

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Monday, May 2, 2016
10:00 A.M.

San Diego International Airport
SDCRAA Administration Building – Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

Board Members

Robert H. Gleason
Board Chair

David Alvarez
C. April Boling
Greg Cox
Jim Desmond
Lloyd B. Hubbs
Jim Janney
Paul Robinson
Mary Sessom

Ex-Officio Board Members

Laurie Berman
Eraina Ortega
Col. Jason G. Woodworth

President / CEO

Thella F. Bowens

This Agenda contains a brief general description of each item to be considered. If comments are made to the Board without prior notice, or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate and Information Governance and are available for public inspection.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

***NOTE:** This Committee Meeting also is noticed as a Special Meeting of the Board (1) to foster communication among Board members in compliance with the Brown Act; and (2) to preserve the advisory function of the Committee.

Board members who are not members of this Committee may attend and participate in Committee discussions. Since sometimes more than a quorum of the Board may be in attendance, to comply with the Brown Act, this Committee meeting also is noticed as a Special Meeting of the Board.

To preserve the proper function of the Committee, only members officially assigned to this Committee are entitled to vote on any item before the Committee. This Committee only has the power to review items and make recommendations to the Board. Accordingly, this Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Gleason, Hollingworth, Hubbs, Robinson (Chair), Sessom, Tartre, Van Sambeek

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak is **not provided on the Agenda**, and which is within the jurisdiction of the Committee. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 1, 2016, regular meeting.

2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDIT FOR THE FISCAL YEAR ENDED JUNE 30, 2016:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information.

Presented by: Mark A. Burchyett, Chief Auditor; Kathy Kiefer, Senior Director, Finance & Asset Management; and David M. Coleman, Partner, Experience BKD CPAs and Advisors

3. FISCAL YEAR 2016 THIRD QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information and provide, if necessary, direction to staff on audit recommendations.

Presented by: Mark A. Burchyett, Chief Auditor; and Fred Bolger, Manager, Audit Services

4. FISCAL YEAR 2017 PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed audit plan and forward it to the Board for approval. *(Requires five (5) affirmative votes of the Audit Committee.)*

Presented by: Mark A. Burchyett, Chief Auditor

5. FISCAL YEAR 2017 PROPOSED BUDGET OF THE OFFICE OF THE CHIEF AUDITOR AND FISCAL YEAR 2018 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2017 Budget process for approval.

Presented by: Mark A. Burchyett, Chief Auditor

6. REVISION TO THE FISCAL YEAR 2016 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information. *(Requires five (5) affirmative votes of the Audit Committee.)*

Presented by: Fred Bolger, Manager, Audit Services

CLOSED SESSION:

7. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

(Government Code Section 54957)

Title: Chief Auditor

REPORT ON CLOSED SESSION:

NON-AGENDA PUBLIC COMMENT:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the announcement of that portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment period at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, or Committee on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board. A second Public Comment period is reserved for general public comment later in the meeting for those who were not heard during the first Public Comment period.
- 3) Persons wishing to speak on a specific item listed on the agenda will be afforded an opportunity to speak during the presentation of that individual item. Persons wishing to speak on a specific item should reserve their comments until the item is taken up by the Board, ALUC or Committee. Public comment on a specific item is limited to twenty (20) minutes – ten (10) minutes for those in favor and ten (10) minutes for those in opposition of an item. Each individual speaker will be allowed three (3) minutes, and applicants and groups will be allowed five (5) minutes.
- 4) If many persons have indicated a desire to address the Board, ALUC or Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the Public Comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at www.san.org.

For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the Commuter Terminal. Bring your ticket to the third floor receptionist for validation.

You may also reach the Commuter Terminal by using public transit via the San Diego MTS system, Route 992. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.

UPCOMING MEETING SCHEDULE

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
September 6	Tuesday	10:00 a.m.	Regular	Board Room

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MEETING MINUTES
MONDAY, FEBRUARY 1, 2016
BOARD ROOM

CALL TO ORDER:

Chair Robinson called the regular meeting of the Audit Committee to order at 10:00 a.m., on Monday, February 1, 2016, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Committee Member Tartre led the Pledge of Allegiance.

ROLL CALL:

PRESENT: Committee Members: Hollingworth, Hubbs, Robinson, Sessom, Tartre, Van Sambeek

ABSENT: Committee Members: Gleason

ALSO PRESENT: Thella F. Bowens, President/CEO; Amy Gonzalez, General Counsel Senior Director; Tony Russell, Director of Corporate and Information Governance; Ariel Levy-Mayer, Assistant Authority Clerk I

Committee Member Van Sambeek arrived during the meeting

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the December 7, 2015, special meeting.

ACTION: Moved by Board Member Sessom and seconded by Board Member Hubbs to approve staff's recommendation. Motion carried unanimously, noting Committee Members Gleason and Van Sambeek as ABSENT.

2. FISCAL YEAR 2016 SECOND QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Fred Bolger, Manager, Audit Services, provided a presentation on the Fiscal Year 2016 2nd Quarter Activities Report and Audit Recommendations, which included Audit Activities; Recommendation Follow-Up; Performance Measures; and Summary of Ethics Inquiries.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information and provide, if necessary, direction to staff on audit recommendations.

ACTION: Moved by Board Member Sessom and seconded by Committee Member Van Sambeek to approve staff's recommendation. Motion carried unanimously, noting Committee Member Gleason as ABSENT.

3. CONSTRUCTION AUDIT STATUS REPORT

Callie Ullman, Senior Auditor, provided a presentation on the Construction Audit Status Report, which included On-Going Green Build Audit Activities, On-Going Rental Car Center (RCC) Audit Activities, and On-Going General Construction Audit Activities.

RECOMMENDATION: Information item only.

In response to Committee Member Hollingworth's question whether the billable hours charged by prime contractors are audited, Callie Ullman, Senior Auditor, stated that it is difficult for auditors to identify if prime contractors are padding their hours; however, timecards are required to be submitted on any project not based on fixed fees and the timecards are audited.

Ms. Ullman also confirmed that percentages of construction management to hard cost are being monitored as well.

NON-AGENDA PUBLIC COMMENT: None

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT: The meeting adjourned at 10:14 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 2nd DAY OF MAY, 2016.

MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:

TONY RUSSELL
DIRECTOR OF CORPORATE & INFORMATION
GOVERNANCE/AUTHORITY CLERK



Required Communication to the Audit Committee on the
Financial and Compliance Audit for the Fiscal Year Ended
June 30, 2016

Presented By: David M. Coleman, Partner
May 2, 2016



Engagement Team

- ▲ Joe Vande Bosche, CPA, Concurring Review Partner
- ▲ David Coleman, CPA, Engagement Partner
- ▲ Andrew Sherwood, CPA, Senior Associate II
- ▲ Lauren Berry, CPA, Senior Associate

Overview

- ▲ Our audit will be conducted in accordance with the following guidelines:
 - Auditing standards generally accepted in the United States of America
 - *Government Auditing Standards*
 - U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*
 - *Passenger Facility Charge Audit Guide for Public Agencies*
 - We will also issue a management letter including our required communications to the Audit Committee

Planned Scope

- ▲ The following are considered as having a higher risk of material misstatement due to error or fraud:
 - Management override of controls
 - Revenue recognition
 - Investment classification
 - Passenger Facility Charge Program
 - Federal Awards Program

Planned Timing

- ▲ **Week of June 13th** - Planning, interim fieldwork and risk assessment
- ▲ **Week beginning August 29th** - Final audit fieldwork, including Single Audit, Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) testing
- ▲ **September [TBD] 2016** - Exit conference with management to review draft financial statements and other required communications
- ▲ **October 3, 2016** - Drafts of deliverable available for review by management
- ▲ **Week of October 3, 2016** – Concurring partner review to be performed
- ▲ **October 14, 2016** - Release final deliverables
- ▲ **November 21, 2016** - Presentation of financial statements, our required communications and other deliverables to the Audit Committee

Approach to Planning

- ▲ Planning and Risk Assessment – Our procedures include:
 - Obtaining an understanding of the internal control environment
 - Obtaining an understanding of changes to the Authority's operations for the year, including new revenue streams and activities
 - Examining Authority Board and Audit Committee minutes and highlighting any ordinances, resolutions, laws and compliance regulations to be reviewed

Approach to Planning *(continued)*

- ▲ Planning and Risk Assessment – Our procedures include (continued):
 - Completing our preliminary analytical review procedures
 - Developing applicable audit programs to address significant audit areas and the specific risks identified during our risk assessment procedures

Revisions to Professional Standards

- ▲ GASB Statement No. 72, *Fair Value Measurement and Application* – effective for 2016
- ▲ GASB Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – effective for 2017
- ▲ GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* – effective for 2016

Consideration of Errors or Fraud

- ▲ Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*

Consideration of Errors or Fraud (*continued*)

- ▲ Our audit approach includes:
 - Engagement Team Brainstorming
 - Inquiries of management and others:
 - ▶ Audit Committee Chair
 - ▶ President/CEO
 - ▶ Chief Auditor
 - ▶ General Counsel
 - ▶ Vice President of Finance/CFO

Consideration of Errors or Fraud *(continued)*

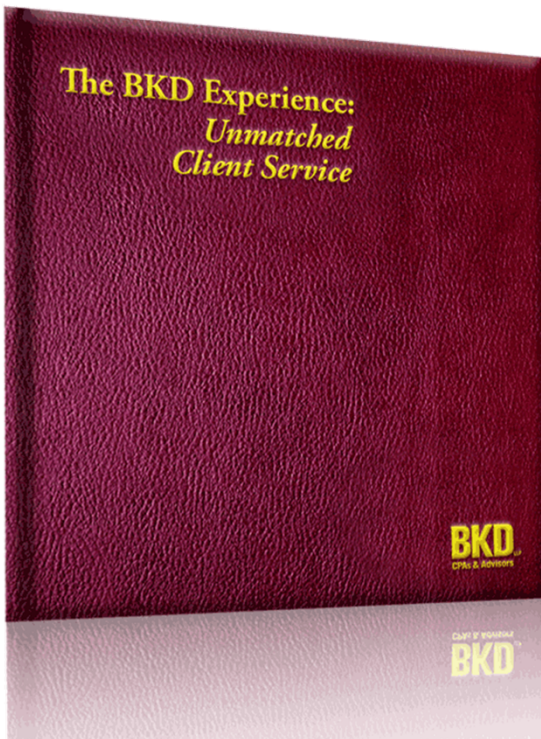
- Inquiries of management and others *(continued)*:
 - ▶ Others as deemed appropriate in the following areas:
 - Accounting
 - Procurement
 - Airport Development
 - Information Technology
 - Human Resources

Contacts

- ▲ It is our understanding that the appropriate people within the Authority's governance structure with whom to communicate are:
 - Paul Robinson
- ▲ If you need to contact us:
 - Joe Vande Bosche, Partner – 317.383.4039; jvandebosche@bkd.com
 - David Coleman, Partner – 972.702.8262; dcoleman@bkd.com
 - Andrew Sherwood, Senior II – 972.702.8262; asherwood@bkd.com

Our Client Service Culture

The BKD Experience service philosophy sets expectations for serving clients



- Integrity First
- True Expertise
- Professional Demeanor
- Responsive Reliability
- Principled Innovation

Questions





**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE**

**Item No.
3**

Meeting Date: **MAY 2, 2016**

Subject:

**Fiscal Year 2016 Third Quarter Activities Report and Audit Recommendations
Issued by the Office of the Chief Auditor**

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board for information and provide, if necessary, direction to staff on audit recommendations.

Background/Justification:

The Charter for the Office of the Chief Auditor (OCA), as approved by the San Diego County Regional Airport Authority Board, establishes the roles, responsibilities, and working relationship of the Chief Auditor with the Audit Committee and with Authority management. The Charter was most recently revised on September 4, 2014, Resolution No. 2014-0089.

The Charter directs the Office of the Chief Auditor to periodically communicate to the Audit Committee with respect to management's systems of control, audit findings, management's responses, and including any steps adopted to resolve a noted issue.

The attached Fiscal Year 2016 Third Quarter Report (Attachment A) summarizes the undertakings and accomplishments of the Chief Auditor's office from January 1, 2016, through March 31, 2016.

During the third quarter, the Office of the Chief Auditor completed nine (9) audits of the Fiscal Year 2016 Audit Plan and issued five (5) recommendations. Appendix B of the activity report provides the status of audit recommendations issued by the Office of the Chief Auditor.

A presentation on the Third Quarter activities of the Office of the Chief Auditor will be provided during a meeting of the Audit Committee on May 2, 2016.

Fiscal Impact:

None

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

☐ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

FISCAL YEAR 2016 THIRD QUARTER REPORT



April 21, 2016

FY16 Third Quarter Report

Paul Robinson, Chair
Audit Committee
San Diego County Regional Airport Authority
P.O. Box 82776
San Diego, California 92138-2776

Dear Mr. Robinson:

The Office of the Chief Auditor (OCA) presents our Fiscal Year 2016 Third Quarter Report. The report details both the audit and the administrative activities of the OCA during the third quarter of Fiscal Year 2016, the resolutions of past audit findings, and information regarding the future plans of the OCA.

The Third Quarter Report will be presented at the next Audit Committee meeting scheduled for May 2, 2016.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mark A. Burchyett".

Mark A. Burchyett
Chief Auditor

Audit Results

During the third quarter, the OCA continued its work on audits contained within the FY16 audit plan, as authorized by the Audit Committee. In total, during the third quarter, the OCA issued nine (9) audits reports. For the month of March, we issued three (3) audit reports. The audit reports issued during the month included one (1) recommendation for management bringing the total of recommendations issued during the quarter to five (5). The completed audits for the second quarter are listed in Figure 1 below.

Figure 1: Audits Completed During the Third Quarter of Fiscal Year 2016

Audit	Report No.	Date	Type of Audit
SSP America, Inc. (FSP 5R)	15031	1/20/2016	Revenue Contract
Hazard Construction Company	16007	1/25/2016	Expense Contract
Aircraft Rescue and Fire Fighting (ARFF) Expense Billings - FY15	16032	2/1/2016	Expense Contract
ThyssenKrupp Airport Systems, Inc.	16012	2/19/2016	Expense Contract
Biennial Audit of Airline Revenue	16037	2/22/2016	Revenue Contract
Information Technology Monitoring and Evaluation	16005	2/29/2016	Internal Process
Simply Wheelz, LLC dba Advantage Rent-A-Car	16019	3/7/2016	Revenue Contract
Smarte Carte, Inc.	16024	3/16/2016	Revenue Contract
Grant & Non-Airline Revenue Management	16004	3/30/2016	Internal Process

In addition to the completed audits, the Office of the Chief Auditor had 13 audits in progress as of March 31, 2016, as shown in Figure 2 below. Of the 13 audits, at the end of the quarter, four (4) draft audit reports were being developed or had been forwarded to the affected departments for review and comment.

Figure 2: Audits In-Progress as of March 31, 2016

Audit	Type of Audit
Ace Parking Management, Inc	Expense Contract
Airport Security Management	Internal Process
Business and Travel Expenses	Internal Process
Contract Management	Internal Process
Emergency Medical Technician & Paramedic Services	Expense Contract
Kimley-Horn and Associates Inc.	Expense Contract
Merriwether & Williams Insurance Services, Inc.	Expense Contract
Midway Rent A Car, Inc.	Revenue Contract
Rental Car Center Fund	Internal Process
San Diego Unified Port District Billings – FY 2015	Expense Contract
Sky Chef, Inc. dba LSG Sky Chefs	Revenue Contract
SSP America, Inc. (RP 6R)	Revenue Contract
The Hertz Corporation	Revenue Contract

Recommendation Follow-Up

To ensure that audit issues are addressed in a timely manner, the OCA tracks the status of its recommendations on an on-going basis. For the last month in the quarter, the OCA tracked the implementation status of 13 recommendations that were issued during FY16, or were outstanding as of June 30, 2015. As shown in Figure 3 below, five (5) of the recommendations have been completed or implemented while eight (8) remain outstanding.

See Appendix B for a complete listing of all outstanding recommendations and their status.

Figure 3: Status of Recommendations as of March 31, 2016

Recommendations:				
Tracked	Completed	In Progress	Open	Not Accepted
13	5	8	0	0

In tracking recommendations the OCA uses the following designations:

- **Completed:** This designation is used for recommendations that the OCA has determined to be adequately implemented or for recommendations where alternate action is taken that adequately addresses the risk identified.
- **In Progress:** These recommendations have been partially addressed or partial corrective action has been taken. If adequate progress is not being made, it will be noted as such.
- **Open:** This category of recommendations have not yet been addressed. Usually, this designation is used when there has not been adequate time between report issuance and recommendation follow-up.
- **Not Accepted:** This designation is used for recommendations that an auditee does not accept and, therefore, will not implement. This category can represent a failing on the part of the OCA, as all recommendations should be workable and acceptable to the affected departments.

For Fiscal Year 2016, we have issued a total of eleven (11) recommendations. Beginning this Fiscal Year we will attempt to identify and measure an expected recommendation completion timeframe. Figure 4 below shows the status of recommendations issued in FY16 along with the expected completion timeframe.

Figure 4: Status of Recommendations issued in FY16

Estimated Completion Timeframe	Completed Within Estimate	Completed Outside Estimate	Outstanding	Total
Zero to 6 Months	6	0	3	9
6 Months to 1 Year	0	0	2	2
Over 1 Year	0	0	0	0
Total	6	0	5	11

It appears that adequate progress is being made with the majority of recommendations. The OCA will continue its monthly tracking of their status. Specifically, the non-completion of the "In Progress" recommendations should not have a material adverse effect on the Authority.

Non-Audit Activities

Along with the audit activities detailed above, the OCA continues its involvement in several non-audit projects and activities. Specifically, the OCA was involved in the following:

Audit Committee:

The Audit Committee met on February 1, 2016. During that meeting, the OCA presented its Fiscal Year 2016 Second Quarter Activity Report as well as a status report on the OCAs construction audit activity. The next Audit Committee meeting is May 2, 2016.

Construction Audit Activity:

The OCA continued its Construction Audit activity separate from the Annual Audit Plan. Ongoing activities include:

- Review of Green Build closeout activities. Planning for close-out review of all four GMPs for the Green Build.
- Planning for close-out review of Rental Car Center construction.
- Completion of analysis of project management (soft) costs incurred in capital projects. Preliminary draft of report is being prepared.

Attendance at the Capital Improvement Committee meetings, Development Program meetings, and other construction planning related meetings, allows the OCA Construction Auditor to provide assistance in ensuring that the Authority is meeting compliance requirements for ongoing and planned projects. The OCA Construction Auditor continues to work with Finance personnel to ensure that all costs deemed eligible for Federal Funds meet the requirements of the specific programs and/or grants.

Ethics Compliance Program:

During the quarter, the OCA successfully transitioned the management of the Ethics Program from the outgoing Senior Auditor to existing staff. No issues were noted and the transition appeared seamless. A summary of the Ethics Program Hotline activities for the period January 1, 2016, through March 31, 2016, is provided in Appendix A.

Training:

During the third quarter, OCA staff attended the Institute of Internal Auditors Government Auditing Seminar, the National Association of Construction Auditors 5th Annual Conference, and participated in several Internet-based and self-paced training seminars. Of note were sessions regarding ethics and cyber security.

Performance Measures

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for FY16, along with their current status, are detailed below in Figure 5.

Figure 5: Status of Performance Measures as of March 31, 2016

Performance Measure	Goal	Progress as of March 31, 2016
Percentage of the audit plan completed annually	100%	65%
Additional revenue/cost savings identified through audits	n/a	\$44,689
Percentage of staff time spent on audit activities	80% ¹	90%
Percentage of audits completed within budgeted time	80%	80%
Implementation of Recommendations	90%	71%

Percentage of the audit plan completed annually: This measure provides information on what has been accomplished regarding the planned audit projects for the year. To date the OCA has completed 65% of the plan and an additional 28% of the audit plan is currently in-progress. We also have established quarterly goals for the completion of our audit plan. For the third quarter, we had a completion goal of 74% of the audit plan. Regardless, we should be able to meet our annual goal of completing the entire plan by the end of the fiscal year.

Additional revenue/cost savings identified: While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. During the third quarter of FY16 we did not identify any additional revenue or cost savings leaving the total for the fiscal year at \$44,689, as noted in Figure 6 below:

Figure 6: Revenue and Cost savings Identified in FY 2016

Audit	Revenue Identified	Revenue Collected
DTG Operations, Inc., dba Thrifty and Dollar	\$35,847	\$0
BW-Budget-SDA LLC	8,842	8,842
Total	\$44,689	\$8,842

Percentage of staff time spent on audit activities: This measure helps ensure that the OCA spends an adequate amount of time on audit activities rather than administrative activities. To date, the OCA is well over its current goal of 80%.

Percentage of audits completed within budgeted time: This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it recognizes that budgets may

¹ This is the percentage of time staff spends on audit projects, construction audit activities, training, and the Ethics Program, vs. total staff time worked.

need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA is right at its goal of completing 80% of its projects within the budgeted time.

Implementation of Recommendations: This goal measures the value that the OCA is providing to the Authority by measuring how audit recommendations have impacted the Authority. For the fiscal year, 20 of 28 recommendations were implemented. While the percentage of implemented recommendations is under our goal, we are on track to achieve the goal, with an aim to have 90% of our recommendations implemented within the year. Additionally, there have been no recommendations issued this fiscal year that have exceeded our estimated completion time.

Going Forward

For completion during the fourth quarter of FY16, the OCA has targeted all of the audits currently in progress and six (6) additional audits. The completion of these audits will result in the accomplishment of 100% of the FY16 Audit Plan. Figure 7 identifies the audits scheduled for completion in the fourth quarter.

Figure 7: Audits Scheduled for Completion in the Fourth Quarter of Fiscal Year 2016

Audit	Type of Audit
Ace Parking Management, Inc	Expense Contract
Airport Security Management	Internal Process
Airport Terminal Services, Inc.	Revenue Contract
Business and Travel Expenses	Internal Process
Contract Management	Internal Process
Duty Free Americas San Diego LLC	Revenue Contract
Emergency Medical Technician & Paramedic Services	Expense Contract
Helix Electric, Inc.	Expense Contract
Kimley-Horn and Associates, Inc.	Expense Contract
Merriwether & Williams Insurance Services, Inc.	Expense Contract
Midway Rent A Car, Inc.	Revenue Contract
Nevada Lease and Rental, Inc. dba Payless Car Rental System	Revenue Contract
Procurement Card Spending	Internal Process
Rental Car Center Fund	Internal Process
Ricondo and Associates	Expense Contract
San Diego Unified Port District Billings – Fiscal Year 2015	Expense Contract
Sky Chef, Inc. dba LSG Sky Chefs	Revenue Contract
SSP America, Inc. (RP 6R)	Revenue Contract
The Hertz Corporation	Revenue Contract

Ethics Hotline
January – March 2016

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
Code of Ethics Concerns					
Potential Misuse of Public Funds					
<i>Construction/Car Rental</i>	4	4	0	n/a	0
<i>Construction</i>	3	3	0	n/a	0
<i>Public Art</i>	1	1	0	n/a	0
Potential Misuse of Resources					
<i>Advertising</i>	1	1	0	n/a	0
Non Ethics Related Concerns					
Aircraft Noise	7	7	0	n/a	0
ATO Practices and Behavior	6	6	0	n/a	0
TSA Practices and Behavior	3	3	0	n/a	0
RCC Operations	3	3	0	n/a	0
Public Art Practices	1	1	0	n/a	0
General Workplace Concerns					
Prohibited Use of Position	5	5	4	n/a	0
Workplace Practices/Behavior	5	5	0	n/a	0
Volunteer Opportunity Emails	3	3	0	n/a	0
Workplace Equitability	2	2	0	n/a	0

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2016	OCA's Assessment	Estimated Completion Date
15-18	ACCOUNTING DEPARTMENT	Audit Report 15037, dated May 18, 2015, Procurement Card Program	17	Impact: 9 Probability: 8	The Accounting Department should develop a transaction-specific documentation requirement guide to be included in the Manual, and in the guidance for check requests, to mitigate any conflicts between the various Authority purchasing guidelines.	Accounting is in the final stages of completing an A/P Training and Reference Manual for the user training program that will be conducted prior to June 30, 2016. In addition, Accounting is in the planning stages of creating comprehensive Standards and Guidelines for Accounts Payable that will formally establish and document the processes and controls of approximately ten different methods of handling disbursements. This will involve a thorough review of all procedures to ensure consistent application across all methods. Incremental milestone deadlines will be set, with an estimated completion date to be determined with further discussions with stakeholders and BKD consultants.	In Progress	December 2017
16-04	INFORMATION & TECHNOLOGY SERVICES DEPARTMENT	Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation	17	Impact: 9 Probability: 8	Information & Technology Services Department should implement a proactive and systematic program for evaluating and monitoring compliance to IT cybersecurity policies.	I&TS will put in place the NIST Cyber Security Framework which provides guidance and best practices to manage and reduce cyber security risks for critical infrastructure.	In Progress	December 31, 2017
15-19	PROCUREMENT DEPARTMENT	Audit Report 15037, dated May 18, 2015, Procurement Card Program	15	Impact: 8 Probability: 7	Procurement should ensure that a fully trained backup is performing the full duties and responsibilities of the P-Card Program Analyst during extended absences. A formal training manual should be created and updated annually to address any new procedures or issues noted in the preceding year. The manual can then be used by the backup person to provide the annual training if the P-Card Analyst is not available.	The P-Card Program Analyst is working on the draft of a desk manual.	In Progress	May 2016

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2016	OCA's Assessment	Estimated Completion Date																				
16-02	INFORMATION & TECHNOLOGY SERVICES DEPARTMENT	Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation	15	Impact: 8 Probability: 7	In order to maintain a comprehensive Cyber-security Policy for all Authority IT systems, the oversight of systems security should be centralized to the Information and Technology Services Department (I&TS). For Facilities Development Department (FDD) and Airport Development Program (ADP) personnel currently managing the GIS and DocuShare systems, business processes should maintain oversight within the respective department, while the IT processes would be the responsibility of I&TS.	At the time of the audit report, I&TS indicated that it would work closely with FDD to identify possible solutions to address this recommendation.	Completed	N/A																				
15-22	PROCUREMENT DEPARTMENT	Audit Report 15037, dated May 18, 2015, Procurement Card Program	14	Impact: 7 Probability: 7	Procurement should provide additional analysis of the P-Card Program to Management on a regular basis.	A spend report and analysis for 2015 has been run for each department. All reports will have been distributed to Department Directors and Vice Presidents by May 2016.	In Progress	May 2016																				
15-31	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16018, dated December 23, 2015, DTG Operations, Inc., dba Thrifty and Dollar	14	Impact: 7 Probability: 7	Business and Financial Management should request that Accounting generate an invoice to DTG in the amount of \$35,847, as detailed below: License Fee and CFC Recalculation <table><tr><td></td><td>Dollar</td><td>Thrifty</td><td>Total</td></tr><tr><td>Finding 1 - License Fees</td><td><\$12,383></td><td><\$4,449></td><td><\$16,832></td></tr><tr><td>Finding 2 - CFC</td><td><2,052></td><td>18,011</td><td>15,959</td></tr><tr><td>Finding 3 - Non-Airport</td><td>27,476</td><td>9,244</td><td>36,720</td></tr><tr><td>Total</td><td>\$13,041</td><td>\$22,806</td><td>\$35,847</td></tr></table>		Dollar	Thrifty	Total	Finding 1 - License Fees	<\$12,383>	<\$4,449>	<\$16,832>	Finding 2 - CFC	<2,052>	18,011	15,959	Finding 3 - Non-Airport	27,476	9,244	36,720	Total	\$13,041	\$22,806	\$35,847	Invoices were issued in February. Collections are still being pursued.	In Progress	June 2016
	Dollar	Thrifty	Total																									
Finding 1 - License Fees	<\$12,383>	<\$4,449>	<\$16,832>																									
Finding 2 - CFC	<2,052>	18,011	15,959																									
Finding 3 - Non-Airport	27,476	9,244	36,720																									
Total	\$13,041	\$22,806	\$35,847																									
16-01	AIRSIDE OPERATIONS DEPARTMENT	Audit Report 16032, dated February 1, 2016, Aircraft Rescue and Fire Fighting Expense Billings - Fiscal Year 2015	14	Impact: 7 Probability: 7	We recommend that the Airside Operations Department notify the Accounting Department to issue a payment to the City of San Diego for the underbilling of \$159,226 for personnel expenses. The adjustments to firefighter fringe rates, Fair Labor Standards Act overtime expenses, and the Tele Staff Desk credit, should be included in the final calculation of the amount due to the City for Fiscal Year 2015 ARFF services.	Received invoice from the City on Friday April 8, 2016. Currently with AP for processing and payment before end of April.	Completed	N/A																				
15-16	PROCUREMENT DEPARTMENT	Audit Report 15037, dated May 18, 2015, Procurement Card Program	13	Impact: 6 Probability: 7	To ensure that Approving Officials take ownership of their review responsibilities, the Procurement Department should revise the Manual to include the same disciplinary measures for Approving Officials who approve reconciliations with inadequate documentation, or questionable, prohibited, or restricted purchases, as those imposed on P-Cardholders.	The updated 2016 Manual has been published on the Authority's intranet. The new manual includes updating Violation consequences (Page 3, Section III. F) to include approving officials.	Completed	N/A																				

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2016	OCA's Assessment	Estimated Completion Date
15-30	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16030, dated December 8, 2015, NewZoom, Inc. dba ZoomSystems	13	Impact: 7 Probability: 6	More in-depth monitoring of sales and payments of concessionaires should be performed on a monthly/on-going basis. Changes in sales and late payments should be analyzed more thoroughly and any alarming trends should be reported to senior management. Each monthly statement sent to concessionaires should include a delinquency report with the associated assessed late fees with a request for payment.	Statements include late fees. Improved monitoring between Business Managements and the Collections Specialist is in place. Due to E1 constraints, late fees remain calculated after the payment is received.	Completed	N/A
16-03	INFORMATION & TECHNOLOGY SERVICES DEPARTMENT	Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation	12	Impact: 6 Probability: 6	Information & Technology Services Department should take immediate measures to identify and protect data and systems by implementing comprehensive IT Cybersecurity policy.	I&TS filled the roll of the Cyber Security Specialist position. The Cyber Security Specialist is taking measures to protect the data and systems. In addition, he is in the process of implementing the Center for Internet Security's (CIS) recommended actions to stop pervasive and dangerous cyber security attacks.	In Progress	December 31, 2016
15-29	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16030, dated December 8, 2015, NewZoom, Inc. dba ZoomSystems	11	Impact: 5 Probability: 6	Monitoring of requirements of each concessionaire lease agreement needs to be strengthened and well documented. Differences in processes used by concessionaires should be analyzed for adequacy to determine if they provide the outcome that the Authority is actually seeking. The pricing and product processes used by ZoomSystems appear to be reasonable and ones that can be easily monitored by the Authority, but the lease should be changed to reflect the processes used.	In process to be completed by June 2016.	In Progress	June 2016
16-05	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16004, dated March 30, 2016, Grant & Non-Airline Revenue Management	9	Impact: 5 Probability: 4	The Business and Financial Management Department (BFM) should expand and enhance documentation pertaining to the grant management program. In addition, the current grant manual should be updated and reviewed and formal training should be conducted periodically, to ensure consistent knowledge of procedures and regulations and to provide guidance for employee(s), including required documents needed by the employee(s) to complete their job duties, as well as the assignment of responsibility for tasks and actions.	In the process to develop a plan. Estimated completion December 2016.	In Progress	December 2016

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2016	OCA's Assessment	Estimated Completion Date
15-28	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16016, dated November 6, 2015, BW-Budget-SDA LLC	8	Impact: 3 Probability: 5	The Business and Financial Management Department should request that the Accounting Department issue an invoice to Budget for the net amount of \$8,842.	Payment received.	Completed	N/A

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

ITEM 3



Fiscal Year 2016
Third Quarter Activities Report
and Audit Recommendations
Issued by the Office of the Chief Auditor

January 1, 2016, through March 31, 2016

Audit Committee Meeting
May 2, 2016

Presentation Overview

3rd Quarter Report

- **Audit Activities**
- **Recommendation Follow-up**
- **Performance Measures**
- **Summary of Ethics Inquiries**

Audit Activities

- **Completed 9 Audits**
 - Internal Process: 2
 - Expenditure Contract: 3
 - Revenue Contract: 4
- **Thirteen (13) audits were in progress as of March 31, 2016**
- **Audit Results**
 - Issued 5 Recommendations during the 3rd Quarter

Audits in Progress as of March 31, 2016

Audit	Type of Audit	Status as of May 2, 2016
Ace Parking Management, Inc.	Expense	Report Issued
Airport Security Management	Internal	Fieldwork
Business and Travel Expenses	Internal	Draft Report
Contract Management	Internal	Fieldwork
Emergency Medical Technician & Paramedic Services	Expense	Report Issued
Kimley-Horn and Associates, Inc.	Expense	Draft Report
Merriwether & Williams Insurance Services, Inc.	Expense	Report Issued
Midway Rent A Car, Inc.	Revenue	Draft Report
Rental Car Center Fund	Internal	Report Issued
San Diego Unified Port District Billings – FY 2015	Expense	Fieldwork
Sky Chef, Inc. dba LSG Sky Chefs	Revenue	Draft Report
SSP America, Inc. (RP 6R)	Revenue	Fieldwork
The Hertz Corporation	Revenue	Draft Report

Recommendation Follow-Up

Status as of March 31st :

Tracked	Completed	In Progress	Open	Not Accepted
13	5	8	0	0

Fiscal Year 2016 Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	65%
Percentage of the audit plan completed during 3 rd Quarter	74%	65%
Additional revenue/cost savings identified through audits	n/a	\$44,689
Percentage of staff time spent on audit activities	80%	90%
Percentage of audits completed within budgeted time	80%	80%
Implementation of Recommendations	90%	71%

Summary of Ethics Inquiries

January 1, 2016, through March 31, 2016

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
Code of Ethics Concerns					
Potential Misuse of Public Funds					
<i>Construction/Car Rental</i>	4	4	0	n/a	0
<i>Construction</i>	3	3	0	n/a	0
<i>Public Art</i>	1	1	0	n/a	0
Potential Misuse of Resources					
<i>Advertising</i>	1	1	0	n/a	0
Non Ethics Related Concerns					
Aircraft Noise	7	7	0	n/a	0
ATO Practices and Behavior	6	6	0	n/a	0
TSA Practices and Behavior	3	3	0	n/a	0
RCC Operations	3	3	0	n/a	0
Public Art Practices	1	1	0	n/a	0
General Workplace Concerns					
Prohibited Use of Position	5	5	4	n/a	0
Workplace Practices/Behavior	5	5	0	n/a	0
Volunteer Opportunity Emails	3	3	0	n/a	0
Workplace Equitability	2	2	0	n/a	0

QUESTIONS?



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE**

**Item No.
4**

Meeting Date: **MAY 2, 2016**

Subject:

Fiscal Year 2017 Proposed Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee accept the Proposed Audit Plan and forward it to the Board for approval.

Background/Justification:

As directed in the Charter of the Office of the Chief Auditor, a one-year audit plan shall be submitted at the beginning of each fiscal year by the Chief Auditor to the Audit Committee for their review and acceptance.

The Fiscal Year 2017 Proposed Audit Plan was prepared by the Chief Auditor based on the following key elements: a comprehensive risk assessment methodology and analysis; input from the Board; input from Authority management; and, on the basis of staff resources available. See Attachment A for a detailed account of the Fiscal Year 2017 Audit Plan formulation.

The Audit Committee will be presented with the Office of the Chief Auditor's Proposed Fiscal Year 2017 Audit Plan (Attachment 1) during a regularly scheduled meeting of the Committee on May 2, 2016.

Fiscal Impact:

None

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

☐ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

Page 2 of 2

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

PROPOSED FISCAL YEAR 2017 AUDIT PLAN

Introduction

This document is for the purpose of communicating to the San Diego County Regional Airport Authority (Authority) Board the process used for constructing the Office of the Chief Auditor's (OCA) Annual Audit Plan (Audit Plan) for Fiscal Year 2017.

The Audit Plan was developed utilizing a risk assessment methodology that considered specific impact and probability risks. Impact risk evaluates the effect resulting from a breakdown in an operation's environment, processes, and/or controls. Probability risk evaluates the likelihood that an incident will occur.

Utilizing a structured risk assessment methodology enables the OCA to quantify the level of risk related to the Authority's processes and business activities. On the basis of the risk scoring, the OCA can develop an appropriate audit schedule that will ensure adequate review of the Authority's operations.

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2017 Audit Plan is a five-part process consisting of:

1. Developing the risk assessment model;
2. Understanding department activities;
3. Scoring the process and business activity risks;
4. Ranking the auditable areas; and,
5. Developing the audit plan.

Developing the Risk Assessment Model

We have inventoried all Authority activities, segregating them into the following categories:

- Annual Ongoing Audits and Support
- Internal Business Process Audits
- Expense Contract Audits
- Car Rental Contract Audits¹
- Other Lease Contract Audits¹
- Concession Contract Audits¹

These categories were segregated into auditable units, and estimated audit hours were then assigned to each auditable unit. Each audit unit's risk was scored using the impact and probability risk criteria, and then ranked based on the auditable unit's risk score. The final risk score for each auditable unit are detailed in Attachments 3, 4, 5, 6 and 7.

To determine the annual amount of staff time available to complete audits, we estimated the amount of time each audit staff member would have to devote to audit projects, taking into consideration administrative, vacation, training, sick, and holiday hours. We estimated that a total of 10,192 staff hours are available during Fiscal Year 2017 to conduct assigned audits.

The next step was to determine the net hours available for non-annual audits that relate to business processes, expense contracts, and revenue contracts. This amount was calculated by

¹ Car Rental, Other Lease, and Concession contracts are combined under Revenue Contract Audits in the Audit Plan.

PROPOSED FISCAL YEAR 2017 AUDIT PLAN

subtracting the hours required to conduct annual ongoing audits, ethics program activities, and construction audit activities, from the total available hours. Table 1 below details this calculation.

**TABLE 1
Staff Hours Available to Conduct Non-Annual Audits**

Total Available Staff Hours Per Year (See Attachment 1)	10,192
Annual Ongoing Audits and Special Requests	(1,867)
Ethics Program Activity	(375)
Construction Audit and Monitoring Activity	(1,000)
Available Hours for Non-Annual Audits	6,950

The final step was to develop the Fiscal Year 2017 audit plan based on the available resources and risk scores. For each of the audit categories (business processes, expense contracts, and revenue contracts) we selected audit units with higher risk scores, taking into account the amount of resources that would be required of the internal audit staff and the amount of audit time required by applicable Authority Departments.

The proposed Audit Plan for Fiscal Year 2017 is presented in Attachment 1. Contracts selected comprise the following:

- Expense contracts account for 64.8% of the total actual expenses over a 12-month period.
- Car Rental revenue contracts account for 71.5% of the total collected revenues over a 12-month period.
- Other Lease revenue contracts account for 51.2% of the total collected revenues over a 12-month period.
- Concession revenue contracts account for 39.9% of the total collected revenues over a 12-month period.

Further explanation of each of the audit units included in the Audit Plan is provided in Attachment 2.

Subsequent attachments summarize the risk score details:

- Attachment 3: Business Processes – Descending Risk Scores
- Attachment 4: Expense Contracts – Descending Risk Scores
- Attachment 5: Revenue Contracts – Car Rental – Descending Risk Scores
- Attachment 6: Revenue Contracts – Other Lease – Descending Risk Scores
- Attachment 7: Revenue Contracts – Concession – Descending Risk Scores

**San Diego County Regional Airport Authority
Office of the Chief Auditor
Proposed FY 2017 Audit Plan**

BUSINESS PROCESS AUDITS (Attachment 3)		
1	Telecommunications Services and Billing	300
2	Process Control - Airport Development & Construction	600
3	Property and Inventory Management	250
4	Airport Lost and Found	200
5	Environmental Compliance	300
TOTAL BUSINESS PROCESS AUDIT HOURS		1,650 16.2%
EXPENSE CONTRACT AUDITS (Attachment 4)		
6	Austin/Sundt	450
7	AECOM Technical Services, Inc.	150
8	AMEC Environmental and Infrastructure, Inc.	150
9	Orion Construction Corporation	150
10	Jones Payne Group	150
11	Hearne Corporation	150
12	Bradford Airport Logistics	150
13	HSS, Inc.	150
14	SP Plus Corporation	150
TOTAL EXPENSE CONTRACT AUDIT HOURS		1,650 16.2%
REVENUE CONTRACT AUDITS (Attachments 5, 6, and 7)		
15	Enterprise Rent A Car Company (Enterprise, Alamo, National)	400
16	Coronado Transportation System	250
17	Avis Rent A Car Systems LLC	300
18	The Hertz Corporation	300
19	Fox Rent A Car	300
20	Ace Parking	350
21	Airline & Others (Ogden Aviation)	150
22	JCDecaux, Inc.	250
23	Gate Gourmet Inc.	150
24	High Flying Foods San Diego (FSP 8)	200
25	Host International Inc. (FSP 1)	200
26	Swissport Lounge LLC	200
27	Spa Didacus Inc. (RP 5)	200
28	High Flying Foods San Diego (FSP 7)	200
29	Paradies - San Diego LLC (RP1)	200
TOTAL REVENUE AUDIT HOURS		3,650 35.8%
ANNUAL ONGOING AUDITS AND SUPPORT		
30	Aircraft Rescue and Fire Fighting (ARRF)	150
31	Board Member and Executive Business Expenses	50
32	Rental Car Center Fund	50
33	Procurement Card Program	150
34	Agreements with Expenditure Limits Not to Exceed \$100,000	100
35	Transportation Network Company Reviews and Assistance	250
36	Emergency Medical Technician & Paramedic Services	80
37	San Diego Unified Port District Billing	250
ANNUAL ONGOING AUDIT AND SUPPORT HOURS		1,080
38	Special Request Audits	787
TOTAL ANNUAL ONGOING AUDIT AND SUPPORT HOURS		1,867 18.3%
39	ETHICS PROGRAM ACTIVITY	375 3.7%
40	CONSTRUCTION AUDIT AND MONITORING ACTIVITY	1,000 9.8%
TOTAL HOURS		10,192 100.0%
AVAILABLE AUDIT HOURS FROM OFFICE STAFF		10,192
DIFFERENCE		0

**Fiscal Year 2017 Audit Plan
Audit Unit Definitions**

ATTACHMENT 2

#	Audit Unit	Explanation
<i>Business Process Audits</i>		
1	Telecommunications Services and Billing	Evaluate procedures and controls related to telecommunication services and billings. This audit was suggested by the Director, Information Technology, to help ensure that current telephone billings represent valid Authority needs.
2	Process Control - Airport Development & Construction	Analyze procedures and controls related to airport development and construction processes. This audit was suggested by the Director, Airport Development and Construction, to help ensure that current procedures and controls reduce risk to an adequate level.
3	Property and Inventory Management	Review controls, compliance, and performance related to the property and inventory management.
4	Airport Lost and Found	Examine the Airport lost and found operations, including policies and procedures, inventory controls, and reporting compliance.
5	Environmental Compliance	Evaluate the controls in place, and operating effectively, to ensure compliance with Federal, State, and Local environmental compliance and reporting.
<i>Expense Contract Audits</i>		
6	Austin/Sundt	Review contract expenditures related to joint venture to construct the rental car center.
7	AECOM Technical Services, Inc.	Review contract expenditures related to providing program management and support services, with a maximum contract amount of \$60,000,000 over a three year period.
8	AMEC Environmental and Infrastructure, Inc.	Review contract expenditures related to on-call material testing, special inspection, and geotechnical services for Capital Improvement Program and major maintenance programs, with a maximum contract amount of \$5,000,000 over a three year period.
9	Orion Construction Corporation	Review contract expenditures related to Construct the north side utility storm drain trunk, with a maximum contract amount of \$10,396,680 over a three year period.
10	Jones Payne Group	Review contract expenditures related to on-call engineer to provide consulting work on the airport master plan project, with a maximum contract price of \$19,760,000 over a three year period.
11	Hearne Corporation	Review expenditures related to reconfiguring security checkpoint 2 and refurbishing Terminal 1 rotundas & baggage claim area, with estimated maximum contract amounts of \$3,829,623.

**Fiscal Year 2017 Audit Plan
Audit Unit Definitions**

#	Audit Unit	Explanation
12	Bradford Airport Logistics	Review contract expenditures related to operating the central receiving and distribution center, with a maximum contract amount of \$7,599,422 over a five year period.
13	HSS, Inc.	Review expenditures related to providing contract security services, with estimated maximum contract amounts of \$19,000,000 over a three year period.
14	SP Plus Corporation	Review contract expenditures related to the purchase of 16 shuttle buses in the amount of \$7,791,277, and operate the Rental Car Center buses for a period of five years in the amount of \$29,208,723.
Revenue Contract Audits		
15	Enterprise Rent A Car Company (Enterprise, Alamo, National)	Review the accuracy of revenues received from a car rental company.
16	Coronado Transportation System+	Review the accuracy of revenues received from a car rental company.
17	Avis Rent A Car Systems LLC	Review the accuracy of revenues received from a car rental company.
18	The Hertz Corporation	Review the accuracy of revenues received from a car rental company.
19	Fox Rent A Car	Review the accuracy of revenues received from a car rental company.
20	Ace Parking	Review the accuracy of revenues for providing ground transportation and parking services.
21	Airline and Others (Ogden Aviation)	Review the accuracy of revenues and related expenditures for fueling services.
22	JCDecaux, Inc.	Review the accuracy of revenues and related expenditures for advertising services.
23	Gate Gourmet, Inc.	Review the accuracy of revenues and related expenditures for airline food services.
24	High Flying Foods San Diego (FSP 8)	Review the accuracy of revenues and related expenditures for concession services.
25	Host International Inc. (FSP 1)	Review the accuracy of revenues and related expenditures for concession services.
26	Swissport Lounge LLC	Review the accuracy of revenues and related expenditures for concession services.
27	Spa Didacus Inc. (RP 5)	Review the accuracy of revenues and related expenditures for concession services.
28	High Flying Foods San Diego (FSP 7)	Review the accuracy of revenues and related expenditures for concession services.
29	Paradies - San Diego LLC (RP1)	Review the accuracy of revenues and related expenditures for concession services.

**Fiscal Year 2017 Audit Plan
Audit Unit Definitions**

#	Audit Unit	Explanation
<i>Annual Ongoing Audits & Support</i>		
30	Aircraft Rescue & Fire Fighting (ARFF) Billing	Ensure that the Authority is reimbursing the City for actual costs incurred to provide ARFF services, so that the Authority is in compliance with the FAAs revenue diversion requirements.
31	Board Member and Executive Business Expenses	Review the appropriateness of Board Member expenditures, and compliance of these expenditures with Authority policy.
32	Rental Car Center Fund	Review Rental Car Center Fund for compliance with Authority policies and State regulations.
33	Procurement Card Program	Review controls related to P-cards and appropriateness of expenditures.
34	Agreements with Expenditure Limits Not to Exceed \$100,000	Review sample of expenditures of contracts that are less than \$100,000 per year.
35	Transportation Network Company (TNC) Reviews and Assistance	Working with the Ground Transportation Department, review TNC operations and assist with sample selection of TNC operators for background checks.
36	Emergency Medical Technician-Paramedic Services	Ensure that the Authority only reimburses the City for the actual costs of providing the emergency medical technician-paramedic services, so that the Authority is in compliance with the FAAs revenue diversion requirements.
37	San Diego Unified Port District Billing	Determine that payments made to the Port are reflective of the actual expenses incurred to provide those services, so that the Authority is in compliance with the FAAs revenue diversion requirements.
38	Special Request Audits	Perform close out audits (audits of vendors that terminate operations at SDIA) and audits requested by Board Members and/or management that were not included in the audit plan.
<i>Other Audit Activity</i>		
39	Ethics Program Activity	Develop and amend ethics policies, provide training, and investigate reported incidents.
40	Construction Audit and Monitoring Activity	Perform audits of construction activities related to the Capital Improvement Program and the Airport Design and Construction Department.

**Fiscal Year 2017 Audit Plan
Business Processes – Descending Risk Scores**

ATTACHMENT 3

Business Processes	Risk Score	Estimated Hours
Telecommunications Services and Billing	4.80	300
Process Control - Airport Development & Construction	4.80	600
Property Management	4.70	250
Contract Management	4.60	300
Airport Lost and Found	4.60	200
Airport Security Management	4.50	300
Grant and Non-Airline Revenue Procurement and Management	4.30	250
Environmental Compliance	4.10	300
Information Technology Monitoring and Evaluation	4.00	300
Procurement Management	3.90	300
Organizational Performance Measures	3.80	250
Airline Services Management	3.80	300
Budget Management and Analysis	3.80	300
Public Parking Management	3.80	350
Revenue and Business Development Management	3.80	300
Treasury/Cash Management	3.80	300
Airline Route Sales and Management	3.70	250
Capital and Maintenance Project Selection and Planning	3.70	300
Information Technology Performance	3.70	350
Information Technology Acquisition and Implementation	3.70	350
Information Technology Delivery and Support	3.70	350
Marketing and Public Communications	3.70	350
Risk Service Management	3.70	250
Consortium Agreement Compliance	3.60	250
Energy Usage	3.60	300
Restricted Fund Accountability	3.60	150
Sustainability Management	3.60	250
Debt Service Management	3.50	250
Enterprise Risk Management	3.50	350
Small Business Development Management	3.50	300
Timekeeping Payroll Compliance	3.50	250
Transportation and Traffic Services Management	3.50	300
Vehicle Fleet Management	3.50	300
Airport Land Use Management	3.40	300
Concessionaire Management	3.40	250
Attorney General MOU on Greenhouse Gases Compliance	3.30	200
Business Continuity Management	3.30	300
Human Resources Services	3.20	350
Social Media Control	3.20	250
Special Event Management	3.20	200
Airport Noise Management	3.10	200
Business and Travel Expenses	3.10	300
Cloud Management	3.10	300
Public Records Management	2.90	250
		12,700

**Fiscal Year 2017 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

Company	Risk Score	Hours
Austin/Sundt	4.80	450
AECOM Technical Services, Inc.	4.70	150
AMEC Environmental and Infrastructure, Inc.	4.50	150
Orion Construction Corporation	4.40	150
Jones Payne Group	4.40	150
Hearne Corporation	4.40	150
Bradford Airport Logistics	4.40	150
HSS, Inc.	4.30	150
SP Plus Corporation	4.20	150
Statewide Stripes, Inc.	4.10	150
Neal Electric Corporation dba Neal Electric Inc.	4.10	150
Frasca & Associates Inc.	4.10	150
RAL Investment Corporation dba Silverstrand Construction	4.10	150
KONE, Inc.	4.10	150
G & G Specialty Contractors, Inc.	4.00	150
SITA Information Networking Computing USA	4.00	150
Ensley Electric, Inc.	4.00	150
M.W. Vasquez Construction Company, Inc. dba Vasquez Construction Company	4.00	150
Serco Management Services, Inc.	4.00	150
Dynamic Contracting Services, Inc.	4.00	150
DuWright Construction Inc.	4.00	150
Meriwether and Williams Insurance Services Inc.	4.00	150
Helix Electric, Inc.	4.00	150
Westgroup Designs, Inc.	4.00	150
Jacobs Project Management Co.	4.00	150
RGC Construction, Inc.	4.00	150
Porter Novelli Inc.	3.90	150
Project Team Solutions, Inc. (PTSI)	3.90	150
Traveler's Aid Society of San Diego	3.90	150
AssetWorks	3.90	150
Greenhaus Inc.	3.90	150
Ace Parking Management, Inc.	3.80	350
Kimley-Horn and Associates Inc.	3.80	150
S&L Specialty Contracting, Inc.	3.80	150
Pacific Rim Mechanical	3.80	150
Sign Age Identity Systems Inc.	3.80	150
Service Tec International, Inc.	3.80	150
Ricondo and Associates	3.80	150
Velocity Technology Solutions, Inc.	3.80	150
Willis Insurance Services of California, Inc.	3.80	150
The Christmas Light Company	3.80	150
Ocean Blue Environmental Services	3.70	150

**Fiscal Year 2017 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

CompuCom Systems Inc.	3.70	150
Hazard Construction Company	3.60	150
Leigh Fisher & Associates	3.60	150
Allied Waste Systems, Inc. dba Republic Services	3.60	150
Jacobsen/Daniels Associates LLC	3.60	150
Gordon-Prill San Diego, Inc.	3.60	150
Campbell-Hill Aviation Group	3.60	150
Insight Public Sector	3.60	150
Abhe & Svoboda, Inc.	3.60	150
24 Hour Fire Protection, Inc.	3.60	150
PBS Engineers, Inc.	3.60	150
Zoological Society of San Diego	3.60	150
SSI, Inc.	3.60	150
Simon Wong Engineering, Inc.	3.60	150
Aon Consulting and Insurance Services, Inc.	3.60	150
Demattei Wong Architecture, Inc.	3.50	200
ThyssenKrupp Airport Systems, Inc.	3.50	150
Abadjis Systems, Ltd.	3.50	150
VA Consulting, Inc.	3.50	150
Kleinfelder West Inc.	3.50	150
Manatt, Phelps & Phillips LLP	3.50	150
URS, Inc.	3.50	150
Bruehl & Kjeur EMS	3.50	150
Diamond Environmental Services LP	3.50	150
Cannon Pacific Services Inc.	3.50	150
Stanley Access, Inc.	3.50	150
Ameri-Mex Plumbing Inc.	3.50	150
Borrego Solar System, Inc.	3.50	150
AT&T, CALNET 2 Contract	3.50	150
Granite Construction Company	3.40	150
Serco, Inc.	3.40	150
Aztec Landscaping	3.40	150
EC Constructors, Inc.	3.40	150
Ninyo & Moore Geotechnical Consultants	3.40	150
JRM Consultants & Investigations Company	3.40	150
Best Best Krieger LLP	3.40	150
Mary Stathoulis dba Modern Painting	3.40	150
Downstream Services, Inc.	3.40	150
A-Team Contractors, Inc.	3.40	150
Research Horizons LLC, dba Phoenix Marketing International	3.40	150
LCPTTracker, Inc.	3.40	150
Aurora Industrial Hygiene, Inc.	3.40	150
Riskconnect, Inc.	3.40	150
County of San Diego Sheriff's Department, Regional Communications System	3.40	150

**Fiscal Year 2017 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

A-Advanced Locksmiths	3.40	150
A Good Roofer, Inc.	3.40	150
UniFirst Corporation	3.40	150
On the Spot Flooring	3.40	150
Morrison & Foerster LLP	3.40	150
Atkins North America, Inc.	3.30	150
Tom Mascarenak dba Ground Equipment Services	3.30	150
Nolte Associates Inc.	3.30	150
Chula Vista Electric Company	3.20	150
Haley and Aldrich, Inc.	3.20	150
Southern California Fleet Services, Inc.	3.20	150
M.B. Oliver Inc. dba Agricultural Pest Control Services	3.20	150
Commercial & Industrial Roofing Company, Inc.	3.20	150
Planetbids, Inc.	3.20	150
Paul Plevin Sullivan & Connaughton LLP	3.20	150
Location Matters	3.20	150
Discount Glass & Mirror Inc.	3.20	150
Clark Telecom and Electric (CTE) Inc.	3.20	150
Audio Associates of San Diego	3.20	150
Meyers Nave	3.20	150
Hawthorne Machinery Co.	3.20	150
Xtreme Floor Covering Specialists Inc.	3.20	150
Hellman, Obata & Kassabaum (HOK), Inc.	3.20	150
Stutz Artiano Shinoff & Holtz APC	3.20	150
United States Department of Agriculture	3.20	150
Seasonal Innovations Inc. dba Greenleaf Plant Solutions	3.10	150
Kutak Rock LLP	3.10	150
Cartwright Termite & Pest Control	3.10	150
Hatch Mott MacDonald, LLC	3.10	150
Marsh USA Inc.	3.10	150
TruGreen Landcare LLC	3.10	150
General Networks Corporation	3.00	150
Helix Mechanical, Inc.	3.00	150
Ueberall International LLC	3.00	150
USDA - Animal and Plant Health Inspection Services	3.00	150
Passur Aerospace Inc.	3.00	150
HPS Mechanical, Inc.	3.00	150
All County Fire, Inc.	3.00	150
The Glass Company, Inc. dba C & C Glass	3.00	150
KPFF, Inc. dba KPFF Consulting Engineers	3.00	150
Mags Harries & Lajos Heder Collaborative	3.00	150
AB Engineering, Inc.	3.00	150
Built Pacific, Inc.	3.00	150
Can-Do Electric, Inc.	3.00	150

**Fiscal Year 2017 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

Denovo Ventures LLC	3.00	150
EMS Construction, Inc.	3.00	150
Epoch Universal, Inc.	3.00	150
Gatzke, Dillon & Balance LLP	3.00	150
PAL General Engineering, Inc.	3.00	150
Plumbright, Inc.	3.00	150
San Diego Office Interiors	3.00	150
Vector Resources, Inc.	3.00	150
WTS, Inc.	3.00	150
CH2M Hill	2.90	150
U.S. Bank National Association	2.90	150
Are & R Plumbing Inc.	2.90	150
Endless Summer Heating and Cooling, Inc.	2.90	150
Quality Fence Co. Inc.	2.80	150
APEX Contracting & Restoration, Inc.	2.80	150
CPS Human Resources	2.80	150
Drain Medic Plumbing	2.80	150
United Storm Water Inc.	2.80	150
Carter & Burgess, Inc.	2.70	150
Idea Integration Corp. dba Idea	2.70	150
Law Management Inc. dba Designer Glass & Shower	2.70	150
PC Specialists, Inc. dba Technology Integration Group (TIG)	2.70	150
SIGMAnet, Inc.	2.60	150
Aircraft Service International, Inc.	2.50	150
Sadler Electric, Inc.	2.50	150
Marsh Risk & Insurance Service	2.40	150
Mactec Engineering and Consulting	2.20	150
RJC Architects, Inc.	2.00	150
MJE Marketing Services, Inc.	2.00	150
Solution Guidance Corporation	2.00	150
ETA Transit Systems	2.00	150
Transcore LP	2.00	150
Sharp Business Systems	2.00	150
Swinerton Builders	2.00	150
Total Communicator Solutions, Inc.	2.00	150
Lease Servicing Center, Inc.	2.00	150
Exelis, Inc. Information Systems	2.00	150
Bay City Equipment Industries, Inc. dba Bay City Electric Work	2.00	150
Artwork San Diego	2.00	150
Everbridge, Inc.	2.00	150
Print-O-Tape Inc.	2.00	150
Polsinelli LLP	2.00	150
Heidi Halsey	2.00	150
Ball-Nogues Design Studio, LLC	2.00	150

**Fiscal Year 2017 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

BC Rental dba BC Traffic Specialist	2.00	150
Casper BV	2.00	150
Coffman Associates, Inc.	2.00	150
Faithful + Gould, Inc.	2.00	150
Fordyce Construction, Inc.	2.00	150
Legge Lewis Legge LLC	2.00	150
Nossaman LLP	2.00	150
Oracle, Inc.	2.00	150
Selbert Perkins Design	2.00	150

28,000

**Fiscal Year 2017 Audit Plan
Car Rental Contracts – Descending Risk Scores**

ATTACHMENT 5

Company	Risk Score	Hours
Enterprise Rent A Car Company (Enterprise, Alamo, National)	4.60	400
The Hertz Corporation	4.60	300
Fox Rent A Car	4.50	300
Avis Rent A Car Systems LLC	4.40	300
Coronado Transportation System	4.10	250
BW - Budget - SDA, LLC	4.00	250
Nevada Lease and Rental Inc. dba Payless Car Rental System	4.00	250
DTG Operations Inc. dba Thrifty & Dollar	3.80	300
Simply Wheelz LLC dba Advantage Rent-A-Car	3.80	250
Midway Rent A Car, Inc.	3.67	200
Pneuma Enterprises Inc. dba TravCar	3.33	150
Gitibin dba Go Rental	3.33	150
Airport Van Rental, Inc.	3.00	150
RLZ Corporation dba Pacific Rent-A-Car	2.67	150
South CA A1 Car Rental dba A1 Rent a Car	2.67	150
American Car Rental	2.67	150
Flight Car, Inc. LC	2.60	150
EZ Rent A Car	2.50	250
		4,100

**Fiscal Year 2017 Audit Plan
Other Lease Contracts – Descending Risk Scores**

ATTACHMENT 6

Company	Risk Score	Hours
Ace Parking	5.00	350
Landmark Aviation GSO-SAN, LLC	4.50	150
Airline & Others (Ogden Aviation)	3.33	150
JCDecaux, Inc.	3.00	250
Gate Gourmet Inc.	3.33	150
US General Services Administration	4.50	250
Bank of America NA a National Banking Association	4.00	300
Aircraft Services International Inc.	3.33	150
DAL Global Services LLC	3.83	150
GAT Airline Ground Support Inc.	3.83	150
Sky Chef Inc. dba LSG Sky Chefs	4.00	150
Elite Line Services Inc.	3.50	150
Airport Terminal Services Inc.	4.50	150
Primeflight Aviation Services	3.17	150
Advanced Wireless Group LLC	4.00	150
GGTW	4.00	150
Smarte Carte Inc.	4.00	150
Flying Food Group LLC	4.00	150
Integrated Airline Services Inc.	4.00	150
Huntleigh USA Corporation	4.00	150
Cargo Airport Services USA LLC	4.00	150
G2 Secure Staff, LLC	3.83	150
San Diego Air and Space Technology	3.67	150
US Aviation Services Corporation	3.33	150
Injai Corporation dba Stevie's Catering	3.50	150
Travelex America	3.83	150
Aviation Port Services	3.83	150
AC Holding, Inc.	2.67	150
Jetstream Ground Services Inc.	3.50	150
Certified Aviation Services LLC	4.00	150
Worldwide Flight Services	3.50	150
Ground Equipment Services	3.83	150
SCIS Air Security Corporation	3.50	150
Rainbow Concessions	3.00	150
ABM Services dba OneSource	3.50	150
Accufleet International	3.00	150
Gate Safe	3.00	150
Certified Folder Display Services Inc.	3.00	150
SLB, Inc. dba Goodfellows Shoeshine	3.67	150
Hallmark Aviation Services	3.00	150
Moody's Lunch Services	2.67	150
Aeronautical Radio	2.67	150

**Fiscal Year 2017 Audit Plan
Other Lease Contracts – Descending Risk Scores**

ATTACHMENT 6

Master Lightning Security Services	3.00	150
ABX Air Inc.	4.00	150
Pacific Aircraft Maintenance	3.00	150
Pristine Fleet LLC	3.00	150
Immaculate Flight Inc.	3.00	150
LGSTX Services Inc.	3.00	150
Clean Before Flight Inc.	3.00	150
Jarothe, Inc. dba Pacific Telemanagement Services	3.33	150
Southwest Air Dynamics, Inc.	2.67	150
Traveler's Aid Society of San Diego	2.67	150
Security Point Media LLC	3.00	150
Air Transport International, LLC	2.67	150
Arinwine Aircraft Maintenance LLC dba F&E Aircraft	2.67	150
Bags of California, LLC	2.67	150
Hope Investments LLC dba Jerusalem Grill	2.67	150
Jet Wash Inc.	2.67	150
RAC & Associates dba SpecialCare	2.67	150
San Diego Convention Center	2.33	150

9,550

**Fiscal Year 2017 Audit Plan
Concession Contracts – Descending Risk Scores**

ATTACHMENT 7

Company	Risk Score	Hours
High Flying Foods San Diego (FSP 8)	4.60	200
High Flying Foods San Diego (FSP 7)	4.60	200
Host International Inc. (FSP 1)	4.50	200
Paradies - San Diego LLC (RP1)	4.40	200
Swissport Lounge LLC	4.10	200
Spa Didacus Inc. (RP 5)	4.00	200
Host International Inc. (FSP 2)	3.90	200
Stellar Partners Inc. (RP 4)	3.90	200
SSP America Inc. (FSP 5)	3.80	200
SSP America Inc. (FSP 6R)	3.80	200
SSP America Inc. (FSP 3)	3.80	200
Pacific Gateway Concessions and Procurement Concepts San Diego LLC (RP 3)	3.80	200
Hudson Group, Concourse Ventures Inc., Epicure and Martinez San Diego JV (RP 7)	3.70	200
Hudson Group - CV - Epicure - Martinez San Diego (RP 2)	3.60	200
Mission Yogurt Inc. (FSP 4)	3.60	200
InMotion Entertainment (RP 8)	3.30	200
Duty Free Americans San Diego LLC	3.30	200
New Zoom Inc. dba ZoomSystems (RP 6)	3.00	200
		<u>3,600</u>

ITEM 4



Fiscal Year 2017
Proposed Audit Plan
of the
Office of the Chief Auditor

July 1, 2016, through June 30, 2017

Audit Committee Meeting
May 2, 2016

Risk Assessment Methodology

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2017 Audit Plan is a five-part process consisting of:

- Developing and refining the risk assessment model;
- Understanding department activities;
- Scoring the process and business activity risks;
- Ranking the auditable areas; and,
- Developing the audit plan.

Audit Activities

Audit activities categories are:

- Business Process Audits
- Expense Contract Audits
- Revenue Contract Audits
 - ✓ Car Rental Contract Audits
 - ✓ Other Lease Contract Audits
 - ✓ Concession Contract Audits
- Annual Ongoing Audits and Support

FY17 Audit Coverage

The audit units for FY17 selected for review cover the following revenue/expense included in the respective category:

- Expense contracts selected for review account for 64.8% of the total 12-month expenses.
- Car rental revenue contracts selected account for 71.5% of the total 12-month revenues.
- Other lease revenue contracts selected account for 51.2% of the total 12-month revenues.
- Concession revenue contracts selected account for 39.9% of the total 12-month revenues.

Available Audit Resources

	Annual Hours Available
Senior Auditor	1,560
Senior Auditor	1,560
Senior Auditor/Ethics Coordinator	1,560
Auditor	1,560
Interns (2 part-time)	1,560
Audit Manager	1,352
Chief Auditor	1,040
Total Available Staff Hours Per Year	10,192
Annual Ongoing Audits and Special Requests	(1,867)
Ethics Program Activity	(375)
Construction Audit and Monitoring Activity	(1,000)
Net Available Hours - Cycle Audits	6,950

Business Process Audits

1	Telecommunications Services and Billing	300	
2	Process Control – Airport Development & Construction	600	
3	Property and Inventory Management	250	
4	Airport Lost and Found	200	
5	Environmental Compliance	300	
TOTAL BUSINESS PROCESS AUDIT HOURS		1,650	16.2%

Expense Contract Audits

6	Austin/Sundt	450		
7	AECOM Technical Services, Inc.	150		
8	AMEC Environmental and Infrastructure, Inc.	150		
9	Orion Construction Corporation	150		
10	Jones Payne Group	150		
11	Hearne Corporation	150		
12	Bradford Airport Logistics	150		
13	HSS, Inc.	150		
14	SP Plus Corporation	150		
TOTAL EXPENSE CONTRACT AUDIT HOURS		1,650	16.2%	

Revenue Contract Audits – Car Rentals

15	Enterprise Rent A Car Company (Enterprise, Alamo, National)	400	
16	Coronado Transportation System	250	
17	Avis Rent A Car Systems LLC	300	
18	The Hertz Corporation	300	
19	Fox Rent A Car	300	
	Total Car Rental Audits	1,550	15.2%

Revenue Contract Audits (Other Lease Contract)

20	Ace Parking	350	
21	Airline & Others (Ogden Aviation)	150	
22	JCDecaux, Inc.	250	
23	Gate Gourmet, Inc.	150	
Total Other Lease Contract Hours		900	8.8%

Revenue Contract Audits (Concessions)

24	High Flying Foods San Diego (FSP 8)	200	
25	Host International Inc. (FSP 1)	200	
26	Swissport Lounge LLC	200	
27	Spa Didacus, Inc. (RP 5)	200	
28	High Flying Foods San Diego (FSP 7)	200	
29	Paradies – San Diego LLC (RP 1)	200	
Total Concession Audit Hours		1,200	11.8%

Summary of Revenue Contract Hours		
Total Car Rental Audits	1,550	15.2%
Total Other Lease Contract Hours	900	8.8%
Total Concession Audit Hours	1,200	11.8%
Total Revenue Audit Hours	3,650	35.8%

Annual Ongoing Audits and Support

30	Aircraft Rescue & Fire Fighting (ARFF)	150		
31	Board Member and Executive Business Expenses	50		
32	Rental Car Center Fund	50		
33	Procurement Card Program	150		
34	Agreements with Expenditures Limits not to Exceed \$100,000	100		
35	Transportation Network Company Reviews and Assistance	250		
36	Emergency Medical Technician & Paramedic Services	80		
37	San Diego Unified Port District Billing	<u>250</u>	1,080	
41	Special Request Audits		787	
42	Ethics Program Activity		375	
43	Construction Audit and Monitoring Activity		<u>1,000</u>	
Total Ongoing Audits and Support Hours			3,242	31.8%

Audit Hours Summary

Total Business Process Audit Hours	1,650	16.2%
Total Expense Contract Audit Hours	1,650	16.2%
Total Revenue Contract Audit Hours	3,650	35.8%
Total Ongoing Audits and Support Hours	<u>3,242</u>	<u>31.8%</u>
Total Audit Hours	10,192	100.0%
Available Audit Hours From Office Staff	<u>10,192</u>	
Difference	<u>0</u>	

QUESTIONS?



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE**

**Item No.
5**

Meeting Date: **MAY 2, 2016**

Subject:

Fiscal Year 2017 Proposed Budget of the Office of the Chief Auditor and Fiscal Year 2018 Proposed Conceptual Budget Expense Summary

Recommendation:

Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2017 Budget process for approval.

Background/Justification:

In accordance with the San Diego County Regional Airport Authority's Fiscal Year 2017 Budget process, which was initiated by the Authority's Finance Division in January 2016, the Office of the Chief Auditor (OCA) created a Proposed 2017 and a Proposed 2018 Conceptual Budget. The OCAs proposed budgets contain the anticipated expenditures and headcount necessary to carry out its duties in the coming fiscal years. The accompanying presentation provides the budgets in detail by line item.

During the May 2, 2016, Audit Committee Meeting the OCA will present its Fiscal Year 2017 Proposed Budget and 2018 Proposed Conceptual Budget to the Audit Committee for review. Subsequently, the proposed budget will be forwarded for inclusion in the Finance Division's scheduled Budget Workshop for Board approval.

Fiscal Impact:

The proposed FY17 Budget for the Office of the Chief Auditor is \$1,205,793.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- | | | | | |
|---|--|--|--|---|
| <input type="checkbox"/> Community Strategy | <input type="checkbox"/> Customer Strategy | <input type="checkbox"/> Employee Strategy | <input checked="" type="checkbox"/> Financial Strategy | <input checked="" type="checkbox"/> Operations Strategy |
|---|--|--|--|---|

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

ITEM 5



**Fiscal Year 2017 Proposed Budget
of the Office of the Chief Auditor and
Fiscal Year 2018 Proposed Conceptual
Budget Expense Summary**

Audit Committee Meeting
May 2, 2016

FY 2017 Proposed - 2018 Proposed Conceptual Budget Expense Summary

	FY 2015 Actuals	FY 2016 Budget	FY 2017 Conceptual Budget	FY 2017 Proposed Budget	Inc / (Dec) FY 17 Proposed vs FY 16 Budget	% Change	Inc / (Dec) FY 17 Proposed vs FY 17 Conceptual	% Change	FY 2018 Proposed Conceptual Budget	Inc / (Dec) FY 18 Conceptual vs FY 17 Budget	% Change
Operating Expenses:											
Personnel Expenses											
Salaries and Wages	\$ 784,912	\$ 809,836	\$ 832,952	\$ 836,507	\$ 26,671	3.3%	\$ 3,555	0.4%	\$ 857,891	\$ 21,384	2.6%
Premium Overtime	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Employee Benefits	374,352	360,070	375,680	327,036	(33,034)	-9.2%	(48,644)	-12.9%	329,560	2,524	0.8%
Subtotal	1,159,265	1,169,907	1,208,633	1,163,543	(6,364)	-0.5%	(45,090)	-3.7%	1,187,451	23,908	2.1%
Less: Capitalized Labor	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Less: QHP - Labor/Burden/Labor Overhead	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Total Personnel Expenses	1,159,265	1,169,907	1,208,633	1,163,543	(6,364)	-0.5%	(45,090)	-3.7%	1,187,451	23,908	2.1%
Non-Personnel Expenses											
Contractual Services	-	750	750	750	-	0.0%	-	0.0%	800	50	6.7%
Safety and Security	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Space Rental	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Utilities	59	250	275	275	25	10.0%	-	0.0%	275	-	0.0%
Maintenance	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Operating Equipment & Systems	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Operating Supplies	2,572	5,900	2,750	2,750	(3,150)	-53.4%	-	0.0%	2,800	50	1.8%
Insurance	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Employee Programs	16,047	28,700	29,200	29,200	500	1.7%	-	0.0%	29,875	675	2.3%
Business Development	4,002	4,225	4,380	4,275	50	1.2%	(105)	-2.4%	4,375	100	2.3%
Equipment Rentals & Repairs	4,470	7,875	5,050	5,000	(2,875)	-137.3%	(50)	-100.0%	5,100	100	2.1%
Tenant Improvements	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Total Non-Personnel Expenses	27,149	47,700	42,405	42,250	(5,450)	-11.4%	(155)	-0.4%	43,225	975	2.3%
Total Operating Expenses	1,186,414	1,217,607	1,251,038	1,205,793	(11,814)	-1.0%	(45,245)	-3.6%	1,230,676	24,883	2.1%
Non-Operating Expenses:											
Joint Studies/Sound Attenuation	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Debt Service	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Legal Settlements Expense	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Total Non-Operating Expenses	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Total Expenses	1,186,414	1,217,607	1,251,038	1,205,793	(11,814)	-1.0%	(45,245)	-3.6%	1,230,676	24,883	2.1%
Equipment Outlay	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Total Authority Expenses incl Equip Outlay	\$ 1,186,414	\$ 1,217,607	\$ 1,251,038	\$ 1,205,793	\$ (11,814)	-1.0%	\$ (45,245)	-3.6%	\$ 1,230,676	\$ 24,883	2.1%

Major Drivers of FY 2017 & FY 2018 Proposed Budget

	Inc / (Dec) FY 17 vs FY 16	Inc / (Dec) FY 18 Conceptual vs FY 17
FY 2016 Budget / FY 2017 Budget	\$ 1,217,607	\$ 1,205,793
Personnel Costs		
Salary adjustments and pay-for-performance	108,825	21,384
Burden (benefits & employer taxes) for current staff	(12,941)	2,524
1 Eliminated position of Auditor (salaries & burden)	(102,248)	-
Total Increase / (Decrease) in Personnel Costs	(6,364)	23,908
Other, net	(5,450)	975
Total Increase / (Decrease) in Non-Personnel Costs	(5,450)	975
Total Increase / (Decrease)	(11,814)	24,883
FY 2017 Budget / FY 2018 Conceptual Budget	\$ 1,205,793	\$ 1,230,676

QUESTIONS?



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE**

**Item No.
6**

Meeting Date: **MAY 2, 2016**

Subject:

Revision to the Fiscal Year 2016 Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board for information.

Background/Justification:

Pursuant to Section 4 and Section 5 of the Charter of the Office of the Chief Auditor, amendments to an Audit Plan for unforeseen and special request audits may be performed after review and consultation with the Audit Committee.

The Office of the Chief Auditor's (OCA) Annual Audit Plan for Fiscal Year 2016 was approved by the Audit Committee during its May 4, 2015, meeting.

The Fiscal Year 2016 Audit Plan requires a revision due to circumstances identifying the addition, or the deletion, of the following project or vendor, per the request of the Office of the Chief Auditor:

Delete: Environmental Compliance

The revised Fiscal Year 2016 Audit Plan is presented in Attachment A.

Fiscal Impact:

None

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

☐ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
OFFICE OF THE CHIEF AUDITOR
Fiscal Year 2016 Audit Plan
Revised 5/2/2016**

ATTACHMENT A

BUSINESS PROCESS AUDITS

- 1 Contract Management
- 2 Airport Security Management
- 3 Environmental Compliance
- 4 Grant and Non-Airline Revenue Management
- 5 Information Technology Monitoring and Evaluation

EXPENSE CONTRACT AUDITS

- 6 Ocean Blue Environmental Services
- 7 Hazard Construction Company
- 8 Kimley-Horn and Associates Inc.
- 9 Abadjis Systems, Ltd.
- 10 Ricondo and Associates
- 11 Nuera Contracting & Consulting LP
- 12 ThyssenKrupp Airport Systems, Inc.
- 13 VA Consulting, Inc.
- 14 Ace Parking Management, Inc.
- 15 Helix Electric, Inc.

REVENUE CONTRACT AUDITS

- 16 BW - Budget - SDA, LLC
- 17 Nevada Lease and Rental Inc dba Payless Car Rental System
- 18 DTG Operations Inc dba Thrifty & Dollar
- 19 Simply Wheelz LLC dba Advantage Rent-A-Car
- 20 Midway Rent A Car, Inc.
- 21 Airport Terminal Services Inc.
- 22 Landmark Aviation GSO-SAN, LLC
- 23 Sky Chef Inc. dba LSG Sky Chefs
- 24 Smarte Carte Inc.
- 25 Host International Inc. (FSP 2)
- 26 SSP America Inc. (FSP 6R)
- 27 SSP America Inc. (FSP 3)
- 28 Duty Free Americans San Diego LLC
- 29 InMotion Entertainment (RP 8)
- 30 New Zoom Inc. dba ZoomSystems (RP 6)
- 31 Hudson Group - CV - Epicure - Martinez San Diego (RP 2)

ANNUAL ONGOING AUDITS AND SUPPORT

- 32 Aircraft Rescue & Fire Fighting (ARFF)
- 33 Board Member and Executive Business Expenses
- 34 Rental Car Center Fund Review
- 35 Procurement Card Spending
- 36 Agreements with Expenditure Limits not to Exceed \$100,000
- 37 Biennial Airline Landing Fees
- 38 Transportation Network Company Reviews and Assistance
- 39 Emergency Medical Technician & Paramedic Services
- 40 San Diego Unified Port District Billings
- 41 Special Request Audits

- 42 ETHICS PROGRAM ACTIVITY
- 43 CONSTRUCTION AUDIT AND MONITORING ACTIVITY