



Internal Audit Department

O R A N G E C O U N T Y

AUDIT HIGHLIGHT JUNE 10, 2013

REVENUE GENERATING LEASE AUDIT OC DANA POINT HARBOR/DANA POINT SHIPYARD Audit No. 1232

WHY IS THIS AUDIT IMPORTANT?

Dana Point Shipyards (DPS) maintains and operates a complete marine-oriented boat repair yard, ship's chandlery and do-it-yourself boat repair facility at Dana Point Harbor. Rent is paid based on a percentage of gross receipts. We audit the underlying books and records to ensure gross receipts are complete and rent is properly paid as defined by the lease agreement. During the nine-month audit period from November 1, 2011 through July 31, 2012, DPS reported approximately **\$1.5 million** in gross receipts, including receipts of its sublessee Dana Point Jet Ski, and paid about **\$356,000** in rent to the County. Over its thirty-five (35) year term, the lease and sublease agreements are estimated to generate approximately **\$16.6 million** in rent to the County.

WHAT THE AUDITORS FOUND?

Successes

We found that Dana Point Shipyards' records adequately supported reported gross receipts and rent owed was properly paid, except for the incomplete reporting of sublessee rent and fees; non-reporting of contractor gross receipts; and the Statement of Profit and Loss was not reconciled to the Monthly Sales Report.

Audit Findings and Recommendations

We identified **four (4) Control Findings** related to the reporting of rents/fees, non-reporting of contractor gross receipts, and the reconciliation of the Statement of Profit and Loss to the Monthly Sales Report.