

SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM: 2.8
(ID # 23306)

MEETING DATE:
Tuesday, October 31, 2023

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-309: Riverside County Transportation and Land Management Agency, Aviation Division, Follow-up Audit, All Districts, [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-309: Riverside County Transportation and Land Management Agency, Aviation Division, Follow-up Audit.

ACTION: Consent

Ben J. Benoit

Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 10/23/2023

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Gutierrez, seconded by Supervisor Spiegel and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Spiegel, Washington and Gutierrez
Nays: None
Absent: Perez
Date: October 31, 2023
xc: Auditor Controller

Kimberly A. Rector
Clerk of the Board

By: 
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: n/a	

C.E.O. RECOMMENDATION:

BACKGROUND:

Summary

We completed a follow-up audit of the Riverside County Transportation and Land Management Agency, Aviation Division. Our audit was limited to reviewing actions taken as of June 28, 2023, to correct findings noted in our original audit report 2022-009 dated June 7, 2022. The original audit report contained six recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that of the six recommendations:

- Five of the recommendations were implemented.
- One of the recommendations was not implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2022-009 included as an attachment to this follow-up audit report or it can also be found at <https://auditorcontroller.org/divisions/internal-audit/reports>.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Riverside County Auditor-Controller - Internal Audit Report 2024-309: Riverside County Transportation and Land Management Agency, Aviation Division, Follow-up Audit.

Office of Ben J. Benoit
Riverside County Auditor-Controller

4080 Lemon Street, 11th Floor

Riverside, CA 92501

(951) 955-3800

Internal Audit Report 2024-309

Follow-up

6 Recommendations

- ✓ 5 Implemented
- ▶ 0 Partially Implemented
- ✗ 1 Not Implemented



**Riverside County
Transportation and Land Management Agency,
Aviation Division,
Follow-up Audit**

October 31, 2023



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

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Ben J. Benoit
County Auditor-Controller

Tanya S. Harris, DPA, CPA
Assistant Auditor-Controller

October 31, 2023

Charissa Leach
Assistant County Executive Officer
Riverside County Transportation and Land Management Agency, Aviation Division
4080 Lemon Street, 14th Floor
Riverside, CA 92501

Subject: Internal Audit Report 2024-309: Riverside County Transportation and Land Management Agency, Aviation Division, Follow-up Audit

Dear Ms. Leach:

We completed the follow-up audit of Riverside County Transportation and Land Management Agency, Aviation Division. Our audit was limited to reviewing actions taken as of June 28, 2023, to help correct the findings noted in our original audit report 2022-009 dated June 7, 2022.

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 reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

The original audit report contained six recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the six recommendations:

- Five of the recommendations were implemented.
- One of the recommendations was not implemented.

Internal Audit Report 2024-309: Riverside County Transportation and Land Management Agency, Aviation Division, Follow-up Audit

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2022-009 included as "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at <https://auditorcontroller.org/divisions/internal-audit/reports>.

We thank you and your staff for the help and cooperation. The assistance provided contributed significantly to the successful completion of this audit.



Ben J. Benoit
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Deputy Auditor-Controller

cc: Board of Supervisors
Jeff A. Van Wagenen Jr., County Executive Officer
Dave Rogers, Chief Administrative Officer
Grand Jury

Internal Audit Report 2024-309: Riverside County Transportation and Land Management Agency, Aviation Division, Follow-up Audit

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Internal Audit Report 2024-309: Riverside County Transportation and Land Management Agency, Aviation Division, Follow-up Audit

Cash Management

Finding 1: Payment Handling Process

“Based on our review of Aviation’s cash handling process, we identified the following:

- Key duties were not segregated over payment handling functions. The same employee who opens the incoming mail, prepares and makes the deposits of the checks received. The Standard Practice Manual 1001, *Internal Control*, states, ‘Duties should be divided or segregated so that no one person has complete control over a key function or activity.’ The internal control gap was attributed by department staff as an issue of limited resources. Segregation of duties helps maintain sustainable risk management for business processes and it is based on shared responsibilities of key processes that disperses the critical functions of a process to more than one person. Segregating the responsibility of opening mailed payments, preparing deposits and making the deposits of mailed payments, helps reduce opportunities for any individual to both perpetrate and conceal errors or fraud in the normal course of duties.
- Department did not maintain logs detailing payments received by mail. Utilizing mail logs to record incoming checks provides evidence of tenant payment dates and amounts. Missing checks may remain undetected for long period of time. A mail log assists in tracking and identifying missing checks. Standard Practice Manual 1001, *Internal Control*, states, ‘county departments and agencies shall establish, document, and maintain an effective system of internal control.’ The absence of this internal control was attributed by department staff as the result of limited resources. Logs to track incoming mail ensures payments are not misplaced or forgotten. Also, it helps prevent and detect errors.
- Four (100%) out of four bank reconciliations randomly selected, did not contain the dates and signatures of the preparer and reviewer. As such, there is no evidence that reconciliations were reviewed timely. Further, we could not identify if reconciliation were reviewed and approved by an appropriate level of supervision. Standard Practice Manual 1001, *Internal Control*, states, ‘review and reconciliation records are routinely examined and reconciled to determine that transactions were properly processed.’ Dates and signatures aid in determining if reconciliations are prepared and reviewed in a timely manner, aids in the achievement of management objectives, helps determine if adequate segregation of duties exist, and errors are corrected timely.

Internal Audit Report 2024-309: Riverside County Transportation and Land Management Agency, Aviation Division, Follow-up Audit

- Form AR-6, *Daily Cash Deposits Exemption Request*, was not completed and submitted to Auditor Controller's Office as required by the Standard Practice Manual 602, *Cash Deposits in Outlying Areas*. This form is required when departments with cash operating business processes request exemptions from processing daily cash deposit. The Standard Practice Manual 602, *Cash Deposits in Outlying Areas*, states, 'all departments collecting monies in outlying areas must deposit to the treasury using consolidated zero balance banking service.' Completing the form ensures compliance with county policies and practices and maintains proper oversight of the county's cash management operations."

Recommendation 1.1

"Ensure there are adequate segregation of duties between opening, preparing, and depositing payments received via mail."

Current Status 1.1: Implemented

Recommendation 1.2

"Develop a process to log incoming mail to include tenant payments and date received."

Current Status 1.2: Implemented

Recommendation 1.3

"Ensure monthly bank reconciliations include dates and signatures by the preparer and reviewer."

Current Status 1.3: Implemented

Recommendation 1.4

"Ensure SPM Form AR-6, *Daily Cash Deposits Exemption Request Form*, is completed and filed for the outlying locations."

Current Status 1.4: Implemented

Internal Audit Report 2024-309: Riverside County Transportation and Land Management Agency, Aviation Division, Follow-up Audit

Maintenance of Airport Grounds

Finding 2: Management Over Daily Inspections

“Fifteen (100%) out of 15 daily ground maintenance inspection checklist forms did not document the signature and date of the staff member performing the inspection and the manager reviewing the inspection. The Standard Practice Manual 1001, *Internal Control*, states, ‘Review records are routinely examined to determine that transactions were properly processed.’ This was caused since the inspection form does not include signature lines to document the staff performing the inspection or the reviewer signature and date. By not implementing monitoring controls over daily inspections, it can impair department management objectives of maintaining a strong preventative maintenance program to ensure the safety and maintenance of equipment and facilities are up to standards.”

Recommendation 2

“Update the ground maintenance inspection checklist form to include a field for the signature and date for both the staff members performing the inspections and management review.”

Current Status 2: Not Implemented

The department did not update their ground maintenance inspection checklist form to include a field for the signature and date for management review. Documenting the review and approval of the ground maintenance inspection checklist form assures department management the inspections performed by department personnel are completed and any outstanding issues or concerns are addressed and corrected timely.

Although the department initially partially concurred with the recommendation and noted that the checklist does have a field for a staff member to document the date and their name, Aviation currently responded that adding a field for the signature and date for management review does not enhance their current internal control processes as it adds an additional process without improving airport safety. As such, the department is willing to accept the risk associated with not implementing the recommendation above and we will no longer follow-up on the status of its implementation.

Internal Audit Report 2024-309: Riverside County Transportation and Land Management Agency, Aviation Division, Follow-up Audit

Payment Collection Process

Finding 3: Debt Collection Process

“Processes for writing off uncollectible accounts receivable are not currently aligned with the SPM 306, *Accounts Receivable Collections and Write-off Policy*. Based on our review of the account receivable aging report, the total uncollectible account receivable that should have been written off as of August 31, 2021, was \$67,486, of which, \$15,470 were uncollected from the prior fiscal years of 2017 through 2019. This exceeds the 120-day stipulated by SPM 306. Additionally, the SPM 306, *Accounts Receivable Collections and Write-off Policy*, states, ‘Within 30 days from the final demand letter, if the department has not received a response and all reasonable attempts to collect payment have failed, a transfer form is to be completed and sent to the Auditor-Controller’s Office. The department must mark this customer as ‘inactive’ in the PeopleSoft system and record a journal entry to record this account as a ‘bad debt expense.’” When policies and procedures are not consistently followed, it renders the policy objectives ineffective, weakens the internal controls established within the procedures, and inhibits the county’s compliance with other regulatory requirements established within the SPM 306. Furthermore, assets presented in the financial statements are overstated since old uncollectible accounts have not been written off.”

Recommendation 3

“Ensure Aviation complies with SPM 306, *Accounts Receivable Collections and Write-Off Policy*, in collecting/reporting account receivable and bad debts.”

Current Status 3: Implemented