

Internal Audit Report 2018-022

**Riverside County Economic Development Agency, Aviation
Department, Change of Department Head Audit**

Report Date: September 24, 2018



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September 24, 2018

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3403 Tenth Street, Suite 300
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Subject: Internal Audit Report 2018-022: Riverside County Economic Development Agency, Aviation Department, Change of Department Head Audit

Dear Mr. Field:

In accordance with Board of Supervisors Resolution 83-338, we completed a Change of Department Head audit for Riverside County Economic Development Agency, Aviation Department. This audit is conducted to ensure accountability over the transfer of revolving funds and capital assets from the predecessor to the new appointed department head.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we determined the capital assets and revolving funds were transferred to the new director of Riverside County Economic Development Agency, Aviation Department in a timely manner and adequate internal controls are in place over the transfer of capital assets and revolving funds.

Since the audit resulted in no findings or recommendations, there was no requirement for a response in accordance with Board of Supervisors Resolution 83-338.

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We thank the Riverside County Economic Development Agency, Aviation Department management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
Executive Office
Grand Jury

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Executive Summary

Overview

The Riverside County Economic Development Agency, Aviation Department (Aviation) owns and operates airports located throughout Riverside County. Airports offer a variety of services including hangar rentals, flight schools, and fueling.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer of revolving funds and capital assets when there is a change in department head.

Audit Conclusion

Based upon the results of our audit, we determined the capital assets and revolving funds were transferred to the new director of Riverside County Economic Development Agency, Aviation Department in a timely manner, and adequate internal controls are in place over the transfer of capital assets and revolving funds.

Revolving Funds

Background

Under the authority of Government Code Section 29320-29334, the Riverside County Board of Supervisor's adopted Board Resolution 74-156 on May 14, 1974, authorizing the establishment of a revolving fund, under the custodianship of a county officer, for use on official county business. The Board of Supervisors also adopted Board Resolution 83-338 on November 1, 1983, authorizing the Riverside County Auditor-Controller to audit revolving funds of any officer accountable for such resources upon transfer of such resources to a new officer.

Aviation has one revolving fund, with an authorized balance of \$500 maintained in the form of petty cash. The fund is primarily used as a change fund for air shows and special events. Aviation keeps the petty cash in a locked bag inside a combination-style safe. Five staff members have access to the safe. However, only one person has access to the locked bag. Funds used for air shows and special events are counted and signed out by two employees prior to the event and counted immediately concluding the event.

Objective

To determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the new appointed department head were completed, and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of the revolving funds.

Audit Methodology

To accomplish these objectives, we:

- Reviewed Riverside County Auditor-Controller Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form* for the establishment and transfer of the revolving fund
- Interviewed key personnel and reviewed department procedures over the revolving funds
- Verified revolving fund reconciliations were prepared
- Performed a surprise cash count and reconciled to the fund assignment amounts without exception
- Verified adequate segregation of duties existed
- Performed limited testing on replenishment transactions

Results

We reviewed and verified Riverside County Auditor-Controller Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form*, was completed and filed with the Riverside County Auditor-Controller's Office for the transfer of custodianship of the revolving funds to the new department head. Aviation has an established process in place for the use of the revolving funds. The funds are used primarily as a change fund for air shows and special events. Petty cash is kept in a locked bag inside a safe. Five staff members have access to the safe. However, only one person has access to the locked bag. Fund requests are approved by a manager or assistant director. The department properly logs all requested funds.

Based upon the results of our testing, we determined internal controls exist and are adequate over the safeguarding and use of the revolving funds, and the appropriate forms were completed and properly filed with the Riverside County Auditor-Controller's Office for the transfer of the revolving funds.

Capital Assets

Background

Capital assets are tangible assets of significant value which have a utility that extends beyond the current year, and are broadly classified as land (valued at \$1 or more), buildings and improvements, infrastructure, and equipment (acquisition cost of \$5,000 or greater).

Per the Riverside County Auditor-Controller's Standard Practice Manual 515, *Transfer of Accountability on Capital Assets*, it states that upon retirement or termination of a department head, accountability for capital assets must be transferred to the new or acting department head and notification filed with the Riverside County Auditor-Controller's Office.

As of March 1, 2018, the time the new director was appointed and acknowledged receipt of capital assets from the outgoing officer, Aviation maintained 58 capital assets in the Riverside County financial system asset module, consisting of aircraft hangars, an education center, industrial vehicles, commercial vehicles, and airport land and soil with the combined acquisition cost of \$34.4 million.

Objective

To determine if the required Standard Practice Manual Form AM-1, *The Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the new appointed department head was completed and properly filed with the Riverside County Auditor-Controller's Office.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards
- Established the date of the department head change
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office

Results

The Riverside County Auditor-Controller Standard Practice Manual Form AM-1, *Inventory of County Property for Capital Assets*, was completed and submitted to the Riverside County Auditor-Controller's Office on July 7, 2017. The new director of the Aviation Department became effective on March 1, 2018. Aviation had a total of 58 capitalized assets with combined acquisition cost of \$34.4 million at the time the new director became effective. The department completed and submitted Standard Practice Manual AM-2, *Authorized Signature for Capital Asset Certification*, on March 20, 2018, to authorize two management officials to certify capital assets.

Based upon the results of our testing, we verified the appropriate forms were completed and properly filed for the transfer of capital assets.