

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Todd McNamee, Director, Department of Airports

Date: June 6, 2017

From: Jeffery S. Burgh

**Subject: VALIDATION OF THE 2015 CONTROL SELF-ASSESSMENT FOR THE
VENTURA COUNTY DEPARTMENT OF AIRPORTS**

We have completed our engagement to validate the internal controls reported in the 2015 Control Self-Assessment for the Ventura County Department of Airports ("Airports"). The results of our validation are summarized below.

BACKGROUND

In an effort to promote strong internal controls Countywide, the Auditor-Controller and County Executive Office have jointly established a Control Self-Assessment ("CSA") Program. The CSA Program requires departments to formally assess the adequacy of internal controls at least once during the multi-year program cycle and report the results to the Auditor-Controller's Office for review and validation. Airports submitted complete materials for the current 2015 CSA Program cycle on January 19, 2016.

Airports operates the County's two regional airports in Oxnard and Camarillo. In an effort to maximize operations, Airports leases certain land and facilities to other parties for both aviation (e.g., leasing of hangars) and non-aviation (e.g., rental of office space) purposes. Airports was authorized 32 positions and combined appropriations of \$8.8 million for fiscal year 2016-17.

SCOPE

Our overall objective was to evaluate, on a test basis, the information reported in Airports' CSA. Specifically, we verified that selected internal controls were in place and operating effectively as reported in the department's CSA. This engagement did not verify the status of any planned internal control improvement actions, as Airports did not identify any internal control improvement opportunities through participation in the 2015 CSA Program.

We performed tests and evaluations using documents and records provided by Airports for the period July 2015 through December 2016. The engagement was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

This engagement does not provide an opinion on the design and implementation of the department's overall system of internal control.

VALIDATION RESULTS

In general, we found that the 10 internal controls we selected were in place and operating effectively as reported in the department's CSA. For example, we found that Airports has established and implemented procedures to:

- Record deposits for credit card payments and automatic fund transfers timely and accurately.
- Authorize employee travel requests and review subsequent actual expenditures.
- Compare current to prior payroll records for reasonableness.
- Notify tenants that are due for rent adjustments at least 30 days in advance of the effective date of the adjustment.

However, we identified an area where Airports could further enhance existing controls to ensure up-to-date insurance certificates are on file for lessees. Airports management initiated corrective action during our engagement as noted.

Control Needing Improvement: Insurance Certificate Monitoring. Opportunities were available to further strengthen oversight of Airports' monitoring of lessee insurance requirements. Our review of four lease files found that three (75%) contained either partially or fully expired insurance certificates. According to Airports' CSA, lessees are to be provided with a reminder letter 30 to 60 days prior to the expiration date of the insurance certificate. Airports management noted that lease management database issues and staff shortages at the time of our field work prevented Airports from sending the customary reminder letters. We were able to confirm that, as of December 2016, Airports staff had resumed sending reminder letters and that current insurance certificates were on file for all four lessees in our sample. However, as expired insurance certificates were also a concern in our prior follow-up audit of Airports' lease/license agreement administration completed on April 13, 2011, we encourage Airports' continued attention to this matter.

Recommendation. Management should continue improving processes to ensure current insurance certificates are on file for all lessees (e.g., strengthening lease management reports, periodically spot checking lessee files for compliance, etc.).

Management Action. Airports management stated:

"The Department of Airports (DOA) would like to thank the Auditor Controller's staff for evaluating the DOA's 2015 Control Self-Assessment. We are pleased that for the most part all of the controls in place are working properly.

"In regards to the Insurance Certificate Monitoring Control, the DOA is committed to improving its processes to ensure that all of the tenant lease files contain the proper certificates of insurance. As noted in the report, there were lease database malfunctions and personnel shortages in the past, but as of December 2016, the

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DOA resumed normal operations and had collected all of the insurance certificates. In addition, the DOA routinely checks lessee files for compliance.

“The Department of Airports will follow the recommendations from the Auditor’s Office and continue to improve its processes so as to ensure that the proper and current certificates are on file for all leases. We will also evaluate methods to further strengthen the lease management reports.”

AUDITOR’S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the validation finding. Airports management planned to complete corrective actions by December 31, 2017.

We appreciate the cooperation and assistance extended by you and your staff during this engagement.

cc: Honorable John C. Zaragoza, Chair, Board of Supervisors
Honorable Peter C. Foy, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Kelly Long, Board of Supervisors
Michael Powers, County Executive Officer