

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
Chairman

Greg Cox
Jim Desmond
Robert H. Gleason
Jim Janney
Mark Kersey
Paul Robinson
Michael Schumacher
Mary Sessom

Ex-Officio Board Members

Laurie Berman
Eraina Ortega
Col. Jason Woodworth

President / CEO

Kimberly J. Becker

AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Monday September 11, 2017
10:00 A.M.

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

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, Robinson (Chair), Schumacher,
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.

PRESENTATIONS:

A. PRESENTATION ON CYBER SECURITY

Presented by: Rick Belliotti, Director, Innovation & Small Business Development

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the May 15, 2017, regular meeting.

2. FISCAL YEAR 2017 ANNUAL REPORT FROM THE AUDIT COMMITTEE:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

Presented by: Paul Robinson, Audit Committee Chair

3. FISCAL YEAR 2017 ANNUAL AUDIT ACTIVITIES REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance and provide, if necessary, direction to staff on audit recommendations. *(Requires five (5) affirmative votes of the Audit Committee)*

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

- 4. ETHICS PROGRAM UPDATE:**
RECOMMENDATION: Information item only.
Presented by: Callie Ullman, Senior Auditor

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 initiation of the 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 Section at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, and Committees 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 could not be heard during the first Public Comment period.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees. Public comment on specific items 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 and 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 Administration Building. Bring your ticket to the third floor receptionist for validation.

You may also reach the Administration Building by using public transit via the San Diego Metropolitan Transit System, Route 992. The MTS bus stop at Terminal 1 is a very short walking distance from the Administration Building. ADA paratransit operations will continue to serve the Administration Building as required by Federal regulation. For MTS route, fare and paratransit information, please call the San Diego MTS at (619) 233-3004 or 511. For other Airport related ground transportation questions, please call (619) 400- 2685.

UPCOMING MEETING SCHEDULE

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
November 20	Monday	10:00 a.m.	Regular	Board Room

Cyber Security

Presented By:

Rick Belliotti

Director, Innovation & Small Business Development

Agenda

- Cyber Security Current State
- Threats and Incident Handling
- Cyber Security Future State
- Questions



Cyber Security Current State

- **Malware Protection**
 - Antivirus installed on all workstations and servers
 - Spam and malware filtering on email
- **Security Controls**
 - Enforcement of password policies (age, history, complexity) and account lockout for failed logon attempts
 - Restricted assignment and use of administrator rights
- **Role Based Permissions**
 - Permissions locked down on critical applications (e.g. Document Management)
- **Software Patching**

Cyber Security Current State – Cont.

- **Internal Vulnerability Scanning**
 - Continuous server, workstation, and web vulnerability scanning
- **Penetration Testing and Intrusion Detection**
 - Routine testing of external facing websites and systems
 - Realtime intrusion detection of Payment Card Industry (PCI) Cardholder Data Environment (CDE)
- **Payment Card Industry Data Security Standard (PCI-DSS)**
 - Annual process to certify credit card compliance
 - Bi-annual audits by a PCI certified Qualified Security Assessor⁴



Cyber Security Current State – Cont.

- **Personal Information (PI)**
 - Applications containing PI are restricted to only authorized individuals
 - PI encrypted within Active Directory
 - Board Approved PI Policy
- **Threat Awareness and Response**
 - Authority wide Cyber Security annual training
 - Establishment of Information Security policies and procedures
- **San Diego Cyber Center of Excellence (SDCCOE)**
 - Simulations with local and regional corporations and law enforcement agencies
 - Collaborate on threat response plans and remediation

Threats and Incident Handling

- **Threats**
 - Three workstations infected with malware since 2013 (minor)
 - Daily attempts to breach our web portals
 - Frequent port scanning and denial of service attacks (DoS)
- **Internal Incident Handling Program**
 - Provides response guidelines should an incident or breach occur
 - I&TS has partnered with local law enforcement agencies (FBI, DHS) to assist in threat analysis
 - Impacted parties are notified and advised how to proceed

Cyber Security Future State

- **PCI Audit**
 - Authority to obtain Internal Security Assessor (ISA) PCI certification
- **Risk Assessments and Incident Response**
 - Airport wide risk assessment focusing on Supervisory Control And Data Acquisition (SCADA) systems (e.g. HVAC, electrical grid, BHS)
 - Incident response tabletop exercises coordinated with the Risk department
 - Increased training and testing of employee vulnerability
 - Additional tools added as needed



Questions?



David Coleman, CPA, Director, BKD, LLP, provided a presentation on the Required Communication to Audit Committee on the Financial and Compliance Audit for the fiscal year ended June 30, 2017, which included Engagement Team, Overview, Planned Scope, Planned Timing, Approach to Planning, Revisions to Professional Standards, and Consideration of Errors or Fraud.

In response to Committee Member Hollingworth's inquiry, David Coleman, CPA, Director, BKD, LLP, confirmed that the planned scope included pension funds.

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

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

3. **FISCAL YEAR 2017 THIRD 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 2017 Third Quarter Activities Report and Audit Recommendations Issued by the Office of the Chief Auditor, which included Audit Activities, Audits in Progress as of March 31, 2017, Recommendation Follow-Up, Fiscal Year 2017 Measure Outcomes, and Summary of Ethics Inquiries.

Committee Member Tartre stated that it would be helpful if the recommendations that are open or in progress were highlighted, and include a brief status update without having to read the entire document.

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

4. **FISCAL YEAR 2018 PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:** Mark Burchyett, Chief Auditor, provided a presentation on the Fiscal Year 2018 Proposed Audit Plan of the Office of the Chief Auditor, which included Risk Assessment Methodology, Audit Activities, Fiscal Year 2018 Audit Coverage, Available Audit Resources, Business Process Audits, Expense Contract Audits, Revenue Contract Audits – Car Rentals, Revenue Contract Audits (Other Lease Contracts), Revenue Contract Audits (Concessions), Annual Ongoing Audits and Support, and Audit Hours Summary.

Committee Member Hollingworth suggested that the Authority consider, as part of its Information Technology program, implementing oversight testing for cyber security that may include sending links to employees that they should not open.

Board Member Gleason recommended that the Audit Committee receive a briefing on the Authority's cyber security protection measures, and if some

information is too sensitive, Information and Technology Services work with General Counsel to convey that information in a closed session or an Attorney-Client Communication.

Board Member Robinson agreed that the Committee receive a briefing from Information and Technology Services on cyber security.

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

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

5. FISCAL YEAR 2018 PROPOSED BUDGET OF THE OFFICE OF THE CHIEF AUDITOR AND FISCAL YEAR 2019 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

Mark Burchyett, Chief Auditor provided a presentation on the Fiscal Year 2018 Proposed Budget of the Office of the Chief Auditor and Fiscal Year 2019 Proposed Conceptual Budget Expense Summary which included FY 2018 Proposed – 2019 Proposed Conceptual Budget Expense Summary, and Major Drivers of FY 2018 & FY 2019 Proposed Budget.

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 2018 Budget process for approval.

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

CLOSED SESSION: The Committee recessed to Closed Session at 10:47 a.m. to discuss Item 6.

6. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:
(Government Code Section 54957)

REPORT ON CLOSED SESSION: The Committee reconvened into Open Session at 11:17 a.m. There was no reportable action.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting adjourned at 11:17 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY THIS 11th DAY OF SEPTEMBER, 2017.

MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR OF CORPORATE & INFORMATION
GOVERNANCE/AUTHORITY CLERK

AUDIT COMMITTEE

Meeting Date: **SEPTEMBER 11, 2017**

Subject:

Fiscal Year 2017 Annual Report from the Audit Committee

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

Background/Justification:

Authority Policy Article 1 was adopted by the Board on November 25, 2002, per Resolution No. 2002-2, establishing the administration and governance of the San Diego County Regional Airport Authority.

Authority Policy Article 1, Section 1.50 (5)(c)(ii), outlines the Audit Committee's composition, roles, responsibilities, and oversight practices.

The Board approved the Charter of the Audit Committee (initially titled *Audit and Performance Monitoring Committee*) on October 2, 2003. In accordance with the Audit Committee Charter section, "Authorities and Responsibilities", the Committee shall annually provide a report to the Board covering how it discharged its duties and met its oversight responsibilities during the previous year.

The Audit Committee Annual Report for the period July 1, 2016, through June 30, 2017, is presented as Attachment A. The Committee is asked to review the document and provide any comments prior to the Report's submittal to the Board on October 5, 2017.

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

Board Members

C. April Boling
Chairman

Greg Cox
Jim Desmond
Robert H. Gleason
Jim Janney
Mark Kersey
Paul Robinson
Michael Schumacher
Mary Sessom

Ex-Officio Board Members

Laurie Berman
Eraina Ortega
Col. Jason Woodworth

President / CEO

Kimberly J. Becker

September 11, 2017

April Boling, Chairman
San Diego County Regional Airport Authority
P.O. Box 82776
San Diego, CA 92138-2776

Dear. Ms. Boling:

The annual report from the Audit Committee for Fiscal Year 2017 is respectfully provided to the San Diego County Regional Airport Authority Board.

The Audit Committee convened four times during Fiscal Year 2017 on the meeting dates listed below. The meeting minutes for these public sessions are on file with the Clerk of the Board and can also be found on the San Diego International Airport website www.san.org.

- September 6, 2016 – *Regular Meeting*
- November 21, 2016 – *Canceled Due to Lack of Quorum*
- December 5, 2016 – *Special Meeting*
- February 13, 2017 – *Regular Meeting*
- May 15, 2017 – *Regular Meeting*

During Fiscal Year 2017, the Authority's financial records were audited by BKD, LLP, for a second year. As part of the Audit Committee's financial oversight, the Committee Chair met with a BKD partner, as requested, when the firm's management inquiries were conducted. The Audit Committee reviewed and approved the Fiscal Year Ended June 30, 2016, audited financials during its December 5, 2016, special meeting, which included the following reports:

- Audited Financial Statements
- Compliance (single audit) Report
- Passenger Facility Charge (PFC) Compliance Report
- Customer Facility Charge (CFC) Compliance Report
- Report to the Audit Committee
- 2016 Comprehensive Annual Financial Report (CAFR)

The Audit Committee continued to monitor the performance of the San Diego County Regional Airport Authority, in part, by informational reports provided by the Office of the Chief Auditor (OCA). The Audit Committee reviewed, approved, or received as information,

RE: Annual Report
from the Audit
Committee

Page 2 of 2

the following reports and presentations submitted by the OCA during Fiscal Year 2017:

- Fiscal Year 2016 Annual Report of the Office of the Chief Auditor
- Fiscal Year 2017 Quarterly Reports and corresponding audit recommendations
- Audit Reports issued during Fiscal Year 2017, totaling 35
- Recommendations issued during Fiscal Year 2017, totaling 17
- Fiscal Year 2018 Audit Plan and Proposed Budget for the Office of the Chief Auditor
- Construction Audit Updates
- Ethics Program and Confidential Hotline Updates
- Public Employee Performance Evaluation Goal Setting for the Chief Auditor

The Board Members and the three Public Members who comprise the Audit Committee have a demonstrated expertise that continues to provide monitoring, scrutiny, and care, in performing the responsibilities they hold.

Sincerely,

Paul Robinson
Audit Committee Chair

PR/MAB/sro

cc: SDCRAA Board Members
SDCRAA Audit Committee Members
Kimberly J. Becker, President/CEO

AUDIT COMMITTEE

Meeting Date: **SEPTEMBER 11, 2017**

Subject:

Fiscal Year 2017 Annual Audit Activities Report from the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance and provide, if necessary, direction to staff on audit recommendations. ***(Requires five (5) affirmative votes of the Audit Committee)***

Background/Justification:

The Charter of the Office of the Chief Auditor was instituted by Board approval on October 2, 2003, establishing the role and the requirements of the Office of the Chief Auditor (OCA). The Charter outlines the working relationship and responsibilities of the Chief Auditor to the Audit Committee and to Authority management.

As directed in the Charter, the Chief Auditor shall annually report to the Board pertaining to audits completed, findings, corrective actions, and the implementation status on recommendations. The Fiscal Year 2017 Annual Report is submitted to the Audit Committee by the Office of the Chief Auditor as Attachment A.

The annual report provides an account of activities and accomplishments for Fiscal Year 2017, features comprehensive details on all recommendations issued and completed, provides the status on recommendations that are still pending, and furnishes a projection of the audits planned for Fiscal Year 2018.

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 2017 ANNUAL REPORT

August 28, 2017

Fiscal Year 2017 Annual 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 Annual Report for Fiscal Year 2017. The report details the audit and administrative activities of the Office, the resolution of past audit findings, and highlights the Fiscal Year 2018 Audit Plan.

Fiscal Year 2017 was another productive year for the OCA that included:

- Issuance of 35 audit reports
- Continued construction audit activities
- Supervision of the Ethics Program

In all, the Office of the Chief Auditor continues to aspire to be an effective, diligent, contributor to the optimization of the San Diego County Regional Airport Authority.

Respectfully submitted,



Mark A. Burchyett
Chief Auditor

Table of Contents

Audit Activities.....	1
Audit Follow-Up.....	3
Non-Audit Activities.....	4
Performance Measures.....	5
Construction Audit Activities	8
Ethics Program Activities	9
Fiscal Year 2018 Projection	10
 <u>Appendix A</u>	
Fiscal Year 2017 Audit Plan.....	11
 <u>Appendix B</u>	
Status of OCA Recommendations as of June 30, 2017	12
 <u>Appendix C</u>	
Recommendations Completed in Fiscal Year 2017	15
 <u>Appendix D</u>	
Fiscal Year 2018 Audit Plan.....	21
 <u>Appendix E</u>	
Ethics Hotline Call Summary	22
 <u>Appendix F</u>	
Performance Measures Historical Data	23

Audit Activities

The Office of the Chief Auditor's (OCA) Fiscal Year 2017 internal audit plan had three (3) categories of audits: 1) Business Process Audits, 2) Expense Contract Audits, and 3) Revenue Contract Audits. Additionally, there are specific annual ongoing audits and support duties that are apportioned within the audit plan. The Annual Audit Plan for Fiscal Year 2017 (see Appendix A) included 36 planned audits. Also incorporated within the Fiscal Year 2017 plan were six (6) audits carried over from the Fiscal Year 2016 audit plan that were not completed during that fiscal year.

In total during FY17, the OCA issued 35 final audit reports, including twelve (12) during the fourth quarter. Additionally, the OCA had numerous audits that were nearing completion at the end of the 4th quarter, including six (6) draft audit reports that had been sent to the affected departments for review and comment or had completed field work and were in the report writing stage. From the completed audit reports, we issued a total of 17 recommendations. (See Page 3, Table 2: Status of Recommendations Issued in Fiscal Year 2017).

Table 1: Total Reports Issued by the Office of the Chief Auditor in Fiscal Year 2017

Quarter	Audits Issued	Recommendations Issued
1 st	11	5
2 nd	6	5
3 rd	6	4
4 th	12	3
Total	35	17

Below are highlights from the OCA audits completed during the fiscal year.

Business Process Audits

The OCA issued nine (9) business process audit reports during this fiscal year. This category included audits where the OCA reviews the operations of an entire Authority department, as well as conducts reviews of selected processes or projects that may span multiple Authority functions. Significant projects within this category included our annual audit of the Procurement Card Program, a review of controls within the Airport Development & Construction Department, and an audit of the San Diego International Airport's Lost and Found. Each of these audits identified potential improvements to the Authority's processes to mitigate certain identified risks.

Expenditure Contract Audits

Included within this category are audits of consulting, service, and construction contracts. During Fiscal Year 2017 the OCA completed 13 expenditure contract audits. In these audits the OCA ensures that the contracts adhere to Authority policies, follow industry best practices, and that internal controls have been established and are working properly. Generally, these audits review the procurement process for the contracts, contract monitoring, and expenditures resulting from the contracted activities. Of note, the OCA completed audits of Austin/Sundt and AMEC Environmental and Infrastructure Inc. Additionally, the annual audits of the Port District Billings and Aircraft Rescue and Fire Fighting Expense Billings are included within this category.

Revenue Contract Audits

This category includes audits of entities that provide some form of revenue to the Authority, with the OCA completing a total of 13 revenue audits for the fiscal year. Revenue audits include reviews of airline landing fees, airline services, car rental agencies, and concessions. Audits completed this fiscal year included Enterprise Rent-A-Car Company of Los Angeles, LLC, High Flying Foods, and Duty Free Americas San Diego LLC.

In Progress Audits

In Fiscal Year 2017, the OCA tried to maintain a steady pace of activity, yet did not fully complete all planned audits for the year. Specifically, as of June 30, 2017, the following audits had been sent to the audited departments as Draft audit reports:

- Ace Parking Management, Inc.
- Host International Inc. (FSP 1)
- Paradies - San Diego LLC (RP1)
- Property and Inventory Management
- Telecommunications Services and Billing
- The Hertz Corporation

Each of the above audits should be completed within the 1st Quarter of Fiscal Year 2018.

Audit Follow-Up

The OCA tracks the number of recommendations issued in audit reports and their implementation status. Tracking the status of recommendations was completed through regular inquiries made to the audited departments or to the owners of specific recommendations. These inquiries allow the OCA to determine how many recommendations have been completed, as well as to obtain the status of the recommendations in progress.

In Fiscal Year 2017, the OCA issued a total of 17 recommendations, of which 13 are fully implemented. Table 2 below gives an overview of recommendations issued by the OCA during the fiscal year. Detailed descriptions of the recommendations unresolved as of June 30, 2017, are provided in Appendix B; and, Appendix C details all recommendations completed in Fiscal Year 2017.

Table 2: Status of Recommendations Issued in Fiscal Year 2017

Quarter	Recommendations				
	Issued	Completed ¹	In-Progress ²	Open ³	Not Accepted
1 st	5	4	1	0	0
2 nd	5	4	1	0	0
3 rd	4	3	1	0	0
4 th	3	2	1	0	0
Total	17	13	4	0	0

In addition to the recommendations issued in Fiscal Year 2017, the OCA continued to track the status of recommendations issued in prior fiscal years. In total, the OCA tracked nine (9) recommendations issued prior to this fiscal year and not fully complete as of June 30, 2016. As of June 30, 2017, eight (8) of those recommendations have been implemented and only one (1) was in process.

Table 3 below shows the status of recommendations outstanding in Fiscal Year 2017 along with the expected completion timeframe.

Table 3: Status of Recommendations with Estimated Implementation Timeframe

Estimated Completion Timeframe	Completed Within Estimate	Completed Outside Estimate	Outstanding	Total
Zero to 6 Months	13	1	1	15
6 Months to 1 Year	5	0	3	8
Over 1 Year	1	1	1	3
Total	19	2	5	26

¹ Includes recommendations that the OCA had determined to be completed.

² Includes recommendations that are not fully completed but action has been taken.

³ Includes recommendations where corrective action has not yet begun.

Non-Audit Activities

The OCA had numerous non-audit activities during Fiscal Year 2017, which are described below. For Fiscal Year 2018, the OCA will continue its activities in support of the Authority and the Board.

Training

The OCA informally complies with the continuing professional education (CPE) requirements issued by The Institute of Internal Auditors' "red book" and the U.S. General Accounting Office's "yellow book". Additionally, staff must meet the CPE requirements of the various professional certifications they may hold. During the fiscal year staff completed numerous training courses including:

- Attendance at The Institute of Internal Auditors (IIA) Fraud Seminar
- Attendance at an IDEA software training course regarding data mining, sponsored by Audimation Services, Inc.
- Attendance at the Association of Airport Internal Auditors (AAIA) 28th Annual Conference

Additionally, staff completed or attended webinars and self-study courses in order to meet their minimum CPE requirements; while doing so in a cost efficient manner and to limit travel costs and time.

Audit Committee Support

During Fiscal Year 2017, the Audit Committee met four (4) times, which occurred on:

- September 6, 2016
- December 5, 2016
- February 13, 2017
- May 15, 2017

Before each regular meeting of the Audit Committee the OCA coordinated all activities relating to agenda preparation and materials required.

Staffing

During the fiscal year the OCA continued to use graduate level interns to augment staff following a previous auditor's exit. Two new interns were hired in January, have been trained, and are currently contributing to the department.

Performance Measures

Each fiscal year the OCA develops and tracks performance measures to gauge the progress and success of the office. For Fiscal Year 2017, the OCA developed five (5) separate measures that could be used to evaluate OCA performance. Table 4 below outlines the OCAs performance against the selected measures.

Table 4: Status of Performance Measures as of June 30, 2017

Performance Measure	Goal	Progress as of June 30, 2017
Percentage of the audit plan completed annually	100%	83%
Additional revenue/cost savings identified through audits	n/a	\$1,025,573
Percentage of staff time spent on audit activities	80%	84%
Percentage of audits completed within budgeted time	80%	86%
Implementation of Recommendations	90%	81%

The measures are detailed below along with further explanation of the OCAs performance for the fiscal year:

Percentage of the audit plan completed annually: This measure provides information on the number of audits accomplished of those planned for the year. For the year, the OCA completed 83% of the Fiscal Year 2017 audit plan. Specifically, 35 out of 42 audits were finalized as issued audit reports. Additionally, there were six (6) audits that were either draft reports that were awaiting review and comment from the audited departments or in the report writing process. If these reports are included in the completed audits total, progress on the Fiscal Year 2017 audit plan is 98%.

Additional revenue/cost savings identified through audits: While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. More important is probably whether the amount of identified additional revenue and cost savings is realized by the Authority. While that total is also tracked and monitored by the OCA, it is highly dependent on circumstances outside the control of the OCA, and therefore, it does not make a good measure of the efficiency and effectiveness of the department. For the year, the OCA identified over \$1,025,573 in new revenue, as shown in Table 5 below.

Table 5: Schedule of Additional Revenue and Cost Savings Identified through Audit Activity

Audit Report Number	Title	Amount Identified	Amount Collected
17035	San Diego Unified Port District Billing	\$643,757 ⁴	\$0
17019	Fox Rent A Car, Inc.	193,283	0
17017	Avis Budget Car Rental, LLC	\$86,905	86,905
17029	Aircraft Rescue and Fire Fighting (ARFF) Expense Billings – Fiscal Year 2016	55,122	55,122
16028	Duty Free Americas San Diego, LLC	39,592	39,592
17023	Gate Gourmet	3,710	3,710
17008	SP Plus Corporation	3,204	3,204
Total		\$1,025,573	\$188,533

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. For Fiscal Year 2017, the OCA was well over our goal of 80% percent. This goal is the cumulative percentage of the target utilization for all audit staff.

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 does recognize that budgets may need adjustment(s) as additional facts become known during an audit. In Fiscal Year 2017, the OCA completed 86 percent of its audits within the budgeted time.

Implementation of Audit Recommendations: This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. For the year, 81% of the recommendations have been implemented, which is under our goal. However, as shown by Table 6, the recommendations are consistently completed as time proceeds.

⁴ The amount included here represents the reduction in amount owed the Port for FY16 under billings that was identified through the audit. The Authority has not yet reimbursed the Port District.

Table 6: *Percentage of Recommendations Completed*

Recommendation Origination	Recommendation				
	Tracked	Completed	Not Accepted	Outstanding	% Completed
Carryover	9	8	0	1	89%
1 st Quarter	5	4	0	1	80%
2 nd Quarter	5	4	0	1	80%
3 rd Quarter	4	3	0	1	75%
4 th Quarter	3	2	0	1	66%
Total	26	21	0	5	81%

See Appendix F for a detailed listing of the OCA performance measures for the past five (5) Fiscal Years.

Construction Audit Activities

Throughout Fiscal Year 2017, the OCA continued its Construction Audit activity separate from its Annual Audit Plan. The OCA Construction Auditor completed the audit of Process Control – Airport Development & Construction Department (ADC) as part of the Fiscal Year 2017 OCA Audit Plan. Working closely with the ADC staff to review their procedures and the controls surrounding their processes is beneficial to both the OCA and ADC team.

To gain an understanding of the pre- and post-GMP processes and internal controls over payments for the Parking Plaza and the Federal Inspection Services (FIS) Facility, the OCA Construction Auditor attended payment application meetings with Swinerton Builders and Turner-PCL, a Joint Venture, as part of the Construction Audit Activity during Fiscal Year 2017. The knowledge and understanding of the internal controls in place over the construction activities and the payment approval processes gained at these meetings will assist the OCA team in the future audit of these construction contracts. The OCA Construction Auditor is currently in the final phase of auditing the close out of the Green Build project and the related contracts with the two joint ventures, Turner/PCL/Flatiron and Kiewit/Sundt.

Through attendance at the Capital Improvement Committee meetings, Development Program meetings, various stakeholders meetings, and other construction planning related meetings; and working closely with members of the Accounting and Business & Financial Management Departments, the OCA Construction Auditor continues to provide assistance in ensuring that the Authority is meeting compliance requirements for ongoing and planned projects. Additionally, the OCA Construction Auditor remains involved with issues identified by the Airport Design and Construction team, Facilities Development team, and Authority Management, providing assistance and attending meetings specific to the aspects of the Authority's construction activity.

Ethics Program Activities

The OCA continues to run the Authority Ethics Program and confidential hotline system. During Fiscal Year 2017, four reported items warranted further investigation into potential Code of Ethics violations. Three issues were resolved without a finding; the fourth is still under investigation. The Ethics Officer continues to receive, and respond to, numerous employee-related concerns as well. The two areas that continue to surface are workplace practices and equitability; perceived inequities between departments and within departments. See Appendix E, Ethics Hotline Call Summary, for a complete summation of calls received during Fiscal Year 2017.

During the Fiscal Year, the Senior Auditor in charge of the Ethics Compliance Program developed a new ethics training program and presented it to all departments of the Authority from October 2016 through May 2017. A total of 388 employees received this training. Following the training roll-out, there was an increase in both reports and requests for clarification from Authority personnel. Additionally, the ethics training program provided to new Authority employees, through the Learning Management System, was updated to ensure compliance with the Ethics Codes and to reflect the training program presented to all employees.

Fiscal Year 2018 Projection

The Audit Committee approved the Fiscal Year 2018 Audit Plan during its May 15, 2017, meeting. Before commencing work on the Fiscal Year 2018 Audit Plan (Appendix D), the OCA will complete the outstanding audits from Fiscal Year 2017. Specifically, in the 1st Quarter of Fiscal Year 2018, the OCA plans to complete the following 14 audits, which includes the rollover audits from the previous fiscal year.

- Ace Parking Management, Inc.
- Agreements with Expenditures Limits < \$100,000
- Board Member and Executive Business Expenses
- BW-Budget-SDA, LLC
- Environmental Compliance
- Host International Inc. (FSP 1)
- Mission Yogurt, Inc. (FSP 4)
- Network Security Electronics, Inc.
- Paradies - San Diego LLC (RP1)
- Property and Inventory Management
- Smarte Carte, Inc.
- Swinerton Builders
- Telecommunications Services and Billing
- The Hertz Corporation

Completion of the above audits will result in 32% of the Fiscal Year 2018 audit plan accomplished. Throughout Fiscal Year 2018, the OCA will continue conducting audits from the audit plan, including any special requests that may be approved by the Audit Committee.

Appendix A – Fiscal Year 2017 Audit Plan

San Diego County Regional Airport Authority Office of the Chief Auditor Fiscal Year 2017 Audit Plan

BUSINESS PROCESS AUDITS

- 1 Telecommunications Services and Billing
- 2 Process Control - Airport Development & Construction
- 3 Property and Inventory Management
- 4 Airport Lost and Found
- 5 Environmental Compliance

EXPENSE CONTRACT AUDITS

- 6 Austin/Sundt
- 7 AECOM Technical Services, Inc.
- 8 AMEC Environmental and Infrastructure, Inc.
- 9 Orion Construction Corporation
- 10 Jones Payne Group
- 11 Hearne Corporation
- 12 Bradford Airport Logistics
- 13 HSS, Inc.
- 14 SP Plus Corporation

REVENUE CONTRACT AUDITS

- 15 Enterprise Rent A Car Company (Enterprise, Alamo, National)
- 16 ~~Coronado Transportation System~~ (Revised 9/6/16)
- 17 Avis Rent A Car Systems LLC
- 18 The Hertz Corporation
- 19 Fox Rent A Car
- 20 Ace Parking
- 21 Airline & Others (Ogden Aviation)
- 22 JCDecaux, Inc.
- 23 Gate Gourmet Inc.
- 24 High Flying Foods San Diego (FSP 8)
- 25 Host International Inc. (FSP 1)
- 26 Swissport Lounge LLC
- 27 Spa Didacus Inc. (RP 5)
- 28 High Flying Foods San Diego (FSP 7)
- 29 Paradies - San Diego LLC (RP1)

ANNUAL ONGOING AUDITS AND SUPPORT

- 30 Aircraft Rescue and Fire Fighting (ARRF)
- 31 Board Member and Executive Business Expenses
- 32 Rental Car Center Fund
- 33 Procurement Card Program
- 34 Agreements with Expenditure Limits Not to Exceed \$100,000
- 35 Transportation Network Company Reviews and Assistance
- 36 Emergency Medical Technician & Paramedic Services
- 37 San Diego Unified Port District Billing
- 38 Special Request Audits
 - Pneuma dba Ace Rent A Car
- 39 ETHICS PROGRAM ACTIVITY
- 40 CONSTRUCTION AUDIT AND MONITORING ACTIVITY

Appendix B – Status of OCA Recommendations

The following recommendation implementation report contains the status of recommendations from OCA audits that remained unresolved as of the 4th Quarter of Fiscal Year 2017. In general, the OCA is satisfied with the progress that Authority departments are currently making with the implementation, as based upon our inquiries during the tracking process.

Within this report, the recommendations are classified in four ways:

1. **Completed:** This designation is used for recommendations that the OCA has determined to be adequately completed.
2. **In Progress:** These recommendations have been partially addressed or partial corrective action has been taken.
3. **Open:** This category of recommendations have not yet been addressed. Often, this designation is used when there has not been adequate time between report issuance and recommendation follow-up.
4. **Not Accepted by Auditee:** 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. The OCA will strive to ensure that only workable and acceptable recommendations are issued in future audits.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2017	OCA's Assessment	Estimated Completion Date
16-07	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16020, dated June 14, 2016, Midway Rent A Car, Inc.	18	Impact: 9 Probability: 9	The Business and Financial Management Department should request that the Accounting Department issue an invoice to Midway in the amount of \$435,783, for the underpayment of license fees due to the reclassification of non-airport revenue to airport revenue.	Following a meeting with Authority staff an agreement with Midway was reached and a payment of \$150,000 received.	Completed	N/A
17-17	ACCOUNTING DEPARTMENT	Audit Report 17035, dated June 14, 2017, San Diego Unified Port District Billings - Fiscal Year 2016	18	Impact: 10 Probability: 8	We recommend that the Accounting Department notify Port staff concerning the Fiscal Year 2016 under-billing for Harbor Police Department services, and determine the most appropriate method for the Authority to remit the additional \$887,148 owed to the Port. In addition, the Port should frequently analyze all actual and estimated billings, especially overhead and allocated burden, and update the Accounting and the Aviation Security & Public Safety Departments of any notable expense variance, to avoid significant year-end adjustments.	The Accounting Department has notified the Port of the underpayment and Port staff are currently preparing an invoice to be issued to the Airport Authority.	In Progress	September 30, 2017
17-16	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17018, dated May 30, 2017, Fox Rent A Car, Inc.	16	Impact: 9 Probability: 7	We recommend that the Business and Financial Management Department request that the Accounting department issue an invoice to Fox in the amount of \$193,283 for the net underpayment of concession fees.	Fox has been invoiced and payment is expected by end of August.	Completed	N/A
17-11	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17027, dated February 7, 2017, Spa Didacus, Inc.	15	Impact: 7 Probability: 8	The Business and Financial Management Department should develop a control to ensure that the completed Certification of Capital Investment, the related depreciation schedule, and proper supporting documentation, are received from every concessionaire as required by the Lease.	We are working on an improved process with FDD to address the findings.	In Progress	2nd Quarter FY18
16-08	PROCUREMENT DEPARTMENT/ AUTHORITY MANAGEMENT	Audit Report 16001, dated June 21, 2016, Contract Management	11	Impact: 6 Probability: 5	Authority Management should ensure that a complete formal contract management procedure manual is in place in all departments to ensure compliance with Board policies, consistent practices, and proper internal controls. Manuals should be reviewed and updated as needed, on a regular basis, preferably at least every two years.	Internal training on "Procurement and Contract Management" took place on April 13, 2017. A draft of the new manual should be ready for review by September 2017.	In Progress	October 2017

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 June 30, 2017	OCA's Assessment	Estimated Completion Date
17-10	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17017, dated November 17, 2016, Avis Budget Car Rental, LLC	11	Impact: 6 Probability: 5	We recommend that the Business and Financial Management Department develop a process to ensure that the Use & Occupancy Permit fixed rent is adjusted every July 1 of each calendar year using the Consumer Price Index, and determine if the underpayment of \$1,475 should be collected retroactively.	Progress is on-going. Continuing efforts to verify, capture, and automate critical dates with Accounting.	In Progress	2nd Quarter FY18
17-14	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17023, dated March 28, 2017, Gate Gourmet, Inc.	11	Impact: 6 Probability: 5	We recommend that the Business and Financial Management Department notify Gate Gourmet that discounts should not be deducted from monthly gross revenues, unless the discounts are given to the airlines during the same month.	Gate Gourmet was notified via written correspondence in April 2017.	Completed	N/A
17-13	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17023, dated March 28, 2017, Gate Gourmet, Inc.	10	Impact: 5 Probability: 5	We recommend that the Business and Financial Management Department request the Accounting Department to issue an invoice to Gate Gourmet in the amount of \$3,710 for the underpayment of license fees.	Payment in full received in May 2017.	Completed	N/A
17-15	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report 17034, dated May 16, 2017, Emergency Medical Technician-Paramedic Services Expense for Fiscal Year 2016	10	Impact: 5 Probability: 5	The Aviation Security & Public Safety Department should confer with the City of San Diego to identify the best method to remit the \$26,571 underpayment.	The amount due the City was paid at the end of May.	Completed	N/A
17-01	ACCOUNTING DEPARTMENT	Audit Report 15004, dated July 11, 2016, Business and Travel Expenses	9	Impact: 5 Probability: 4	The Accounting Department should continue with their current review activities, but, consider reminding employees of the need for President/CEO approval of in-town meals with contractors, proper use of P-cards when holding hotel room reservations, and of the requirement for submitting reimbursement of unused travel advances.	The recommendations have been integrated in to the 2017 Annual Employee Business and Travel Expense training in LMS, which is currently in final review and will be submitted to the Office of the Chief Auditor prior to being released.	In Progress	August 31, 2017

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.

Appendix C – Recommendations Completed in Fiscal Year 2017

The following report provides a detailed list of all recommendations that were completed during Fiscal Year 2017.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
17-02	RISK MANAGEMENT DEPARTMENT	Audit Report 16021, dated July 11, 2016, Airport Terminal Services, Inc.	16	Impact: 8 Probability: 8	The Risk Management Department should request ATS to provide a current certificate of insurance, and verify that the insurance limits comply with all requirements set forth within the License Agreement with the San Diego County Regional Airport Authority.	September 30, 2016
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.	September 30, 2016
17-04	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report 17011, dated August 26, 2016, HSS, Inc.	14	Impact: 7 Probability: 7	The Aviation Security & Public Safety Department should ensure that contract management and monitoring procedures include requiring HSS to submit a "schedule of billing details" with each invoice detailing the names, positions, date of work, hours worked, work performed (posts), compensation requested and the basis of calculation (rate), as required by the Agreements and to support the amounts billed. AVSEC/PS should perform verification between the information on the "schedule of billing details" and on the invoice to ascertain their consistency, and if any variance arises, require HSS to provide a description or an explanation of the variance, and make the necessary corrections on the invoice. A random verification of names, positions, and posts, should also be completed by AVSEC/PS to ensure that names, positions, and posts of the HSS employees invoiced are accurate.	September 30, 2016
16-06	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report 16039, dated June 7, 2016, Emergency Medical Technician-Paramedic Services - Expense for FY15	12	Impact: 6 Probability: 6	The Aviation Security & Public Safety Department should confer with the City of San Diego to identify the best method to remit the \$37,946 underpayment.	September 30, 2016

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
17-03	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16028, dated August 24, 2016, Duty Free Americas San Diego, LLC	11	Impact: 6 Probability: 5	The Business & Financial Management Department (BFM) should request that the Accounting Department generate an invoice for Duty Free Americas for the \$39,592 underpayment. Additionally, BFM should calculate and invoice Duty Free Americas for any underpaid rent due to the incorrect MAG during the months following the audit period.	September 30, 2016
17-05	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report 17011, dated August 26, 2016, HSS, Inc.	10	Impact: 6 Probability: 4	Aviation Security and Public Safety (AVSEC/PS) should ensure that their contract management and monitoring procedures include a requirement for HSS to revise their invoice to include the certification declaration and signature block at the end of the billing statement or invoice.	September 30, 2016
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.	December 31, 2016
17-06	GROUND TRANSPORTATION DEPARTMENT	Audit Report 17008, dated October 14, 2016, SP Plus Corporation	9	Impact: 5 Probability: 4	Ground Transportation (GT) should request that the Accounting Department bill SP Plus \$3,204 for reimbursement of administrative fees not allowed by the contract. Additionally, GT should take steps to ensure that disallowed fees and expenses are not included in future payments to SP Plus.	December 31, 2016
17-07	GROUND TRANSPORTATION DEPARTMENT	Audit Report 17008, dated October 14, 2016, SP Plus Corporation	8	Impact: 5 Probability: 3	For future Additional Services requests, Ground Transportation should require SP Plus to provide a detailed work-plan with a not-to-exceed budget for review and approval by the Authority. In addition, Ground Transportation should ensure that a Notice to Proceed is issued to SP Plus before any additional services are performed or provided.	December 31, 2016

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed																																
17-08	GROUND TRANSPORTATION DEPARTMENT	Audit Report 17008, dated October 14, 2016, SP Plus Corporation		Impact: Probability:	Ground Transportation should ensure that their contract management and monitoring procedures include a requirement to review and confirm that the monthly odometer readings are accurate by matching the prior month-ending odometer readings to the current month-starting odometer readings. To further check the accuracy of the odometer readings, Ground Transportation should randomly, on a monthly or quarterly basis, check and note the actual end of the month-ending odometer readings of the shuttle vehicles to ascertain the accuracy of the readings submitted by SP Plus. In addition to this, Ground Transportation should also require SP Plus to include in their invoices the deadhead miles per shuttle vehicle to properly account for the difference between elapsed miles, or the total miles less in-service miles.	December 31, 2016																																
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.	March 31, 2017																																
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><thead><tr><th></th><th>Dollar</th><th>Thrifty</th><th>Total</th></tr></thead><tbody><tr><td>Finding 1</td><td></td><td></td><td></td></tr><tr><td>License Fees</td><td><\$12,383></td><td><\$4,449></td><td><\$16,832></td></tr><tr><td>Finding 2</td><td></td><td></td><td></td></tr><tr><td>CFC</td><td><2,052></td><td>18,011</td><td>15,959</td></tr><tr><td>Finding 3</td><td></td><td></td><td></td></tr><tr><td>Non-Airport</td><td><u>27,476</u></td><td><u>9,244</u></td><td><u>36,720</u></td></tr><tr><td>Total</td><td>\$13,041</td><td>\$22,806</td><td>\$35,847</td></tr></tbody></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	<u>27,476</u>	<u>9,244</u>	<u>36,720</u>	Total	\$13,041	\$22,806	\$35,847	March 31, 2017
	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	<u>27,476</u>	<u>9,244</u>	<u>36,720</u>																																			
Total	\$13,041	\$22,806	\$35,847																																			

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
17-09	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17017, dated November 17, 2016, Avis Budget Car Rental, LLC	14	Impact: 7 Probability: 7	In order to address the above issues, we recommend that the Business and Financial Management Department request that the Accounting Department issue an invoice to Avis in the amount of \$85,430 for the net underpayment of concession fees.	March 31, 2017
17-12	AIRSIDE OPERATIONS DEPARTMENT	Audit Report 17029, dated February 22, 2017, Aircraft Rescue and Fire Fighting Expense Billings - Fiscal Year 2016	13	Impact: 7 Probability: 6	We recommend that the Airside Operations Department notify the Accounting Department to issue an invoice to the City of San Diego for the overbilling of \$55,122 for personnel expenses. The adjustments to fire fighter 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 from the City for Fiscal Year 2016 ARFF services.	March 31, 2017
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.	March 31, 2017
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.	March 31, 2017

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
16-07	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16020, dated June 14, 2016, Midway Rent A Car, Inc.	18	Impact: 9 Probability: 9	The Business and Financial Management Department should request that the Accounting Department issue an invoice to Midway in the amount of \$435,783, for the underpayment of license fees due to the reclassification of non-airport revenue to airport revenue.	June 30, 2017
17-16	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17019, dated May 30, 2017, Fox Rent A Car, Inc.	16	Impact: 9 Probability: 7	We recommend that the Business and Financial Management Department request that the Accounting department issue an invoice to Fox in the amount of \$193,283 for the net underpayment of concession fees.	June 30, 2017
17-14	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17023, dated March 28, 2017, Gate Gourmet, Inc.	11	Impact: 6 Probability: 5	We recommend that the Business and Financial Management Department notify Gate Gourmet that discounts should not be deducted from monthly gross revenues, unless the discounts are given to the airlines during the same month.	June 30, 2017
17-13	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17023, dated March 28, 2017, Gate Gourmet, Inc.	10	Impact: 5 Probability: 5	We recommend that the Business and Financial Management Department request the Accounting Department to issue an invoice to Gate Gourmet in the amount of \$3,710 for the underpayment of license fees.	June 30, 2017
17-15	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report 17034, dated May 16, 2017, Emergency Medical Technician-Paramedic Services Expense for Fiscal Year 2016	10	Impact: 5 Probability: 5	The Aviation Security & Public Safety Department should confer with the City of San Diego to identify the best method to remit the \$26,571 underpayment.	June 30, 2017

Appendix D – Fiscal Year 2018 Audit Plan

San Diego County Regional Airport Authority Office of the Chief Auditor Fiscal Year 2018 Audit Plan

BUSINESS PROCESS AUDITS

- 1 Business and Travel Expenses
- 2 Concession Cost Recovery
- 3 Information Technology Monitoring and Evaluation
- 4 Small Business Development Management
- 5 Vehicle Fleet Management
- 6 Asset Management

EXPENSE CONTRACT AUDITS

- 7 Swinerton Builders
- 8 Haley and Aldrich, Inc.
- 9 Pacific Rim Mechanical
- 10 Ace Parking Management, Inc.
- 11 Network Security Electronics, Inc.
- 12 Dynamic Contracting Services, Inc.
- 13 Chula Vista Electric Company
- 14 Sign Age Identity Systems Inc.
- 15 Leigh Fisher & Associates

REVENUE CONTRACT AUDITS

- 16 BW - Budget - SDA, LLC
- 17 Nevada Lease and Rental Inc. dba Payless Car Rental System
- 18 Simply Wheelz LLC dba Advantage Rent-A-Car
- 19 EZ Rent A Car
- 20 Signature Flight Support
- 21 Smarte Carte Inc.
- 22 GAT Airline Ground Support Inc.
- 23 Stellar Partners Inc. (RP 4)
- 24 Hudson Group - CV - Epicure - Martinez San Diego (RP 2)
- 25 Pacific Gateway Concessions and Procurement Concepts San Diego LLC (RP 3)
- 26 SSP America Inc. (FSP 5)
- 27 Mission Yogurt Inc. (FSP 4)

ANNUAL ONGOING AUDITS AND SUPPORT

- 28 Aircraft Rescue and Fire Fighting (ARRF) Billing
- 29 Board Member and Executive Business Expenses
- 30 Rental Car Center Fund Review
- 31 Procurement Card Program
- 32 Agreements with Expenditure Limits Not to Exceed \$100,000
- 33 Biennial Airline Landing Fees
- 34 Transportation Network Company (TNC) Reviews and Assistance
- 35 Emergency Medical Technician-Paramedic Services
- 36 Automated License Plate Reader (ALPR) System - Ace Parking
- 37 San Diego Unified Port District Billing
- 38 Special Request Audits
- 39 Ethics Program Activity
- 40 Construction Audit and Monitoring Activity

Appendix E – Ethics Hotline Call Summary

	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 Resources					
<i>General Misuse of Resources</i>	2	2	0	n/a	0
Potential Conflict of Interest	3	3	1	Y (1)	0
Employee Misconduct	2	2	0	n/a	0
Non Ethics Related Concerns					
ATO Practices and Behavior	2	0	2	n/a	2
RCC Operations	1	1	0	n/a	0
General Workplace Concerns					
Workplace Equitability	3	3	0	n/a	0
Workplace Practices/Behavior	5	5	1	n/a	0

(1) One issue currently being investigated.

Appendix F – Performance Measures Historical Data

Performance Measure	Fiscal Year				
	2013	2014	2015	2016	2017
Percentage of the audit plan completed annually	81%	88%	86%	84%	83%
Additional revenue/cost savings identified through audits	\$628,835	\$1,110,651	\$271,755	\$466,845	\$1,025,573
Percentage of staff time spent on audit activities	91%	86%	86%	82%	84%
Percentage of audits completed within budgeted time	82%	81%	81%	83%	86%
Implementation of Recommendations	74%	52%	64%	72%	81%



Fiscal Year 2017 Annual Audit Activities Report from the Office of the Chief Auditor

July 1, 2016, through June 30, 2017

Presented by:

Mark A. Burchyett, Chief Auditor

Fred Bolger, Manager, Audit Services

Audit Committee Meeting

September 11, 2017

Presentation Overview

Fiscal Year 2017 Annual Report

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

Audit Activities

- **Completed 35 Audits**
 - **Business Process: 9**
 - **Expenditure Contract: 13**
 - **Revenue Contract: 13**
- **Six (6) audits were in progress as of June 30, 2017**
- **Audit Results**
 - **Issued 17 Recommendations during the Fiscal Year 2017**

Audits in Progress as of June 30, 2017

Audit	Type of Audit	Status as of September 11, 2017
Ace Parking Management, Inc.	Revenue	Report Issued
Host International, Inc. (FSP 1)	Revenue	Report Issued
Paradies – San Diego LLC (RP1)	Revenue	Report Issued
Property and Inventory Management	Internal	Report Issued
Telecommunications Services and Billing	Internal	Report Issued
The Hertz Corporation	Revenue	Draft Report

Recommendation Follow-Up

Status as of recommendations issued in Fiscal Year 2017:

Quarter	Recommendations				
	Tracked	Completed	Not Accepted	Outstanding	% Completed
Carryover	9	8	0	1	89%
1 st	5	4	0	1	80%
2 nd	5	4	0	1	80%
3 rd	4	3	0	1	75%
4 th	3	2	0	1	66%
Total	26	21	0	5	81%
Total 2017	17	13	0	4	77%

Status of Recommendations with Estimated Implementation Timeframe

Estimated Completion Timeframe	Completed Within Estimated	Completed Outside Estimated	Outstanding	Total
Zero to 6 Months	13	1	1	15
6 Months to 1 Year	5	0	3	8
Over 1 Year	1	1	1	3
Total	19	2	5	26

Fiscal Year 2017 Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	83%
Additional revenue/cost savings identified through audits	n/a	\$1,025,573
Percentage of staff time spent on audit activities	80%	84%
Percentage of audits completed within budgeted time	80%	86%
Implementation of Recommendations	90%	81%

Summary of Ethics Inquiries

July 1, 2016, through June 30, 2017

	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 Resources					
<i>General Misuse of Resources</i>	2	2	0	n/a	0
Potential Conflict of Interest	3	3	1	Y (1)	0
Employee Misconduct	2	2	0	n/a	0
Non Ethics Related Concerns					
ATO Practices and Behavior	2	0	2	n/a	2
RCC Operations	1	1	0	n/a	0
General Workplace Concerns					
Workplace Equitability	3	3	0	n/a	0
Workplace Practices/Behavior	5	5	1	n/a	0

(1) One issue currently being investigated.

QUESTIONS?



Ethics Program Update

September 11, 2017

Presented by:

Callie Ullman, Senior Auditor

Ethics Training

- 45 minute sessions by Division/Department
- October 26, 2016 – May 5, 2017
- 30 Sessions - 388 Employees
- New Employee Ethics Online Course

Ethics Activity

Comparison of Ethics Reports 2014 - 2017

	FY 2017	FY 2016	FY 2015	FY 2014
Code of Ethics Concerns				
Potential Misuse of Public Funds				
<i>Construction - Car Rental, Access Roads & General Construction</i>	0	52	42	55
<i>Public Art</i>	0	2	16	14
Potential Misuse of Resources				
<i>Advertising</i>	0	4	25	33
<i>Employee Barbeque</i>	0	12	8	12
<i>Holiday Parties/Employee Parties/Retirement/Gifts</i>	0	5	22	22
<i>Terminal 2 Gala</i>	0	0	0	15
<i>General Misuse of Resources</i>	2	2	0	3
Potential Conflict of Interest	3	3	4	0
Employee Misconduct	2	0	2	1
Acceptance of Gifts	0	5	0	7
Non Ethics Related Concerns				
Aircraft Noise	0	20	25	21
ATO Practices and Behavior	2	25	27	32
Land Use Compatibility	0	1	0	0
Concession Availability	0	0	0	3
Parking/RCC Operations	1	3	2	0
TSA Practices and Behavior	0	31	24	28
General Workplace Concerns				
Performance Reviews	0	7	19	16
Potential Discrimination	0	2	0	0
Prohibited Use of Position	0	8	3	0
Promotional Opportunities	0	0	4	0
United Way	0	21	17	29
Volunteer Opportunity Emails	0	31	43	22
Workplace Equitability	3	8	27	16
Workplace Practices/Behavior	6	22	42	37
Total Ethics Reports	19	264	352	366

Ethics Activity

- 6 Ethics Inquiries since Ethics Training



Questions?