SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE

Meeting Date: **FEBRUARY 6, 2012**

Subject:

Quarterly Audit Activities Report – Fiscal Year 2012 Second Quarter, and Report on 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 of the Office of the Chief Auditor (OCA), as approved by the Board, established the roles, responsibilities, and working relationship of the Chief Auditor with the Audit Committee and Authority management. The Charter directs the Office of the Chief Auditor to provide periodic communications and presentations 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 FY12 Second Quarter Report (Attachment A), hereby filed by the Chief Auditor, summarizes the activities and accomplishments of his office from October 1, 2011, through December 31, 2011.

During the Second Quarter, the Office of the Chief Auditor completed 4 (four) audits and issued 3 (three) recommendations. The implementation status of audit recommendations issued by the Office of the Chief Auditor is detailed in Appendix D of the activity report.

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:

1. This Board action, as an administrative 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.

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

Equal Opportunity Program:

Not applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
OFFICE OF THE CHIEF AUDITOR

FY12 SECOND QUARTER REPORT

January 23, 2012

January 23, 2012   FY12 Second Quarter Report

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

Dear Mr. Smisek:

As requested by the Audit Committee, we present our Fiscal Year 2012 Second Quarter Report. The report details the audit and the administrative activities of the Office of the Chief Auditor (OCA) during the second quarter of FY12, and includes the resolutions of past audit findings and information regarding the future plans of the OCA.

The Second Quarter Report will be presented at the next Audit Committee meeting, scheduled for February 6, 2012.

Respectfully submitted,

Mark A. Burchyett
Chief Auditor

Audit Results

During the second quarter, the OCA continued to work on audits contained within the FY12 audit plan as authorized by the Audit Committee. In total, during the second quarter, the OCA completed four (4) audits. For the month of December, we issued one (1) audit report, for which an audit snapshot is located in Appendix A. From that audit report we issued three (3) recommendations, bringing the total recommendations issued during the second quarter to seven (7). The completed audits are listed in Figure 1 below and the status of recommendations is presented on Page 3.

Figure 1:   Audits Completed During the Second Quarter of Fiscal Year 2012

Audit	Report No.	Date	Type of Audit
Passenger Baggage Delivery	12002	10/17/2011	Internal Process
Host International	12023	10/19/2011	Revenue Contract
William Nicholas Bodouva + Associates	12009	11/29/2011	Expense Contract
Airport Lost and Found	12004	12/15/2011	Internal Process

In addition to the completed audits, the Office of the Chief Auditor had eleven (11) audits in progress as of December 31, 2011, as shown in Figure 2 below:

Figure 2:   Audits In-Progress as of December 31, 2011

Audit	Type of Audit
Aircraft Rescue & Fire Fighting (ARFF) - 2011	Expense Contract
Contract Lifecycle	Internal Process
DTG Operations Inc. dba Thrifty & Dollar	Revenue Contract
Lindbergh Parking	Revenue Contract
Merriwether & Williams Insurance Services	Expense Contract
Nevada Lease and Rental Inc. dba Payless Car Rental System	Revenue Contract
Newport Beach Sales & Leasing Inc. dba Budget Rent A Car System	Revenue Contract
Pacific Rim Mechanical	Expense Contract
Procurement Card Spending – Quarterly	Internal Process
Public Parking	Internal Process
San Diego Unified Port District Billing- 2011	Expense 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 30 recommendations that were issued during FY12, or were outstanding as of June 30, 2011. As shown by Figure 3 below, eleven (11) of the recommendations have been completed or implemented, while 15 remain outstanding. The one (1) recommendation deemed "Not Accepted" by Management was issued during FY11.

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

Figure 3: *Status of Recommendations as of December 31, 2011*

Recommendations:				
Tracked	**Completed**	**In Progress**	**Open**	**Not Accepted**
30	11	15	3	1

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 was taken that adequatley 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 desigantion 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.

It appears that adequate progress is being made with the majority of recommendations, and the OCA will continue its monthly updates of their status. Specifically, the non-completion of the "In Progress" recommendations should not have a material adverse affect 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, during the second quarter of FY12 the OCA was involved in the following:

➢ **Ethics Compliance Program:** Refer to Appendix B, Ethics Hotline Call Summary, for the Ethics activity during the second quarter.

➢ **Audit Committee:** The Audit Committee met on November 14, 2011. At that meeting the Committee received an update on Construction Audit activities as well as the OCA's FY12 first quarter report. The next meeting is scheduled for February 6, 2012, and will be a joint meeting with the Terminal Development Program Committee.

➢ **Administration:** During the quarter, the OCA migrated to a new version of its audit management software, TeamMate. While this negatively affected productivity for the quarter due to the time needed for implementation, it should have positive results going forward by allowing staff to work more efficiently.

Performance Measures

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for FY12, along with their current status, are detailed below in Figure 4.

Figure 4: Status of Performance Measures as of December 31, 2011

Performance Measure	Goal	Progress as of December 31, 2011
Percentage of the audit plan completed annually	100%	33%
Additional revenue/cost savings identified through audits	$30,000	$0
Percentage of staff time spent on audit activities	80%[1]	83%
Percentage of audits completed within budgeted time	80%	86%
Implementation of Recommendations	90%	37%

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 33% 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 first quarter, we had a completion goal 54% of the audit plan. We fell well short of our quarterly goal as the result of two things. First, we added two (2) audits to the annual audit plan. Second, we experienced unexpected delays in obtaining information or receiving responses on audit reports from auditees, apparently as a result of staff being absent during the holidays. The delayed audits should all be issued during the month of January.

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.

For soft savings, Appendix C details $2,133,619 identified to date during Fiscal Year 2012.

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 slightly 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

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[1] This percentage is the percentage of time staff spends on audit projects, construction audit activities, training, and the ethics program, vs. total staff time worked.

internally prepared audit budgets for each project. However, it recognizes that budgets may need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA has completed 86% of its projects within the budgeted amount of time, which was above the goal.

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, eleven (11) of 30 recommendations were implemented. Additionally, one (1) recommendation was not accepted by management. While the percentage of implemented recommendations appears under our goal, we are actually well on track to achieve the goal, because we aim to have 90% of our recommendations implemented within the year.

Going Forward

During the third quarter of FY12 the OCA has targeted 16 audits in progress for completion. The 16 includes numerous audits that are very near issuance as of this report date. The completion of these audits will result in the accomplishment of 74% of the FY12 audit plan. Figure 5 identifies the audits scheduled for completion in the third quarter.

Figure 5: Audits Scheduled for Completion in the Third Quarter of Fiscal Year 2012

Audit	Type of Audit
Aircraft Rescue & Fire Fighting (ARFF) - 2011	Expense Contract
Aircraft Rescue & Fire Fighting (ARFF) - 2012	Expense Contract
Capital and Maintenance Project Selection and Planning	Internal Process
Contract Lifecycle	Internal Process
DTG Operations Inc. dba Thrifty & Dollar	Revenue Contract
Lindbergh Parking	Revenue Contract
Merriwether & Williams Insurance Services	Expense Contract
Nevada Lease and Rental Inc. dba Payless Car Rental System	Revenue Contract
Newport Beach Sales & Leasing Inc. dba Budget Rent A Car System	Revenue Contract
Pacific Rim Mechanical	Expense Contract
Public Parking	Internal Process
Sadler Electric, Inc.	Expense Contract
San Diego Unified Port District Billing - 2011	Expense Contract
San Diego Unified Port District Billing - 2012	Expense Contract
Smarte Carte Inc.	Revenue Contract
The Hertz Corporation	Revenue Contract

Airport Lost and Found
Report Number 12004, December 2011

Background

California lost property law is governed by Cal. Civil Code § 2080 *et seq.* The San Diego County Regional Airport Authority (SDCRAA) lost and found function is controlled by SDCRAA Policy § 8.24, which was adopted by Resolution No. 2010-0055 dated May 6, 2010.

Our review of Airport Lost and Found Inc. found that:

➢ Sensitive inventory does not appear to be adequately secured.

➢ Computers disposed of after 90 days have hard drives left intact.

➢ ATOs are rotated through the Lost and Found

The Office began operations on July 1, 2010. The lost and found services were taken over from the Port of San Diego Harbor Police Department. The Office is located at the west end of Terminal 2. A core group of Airport Traffic Officers were selected to assist with the Office set up and the establishment of the lost and found polices. The lost and found stakeholders established policies and procedures, with the assistance of the Business Planning Department and the General Counsel.

Following are the areas covered in the procedures manual, along with a brief description of the policy and procedures.

- 30-1.01 Receiving Property
- 30-1.02 Reporting Lost Property
- 30-1.03 Match Property to Owner
- 30-1.04 Receipt and Disposition of Money
- 30-1.06 Records and Information Management

Finding #1:   Securing Sensitive Inventory

Cash, medications, identification, and credit cards, do not appear to be adequately secured within the controlled inventory area. This inventory is not consistently protected in a locked facility. Sensitive inventory is at high risk for theft and should not be left unlocked.

Recommendation: While the location where this inventory is located has access limited to only authorized personnel, it would be best practice to take the additional security measure of keeping sensitive inventory, such as cash, medications, identifications, and credit cards, in a locked facility at all times.

Recommendation Status: **Open**

Finding #2:   Disposal of Computer Inventory

Computers that have been retained for at least 90 days are disposed of through auction. When computers are turned over to the auctioneer, the hard drives are left intact (i.e., computers do not have hard drives erased). There is a risk that the personal data left on computers and obtained by the purchaser could be used for identity theft, or other illegal uses, resulting in monetary or reputational liability to the Authority.

Recommendation: Authority Management should work with the Information Technology Department to determine an effective and efficient manner of clearing computer hard drives prior to providing computers to the auctioneer.

Recommendation Status: Open

Finding #3:   *Lost and Found Staffing*

Airport Traffic Officers (ATO) within the Landside Operations Department are responsible for operating the Lost and Found Office. Currently ATOs are rotated through the Lost and Found assignment due to a labor union agreement. This could result in a continuing knowledge drain from the operation.

Recommendation: Management should work with the union to facilitate maintaining the ATO Primary Custodian employee positions on a permanent basis to the Lost and Found Office. This would help to provide continuity of the policy and procedure knowledge base.

Recommendation Status: Open

Ethics Hotline Call Summary
October – December, 2011

	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					
Advertising	21	13	0	n/a	8
New Construction	15	10	0	n/a	5
Potential Misuse of Resources					
Misuse of Resources	2	0	1	Yes (1)	2
Conflict of Interest	2	0	1	Yes (2)	2
Misuse of Position/Taxi Cab Trip Fee	1	0	1	Yes (3)	1
Non Ethics Related Concerns					
TSA Practices and Behavior	19	3	0	n/a	16
Aircraft Noise	16	9	0	n/a	7
ATO Practices and Behavior	7	4	0	n/a	3
Workplace Concerns					
United Way	27	16	0	n/a	11
Holiday Parties/Lunches	19	11	0	n/a	8
Lack of Pay Increases	13	8	0	n/a	5
Workplace Practices/Behavior	8	3	0	n/a	5
Workplace Equitability	6	3	0	n/a	3

(1) Allegation involves potential misuse of Authority parking spot. Issue was investigated and resolved.

(2) Allegation of potential conflict of interest. Issue investigated, no Code of Ethics violation found. However, management issue noted and information for management decision provided to Thella Bowens, CEO.

(3) Allegation of misuse of position/power regarding Taxi Cab Trip Fee. Issue investigated and no Code of Ethics violation found.

Soft Savings Estimate for Fiscal Year 2012

Audit	Audit #	Type	Savings	Comments
AECOM Expense Review	11028	Annual	$1,720,060	Opportunity to reduce the cost of services provided by AECOM, as the Authority pays a significant higher amount for long-term AECOM consultants than for permanent, fully burdened, Authority employees doing similar work or having the same job title.
Commuter Terminal 2 Floor Build-Out	11034	One-Time	$278,284	Facilities Management and Information Technology employee labor costs, and related burden, in support of the Commuter Terminal 2nd Floor Build-Out were expensed rather than capitalized to the project. While this is a one-time cost savings for this project, potential annual budget reduction could be realized.
William Nicholas Bodouva + Associates	12009	Annual	$135,275	Vendor per diem reimbursement rates should not exceed GSA rate. We noted that this would have saved $1,546 for this one contract. Using an estimate of 175 vendors at any one time, with approximately 50% being reimbursed for per diem meals, we estimate a soft savings of $135,275 (approximately 175 vendors X $1,546 X approximately 50% with reimbursements = $135,275).
Total Soft Savings			$2,133,619	

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of December 31, 2011	OCAs Assessment	Estimated Completion Date
11-10	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	20	Impact: 10 Probability: 10	To ensure the accurate recording of all ground transportation activities at SDIA, the Ground Transportation Department should upgrade or replace the AVI system. Once the AVI system is updated or replaced, the trip fee payment process should be automated. The AVI system data would be uploaded daily to a website accessible to the taxicab operators to allow them to track and download the trip data per taxicab. Monthly, the Ground Transportation Department would lump sum bill the activity to the taxicab companies. This would eliminate an unnecessary risk of misappropriation of Authority assets and the reliance on LPI employees to properly record and account for the collections.	After further evaluation, it appears that in light of the actions taken by MTS regarding the trip fees, it is appropriate to proceed to automate the trip fee collection process.	In Process	Unknown
11-09	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	17	Impact: 9 Probability: 8	Authority Management should continue to take all steps necessary, including petitioning the Office of the Mayor of the City of San Diego, to allow the Authority to present the request for a change to MTS rate setting policy to the PS&NS Committee. Obtaining approval from City Council for the full cost recovery trip fee on the taxicab meters is needed to ensure the taxicab drivers are no longer burdened with this cost and the taxicab operations at the Authority become self-sustaining. Once approval is received and the trip fee is added to the taximeter rate, the Authority should perform an annual true-up of the cost of taxicab operations. Any fees in excess of the cost of operations should be refunded to the taxicab drivers. If it is determined that the cost of operations exceeds the total of permit fees and trip fees, trip fees should be adjusted accordingly.	MTS responded to the Authority's letter with a request for indemnity from the Authority if MTS were to proceed with an increase to the Airport taxi cab rates. General Counsel is generating a response.	In Process	Unknown

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 December 31, 2011	OCAs Assessment	Estimated Completion Date
12-17	REAL ESTATE MANAGEMENT DEPARTMENT	Audit Report #12023 dated October 19, 2011, Host International	17	Impact: 8 Probability: 9	Real Estate Management (REM) should develop and document a comprehensive and efficient monitoring program that specifically targets concessionaire revenue and sales activity prior to implementation of the new Concession Development Program. In addition, REM should verify the accuracy of financial data provided by concessionaires, prior to input into the E1 financial system by the Accounting Department, and then in turn, verify that the E1 data is congruent with the concessionaire's monthly reports.	No status report was received by REM.	In Process	Unknown
12-19	PROCUREMENT DEPARTMENT	Audit Report #12009 dated November 29, 2011, William Nicholas Bodouva + Associates	17	Impact: 9 Probability: 8	The Procurement Department should review the Procurement documentation of all previous FDD contracts to ensure all available files are properly maintained in accordance with Authority Records Retention Policy.	Procurement has reviewed all previous files and has plans in place to ensure compliance	Completed	
12-05	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	16	Impact: 7 Probability: 9	The Approving Officials should be held accountable for their responsibility in reviewing and approving the purchases in the monthly reconciliation process. We recommend that Approving Officials who approve reconciliations with inadequate documentation, or questionable, prohibited, or restricted purchases be required to take remedial training from the Analyst and Accounting on the first instance of approving such a reconciliation. If this occurs more than once in one 12 month period, we recommend that the approving authority for P-Card purchases of the Approving Official be suspended. This would result in the suspension of all P-Cards authorized to that official or reassigning the Approving Official duties.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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 December 31, 2011	OCAs Assessment	Estimated Completion Date
12-07	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	16	Impact: 8 Probability: 8	P-Cardholders should be required to document the business purpose in all instances where the purpose would not be obvious to a third party.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-11	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	16	Impact: 8 Probability: 8	The User Guide and the corresponding E1 Process User Help Manual should be revised to provide clear instructions for the following: • The vendor name per the US Bank P-Cardholder statement should be recorded in the Payment Remark field. • The item purchased and the business purpose should be recorded in the Explanation Remark field. • A separate entry should be made to correspond to each entry and dollar amount on the US Bank statement. This should correspond to the amounts on the supporting documentation attached. • The Approving Official should review the reconciliation to ensure that all of the required information is included in the reconciliation. • The P-Cardholder and the Approving Official should record the date they each sign the reconciliation. The annual P-Card Program training should emphasize these requirements with a demonstration of how to properly complete a reconciliation.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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 December 31, 2011	OCAs Assessment	Estimated Completion Date
12-09	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	14	Impact: 6 Probability: 8	The monthly reconciliation is as important as following the P-Card purchases guidelines. The guidelines in the Manual should be revised so that the first late submission of a monthly reconciliation results in sending a Violation Letter to the cardholder, Approving Official/Director, and Division Vice-President. The second late reconciliation would then result in sending a second Violation Letter to the cardholder, Approving Official/Director, and Division Vice-President, with a copy to the CEO, and suspension of P-Card privileges.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-10	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	14	Impact: 6 Probability: 8	Controls surrounding the reconciliations should be strengthened so that more than one late submission of the monthly reconciliation in any twelve month period should be considered a violation.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-15	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	14	Impact: 7 Probability: 7	For improved internal control, we recommend that the supporting documentation and approval requirements of the Business Expense Reimbursement Policy should be used as an example to develop similar requirements for P-Card purchases to include within the Manual. The business purpose, detailed supporting documentation and proper approval levels should be included on all Authority expenditures, regardless of the method (expense reimbursement, P-Card transaction, or check request).	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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 December 31, 2011	OCAs Assessment	Estimated Completion Date
11-02	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #11014 dated December 1, 2010, Abhe & Svoboda, Inc.	13	Impact: 7 Probability: 6	Authority Management should ensure that any allowance for additional services included in an agreement should be directly related to the services provided in the agreement.	The Director of Facilities Management indicated that he disagreed with this recommendation. The OCA is awaiting confirmation that the President/CEO has been notified of the non-acceptance.	In Process	Unknown
12-08	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	13	Impact: 7 Probability: 6	The Manual should be revised to eliminate the exceptions from prohibited items as follows: 1. "A Vice-President can authorize any appropriate business expense for P- Cardholder where the Vice-President acts as the cardholder's Approving Official." This exception should be eliminated so that all P-Cardholders follow the same rules, and the controls surrounding prohibited items are enforced uniformly. 2. "Employee service awards, gifts and gift cards can be purchased through the Human Resources Dept." This should be in the restricted purchases as only allowable for specifically designated Human Resources Department employees. 3. "Gas & oil can be purchased by the Facilities Management Dept." This should be in the restricted purchases as only allowable for specifically designated Facilities Management Department employees. 4. "Non-repetitive minor on-site services or authorized emergency services can be obtained by Facilities Mgmt. Dept. provided they secure approval from the Risk Mgmt Dept. prior to the commencement of work. ..." This should be in the restricted purchases as only allowable for specifically designated Facilities Management Department employees. 5. "US Communities Maintenance and Hardware Supplies Contract ..." This should be in the restricted purchases as only allowable for specifically designated Facilities Management Department employees.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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 December 31, 2011	OCAs Assessment	Estimated Completion Date
12-14	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	13	Impact: 7 Probability: 6	The Analyst should ensure an audit of all monthly activity with a detailed review of all questionable expenditures is performed. The findings from the audit should be documented in a report with an analysis of the monthly trends of P-Card usage by P-Cardholder, dollar amount, merchant, and frequency, in addition to purchase limit changes and other analytical data.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-20	PROCUREMENT DEPARTMENT	Audit Report #12009 dated November 29, 2011, William Nicholas Bodouva + Associates	13	Impact: 5 Probability: 8	Procurement should revise standard contract language to require actual receipts for meal and hotel reimbursements and *additionally* stipulate not to exceed General Services Administration (GSA) per diem rates.	Procurement added GSA language to its standard contract language.	Completed	
12-13	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	12	Impact: 6 Probability: 6	Procurement should perform an analysis of the P-Card purchases to determine, in both number of transactions and amount expended, the higher volume purchasers and purchases, and the most frequently used merchants. Based on this analysis, Procurement should work with the related departments, such as FMD and IT, to solicit bids from all potential merchants to ensure the Authority is obtaining the best prices for commodity purchases and the P-Cards are used, as directed, for low-dollar, non-routine purchases.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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 December 31, 2011	OCAs Assessment	Estimated Completion Date
12-02	INFORMATION TECHNOLOGY DEPARTMENT	Audit Report #11003 dated July 20, 2011, Information Technology Performance	10	Impact: 6 Probability: 4	We recommend that Information Technology (IT) management develop a comprehensive performance management system to include regular tracking of progress toward goals. Additionally, we recommend that IT management review goals, objectives, and performance measures to determine if further refinement of these reassures would provide management a more proactive reflection of the adequacy of system and network controls.	IT engaged the assistance of Business Planning in defining key performance indicators and performance measures. Performance measures have been implemented, including network and help desk performance.	Completed	
12-06	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	10	Impact: 5 Probability: 5	The Manual should be revised to include the payment of merchant invoices by P-Card and purchases that circumvent the procurement process as prohibited use of the P-Card. The annual P-Card training should be enhanced to provide explanations of these prohibited transactions.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-18	REAL ESTATE MANAGEMENT DEPARTMENT	Audit Report #12023 dated October 19, 2011, Host International	9	Impact: 4 Probability: 5	Real Estate Management (REM) should obtain new price lists from every concessionaire at least on an annual basis. Further, REM should more frequently compare the concessionaire price listings to items being sold, and document this activity to verify concessionaires are using only approved prices.	No status report was received by REM.	In Process	Unknown

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 December 31, 2011	OCAs Assessment	Estimated Completion Date
12-03	INFORMATION TECHNOLOGY DEPARTMENT	Audit Report #11003 dated July 20, 2011, Information Technology Performance	8	Impact: 4 Probability: 4	The Information Technology (IT) Department should revise and update their Policy and Procedures Manual to accurately reflect the current IT system infrastructure. Additionally, IT Management should ensure that IT Procedures are added to the manual providing guidance for: a) Procedures enhancing the pre-approval process for P-Card purchases; b) Protection of confidential information from both external and internal intrusion attempts; c) Additional measures for management of non-installed assets within the possession of the IT Department; d) Active utilization of capabilities of network asset tracking systems to reconcile end-user installed assets on a quarterly basis; and e) Annual reviews and updates of the manual, including revision control documentation.	IT and Business Planning have developed a charter for the project of updating their policies and procedures, with a target of mid-FY12 for completion, and an annual review of deployed procedures.	Completed	
12-21	LANDSIDE OPERATIONS	Audit Report #12004 dated December 15, 2011, Airport Lost and Found		Impact: Probability:	While the location where this inventory (cash, medications, identification, and credit cards) is located has access limited to only authorized personnel, it would be best practice to take the additional security measure of keeping sensitive inventory, such as cash, medications, identifications, and credit cards, in a locked facility at all times.	This recommendation was issued during the month and no follow-up was performed.	Open	Unknown
12-22	LANDSIDE OPERATIONS	Audit Report #12004 dated December 15, 2011, Airport Lost and Found		Impact: Probability:	Authority Management should work with the Information Technology Department to determine an effective and efficient manner of cleaning computer hard drives prior to providing computers to the auctioneer.	This recommendation was issued during the month and no follow-up was performed.	Open	Unknown

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 December 31, 2011	OCAs Assessment	Estimated Completion Date
12-23	LANDSIDE OPERATIONS	Audit Report #12004 dated December 15, 2011, Airport Lost and Found		Impact: Probability:	Management should work with the union to facilitate maintaining the ATO Primary Custodian employee positions on a permanent basis to the Lost and Found assignment due to a labor union agreement. This could result in a continuing knowledge drain from the operation.	This recommendation was issued during the month and no follow-up was performed.	Open	Unknown

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.

Presentation Overview

2nd Quarter Report

- – Audit Activities

- – Recommendation Follow-up

- – Performance Measures

- – Non-Audit & On-going Activities

AIRPORTS FUEL
REGIONAL ECONOMIES

Audit Activities

- Completed 4 Audits

  - Expenditure Contract Audits: 1
  - Internal Process: 2
  - Revenue Contracts: 1

- Eleven (11) audits were in progress as of December 31, 2011

- Audit Results
  - Issued 3 Recommendations

Audits In Progress

Audit	Type of Audit	Status as of February 6, 2012
Aircraft Rescue & Fire Fighting (ARFF) – 2011	Expenditure	Draft Report
Contract Lifecycle	Internal	Draft Report
DTG Operations Inc. dba Thrifty & Dollar	Revenue	Draft Report
Lindbergh Parking	Revenue	Fieldwork
Merriwether & Williams Insurance Services	Expenditure	Fieldwork
Nevada Lease and Rental Inc. dba Payless Car Rental System	Revenue	Issued
Newport Beach Sales & Leasing Inc. dba Budget Rent a Car System	Revenue	Issued
Pacific Rim Mechanical	Expenditure	Draft Report
Procurement Card Spending (Quarterly)	Internal	Issued
Public Parking	Internal	Fieldwork
San Diego Unified Port District Billing – 2011	Expenditure	Issued

Recommendation Follow-up

Status as of December 31st:

Tracked	Completed	In Progress	Open	Not Accepted
30	11	15	3	1

FY12 Performance Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	33%
Percentage of the audit plan completed during 1st Quarter	54%	33%
Additional revenue/cost savings identified through audits	$30,000	$0
Percentage of staff time spent on audit activities	80%	83%
Percentage of audits completed within budgeted time	80%	86%
Implementation of Recommendations	90%	37%

Summary of Ethics Inquiries

	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					
Advertising	21	13	0	n/a	8
New Construction	15	10	0	n/a	5
Potential Misuse of Resources					
Misuse of Resources	2	0	1	Yes (1)	2
Conflict of Interest	2	0	1	Yes (2)	2
Misuse of Position/Taxi Cab Trip Fee	1	0	1	Yes (3)	1
Non Ethics Related Concerns					
TSA Practices and Behavior	19	3	0	n/a	16
Aircraft Noise	16	9	0	n/a	7
ATO Practices and Behavior	7	4	0	n/a	3
Workplace Concerns					
United Way	27	16	0	n/a	11
Holiday Parties/Lunches	19	11	0	n/a	8
Lack of Pay Increases	13	8	0	n/a	5
Workplace Practices/Behavior	8	3	0	n/a	5
Workplace Equitability	6	3	0	n/a	3
Total	156	80	3	3	76

(1) Allegation involves potential misuse of Authority parking spot. Issue was investigated and resolved.

(2) Allegation of potential conflict of interest. Issue investigated, no Code of Ethics violation found. However, management issue noted and information for management decision provided to Thella Bowens, CEO.

(3) Allegation of misuse of position/power regarding Taxi Cab Trip Fee. Issue investigated and no Code of Ethics violation found.

Non-Audit Activities and On-Going Activities

- Training
  - Mark Burchyett attended the annual Travel & Business Expense Reimbursement Training and completed required Public Service Ethics Training.

  - Fred Bolger, Shane Ellis, and Callie Ullman attended 16 hours each of TeamMate Suite training.

- Administration
  - Migrated to a new version of the audit management system, TeamMate. While this affected productivity for the quarter due to the time needed for implementation, it should provide improved efficiency going forward.

Questions

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