August 15, 2024

Michelle Aguirre
Acting County Executive Officer (CEO)
County of Orange
400 W. Civic Center Drive, 5th Floor
Santa Ana, CA 92701

Dear Ms. Aguirre:

The County of Orange (County) has contracted with MGT of American Consulting to conduct a performance audit of the County Executive Office/OC Community Resources' Dana Point Harbor Public-Private Partnership.

Purpose of the Audit

The audit will assess the lessees' compliance with the Dana Point Master Ground Leases and the lease administration efficiency for the year ending June 30, 2024.

Audit Objectives

The audit objectives are to determine whether:

1. The lessee's records adequately support the monthly gross receipts and rental payments reported to the County.
2. The lessees comply with other financial-related lease provisions, such as accounting methods, payments, and annual financial statement requirements.

Generally, the objectives of a performance audit are to evaluate, for selected topics, a program, function, operation, or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency, and effectiveness in the employment of available resources.

Audit Scope

The audit will evaluate the effectiveness of reporting gross receipts as required by the master ground lease agreements and record-keeping system. Additionally, the audit will encompass assessing management's performance in establishing and maintaining internal controls, including controls designed to ensure completeness in gross receipts reported and prevent and detect fraud, waste, and abuse in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines. The audit will also include a review of other financial-related provisions in the master ground lease agreements, such as security deposit, operational obligations of lessees, accounting methods, payments, financial reporting, hours of operation, rent increases, and rent percentages.

Auditors Assigned

The auditors assigned to MGT's audit team for this engagement include:

Patrick Dyer, Project Executive
Ricardo Cepin, CPA, Project Manager
Lisa Norman, CPA, Audit Specialist
Alan Parks, Senior Auditor
Alex Ali, Auditor

Audit Fieldwork Dates

We anticipate that audit fieldwork will begin immediately and extend through November 2024.

Other Matters

We will contact you, your audit liaison, and others, as applicable, so we may schedule a time to communicate in more detail about the topics selected, the planned objectives, scope, methodology, and timing for the audit.

In planning audits, it is crucial to establish a clear understanding between County management and MGT concerning their respective responsibilities. County management is responsible for administering its assigned responsibilities in accordance with applicable laws, administrative rules, and other guidelines. County management is also responsible for establishing and maintaining effective internal controls to help ensure that specific entity goals and objectives are met; resources are safeguarded and efficiently, economically, effectively, and equitably used; and management and financial information are reliable and properly reported.

MGT is responsible for conducting the audit in accordance with generally accepted government auditing standards (GAGAS). The reasonable and efficient conduct of the audit requires that MGT has access to records and County personnel. Under generally accepted government auditing standards, the absence of such access may result in a limitation in the scope of the MGT's examination, and any such limitation, together with its impact on the audit, must be disclosed in our audit report.

During audit fieldwork, we will request information and records necessary to accomplish our audit objectives. In some instances, certain public records may be considered confidential or exempt from public inspection pursuant to state law. If access to such records is necessary to accomplish our audit objectives, we will communicate separately with you regarding such records. This process ensures that all necessary information is obtained while respecting the confidentiality of certain records.

At the conclusion of the audit, we will discuss the audit and submit an official list of our preliminary and tentative findings, which may be included in an audit report. Following MGT's receipt and review of the County's written statement of explanation or rebuttal concerning all the findings, including corrective action to be taken to preclude a recurrence of all findings, a final report shall be prepared and issued.

We look forward to working with you and your staff. Should you at any time have concerns about the conduct or progress of this audit, please contact me to discuss. Thank you for your assistance—we look forward to a productive engagement with your organization.

Sincerely,

Ricardo Cepin

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c: Donald P. Wagner, Chairman, Board of Supervisors
Dough Chaffee, Vice Chairman, Board of Supervisors
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Vicente Sarmiento, Board of Supervisors
Katrina Foley, Board of Supervisors
Dylan Wright, OC Community Resources Director
Thomas Mat Miller, CEO/Real Estate Chief Real Estate Officer
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