

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



ITEM: 2.6
(ID # 13886)

MEETING DATE:
Tuesday, November 17, 2020

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2021-206: Riverside County Transportation and Land Management Agency, Aviation Department, Follow-up Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2021-206: Riverside County Transportation and Land Management Agency, Aviation Department, Follow-up Audit


ACTION: Consent


Paul A. Angulo, County Auditor-Controller 11/8/2020

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Washington and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: November 17, 2020
xc: Auditor

Kecia R. Harper
Clerk of the Board
By 
Deputy

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

BACKGROUND:

Summary

We completed a follow-up audit of the Riverside County Transportation and Land Management Agency, Aviation Department. Our audit was limited to reviewing actions taken as of June 12, 2020, to correct findings noted in our original audit report 2017-019 dated August 9, 2018. The original audit report contained seven recommendations, all of which required implementation to help correct the reported findings.

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: Approve

BACKGROUND:

Summary (continued)

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

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

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2017-019 at

www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A. Riverside County Auditor-Controller – Internal Audit Report 2021-206: Riverside County Transportation and Land Management Agency, Aviation Department, Follow-up Audit.

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



Stephanie P..., Principal Management Analyst 11/9/2020

Internal Audit Report 2021-206

**Riverside County
Transportation and Land Management
Agency, Aviation Department
Follow-Up Audit**

Report Date: November 17, 2020



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**Paul Angulo, CPA, M.A.
Riverside County Auditor-Controller**

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

November 17, 2020

Juan C. Perez
Assistant Chief Executive Officer
Riverside County Transportation and Land Management Agency, Aviation Department
4080 Lemon Street, 14th Floor
Riverside, CA 92501

Subject: Internal Audit Report 2021-206: Riverside County Transportation and Land Management Agency, Aviation Department, Follow-Up Audit

Dear Mr. Perez:

We have completed the follow-up audit of Riverside County Transportation and Land Management Agency, Aviation Department. Our audit was limited to reviewing actions taken as of June 12, 2020, to correct the findings noted in our original audit report 2017-019 dated August 9, 2018.

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 seven recommendations, all of which required implementation to correct the reported findings. Based on the results of our audit, we found that of the seven recommendations:

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

Internal Audit Report 2021-206: Riverside County Transportation and Land Management Agency,
Aviation Department, Follow-Up Audit

Details of the findings from the original audit and 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 2017-019 at www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
George Johnson, County Executive Officer
Grand Jury

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Lease Insurance

Finding 1: Lease Insurance Renewals

Aviation did not consistently follow the policies and procedures noted below:

- Obtain proof of insurance upon policy renewal.
- Deactivate gate card access to the airport when proof of insurance was not provided.

We reviewed 188 tenant insurance policies and found that 96 had not provided proof of insurance coverage. As of August 30, 2017, the average time lapse for insurance coverage was 191 days. Of those 96 policies, only 64 policies were requested to have their gate cards deactivated, with an average time lapse of 239 days from insurance expiration to gate card deactivation. Aviation policies and procedures, "Insurance Updates, Expiration Notices, and Gate Card Deactivation," requires all lease tenants to have and maintain general auto liability insurance in the amount of \$100,000/\$300,000, and maintain aircraft liability insurance in an amount no less than \$1,000,000. Additionally, the policy states, "Tenants who do not comply with the airport insurance requirements will have their gate card deactivated."

Aviation policies and procedures do not specify a timeframe that gate card access will be deactivated if proof of insurance is not provided. In addition, the key card access agreements signed by the tenants do not specify the consequences for the tenant not providing proof of insurance coverage. By not adequately monitoring insurance renewals, Aviation is at risk of tenants operating without insurance. This puts the County of Riverside at risk of liability in case of accidents or other catastrophic events.

Recommendation 1.1

Ensure to follow policies and procedures to obtain proof of insurance or deactivate gate card access for those that do not provide proof of insurance.

Management's Response to Audit Recommendation as of June 18, 2018:

"**Concur.** At the conclusion of this audit, the Aviation Division fully implemented the new Aviation Airport Business Manager (ABM) software database, Insurance Updates, Expiration Notices, and Gate Card Deactivation Policies and Procedures (Aviation Insurance Policies and Procedures) to ensure proof of insurance coverages are adequately

received and documented for all direct tenants of the County Airports. As an additional tool, aviation staff utilize the new Airport Business Manager software database to properly document and generate reports for 30-day notification to tenants of upcoming insurance certificates set to expire.”

Status Update from Aviation as of June 12, 2020:

“Staff continues to update insurance certificates with use of Airport Business Manager software database, and deactivates gate access for users where insurance has lapse or is missing at French Valley and Hemet- Ryan Airport.”

Current Status 1.1: Implemented

Recommendation 1.2

Update policies and procures to include a timeframe to deactivate keycard access when proof of insurance is not provided.

Management’s Response to Audit Recommendation as of June 18, 2018:

“**Concur.** The Aviation Insurance Policies and Procedures will be updated to include a timeframe for deactivation of key card access when proof of insurance is not provided. The Aviation Division will also update the Airport Rules and Regulations to be consistent with this revised Insurance Policy and Procedure.

The Division will also review the various types of contractual tenant agreements to ensure that eventually the Insurance Policy language becomes consistent with all future and amended legal contracts.”

Status Update from Aviation as of June 12, 2020:

“Policies and procedures have been created and include a timeframe to deactivate gate access when proof of insurance is not provided for French Valley and Hemet-Ryan Airports.”

Current Status 1.2: Implemented

Recommendation 1.3

Update key card access agreements to specify the consequences for not providing proof of insurance coverage.

Management's Response to Audit Recommendation as of June 18, 2018:

"Concur. The key card access agreement in place in the Aviation Division will be internally reviewed with legal counsel to ensure various types of tenant agreements and the element of cancelling a gate card are consistent for implementation."

Status Update from Aviation as of June 12, 2020:

"Gate access agreement carries language for deactivation of gate card when insurance certificate is not current for French Valley and Hemet Ryan Airport."

Current Status 1.3: Implemented

Safety and Maintenance

Finding 2: Maintenance Inspection Procedures

Aviation does not have standard maintenance procedures to ensure a systematic and documented approach to daily, weekly, or monthly maintenance tasks. Best business practice is to have policies and procedures in place to ensure essential maintenance tasks are completed. By not having a system in place to establish when and how routine maintenance should be performed, Aviation risks essential maintenance tasks not being performed resulting in safety risks to airport users and non-compliance with Caltrans requirements.

Recommendation 2

Establish policies and procedures to ensure essential maintenance tasks are performed and documented.

Management's Response to Audit Recommendation as of June 18, 2018:

"Concur. The Aviation Division does not have a written policy that outlines systematic routine inspections and maintenance of each airport. However, an airport maintenance inspection checklist does exist and inspections of each airport do take place routinely. The Aviation Division will incorporate best business practices by creating a written policy and procedure that outlines the industry required levels and timing of maintenance at Airports. Staff will incorporate and update current maintenance checklists in order to document each routine airport inspection and reoccurring maintenance performed at each and every County Airport."

Status Update from Aviation as of June 12, 2020:

"Policies and procedures to ensure essential and routine maintenance tasks are performed are in place."

Current Status 2: Implemented

Permit Compliance

Finding 3: Caltrans Inspections

During review of the Caltrans inspection reports, we noted that Blythe airport had one repeat finding from Caltrans compliance inspection reports from 2017, 2016 and 2015, which was to replace the runway pavement. We also noted Jacqueline Cochran had two repeat findings from 2017, 2016 and 2015 to relocate palm trees and to repaint helicopter parking markings. Aviation officials attribute this to turnover of airport management. By not addressing the issues reported by the Caltrans inspection reports, Aviation is not fully compliant with safety requirements from Caltrans. This increases the risk of having operations suspended at respective airports and the potential to lose the airport permits.

Recommendation 3

Resolve the issues identified by Caltrans without further delay.

Management's Response to Audit Recommendation as of June 18, 2018:

"Partially Concur. In the 2016 and 2017 Airport Inspections, Caltrans identified the overall pavement of the Blythe Airport to be in deteriorated condition. Although, Caltrans suggests the repairs be undertaken in the near future, completing these repairs will require grants monies from the Federal Aviation Administration (FAA), and this repair work is anticipated to take the course of several years to complete. The Aviation Budget is not currently able to support the sole cost for these suggested pavement repairs as the pavement construction is expected to cost several million dollars. The Aviation Division will prioritize pavement repairs considering the needs at all County Airports. Pavement Repairs will be addressed as priority projects in the next Airport Capital Improvement Program Update.

The FAA provides \$150,000 per year in entitlement funds to the Blythe Airport, which can only be accrued for four (4) years with a maximum carryover of \$600,000. The FAA provides 90 percent funding for each grant provided to the County. The remaining 10% is the responsibility of the County. Although, 5% grant matching may be available from the State, the matching funds are on a first come-first serve basis and are not guaranteed. Aviation Staff will also pursue any grant funding as it becomes available.

The palm cluster listed in the 2017 and 2016 Caltrans inspection were successfully removed in December 2017. This item has been completed.

In January 2018, the designated helicopter parking markings north of Taxiway A required by Caltrans were no longer necessary as the air ambulance company related to the north side of the Airport. The Aviation Division will work closely with Caltrans safety inspectors should any additional helicopter designated parking be required.

The Aviation Division will work closely with the Caltrans Safety Inspector and the FAA to ensure that airport operations are not suspended and that airport permits are not at risk. Caltrans is aware of Airport project funding limitations and the Aviation Division is in continual communication with both Caltrans and the FAA."

Status Update from Aviation as of June 12, 2020:

"Airport capital improvements continue to be prioritized in the Airport Capital Improvement Plan with the FAA. Additionally, Aviation has began pavement repairs in-

house at Hemet Ryan Airport and will continue at other airports as needed and budget allows.”

Current Status 3: Partially Implemented

We reviewed the Caltrans inspection reports from 2018 and 2019 and noted all but one finding from previous years for pavement repairs at the Blythe airport has not been corrected.

Grant Management

Finding 4: State Matching Funds

The State provides matching funds for FAA grants based on the availability of funds. Aviation did not receive state matching funds for five grants. Review of the five grants showed that Aviation did not have support to show state matching funds were requested or received. Aviation does not have a policy or procedure in place to ensure state matching funds are requested and documented. This funding represented \$126,990 in possible loss of revenue to the county.

Recommendation 4

Develop a policy and procedure to ensure state matching funds are requested and documented for all grants.

Management’s Response to Audit Recommendation as of June 18, 2018:

“**Concur.** The Aviation Division confirmed that the Grants 2014 for the Wildlife Hazard Assessment for the Hemet Ryan Airport, the 2015 PCC Apron Rehabilitation/ Design for the Blythe Airport, the 2015 Apron Rehabilitation/Construction for the French Valley Airport, the 2016 Apron Rehabilitation/Construction for the Blythe Airport and the 2016 Airport Layout Plan Update for the Hemet-Ryan Airport were not submitted for Caltrans matching funds by the Aviation Division and for reasons not known to the current Aviation Management. The Aviation Division will ensure state grant matching funds are requested from the State of California for all future eligible capital improvement projects and will create a policy and procedure for pursuing grant funding.”

Status Update from Aviation as of June 12, 2020:

“Policy and Procedures are in place and all capital projects are being funded with matching state grant monies since the date of this audit.”

Current Status 4: Implemented

Capital and Non-Capital Assets

Finding 5: Capital and Non-Capital Assets

During inspection of the airports, we found one capital asset and six non-capital assets that were not listed in the asset module. SPM 501 requires all capital assets to be listed in the asset module. In addition, Board of Supervisors Policy H-26 requires all non-capital assets to be tracked through the asset module, or another established system with approval from the Riverside County Auditor-Controller. Aviation staff did not update the asset module when assets were transferred to other divisions within the Riverside County Economic Development Agency. Asset inventory control is essential to ensure Aviation assets are adequately safeguarded, financial records are accurate, and policies and procedures are followed.

Recommendation 5

Ensure all assets are appropriately recorded in the asset module.

Management’s Response to Audit Recommendation as of June 18, 2018:

“**Concur.** The Aviation Division purchased a capital asset called Bush Hog that came with the Kubota Diesel Tractor located at the Hemet-Ryan Airport purchased in January 2013. At the time of purchase, the asset was identified as a single capital asset under AVARC asset #103 along with the full cost of both pieces combined. It has now been recognized that the Bush Hog is a detachable asset and, should be recorded separately. The original asset #103 has been updated as recommended. Future large equipment purchases will be discussed with field staff to ensure equipment and detachable structures are identified for additional tracking, if necessary.

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Aviation Department, Follow-Up Audit**

The non-capital assets were computer equipment items that were moved from other divisions within EDA to the Aviation division. Aviation will implement a system by which a picture of the asset tag will be submitted with the annual asset inventory to allow a better reconciliation process by the EDA Accounting and Finance. The division will work on reconciling all assets back to its origination and will process asset transfers within the PeopleSoft system. All missing equipment identified by this audit have been added updated in the PeopleSoft system.

Status Update from Aviation as of June 12, 2020:

“All assets are appropriately recorded in the asset module as required.”

Current Status 5: Not Implemented

During our review of capital and non-capital assets with the department, we identified the following:

- Eleven capital assets were not in the location indicated in the asset module.
- Two non-capital assets were not at the department’s documented location.
- Two capital assets did not have county asset tags.
- One capital asset that was surplused from inventory was not removed from the PeopleSoft Asset Management module.