



INTERNAL AUDIT DEPARTMENT



**First & Final Close-Out Follow-Up
Compliance Audit:
OC Community Resources/Dana Point Harbor
Public-Private Partnership Lease Agreement
As of November 30, 2025**

**Audit No. 2408-F1
Report Date: February 4, 2026**

Recommendation Status

2

Implemented

0

In Process

0

Not Implemented

1

Closed

OC Board of Supervisors

CHAIR DOUG CHAFFEE
4th DISTRICT

VICE CHAIR KATRINA FOLEY
5th DISTRICT

SUPERVISOR JANET NGUYEN
1st DISTRICT

SUPERVISOR VICENTE SARMIENTO
2nd DISTRICT

SUPERVISOR DONALD P. WAGNER
3rd DISTRICT



INTERNAL AUDIT DEPARTMENT

Audit No. 2408-F1

February 4, 2026

To: Dylan Wright
OC Community Resources Director

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Digitally signed by
Aggie Alonso
Date: 2026.02.04
12:44:44 -08'00'

Subject: First & Final Close-Out Follow-Up Compliance Audit: OC Community Resources/Dana Point Harbor Public-Private Partnership Lease Agreement

We have completed a follow-up audit of OC Community Resources (OCCR)/Dana Point Harbor Public-Private Partnership Lease Agreement with Dana Point Harbor Partners (DPHP), original Audit No. 2408 dated December 19, 2024. Details of our results immediately follow this letter. Additional information, including background and our scope, is included in Appendix A.

We followed up on the status of the three recommendations from the original audit and concluded that OCCR implemented two recommendations and closed one recommendation that no longer applies due to changes in DPHP's reporting process. Since all recommendations were implemented or closed, this report represents the final close-out of the original audit.

We appreciate the assistance extended to us by OCCR personnel during our follow-up audit. If you have any questions, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office Distribution
- OC Community Resources Distribution
- Auditor-Controller Satellite Accounting Operations Distribution
- Robin Stieler, Clerk of the Board
- Foreperson, Grand Jury
- Eide Bailly LLP, County External Auditor

INTERNAL AUDIT DEPARTMENT

RESULTS

FINDING NO. 1	<p>Basis of Accounting</p> <p>The Dana Point Harbor Master Lease Agreement between the County of Orange and Dana Point Harbor Partners (DPHP) requires DPHP to submit to the County, monthly Statements of Gross Receipts and certified annual Statements of Gross Receipts using the cash basis of accounting. This information supports revenues generated and the amounts used to determine the rent due to the County.</p> <p>Auditors noted DPHP prepared its monthly statements of gross receipts under the cash basis of accounting. However, they maintain their accounting records using the accrual basis of accounting and the differences between the two accounting methods were not reconciled to support the accuracy of rent payments.</p>
CATEGORY	Significant Control Weakness
RECOMMENDATION	Require DPHP to submit both monthly Statements of Gross Receipts and certified annual Statements of Gross Receipts using the cash basis of accounting, as defined in and required by the lease.
CURRENT STATUS	<p>Implemented. We confirmed that DPHP now submits annual audited Supplemental Statement of Gross Receipts prepared using the cash basis of accounting (Supplemental Statement) and submitted a Supplemental Statement for calendar year 2024. OCCR Accounting reconciles DPHP's Supplemental Statement to DPHP's monthly statements of gross receipts to verify that DPHP paid the correct rent.</p> <p>Based on the actions taken, we consider this recommendation implemented.</p>
FINDING NO. 2	<p>Reconciliations of Gross Receipts</p> <p>As noted in Finding No. 1, auditors noted unreconciled differences between the gross receipts reported by DPHP and DPHP's accounting records, increasing the risk of inaccurate rent payments. The auditors performed reconciliations for the amounts in their sample and identified underreported gross receipts and an underpayment of rent totaling \$2,131 for July 2023 and June 2024 (See Finding No. 3 for resolution of underpayment).</p>
CATEGORY	Significant Control Weakness
RECOMMENDATION	Require each partner to retroactively perform and submit reconciliations of their reported gross receipts with their general ledger accounts to the County to ensure the correct rent was paid.
CURRENT STATUS	Closed. As noted in Finding No. 1, DPHP submitted a Supplemental Statement for calendar year 2024, and OCCR Accounting used this information to perform a retroactive reconciliation that ensured DPHP



INTERNAL AUDIT DEPARTMENT

	<p>paid the correct rent and there were no additional underpayments/overpayments. This eliminated the need to reconcile gross receipts to general ledger accounts.</p> <p>Based on the actions taken, we consider this recommendation closed.</p>						
FINDING NO. 3	<p>Underpayment of Rent</p> <p>As noted in Finding No. 2, the auditors reconciled DPHP's gross receipts and accounting records for amounts in their sample and identified underreported gross receipts and an underpayment of rent totaling \$2,131 for July 2023 and June 2024.</p>						
CATEGORY	Significant Control Weakness						
RECOMMENDATION	Work with their partners to address rent underpayments and overpayments identified during the retroactive reconciliations, including recovering the \$2,131 in understated rent noted in this review.						
CURRENT STATUS	<p>Implemented. We confirmed OCCR Accounting issued an invoice to DPHP in the amount of \$2,131 on November 19, 2025 for the underpayments noted in the auditor's reconciliation. The County received payment from DPHP on December 4, 2025. Also, as noted in the current status for Finding No. 2, OCCR Accounting performed a retroactive reconciliation that ensured DPHP paid the correct rent and there were no additional underpayments/overpayments.</p> <p>Based on the actions taken, we consider this recommendation implemented.</p>						
AUDIT TEAM	<table> <tr> <td>Michael Dean, CPA, CIA, CISA</td> <td>Assistant Deputy Director</td> </tr> <tr> <td>Tina Dinh</td> <td>Senior Auditor</td> </tr> <tr> <td>Gabriela Cabrera, CIA</td> <td>Administrative Services Manager</td> </tr> </table>	Michael Dean, CPA, CIA, CISA	Assistant Deputy Director	Tina Dinh	Senior Auditor	Gabriela Cabrera, CIA	Administrative Services Manager
Michael Dean, CPA, CIA, CISA	Assistant Deputy Director						
Tina Dinh	Senior Auditor						
Gabriela Cabrera, CIA	Administrative Services Manager						



INTERNAL AUDIT DEPARTMENT

APPENDIX A: ADDITIONAL INFORMATION

SCOPE	Our follow-up audit was limited to reviewing actions taken, as of November 30, 2025, to implement the three recommendations from the original audit dated December 19, 2024.
BACKGROUND	<p>The original audit was performed by MGT Impact Solutions, LLC and reviewed the lessee's compliance with the Dana Point Harbor Public-Private Partnership Lease Agreement (Agreement) administered by OCCR.</p> <p>The Agreement was finalized between the County and Dana Point Harbor Partners (DPHP) in October 2018. Under the Agreement, DPHP is responsible for planning, designing, funding, and managing the harbor's revitalization, including constructing new amenities such as hotels, retail spaces, upgraded docks, and recreational improvements. The Agreement also includes provisions for DPHP to pay monthly percentage rent to the County based on gross receipts generated from the property.</p> <p>The original audit identified three Significant Control Weaknesses.</p>



INTERNAL AUDIT DEPARTMENT

APPENDIX B: 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.

