



I n t e r n a l A u d i t D e p a r t m e n t

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 JET SKI Audit No. 1233

WHY IS THIS AUDIT IMPORTANT?

Dana Point Jet Ski operates a jet ski and kayak center at Dana Point Harbor through a sublease under the lease agreement between the County of Orange and Dana Point Shipyard. Dana Point Jet Ski provides sales, service, rentals and storage of personal watercraft, and sale of related parts and accessories. Over the 35-year lease term between the County of Orange and Dana Point Shipyard (subject to completion of lease required upgrades), the lease and sublease agreements are estimated to generate approximately **\$16.6** million in rent to the County. We audit the underlying books and records to ensure reported gross receipts are supported and rent is properly paid as defined by the sublease and lease agreements. During the nine-month audit period from November 1, 2011 through July 31, 2012, Dana Point Jet Ski reported approximately **\$654,000** in gross receipts and County received approximately **\$64,000** in rent.

WHAT THE AUDITORS FOUND?

Successes

We found that Dana Point Jet Ski's records overall supported reported gross receipts and paid rent owed, except for an unreported rental loss charged for one damaged jet ski, enhancing recordkeeping, and submitting financial statements.

Audit Findings and Recommendations

We identified **five (5) Control Findings** related to unreported gross receipts on the rental loss charged for a damaged jet ski, pre-numbering forms and gift certificates, retaining supporting documentation for voids and refunds, and submitting required financial statements.