follow-up is required.

