

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT
DEPARTMENT OF AIRPORTS
PERFORMANCE AUDIT
CONTRACTOR BILLING AND REVENUE
RECONCILIATION PROCESS



Audit Committee Submittal Date: 04/18/2024

SUMMARY

Background

The Department of Finance performed a performance audit of the Sacramento County Department of Airports (Airports), contractor billing and revenue reconciliation process.

Audit Objective

Our audit was conducted to examine Airports' contractor billing and revenue reconciliation process and evaluate the adequacy of Airports' internal controls over the contractor billing and revenue reconciliation process for the period July 1, 2021 to March 31, 2023.

Summary

We noted that there were no written policies and procedures for revenue reconciliations and that reconciliations did not always indicate the preparer, the approver, or the date the procedure was completed.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

March 13, 2024

Cindy Nichol, Director
County of Sacramento Department of Airports
6900 Airport Boulevard
Sacramento, California 95837

We have audited Sacramento County Department of Airports (Airports)' internal controls over contractor billing and revenue reconciliation processes for the period July 1, 2021 to March 31, 2023.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit was conducted to examine Airports' contractor billing and revenue reconciliation processes and evaluate the adequacy of Airports' internal controls over contractor billing and revenue reconciliation processes.

Airports' management is responsible for the design, implementation, and maintenance of effective internal controls to ensure compliance with Federal and State regulatory requirements, all applicable laws and regulations, and contractual agreements.

The scope of our audit included Airports' internal control activities and processes related to contractor billing and revenue reconciliation for the period July 1, 2021 to March 31, 2023. Revenue examined were from the following sources:

- Airlines
- Flowage Fees
- Executive Airport
- Mather Airport
- Advertising
- Food & Beverage Concessions
- Merchandise Concessions
- Ground Transportation Concessions
- Rental Car Concessions
- Parking Concession
- Shuttle Concession

Cindy Nichol, Director
March 13, 2024

- Other Concessions

The audit methodology utilized to conduct this performance audit included:

Internal Control Review

- We conducted a preliminary survey of Airports' internal control environment and identified key controls related to Airports' contractor billing and revenue reconciliation.

Document Review:

- We reviewed Airports' written policies and procedures related to contractor billing and revenue reconciliation.

Testing:

- We tested, on a sample basis, key internal control processes identified for Airports' contractor billing and revenue reconciliation to ensure that the controls are in place and functioning as intended.
- We tested a sample of invoices to ensure that the records are current and accurate.

Based on our audit, except for two exceptions related to Airports' internal control activities and processes described at ATT 2 - *Current Findings and Recommendations*, Airports' internal controls over contractor billing and revenue reconciliation processes appear adequate.

Airports' management responses to the findings identified during our audit are described in ATT 2 - *Current Findings and Recommendations*. We did not perform procedures to validate Airports' management responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and Airports' management, and should not be used for any other purpose. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA
Chief of Audits

Attachments:

ATT 1 - *Schedule of Revenue*
ATT 2 - *Current Findings and Recommendations*

**County of Sacramento
Department of Airports
Contractor Billing and Revenue Reconciliation Internal Control
Performance Audit
Schedule of Revenue
For the Period July 1, 2021 to March 31, 2023**

Revenue Received for the Period 7/1/2021 - 6/30/2022

Number	Category	Amount
1	Airlines	\$ 96,130,887.44
2	Flowage Fees	827,617.69
3	Executive Airport	105,984.30
4	Mather Airport	267,538.89
5	Advertising	718,745.62
6	Food & Beverage Concessions	5,370,267.13
7	Merchandise Concessions	3,732,132.59
8	Ground Transportation Concessions	2,190,912.50
9	Rental Cars Concessions	15,762,319.51
10	Parking Concessions	94,207,465.46
11	Shuttle Concessions	4,413,677.52
12	Other Concessions	1,357,142.73
	Total	\$ 225,084,691.38

Revenue Received for the Period 7/1/2022 - 3/31/2023

Number	Category	Amount
1	Airlines	\$ 102,457,702.17
2	Flowage Fees	506,048.71
3	Executive Airport	83,855.83
4	Mather Airport	206,883.69
5	Advertising	657,475.27
6	Food & Beverage Concessions	4,931,259.35
7	Merchandise Concessions	3,066,995.92
8	Ground Transportation Concessions	2,086,849.50
9	Rental Cars Concessions	11,830,685.03
10	Parking Concessions	53,123,472.41
11	Shuttle Concessions	3,985,315.69
12	Other Concessions	1,281,701.05
	Total	\$ 184,218,244.62

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Current Findings and Recommendations
For the period July 1, 2021 to March 31, 2023

1. Procedures for Contractor Billing and Revenue Reconciliation

Condition

The Department of Airports (Airports) reviews and approves reconciliations. However, we noted the following exceptions/deficiencies:

- Airports' written policies and procedures do not include policies or procedures regarding revenue reconciliation.
- The revenue reconciliations for airline revenue for December 2021, June 2022, and March 2023 did not have preparers or approvers' signatures nor approval dates. As such, we could not determine whether the reconciliations were properly approved or performed timely.

Criteria

Written policies and procedures should be maintained to allow Airports staff to effectively communicate, consistently apply working standards, reduce mistakes, and document institutional knowledge.

Reconciliations should be signed and dated by the preparer and approver to indicate it was completed and reviewed for accuracy in a timely manner.

Effect

Without written policies and procedures over revenue reconciliation, errors and discrepancies may occur and not be detected in a timely manner.

Not having proper secondary review and approval may lead to errors and discrepancies that may occur and not be detected in a timely manner.

Recommendation

We recommend Airports establish its revenue reconciliation policies and procedures for staff to follow. The policies and procedures should include signing off and dating the reconciliations by the preparer and the approver, evidencing proper completion and review.

Management Response

Airports listed the following items in their management response:

- The step-by-step billing and approval process, the existing designed format for concessions monthly reporting to upper management and other various users, the

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monthly general ledger reconciliations, and the annual reconciliations between concessionaires' and Airports' reports are sufficient and effective reconciliation procedures for the Department of Airports' concession revenues.

The Airports Operations' and Financial Planning and Analysis' review and validation process, the step-by-step billing and approval process, and the designed format for quarterly reconciliation between COMPASS and PropWorks (schedule 58-Revenue per airline) are sufficient and effective reconciliation procedures for the Department of Airports' airline revenues.

The errors, if any, are discovered through our review, reconciliation, and reporting processes and therefore corrections or adjustments are performed in a timely manner.

- The December 2021, June 2022, and March 2023 airline revenue reconciliations were performed timely and properly approved as indicated in the financial statements folder. The accounting staff perform various reconciliations in a separate file and such reconciliations are reviewed and approved by the Accounting Managers and Senior Accounting Manager. Once they are approved, they are transferred into the financial statements file marked as "complete".

The Department of Airports has a deadline to comply with the submission of quarterly Financial Statements to some stakeholders so there is an assurance that supporting schedules and reconciliations are performed and approved accordingly.

We will put the exact date of completion in our future reconciliations.