



INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

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FIRST FOLLOW-UP AUDIT
LIMITED REVIEW OF REVENUE
FOR
GREAT WESTERN HOTELS
(D.B.A. DANA POINT MARINA INN)
ORIGINAL AUDIT No. 2329

AS OF
AUGUST 31, 2006

AUDIT NUMBER: 2545-G

REPORT DATE: NOVEMBER 2, 2006

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Deputy Director:	Eli Littner, CPA, CIA
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**First Follow-Up Audit
Limited Review of Revenue for
Great Western Hotels (d.b.a. Dana Point Marina Inn)
Original Audit No. 2329**

**As of
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Transmittal Letter

Audit No. 2545-G

November 2, 2006

TO: George Carvalho, Director
Dana Point Harbor Department (DPHD)

FROM: Peter Hughes, Ph.D., CPA, Director
Internal Audit Department 

SUBJECT: Initial Follow-Up Audit of Limited Review of Revenue for
Great Western Hotels (d.b.a. Dana Point Marina Inn)
Original Audit No. 2329

We have completed the First Follow-Up Audit of the Limited Review of Revenue for Great Western Hotels (d.b.a. Dana Point Marina Inn). Our audit was limited to reviewing actions taken, as of August 31, 2006, to implement the recommendations made in our original audit report dated January 9, 2004. The results of our Follow-Up Audit are discussed in the **Internal Auditor's Report** following this transmittal letter.

At the request of the Audit Oversight Committee (AOC), we are to bring to their attention any audit recommendations we find still not addressed, resolved, or implemented after our Second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for their discussion. The Second Follow-Up Audit will be conducted six months from the date of this report (**MAY 2007**). We have provided a Second Follow-Up Audit Report Form for completion prior to our Second Follow-Up Audit.

As the Director of Internal Audit, I now submit a monthly audit status report to the Board of Supervisors (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.

Because of these visible changes to our follow-up process, the Internal Audit Department is available to partner with all departments and agencies so that they can successfully implement or address difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report, recommendations or follow-up process.

Attachments

Other recipients of this report:

Members, Board of Supervisors

Members, Audit Oversight Committee

Thomas G. Mauk, County Executive Officer

Paul Lawrence, Manager, DPHD/Leasing & Revitalization

Louis McClure, Budget Officer, DPHD

Gregory Dean, Lease Compliance Specialist, DPHD

Mary Fitzgerald, Manager, RDMD/Accounting Services

Betsy Estrada, Chief, RDMD/Accounting Services/External Claims/HB&P Programs

Foreperson, Grand Jury

Darlene J. Bloom, Clerk of the Board of Supervisors



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INTERNAL AUDITOR'S REPORT

Audit No. 2545-G

November 2, 2006

George Carvalho, Director
Dana Point Harbor Department
24650 Dana Point Harbor Drive
Dana Point, CA 92629

We have completed the First Follow-Up Audit of the Limited Review of Revenue for Great Western Hotels (d.b.a. Dana Point Marina Inn). Our audit was limited to reviewing actions taken, as of August 31, 2006, to implement the recommendations made in our original audit report dated January 9, 2004.

The original audit report contained nine (9) recommendations. This First Follow-Up Audit found the following:

- Seven (7) recommendations were fully implemented.
- One (1) recommendation is no longer applicable.
- One (1) recommendation was not implemented.

The **one (1)** audit report recommendation that has not been fully implemented is noted below along with a comment on the current status. The item number from the January 9, 2004 report is shown in parentheses after the heading. We believe the remaining recommendation is still appropriate and further efforts should be made to fully implement it.

Note: The one item that is not fully implemented in this Follow-Up Audit report is considered a "**control finding**." See *Attachment A* for a description of Report Item Classifications.

1. Written Policies and Procedures (No. 9)

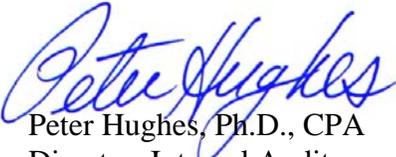
Recommendation: We recommend that PFRD (now Dana Point Harbor Department or DPHD) require Dana Point Marina Inn to prepare a comprehensive written policy and procedure manual.

Current Status: **Not Implemented.** Dana Point Marina Inn (DPMI) does not currently have a comprehensive operating policies and procedures manual. DPMI management has agreed to develop a comprehensive manual to contain key operating policies and procedures including those recommended in the original audit report: cash receipting, changing the safe combination, collecting keys from terminated employees, and purchasing, as recommended in the original audit report. The manual should also include such operating procedures as restrictive endorsement of checks upon receipt, use of counterfeit detector pens, daily bank deposits, transfer of accountability, supervisory reviews, and identifying guests exempt from the Transient Occupancy Tax, which were identified in the original audit.

DPHD Planned Action: The Dana Point Harbor Department will require the Dana Point Marina Inn to develop a comprehensive operating policies and procedures manual within 90 days of the follow-up audit report.

We appreciate the cooperation and assistance extended to us by the personnel of DPHD and RDMD/Accounting during our Follow-Up Audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at (714) 834-5899 or Autumn McKinney, Audit Manager at (714) 834-6106.

Sincerely,



Peter Hughes, Ph.D., CPA
Director, Internal Audit

Attachment A: Report Item Classification

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Thomas G. Mauk, County Executive Officer
- Paul Lawrence, Manager, DPHD/Leasing & Revitalization
- Louis McClure, Budget Officer, DPHD
- Gregory Dean, Lease Compliance Specialist, DPHD
- Mary Fitzgerald, Manager, RDMD/Accounting Services
- Betsy Estrada, Chief, RDMD/Accounting Services/External Claims/HB&P Programs
- Foreperson, Grand Jury
- Darlene J. Bloom, Clerk of the Board of Supervisors



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

Material Weaknesses:

Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to address “Material Weaknesses” brought to their attention immediately.

Significant Issues:

Audit findings or a combination of Control Findings that represent a deficiency in the design or operation of processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

Control Findings:

Audit findings that require management’s corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.

