



**Audit of the Department of Airports'
Management of Customer Accounts
Receivable**

Report Date: May 19, 2026

Office of the Auditor-Controller
County of Ventura, California
Jeffery S. Burgh, Auditor-Controller

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Keith Freitas, Director of Airports

Date: May 19, 2026

From: Jeffery S. Burgh

Subject: **AUDIT OF THE DEPARTMENT OF AIRPORTS' MANAGEMENT OF CUSTOMER ACCOUNTS RECEIVABLE**

We have completed our audit of the Department of Airports' (Airports) management of customer accounts receivable. Our overall objective was to evaluate whether Airports effectively managed the impact of accounts receivable activities on customer accounts for the period of July 1, 2022, through June 30, 2024, with emphasis on Fiscal Year 2023-24 activities.

Executive Summary

Overall, we found that improvements were needed for Airports to effectively manage customer accounts receivable. For example, we found that:

- Customer accounts did not always reflect accurate accounts receivable balances due to data migration issues and inaccurate charges.
- Customer statements prepared outside the tenant portal required extensive manual effort, often included inaccurate balances, and were generated only once per year.
- Customer payments that were improperly applied to reserved and unreserved credit balances resulted in prolonged customer credit balances that could have cleared open receivables.
- The monthly, automatic process to apply unreserved credits to open receivables did not always function effectively, delaying the application of credits to customer balances.
- Late fees were not always properly assessed, and late fee waivers were not always properly supported.
- Appropriate source documents were not regularly reconciled to ensure the accuracy of accounts receivable.
- Written procedures were lacking for nearly all key accounts receivable management processes.

Airports management initiated corrective action to address our findings. Corrective action is planned to be completed by December 31, 2027.

Keith Freitas, Director of Airports

May 19, 2026

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

cc: Honorable Jeff Gorell, Chair, Board of Supervisors
Honorable Vianey Lopez, Vice Chair, Board of Supervisors
Honorable Matt LaVere, Board of Supervisors
Honorable Kelly Long, Board of Supervisors
Honorable Janice S. Parvin, Board of Supervisors
Dr. Sevet Johnson, County Executive Officer

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Background

The County of Ventura (County) Department of Airports (Airports) operates the County's two regional airports, Camarillo and Oxnard, as an enterprise fund and relies on lease revenue and other fees to fund operations. Airports manages hundreds of lease and license agreements that generate recurring receivables due from customers for hangars, office space, fuel operations, and other commercial activities. Reporting from the Ventura County Financial Management System (VCFMS) indicated that Airports generated receivables for nearly 500 customers totaling approximately \$5.8 million during Fiscal Year (FY) 2023-24.

Airports uses VCFMS to support accounts receivable activity, primarily through the accounts receivable module (AR Module) and, for certain lease arrangements, the lease component of the debt module (Debt Module). These modules are used to maintain billing profiles, generate monthly receivables, apply payments, and assess late fees. Airports also utilizes a supplemental web-based tenant portal to facilitate electronic payments and provide customers with account visibility.

Scope

Our overall objective was to evaluate whether Airports effectively managed the impact of accounts receivable activities on customer accounts. Specifically, for the period of July 1, 2022, through June 30, 2024, with emphasis on FY 2023-24 activities, we:

- evaluated the sufficiency of internal controls over accounts receivable;
- verified that outstanding accounts receivable balances were accurate and appropriately supported;
- determined whether adequate procedures were established for the maintenance of reserved and unreserved credits;
- evaluated whether management had developed adequate processes to properly manage accounts receivable; and
- determined whether the department appropriately managed late fees.

The audit was performed in conformance with the Global Internal Audit Standards promulgated by The Institute of Internal Auditors.

Findings

Overall, we found that improvements were needed for Airports to effectively manage customer accounts receivable. While the tenant portal provided customers with adequate visibility over account balances, our audit disclosed instances of inaccurate balances and charges, unapplied credits, and improper late fees. The absence of certain fundamental internal controls, such as reconciliation of key source documents and written procedures, further emphasized the need for more consistent, accurate accounts receivable practices.

Following are details of the areas where improvements were needed, presented in order of significance based on information we received at the time of our audit. Airports management initiated corrective action in response to the audit as noted.

1. Accounts Receivable Balances

Customer accounts did not always reflect accurate accounts receivable balances. We found that system transition issues resulted in duplicated or missing receivables for some accounts, and receivables were not always based on current lease terms or approved rates. Additionally, insufficient account management resulted in inaccurate customer statements and delays in account termination processing.

1.01 Data Migration Issues

Receivables were not always accurate due to issues arising from Airports' management of customer accounts during the implementation of Statement No. 87 of the Governmental Accounting Standards Board (GASB 87), *Leases*, which changed how leases are recognized. In 2022, the VCFMS Debt Module was implemented to account for leases in compliance with GASB 87 and, accordingly, qualifying receivables were moved from the VCFMS AR Module to the Debt Module. In 2023, after further analysis, certain leases were determined to be immaterial and the receivables were removed from the Debt Module and reinstated in the AR Module. As a result of these transitions, we found instances where receivables were missing or duplicated, causing cascading issues. For example:

- For one customer account, only one receivable was automatically generated after the July 2022 implementation of the Debt Module. No further receivables were automatically generated throughout the rest of the audit period despite continued customer payments of over \$100,000.
- Another customer account was charged rent twice upon the July 2022 implementation of the Debt Module. This duplicated receivable was not resolved during the audit period and an inappropriate late fee was assessed for nonpayment of the duplicate charge.
- One customer's rent was charged in both the Debt Module and the AR Module for May and June 2023; therefore, the customer was charged twice for each of these months. While the customer properly paid the rent on time, misapplication of the customer's payment to the Debt Module receivable resulted in multiple late fees being applied to the AR Module receivable. Clearing these issues required extensive manual correction.
- For one customer account that was transitioned out of the Debt Module, no receivables were created in the AR Module for February through August 2023 until after the customer made a payment for those 7 months. Because the customer did not make payments during that period, late fees totaling \$6,339 should have been assessed, but none were.
- One customer account was charged rent twice in the AR Module due to Debt Module transition issues, although the customer account had never been established in the Debt Module.

These issues reflect insufficient monitoring of receivable activity, resulting in inaccurate receivable generation, incorrect or missing fee assessments, and reduced reliability of receivable reporting.

Recommendation. Airports management should implement a structured review process to verify the accuracy of receivable generation after system changes or module transitions. This process should include: validation of receivables created in the AR and Debt Modules; monitoring for missing or duplicated items; reconciliation of module outputs to lease terms; and prompt correction of identified discrepancies.

Management Action. Airports management stated: "Management agrees with this finding. While the inaccuracies resulted from transitioning certain leases between modules, the lack of adequate monitoring and deficiencies in current A/R module reporting increased the risk of duplicate or omitted receivables. To mitigate this risk, management will implement monthly reviews—at the beginning of the month and during mid-month aging analysis—to reconcile system-generated receivables with active leases. Any discrepancies identified during the monthly reviews will be promptly addressed. In FY 27, management's priority is to transition to a new A/R system to strengthen accounts receivable management. Until then, Airports will continue to work with Auditor-Controller's Office, Business Technology, to explore solutions for improving reconciliation of receivables."

1.02 Customer Charges

Customer charges resulting in accounts receivable did not always reflect current lease terms or rates as approved by the Board of Supervisors in the annual Rate and Fee Schedule. For 16 customer accounts with various billing profiles, our testing of transactions that contributed to open receivable balances as of January 31, 2024, disclosed that:

- 2 (13%) accounts did not reflect lease adjustments or rate increases, resulting in a total undercharge to the customers of approximately \$2,027 over 19 receivables.
- 1 (6%) customer was undercharged by \$4,512 over two invoices as a result of an incorrect fuel flowage rate.
- 1 (6%) customer was charged double the monthly office rent rate, resulting in an overcharge of \$1,080.
- 1 (6%) customer did not have an associated agreement on file to support the creation of receivables.

Inaccurate customer charges require retroactive account corrections, reduce the reliability of account information, and increase the workload needed to resolve discrepancies.

Recommendation. Airports management should establish procedures to ensure that receivables are created using current lease terms and approved rates, and are updated timely when rates change. Management should require staff to verify coding, confirm rate changes, and document a review of receivable setup for accuracy. Airports management should also conduct periodic validations of billing rates to identify and correct discrepancies.

Management Action. Airports management stated: "Management agrees with this finding. The department will develop a standardized review process to ensure rate changes are accurately captured with current lease terms and Board-approved rates and that any rate changes are communicated to tenants in a timely manner. This process will include review of billing coding, rate updates, and documentation of review steps to support the accuracy of receivable setup. In addition, the department will implement routine reviews of billing rates and related coding to identify and correct discrepancies."

1.03 Customer Statements

Processes were not always efficient or effective in producing accurate and timely statements for customers outside of the online tenant portal. The AR Module of VCFMS has the functionality to generate customer statements through an invoice reporting application known as AR Prints. However, statements generated by AR Prints often reflected inaccurate balances, did not properly reflect available credits, and did not present open receivables in a useful format for customers. As a result, Airports staff created customer statements manually using a spreadsheet application, approximately once per year, which required significant account reconciliation and often contained errors. In our testing of five manually created statements, we found that:

- The balance shown on the AR Prints statement did not agree to the manually created statement balance for four (80%) customers. Meanwhile, the balance shown on the manually created statement did not agree to our reconciled account balance for two (40%) customers.
- The specific receivables shown as open on the AR Prints statement did not agree to the open receivables shown on the manually created statement for two (40%) customers. Further, the specific receivables shown as open on the manually created statement did not agree to our expected open receivables for three (60%) customers.

While we noted that some AR Prints errors would be reduced by improved account management, system limitations still require significant manual intervention to meet Airports' needs. Throughout our testing, we noted that customers not using the tenant portal would often carry open balances for months, indicating that perhaps the customer was unaware of the balance owed. To support effective collection efforts, management must develop a more efficient process for generating customer statements and providing timely notification of rent increases and outstanding balances throughout the year.

Recommendation. Airports management should implement a process for generating accurate customer statements that incorporates reliable system data, reflects all credits and open receivables, and reduces the need for manual reconciliation. Airports management should also ensure that customers receive updated statements throughout the year, proactively communicate rent increases, and promptly communicate deficits to support collection efforts.

Management Action. Airports management stated: "Management agrees with this finding. The lack of adequate system reports to support account research, analysis, and statement generation

significantly increases the staff time required to manually reconcile accounts and produce customer statements. Although statements are issued more than once a year for accounts with aged balances, the extensive manual reconciliation required presents ongoing challenges in issuing accurate statements that reflect correct balances, available credits, and current receivable activity in a timely manner. Until the department transitions to a new AR system in FY27, Airports will continue to work with Auditor-Controller's Office, Business Technology, to evaluate opportunities to improve the efficiency and reliability of generating customer statements to better support customer communication and effective collection efforts."

1.04 Account Termination Processing

Customer accounts were not always closed properly or timely in VCFMS following account termination, resulting in inaccurate receivable reporting, prolonged refund delays, and unnecessary follow-up work for Airports staff. Account closure required clearing aged balances using available credits or security deposits, prorating the final month's receivable, and cancelling future automated receivables. In our testing of 11 terminated customer accounts, we found that:

- Refunds were not issued to any of the 11 (0%) terminated customers within 30 days as required by California Civil Code section 1950.7(c)(1). Refunds were issued an average of 76 days after termination, with processing times ranging from 33 to 214 days.
- Automated receivables continued generating more than 30 days after termination for 2 (18%) customers. Receivables continued posting to the accounts for periods of 4 and 7 months after termination.
- Open receivables were not cleared from 2 (18%) customer accounts timely. The receivables were not cleared from the accounts for 79 and 145 business days after termination.

Additionally, in our testing of 16 customer accounts with aged open balances as of January 31, 2024, we found 3 (19%) accounts that had been terminated more than a year prior were not closed and reflected balances that should have been cleared.

Recommendation. Airports management should implement a process to ensure timely account terminations, including: issuing refunds within 30 days of termination; promptly cancelling the related automatic receivable generation; timely clearing of open receivables when appropriate; and documenting review steps to verify completion.

Management Action. Airports management stated: "Management agrees with this finding. The department is actively evaluating ways to streamline the account termination process, as delays pose significant risk to the accuracy of outstanding receivable balances. One improvement already implemented includes changing the order of steps in which the future receivable function is deactivated in VCFMS at the beginning of the termination process rather than at the end. This reduces the risk of generating erroneous receivables after the termination date. Airports will continue to assess and document its procedures to ensure account terminations are processed timely, outstanding balances are cleared appropriately, and refunds are issued within required

timeframes. Lastly, Airports will work with Auditor-Controller's Office, Business Technology, to explore options for custom reports that will improve in reconciling customer accounts."

2. Reserved and Unreserved Credit Balances

Customer payments were not always properly applied to reserved and unreserved credits, and credit balances were not always resolved accurately or timely. As receivables do not carry credit balances in VCFMS, the use of reserved and unreserved credits is intended to provide Airports with a controlled way to manage customer overpayments, prepayments, and payments intended for a specific obligation. Airports staff determines whether the credits should be applied to the customer's reserved or unreserved credit balance and manually applies the credits. Proper management of these credits is necessary to help ensure the accuracy of receivable balances and avoid compounding problems.

2.01 Reserved Credits

Customer payments that were improperly applied to reserved credits resulted in thousands of dollars not being applied to receivable balances in a timely manner. Reserved credit balances are held for a defined purpose, not including security deposits which are held separately. For example, reserved credits are held for the prepayment for additional leased space when the VCFMS billing profile and related receivable have not yet been created. Funds remain in the reserved credit balance until Airports fiscal staff manually applies the credit to the customer's receivable balance. However, we noted many instances where funds were applied to reserved credits without a specific obligation and those balances frequently remained unaddressed for months or years. For 28 payments posted to reserved credits that we tested, we found that:

- 19 (68%) payments were not supported by evidence of a specific obligation and therefore should have been applied to unreserved credits for automatic application to future receivables through the auto-net process as discussed in Finding 2.04 below. For 12 (63%) of the 19 payments, these credits were not fully applied to the receivable balance for an average 509 days, ranging from 5 to 1,119 days. For the other seven accounts, the funds remained in the reserved credit balance at the time of our audit. In one case, a customer paid a \$15 late fee that should not have been assessed because adequate funds were held in reserved credits to cover the receivable balance.
- 5 (18%) payments should have been applied to the customer's security deposit balance. While two were moved to the security deposit balance after several months, two remained in the reserved credit balance at the time of our audit and one was improperly applied to the customer's receivable balance.

Improperly applying customer payments to reserved credits increases the risk of misstated receivable balances and prolongs unresolved credits, creating avoidable reconciliation work and potential customer dissatisfaction.

Recommendation. Airports management should enforce proper use of reserved credits by requiring documented justification for each entry and implementing periodic reviews to ensure that balances reflect a valid, specific obligation.

Management Action. Airports management stated: "Management agrees with this finding. Until the department transitions to a new AR system in FY27, staff will develop and implement a standardized process for documenting the justification for posting payments to reserved credits. The department will also establish routine monitoring and timely follow-up procedures to ensure reserved credit balances are accurate, valid, and promptly resolved."

2.02 Unreserved Credits

Customer payments were sometimes improperly applied to unreserved credits. Unreserved credit balances hold payments that can be automatically applied to upcoming receivables, primarily through the monthly auto-net process as discussed in Finding 2.04 below, such as prepayments for the next month's receivable. However, for 39 payments posted to unreserved credits that we tested:

- Airports manually posted one payment in August 2022 for a bad check fee to unreserved credits when the payment should have been posted to reserved credits because the corresponding fee had not yet been assessed. Our review of the customer's account through June 2024 indicated that the fee still had not been assessed.
- Airports manually posted one overpayment to unreserved credits when a portion of the overpayment should have been applied to clear the customer's outstanding receivable balance.

Improperly applying customer payments to unreserved credits impacted the accuracy of receivable balances and created unnecessary clean-up work for staff.

Recommendation. Airports management should establish and enforce clear requirements for when payments should be applied to unreserved credits. Procedures should require staff to document the rationale for applying payments to unreserved credits, ensure that overpayments are first used to clear aged balances when appropriate, and strengthen monitoring to identify and correct misapplied payments.

Management Action. Airports management stated: "Management agrees with this finding. Due to inconsistencies in how VCFMS applies unreserved credits to outstanding receivables, payments should be applied to available outstanding receivables when appropriate to minimize the risk of misapplication and inaccurate reporting. The department is evaluating the proper steps needed to routinely review unreserved credit transactions and resolve outstanding issues in a timely manner. Airports will work with Auditor-Controller's Office, Business Technology, to evaluate customized reporting solutions that will support improving account research, monitoring, and reconciliation."

2.03 Resolution of Customer Credits

Customer credit balances were not always resolved timely, resulting in some customers carrying significant credits for months or years. As discussed above in Findings 2.01 and 2.02, customer payments were sometimes inappropriately applied to reserved or unreserved credits.

Throughout our testing, we found that these credits often remained unaddressed for extended periods. For example, we found that:

- Upon review of one customer account, payment was submitted in May 2023 to clear all outstanding balances. However, the payment was applied to the customer's reserved credits and not used to clear the open balance until 9 months later in February 2024.
- In testing 10 customer accounts as of January 31, 2024, reserved or unreserved credits could have been applied to the open balance for 6 (60%) accounts, 3 (50%) of which could have cleared the entire outstanding balance.
- In other testing, we found that three customers continued making payments that cleared the open receivable balance each month while unreserved credits could have covered all or part of the balance.

Without timely review, communication, and utilization of available credits, customers appeared to be unaware of available credit balances, were inappropriately assessed late fees, and carried aged receivables unnecessarily. Coupled with the auto-net issues described in Finding 2.04 and the customer statement issues described in Finding 1.03, improper use of reserved and unreserved credits created significant additional work for Airports staff and created unnecessary customer confusion.

Recommendation. Airports management should establish a process to ensure timely review, communication, and use of customer credits. This process should include steps for identifying available credits, applying credits to open receivables when appropriate, and documenting the reason for applying each credit.

Management Action. Airports management stated: "Management agrees with this finding. The department is evaluating solutions to effectively research and resolve outstanding customer credit balances. Due to the lack of adequate reports in VCFMS, such as detailed tenant activity reports, reconciling accounts requires significant staff time and limits the ability to address credits promptly. Through routine monitoring of accounts and open receivables, the department aims to minimize credit balance errors and ensure proper application of available credits."

2.04 Auto-Net System

The auto-net process did not always properly apply available unreserved credits to open receivable balances. On or about the 7th of each month, the VCFMS automatic netting batch process (auto-net) applies unreserved credits within a customer account against outstanding receivables in the same account. In our testing of 13 customer accounts with open receivables and unreserved credit balances as of February 1, 2024, we found that:

- The auto-net sweep did not occur for 3 (23%) customer accounts despite sufficient unreserved credits to fully clear the outstanding receivable balance.

- The auto-net sweep occurred but did not clear the receivable balance for 3 (23%) customer accounts despite the availability of sufficient unreserved credits.

We found that issues arose when customers held multiple leased spaces with varying billing profiles, receivables were generated through the Debt Module, or unreserved credits consisted of multiple payments. Further, in other testing, we found that the auto-net process applied payments intended for one leased space to the open receivable for another space leased by the customer. Consequently, the automated application of unreserved credits did not always function effectively, resulting in misstated open receivables, delayed payment application, unwarranted late fees, and the need for increased manual intervention.

Recommendation. Airports management should work with VCFMS system administrators in the Auditor-Controller's Office, Business Technology unit, to identify and implement remedies for the system limitations affecting the auto-net process. If remediation is not possible for the identified issues, Airports should evaluate alternative options to reduce the cleanup necessary from the auto-net process.

Management Action. Airports management stated: "Management agrees with this finding. Due to the frequency of advance payments, the auto-net process poses a significant risk to the accuracy of account balances and requires additional staff time to research and correct system-generated errors. Until the department transitions to a new AR system in FY27, Airports will continue working with Auditor-Controller's, Business Technology, to document issues related to the auto-net process and evaluate possible solutions to reduce the volume of manual cleanup required and improve the accuracy of accounts receivable reporting."

3. Late Fee Management

Improvements were needed to ensure that late fee assessments and waivers were appropriate, timely, and justified. All leasing and licensing arrangements require a fee assessment when a monthly payment is late, with the amount dictated by the terms of the lease or license agreement. Proper late fee management is necessary to facilitate accurate accounts receivable balances, minimize lost fee revenue, and promote consistent treatment across customer accounts.

3.01 Late Fee Assessments

Late fees were not always properly assessed for delinquent payments. We found instances where late fees were not assessed when appropriate, assessed when not appropriate, and not assessed timely. In our testing of 31 open receivables as of February 21, 2024, we found that:

- Late fees were not assessed according to the terms of the lease agreement for 2 (6%) aged balances, resulting in an estimated combined loss of \$2,324 in fee revenue. Certain lease agreements required a 10 percent late fee and "a further fee in the same amount will be added for each thirty- (30) day period following addition of the fee, until paid." However, Airports management manually assessed only a single 10 percent fee for the delinquent month and did not assess the fee every month thereafter until payment for the delinquent month was received. Both customers also had multiple delinquent aged balances carried

beyond the date used in our testing, indicating that the dollar amount of missed late fee assessments was significantly higher than we reported.

- Late fees of \$15 were not assessed for 1 (3%) short-paid receivable.
- Late fees totaling \$215 were assessed when not appropriate for 9 (29%) aged balances, resulting in significant cleanup to correct related cascading issues. Late fees should not have been assessed because customers had available credits to cover the balance, fees were tied to duplicate invoices, or fees resulted from payment processing delays by Airports.
- Late fees were not assessed timely for 5 (16%) aged balances. We found that late fee assessments took on average 167 days to be applied to customer accounts, ranging from 26 to 427 days.

In other testing, we also found that late fees totaling \$191 were not automatically applied for short-paid utilities for four customers that we reviewed.

Recommendation. Airports management should strengthen controls to ensure that late fees are accurately assessed by verifying payment delinquency, following agreement terms, and reviewing receivables periodically to confirm that all required fees are captured. Airports management should work with VCFMS system administrators in the Auditor-Controller's Office, Business Technology unit, to ensure that applicable late fees are automatically applied to customer accounts in accordance with lease/license agreement terms.

Management Action. Airports management stated: "Management agrees with this finding. As part of the review process for aging account balances, staff verifies late fee assessments for AR module accounts to ensure accuracy and compliance with lease terms. Late fees for Debt Module leases are assessed manually, which increases the risk of unassessed late fees. The department is currently evaluating this process to ensure the risk of missed late fees are minimized. Until the department transitions to a new AR system in FY27, Airports will work with Auditor-Controller's, Business Technology, to explore options for automating late fee assessments for Debt Module accounts. Additionally, the department has implemented a two-phase review of aging accounts that align when payments are considered delinquent, after the 10th for commercial leases and after the 15th for tenant accounts, to improve the accuracy of late fee assessments, timely revenue recovery, and ensure prompt resolution."

3.02 Late Fee Waivers

Late fee waivers were not always appropriate, and most could have been avoided through stronger accounts receivable management and targeted system improvements. Airports management stated that late fees are usually only waived when the fee was assessed erroneously or when an otherwise timely customer incurs a fee for the first time. The process to waive late fees within VCFMS requires changing the late fee accounting line within the receivable to zero and posting a zero-dollar payment to close the line. Our testing showed that late fees were frequently waived because the charges were assessed in error due to:

- Payment processing delays by Airports fiscal staff
- Unused but available credit balance
- Delays in credit card payment processing
- Duplicated receivables
- Late processing of account terminations

Late fees were also often waived with no explanation or with generic notes such as "Per Fiscal Manager," raising concerns about the appropriateness and consistency of waiver practices. Specifically, in our testing of 39 waived late fees, we found that:

- The description and supporting documentation in VCFMS were insufficient or entirely missing to support or justify the waiver of 23 (59%) late fees totaling \$583.
- Long delays occurred between the assessment and waiver for 6 (15%) late fees. On average, these late fees were waived 125 days, or more than 4 months, after assessment, ranging from 32 to 262 days.
- The VCFMS accounting line was not closed in a timely manner for 14 (36%) waived late fees, and 2 (14%) of the 14 remained open through the date of our testing. On average, the accounting line was closed 87 days, or almost 3 months, after the late fee was waived. As a result, a zero-dollar line item for the late fee continued to display as open receivables in VCFMS reports and in each tenant portal account, which could cause customer confusion.

Strengthening controls over approvals and improving documentation consistency would help ensure that Airports receives all applicable fee revenue and reduces the risk of unequal treatment across customer accounts.

Recommendation. Airports management should strengthen oversight of late fee waivers by establishing clear criteria for approving waivers, requiring complete supporting documentation in VCFMS, and ensuring timely closure of accounting lines. Airports management should also address underlying process and system issues that cause erroneous late fee assessments to reduce the need for waivers altogether.

Management Action. Airports management stated: "Management agrees with this finding. Airports has taken steps to improve oversight of late fee assessments, including review of late fees after they are generated and documenting reason for any fees that are recommended to be waived due to delayed payment processing or auto-net issues. All late fees are reviewed, with final approval required from the Accounting Manager before processing. The department will continue to evaluate and refine its processes to ensure late fees are accurately assessed and promptly resolved."

4. Management Oversight of Accounts Receivable

Management oversight of accounts receivable processes was not always sufficient to ensure accurate, complete, and well-supported records. We found that routine reconciliations for key accounts receivable source documents were not performed, and VCFMS transaction support and approvals were not always

appropriate. Additionally, returned checks were handled inconsistently, resulting in inaccurate records and lost revenue, and uncollectible accounts were not regularly pursued for discharge from accountability, leaving stale balances on Airports' active ledger. We also found that no formal procedures existed for core accounts receivable activities.

4.01 Accounts Receivable Reconciliations

Airports management did not regularly reconcile key source documents to ensure the accuracy of accounts receivable. As a result, throughout our testing, we found multiple instances of incorrect, missing, or duplicated accounts receivable information that could have been identified through proper reconciliation processes. For example, we found that:

- Efforts to reconcile accounts receivable subsidiary ledgers to the general ledger were not performed regularly.
- At the customer account level, the only reconciliation activity appeared to occur during the required cleanup for annual statement preparation, rather than as routine internal control.
- Payments were not always properly logged in the Fiscal Year Daily Deposit Master, a spreadsheet that records the details of individual payments received, to enable reconciliation to customer account information in VCFMS.

Structured, regular, sufficient reconciliations are necessary to maintain data integrity across systems and to support effective oversight of accounts receivable.

Recommendation. Airports management should establish and enforce a formal reconciliation process that routinely compares all key accounts receivable data sources, identifies discrepancies promptly, and documents all review procedures to support accurate and reliable financial records.

Management Action. Airports management stated: "Management agrees with this finding. Although routine reconciliations of accounts are critical for effective oversight, the limited availability of adequate reports within VCFMS has made it challenging to maintain a standardized and efficient reconciliation process. Until the department transitions to a new A/R system in FY27, Airports will work with Auditor-Controller's Office, Business Technology, to develop customized reports that strengthen monitoring and oversight of accounts. This will help ensure discrepancies are identified and addressed in a timely manner."

4.02 VCFMS Entries

VCFMS entries related to accounts receivable were not always complete, timely, supported by appropriate documentation, or approved by appropriate personnel. Throughout our testing, we identified several instances where VCFMS entries:

- Did not include appropriate documentation to support manual entries or receivable cancellation, such as a customer agreement or termination notice.

- Did not report batch IDs in the VCFMS cash receipt entry, impacting the ability to accurately trace customer payments through the system and complicating reconciliation efforts.
- Were approved by subordinate employees or employees outside of the fiscal team on at least four occasions.
- Were created several days after payment receipt. In our testing of 24 payments received, we found that 5 (21%) VCFMS entries were created more than a week after the payment was received, ranging from 8 to 11 days.

Incomplete, untimely, or unsupported VCFMS entries increase the risk of misstated receivable balances and may undermine the reliability of Airports' accounts receivable records. Additionally, improper approval workflows increase the risk of inappropriate VCFMS entries, diminish oversight of receivable activity, and weaken the control environment designed to ensure accurate and accountable financial processing.

Recommendation. Airports management should implement and enforce documentation and timeliness standards for entries related to accounts receivable, develop a proper approval hierarchy, and consider implementing periodic reviews to confirm compliance.

Management Action. Airports management stated: "Management agrees with this finding. Ensuring that all tenant payments are processed timely and accurately is a department priority as this results in accurate balances for both the department and its tenants. Airports has established a target goal of processing all payments within three business days, with payments requiring extra review having documentation as to why it is being held. In addition, non-routine transactions, such as waiving late fees or processing NSF's, are reviewed and approved by the Accounting Manager and/or Principal Accountant to ensure proper oversight."

4.03 Handling of Returned Checks

Returned checks due to non-sufficient funds (NSF) or stop payments were not always handled in a consistent manner, resulting in documentation gaps and lost revenue from uncharged returned check fees. Specifically, in our testing of 11 returned checks, we found that:

- While NSF checks accounted for 7 (64%) of the returned checks, the required \$25 bad check fee was not applied in 5 (71%) of the 7 instances, resulting in \$125 of lost fee revenue.
- The Fiscal Year Daily Deposit Master was not properly updated to reflect the returned check status for 7 (64%) of the returned checks, which could impact Airports' ability to reconcile customer account information in VCFMS and result in lost fee revenue.
- The VCFMS entries reversing returned payments lacked appropriate supporting documentation (e.g., email notices from the Treasurer-Tax Collector) for 5 (45%) of the returned checks.

Ensuring that staff consistently apply required fees and update both departmental logs and VCFMS entries accurately and timely will help improve revenue recovery and strengthen support for transaction verification.

Recommendation. Airports management should implement clear procedures and training to ensure that staff apply required fees, update all departmental and VCFMS records promptly, and retain complete support for all returned check transactions.

Management Action. Airports management stated: "Management agrees with this finding. Airports has developed a formal SOP for handling returned checks resulting from non-sufficient funds (NSF) or stop payments. This SOP outlines the required steps to ensure the \$25 bad check fee is properly assessed, backup documentation is attached in VCFMS, Leasing is notified promptly, and VCFMS documents are reviewed and approved by the Principal Accountant or Accounting Manager for VCFMS. This ensures consistent handling, complete documentation, and accurate revenue recovery for returned check transactions."

4.04 Discharge from Accountability for Uncollectible Accounts

Airports did not routinely submit uncollectible accounts to the Auditor-Controller for discharge from accountability. California Government Code section 25257 allows agencies responsible for the collection of County money to apply for a discharge from accountability for the collection of that money if:

- the amount is too small to justify the cost of collection;
- the likelihood of collection does not warrant the expense involved; or,
- the amount thereof has been otherwise lawfully compromised or adjusted.

During our audit, we did find evidence that some attempts were made within our audited timeframe to pursue discharge. However, communication between Airports and the Auditor-Controller's Office, Financial Planning unit, disclosed that inconsistent recordkeeping by Airports, unresolved questions about balance accuracy, and insufficient documentation for collection efforts prevented approval of the request. Furthermore, no discharge from accountability appears to have been approved for Airports' uncollectible accounts since June 2018. As a result, stale receivable balances remained on the active ledger, undermining receivable accuracy and increasing the risk of undetected errors or irregularities.

Recommendation. Airports management should work with the Auditor-Controller's Office, Financial Planning unit, to establish a formal process to identify, document, and submit uncollectible accounts for discharge from accountability on a routine basis. This process should include defined criteria for exhausted collection efforts, required documentation, and a regular review cycle to ensure timely evaluation of aged receivable balances.

Management Action. Airports management stated: "Management agrees with this finding. Airports will work with Auditor-Controller's Office Financial Planning, to establish a formal process for identifying, documenting, and submitting uncollectable accounts for discharge from

accountability. This process will ensure routine review of aged balances, defined criteria to ensure collection efforts are properly taken and documented prior to submission for write-off.”

4.05 Formal Procedures for Key Accounts Receivable Processes

Airports lacked comprehensive written procedures for many key accounts receivable management processes, which contributed to most of the findings in this report. Without formal guidance, staff relied on informal, verbally communicated practices, further limiting management's ability to provide effective oversight. For example, we found that Airports could benefit from formal policies and procedures for the following processes:

- Receivable setup and rate verification. Establish a process to confirm lease terms and promptly update rate schedules in VCFMS to ensure accurate receivable creation and timely rate increases.
- Payment receipt and application to customer accounts. Define payment application criteria, management review steps, supporting documentation requirements, and timeliness expectations to ensure proper payment application and reduce subsequent cleanup.
- Use of reserved and unreserved credits. Establish a framework for the appropriate use of each credit type to reduce inconsistent application.
- Application of credits to receivables. Implement a process to periodically review available credits to ensure that customer credits are applied timely and credit balances are not held for extended periods.
- Creating and issuing past-due statements. Establish a process for creating and distributing regular customer statements, define the appropriate frequency for issuing statements, and establish workarounds as necessary for known system limitations.
- Assessing and waiving late fees. Define the criteria for manually preparing late fees and reviewing automatically assessed late fees for accuracy, and establish documentation standards to support late fee waivers.
- Returned check handling. Standardize the process for handling returned checks, define when a fee must be assessed, and establish documentation standards for department records.
- Regular reconciliations. Establish a schedule for fiscal management to perform structured, periodic reconciliations between key sources of activity to reduce the risk of errors remaining uncorrected for extended periods.
- Review and resolution of aged balances. Implement guidance to support regular review of delinquent or stale receivables, including a process for evaluating accounts eligible for discharge from accountability.

- Approval hierarchy and workflow. Establish an approval structure to define the appropriate workflow for fiscal staff when preparing VCFMS entries to ensure proper controls over financial reporting.

The conditions we identified reflected underlying process complexity and the lack of structured organization over time, resulting from reactive accounting practices and compounding issues. When key accounting processes broke down, substantial effort was required to correct customer accounts and resolve transaction errors. While resource constraints historically contributed to these conditions, limited staffing emphasizes the need for clear procedures to support continuity during staff turnover, reduce errors, and strengthen customer account management.

Recommendation. Airports management should develop and implement formal procedures for all major accounts receivable processes. Procedures should identify the required steps, responsible roles, documentation standards, workflow and approval hierarchy, and review expectations to support consistent and accurate accounts receivable activity.

Management Action. Airports management stated: "Management agrees with this finding. The department has been developing SOPs for key accounts receivable processes, such as processing new account setups and terminations, processing and reconciling tenant portal payments, processing non-sufficient funds (NSFs), etc. Management will continue to prioritize developing and implementing SOPs to ensure standards are consistently followed and improve oversight of A/R activities."

Auditor's Evaluation of Management Action

We believe that management actions taken or planned were responsive to the audit findings. Airports management planned to complete corrective action by December 31, 2027.