



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE

Item No.
3

Meeting Date: **MAY 9, 2011**

Subject:

Fiscal Year 2011 Third Quarter Audit Activities Report, 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, if required, provide 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.

On May 9, 2011, the Office of the Chief Auditor will present its Fiscal Year 2011 Third Quarter Report to the Audit Committee; of significance, having issued seven audit reports and ten recommendations. The Report (Attachment A), hereby filed by the Chief Auditor, summarizes the activities and accomplishments of his office from January 1, 2011, through March 31, 2011.

Additionally, the implementation status of audit recommendations issued by the OCA is detailed in Appendix B of the Report.

Fiscal Impact:

The action will not result in any additional costs to the Authority.

Environmental Review:

- A. 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. Section 15378. This Board action is not a "project" subject to CEQA. Pub. Res. Code Section 21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Pub. Res. Code Section 30106.

Equal Opportunity Program:

Not applicable.

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
OFFICE OF THE CHIEF AUDITOR

FY11 THIRD QUARTER REPORT

April 28, 2011



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

April 28, 2011

FY11 Third 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 2011 Third Quarter Report. The report details the audit and the administrative activities of the Office of the Chief Auditor (OCA) during the third quarter of FY11, and includes the resolutions of past audit findings and information regarding the future plans of the OCA.

The Third Quarter Report will be presented at the next Audit Committee meeting, scheduled for May 9, 2011.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "M. Burchyett", is written over a horizontal line.

Mark A. Burchyett
Chief Auditor

Audit Results

During the third quarter, the OCA continued work on the audits included within the FY11 audit plan as authorized by the Audit Committee. In total, during the third quarter, the OCA completed seven (7) audits. For the month of March, we issued two (2) audit reports, for which audit snapshots are located in Appendix A. From those two (2) audit reports we issued two (2) recommendations, bringing the total recommendations issued during the third quarter to ten (10). The most significant recommendations during the quarter concerned weaknesses and possible improvements to the process surrounding the taxicab cost recovery program. However, recommendations were also issued to address underpayments to the City of San Diego. 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 Third Quarter of Fiscal Year 2011

Audit	Report No.	Date	Type of Audit
Charles King Company	11010	1/5/2011	Expense Contract
Aztec Landscaping, Inc.	11015	1/19/2011	Expense Contract
Taxicab Cost Recovery Program	11032	2/4/2011	Internal Process
Ensley Electric Inc.	11006	2/10/2011	Expense Contract
Zoological Society of San Diego	11033	2/16/2011	Expense Contract
Emergency Medical Technician-Paramedic Services	11030	3/15/2011	Expense Contract
Enterprise Rent-A-Car, Inc.	11018	3/22/2011	Revenue Contract

In addition to the completed audits, the Office of the Chief Auditor had 15 audits in progress as of March 31, 2011, as shown in Figure 2 below:

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

Audit	Type of Audit
2nd Floor Build-out	Internal Process
Air Serve	Revenue Contract
Airport Land Use Management	Internal Process
Aircraft Rescue & Fire Fighting (ARFF)	Expenditure Contract
Attorney General MOU on Greenhouse Gas Compliance	Internal Process
Avis Rent A Car Systems Inc.	Revenue Contract
Business and Travel Expenses	Internal Process
Consolidated Rental Car Facility (CONRAC) Fund	Internal Process
Employee Benefit Administration	Internal Process
Information Technology Performance	Internal Process
Jacobs Engineering Group, Inc.	Expenditure Contract
Merriwether & Williams Insurance	Expenditure Contract
Procurement Card Spending	Internal Process
Real Estate Management Department (REM)	Internal Process
Sustainability Management	Internal Process

Recommendation Follow-Up

To ensure that audit issues are addressed in a timely manner, the OCA tracks the status of its recommendations on an on-going basis. For the last month in the quarter, the OCA tracked the implementation status of 13 recommendations that were issued during FY11, or were outstanding as of June 30, 2011. As shown by Figure 3 below, five (5) of the recommendations have been completed or implemented; while eight (8) remain outstanding. No recommendations were deemed "Not Accepted" by Management during the quarter.

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

Figure 3: Status of Recommendations as of March 31, 2011

Recommendations:				
Tracked	Completed	In Progress	Open	Not Accepted
13	5	6	2	0

In tracking recommendations the OCA uses the following designations:

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

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 third quarter of FY11 the OCA was involved in the following:

- **Ethics Compliance Program:** During the third quarter, the Ethics Compliance Coordinator received a total of 165 calls through various methods of Ethics reporting made available. All notifications were reviewed by the Coordinator. Based on that review, the Coordinator either dismissed the complaint, notified the appropriate Authority personnel, or forwarded the complaint for further investigation. During the third quarter, one report required additional investigation. A listing of reports made to the Ethics Compliance Coordinator during the third quarter is available in Appendix B.
- **Audit Committee:** The Audit Committee met on February 7, 2011. At that meeting the Committee received an update on Construction Audit activities as well as the OCA's second quarter report. The next meeting is scheduled for May 9, 2011.

Performance Measures

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for FY11, along with their current status, are detailed below in Figure 4.

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

Performance Measure	Goal	Progress as of March 31, 2011
Percentage of the audit plan completed annually	100%	55%
Additional revenue/cost savings identified through audits	\$30,000	\$129,193 ¹
Percentage of staff time spent on audit activities	80% ²	83%
Percentage of audits completed within budgeted time	80%	87%
Implementation of Recommendations	90%	61%

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 55% of the plan and an additional 36% of the audit plan is currently in-progress.

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.

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 over its current goal of 80%.

Percentage of audits completed within budgeted time: This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it recognizes that budgets may need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA has completed 87% of its projects within the budgeted amount of time, which was above the goal.

¹ This total includes neither the underpayment to the City of San Diego for Emergency Medical Technician-Paramedic services of \$49,832, nor an overpayment to the San Diego Zoological Society of \$38,554, which General Counsel found to be uncollectable.

² 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.

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, 14 of 23 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 FY11 the OCA has targeted 19 audits in progress for completion. The completion of these audits will result in the accomplishment of 100% of the FY11 audit plan. Figure 5 identifies the audits scheduled for completion in the third quarter.

Figure 5: Audits Scheduled for Completion in the Fourth Quarter of Fiscal Year 2011

Audit	Type of Audit
2nd Floor Build-out	Internal Process
AECOM Expense Review	Expenditure Contract
Air Serve	Revenue Contract
Airport Land Use Management	Internal Process
Aircraft Rescue & Fire Fighting (ARFF)	Expenditure Contract
Attorney General MOU on Greenhouse Gas Compliance	Internal Process
Avis Rent A Car Systems Inc.	Revenue Contract
Business and Travel Expenses	Internal Process
Consolidated Rental Car Facility (CONRAC) Fund	Internal Process
Employee Benefit Administration	Internal Process
Flatiron West, Inc.	Expenditure Contract
Information Technology Performance	Internal Process
Jacobs Engineering Group, Inc.	Expenditure Contract
KONE, Inc.	Expenditure Contract
Merriwether & Williams Insurance	Expenditure Contract
Procurement Card Spending	Internal Process
Real Estate Management Department (REM)	Internal Process
San Diego Unified Port District Billing	Expenditure Contract
Sustainability Management	Internal Process

Emergency Medical Technician-Paramedic Services – FY10

Report Number 11030, March 2011

Background

Under an Agreement entered into on December 22, 2005, and two subsequent Amendments, and effective from January 1, 2006, through June 30, 2010, the City of San Diego (City) provides emergency medical technician-paramedic services (EMT-P) at San Diego International Airport (SDIA). The Agreement requires the Authority to reimburse the City for the actual costs of providing EMT-P services at the Airport. To avoid having to calculate and review the monthly costs of providing the services, the Agreement stipulates that the City shall annually calculate a good faith estimate of the costs needed to provide the EMT-P services. Each month during the year, the City bills the Authority for one-twelfth (1/12) of the annual estimate. For FY10, the estimate to provide the services was \$651,600 or \$54,300 per month. The objective of the audit was to perform the reconciliation of actual expenses incurred by the City with the amount paid by the Authority for FY10.

Finding #1: Authority Overpaid for Emergency Medical Technician-Paramedic Services

As described above, the Agreement only allows the Authority to reimburse the City for the actual costs incurred in providing the EMT-P services. Through our audit work, we found that the City incurred a total of \$701,437 in expenses by providing EMT-P services at SDIA during the period and the Authority reimbursed the City a total of \$651,605. This resulted in an overpayment of \$49,832.

Recommendation: The Aviation Security & Public Safety Department should request the City to add as a City credit \$16,611 (\$49,832/3) to the City's EMT-P service invoices for the next three (3) months.

Recommendation Status: Open

Enterprise Rent-A-Car, Inc.
Report Number 11018 – March 2011

Background

During the audit period, Enterprise Rent-A-Car Inc. (Enterprise) operated at San Diego International Airport (SDIA) under a Non-Exclusive Airport Car Rental Business License Agreement (Agreement) that had a term of four (4) years and ten (10) months from March 1, 2006, to December 31, 2010. The Agreement provides Enterprise the authority to offer rental car services to SDIA customers, and use courtesy vehicles to provide pickup and drop-off services at SDIA. In exchange for allowing its service at SDIA, the Agreement requires Enterprise to remit a license fee to the Authority. The license fee is calculated as the greater of a Minimum License Fee of \$100 per month, or a ten percent (10%) monthly fee based on the total gross revenues from "Airport Customers".

For the period of July 1, 2008, through June 30, 2010, Enterprise reported \$49,768,450 in concessionable revenue to SDIA and paid \$4,976,845 in license fees. The objective of the audit was to determine whether gross revenue reported by Enterprise was accurate and that the license fees were calculated in accordance with Agreement terms.

Our review of
Enterprise found that:

- Enterprise excluded Vehicle License Fees in Concessionable Revenue calculation

Finding #1: *Enterprise Excluded Concessionable Revenue Accounts when Calculating License Fees*

Audit work determined that from August 2009, through June 2010, Enterprise failed to include vehicle license fees charged to Enterprise's customers in the calculation of concessionable revenue. This resulted in an underreporting of concessionable revenue by \$24,809 and an underpayment of license fees to the Authority by \$2,481.

Recommendation: We recommend that the Real Estate Management Department request Accounting to generate an invoice to Enterprise for the underpayment of license fees in the amount of \$2,481.

Recommendation Status: Open

Ethics Hotline Call Summary
January – March, 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					
<i>New Construction</i>	32	18	0	n/a	14
<i>Advertising</i>	24	7	0	n/a	17
<i>Open House</i>	6	6	0	n/a	0
Receipt of Gifts	9	8	0	n/a	1
Non Ethics Related Concerns					
TSA Practices and Behavior	19	7	0	n/a	12
Aircraft Noise	11	4	0	n/a	7
ATO Practices and Behavior	8	3	0	n/a	5
Workplace Concerns					
Lack of Pay increases	21	5	0	n/a	16
Workplace Equitability	15	11	0	n/a	4
Workplace Practices/Behavior	11	8	0	n/a	3
Fitness Challenges	8	5	0	n/a	3
Work Environment/Retaliation (1)	1	0	1	Yes	1

(1) This issue is being investigated and resolution will be reported upon completion.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2011	OCA's 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.	Staff has received two proposals to automate trip fees and is working with industry representatives to evaluate the proposal costs and installation timeframe.	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 March 31, 2011	OCA's Assessment	Estimated Completion Date
11-11	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	20	Impact: 10 Probability: 10	The Ground Transportation Department should ensure that the Customer Service Representatives (CSRs) are reconciling the number of coupons sold to the amount collected on a daily basis. The Ground Transportation Department should perform a reconciliation of the Reports received at the end of each month to verify that the number of coupons sold and the collections are accurate. Additionally, a running balance of prepaid coupons outstanding should be maintained to ensure the department is tracking the number of coupons outstanding and the related unearned income.	Staff now reconciles all coupons sold, monies collected, coupons collected, and outstanding (prepaid) coupons on a weekly basis. Reconciliation reports are generated and delivered to the Authority Accounting department with monthly parking revenue reports.	Completed	N/A
11-12	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	20	Impact: 10 Probability: 10	The Ground Transportation Department should reconcile the deposit information received by the Accounting Department to the monthly Report received from LPI to verify that the trip fee collections have been accurately recorded.	Staff now reconciles all trip fee collections to the deposits recorded in the General Ledger on a monthly basis.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2011	OCA's Assessment	Estimated Completion Date
10-37	ACCOUNTING DEPARTMENT	Audit Report #10012 dated May 14, 2010, Ricondo & Associates, Inc.	18	Impact: 9 Probability: 9	We recommend that the Accounting Department implement a red flag control process to inform the individual responsible for reviewing Authority Check Requests that the vendor is under Contract, and that payments should not be made via Check Request until Specific written approval is provided.	The new process was developed and will be tested during the month of April.	In Process	April 2011
11-06	PLANNING & OPERATIONS DIVISION	Audit Report #10033 dated December 8, 2010, San Diego Unified Port District Billing - FY09	18	Impact: 9 Probability: 9	We recommend that the Planning & Operations Division notify District Staff concerning the Fiscal Year 2009 over-billing for HPD services and determine the most appropriate method for the Authority to receive the additional \$127,423 owed to the Authority.	The Port has remitted payment for the overbilling.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2011	OCA's Assessment	Estimated Completion Date
11-09	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	17	Impact: 9 Probability: 8	<p>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.</p> <p>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.</p>	The City Attorney's office is currently examining the trip fee issue as it relates to recently adopted Prop 26 for their legal opinion. Staff is awaiting their response.	In Process	Unknown
11-13	ENVIRONMENTAL AFFAIRS DEPARTMENT	Audit Report #11033 dated February 16, 2011, Zoological Society of San Diego	15	Impact: 8 Probability: 7	The Environmental Affairs Department with General Counsel's assistance, should identify the best method to attempt to recoup the calculated overpayment of \$38,554.	According to the Director of Environmental Affairs, they consulted with General Counsel, who advised that no viable method of recouping the funds could be identified.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2011	OCA's 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.	Facilities Management disagrees with this recommendation. The OCA is following up with the Executive Team.	In Process	TBD
11-14	ENVIRONMENTAL AFFAIRS DEPARTMENT	Audit Report #11033 dated February 16, 2011, Zoological Society of San Diego	13	Impact: 7 Probability: 6	The Environmental Affairs Department should request that the Zoological Society attach detailed supporting documentation of all expenses, including, but not limited to, names of personnel, rates charged, days and hours worked, and detailed descriptions of work performed. In addition, the Environmental Affairs Department should develop a method to track expenses by category to ensure that the Zoological Society does not exceed the annual maximums.	Environmental Affairs requested more detailed supporting documentation for invoices. Additionally, the Department is working with the Zoological Society to modify the current invoice format to augment the level of detail provided and to track current and annual cumulative expenses per individual expense category on all future invoices.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2011	OCA's Assessment	Estimated Completion Date
11-03	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #11014 dated December 1, 2010, Abhe & Svoboda, Inc.	12	Impact: 7 Probability: 5	Authority Management should ensure that the negotiation and approval for changes in contract compensation should be documented and maintained in the contractor file.	Facilities Management agrees with the recommendation and indicated that it will ensure that all future changes in compensation or other contract issues are formally documented. However, the Department does not expect any change to the compensation schedule through the remaining term of the Abhe agreement. The OCA is following up with the Executive Team.	In Process	TBD
11-08	ACCOUNTING DEPARTMENT	Audit Report #11015 dated January 19, 2011, Aztec Landscaping, Inc.	12	Impact: 7 Probability: 5	Accounting and Procurement should continue developing and implementing automated and non-automated processes to identify and restrict misuse of the Check Request process.	The new process was developed and will be tested during the month of April.	In Process	April 2011
11-15	AVIATION OPERATIONS & PUBLIC SAFETY DEPARTMENT	Audit Report #11030 dated March 15, 2011, Emergency Medical Technician-Paramedic Services	11	Impact: 5 Probability: 6	The Aviation Operations & Public Safety Department should request that the City add as a City credit \$16,611 (\$49,832/3) to the City's Emergency Medical Technician-Paramedic Service invoices for the next three (3) months.	This recommendation was issued during March and no follow-up was performed.	Open	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2011	OCA's Assessment	Estimated Completion Date
11-16	REAL ESTATE MANAGEMENT DEPARTMENT	Audit Report #11018 dated March 22, 2011, Enterprise Rent-A-Car, Inc.	10	Impact: 5 Probability: 5	The Real Estate Management Department should request Accounting to generate an invoice to Enterprise for the underpayment of license fees in the amount of \$2,481.	This recommendation was issued during March and no follow-up was performed.	Open	N/A

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

San Diego County Regional Airport Authority

Fiscal Year 2011 3rd Quarter Report

ON THE ACTIVITIES AND ACCOMPLISHMENTS OF THE
OFFICE OF THE CHIEF AUDITOR

January 1, 2011, through March 31, 2011

**Audit Committee Meeting
May 9, 2011**





Presentation Overview

3rd Quarter Report Summary

- Audit Activities
- Recommendation Follow-up
- Performance Measures
- Ethics Program
- Non-Audit & Ongoing Activities



3rd Quarter Audit Activities

Completed a Total of 7 Audits

- 1 Internal Process
 - Taxicab Cost Recovery Program
- 1 Revenue Audit
 - Enterprise Rent-A-Car, Inc.
- 5 Expenditure Audits
 - Charles King Company
 - Aztec Landscaping Inc.
 - Ensley Electric Inc.
 - Zoological Society of San Diego
 - Emergency Medical Technician – Paramedic Services

Audit Results

- Issued 10 Recommendations



Audits in Progress


Audit	Type of Audit	Status as of May 9, 2011
2 nd Floor Build-Out	Internal	Fieldwork
Air Serve	Revenue	Report Issued
Airport Land Use Management	Internal	Draft Report
Attorney General Memorandum of Understanding on Greenhouse Gas Compliance	Internal	Report Issued
Airport Rescue & Firefighters (ARFF)	Expenditure	Fieldwork
Avis Rent A Car Systems Inc.	Revenue	Report Issued
Business and Travel Expenses	Internal	Fieldwork
CONRAC Fund Review	Internal	Report Issued
Employee Benefits Administration	Internal	Fieldwork
Information Systems Performance	Internal	Fieldwork
Jacobs Engineering Group, Inc.	Expenditure	Draft Report
Merriwether & Williams Insurance	Expenditure	Fieldwork
Procurement Card Spending	Internal	Fieldwork
Real Estate Management Department	Internal	Fieldwork
Sustainability Management	Internal	Fieldwork



Recommendation Follow-Up

Status as of March 31, 2011:

Tracked	Completed	In Progress	Open	Not Accepted
13	5	6	2	0



Performance Measures as of March 31, 2011

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	55%
Additional revenue/cost savings identified	\$30,000	\$129,193
Percentage of staff time spent on audit activities	80%	83%
Percentage of audits completed within budgeted time	80%	87%
Implementation of Recommendations	90%	61%

Ethics Program

Received 165 calls through the Ethics Hotline, which were evaluated and/or investigated.

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
Code of Ethics Concerns					
Potential Misuse of Public Funds					
<i>New Construction</i>	32	18	0	n/a	14
<i>Advertising</i>	24	7	0	n/a	17
<i>Open House</i>	6	6	0	n/a	0
Receipt of Gifts	9	8	0	n/a	1
Non Ethics Related Concerns					
TSA Practices and Behavior	19	7	0	n/a	12
Aircraft Noise	11	4	0	n/a	7
ATO Practices and Behavior	8	3	0	n/a	5
Workplace Concerns					
Lack of Pay Increases	21	5	0	n/a	16
Workplace Equitability	15	11	0	n/a	4
Workplace Practices/Behavior	11	8	0	n/a	3
Fitness Challenges	8	5	0	n/a	3
Work Environment/Retaliation (1)	1	0	1	Yes	1

(1) This issue is being investigated and resolution will be reported upon completion.



Non-Audit Activities and Ongoing Activities

3rd Quarter Staff Training & Development:

- Mark Burchyett: Attended the Southwest AAE Management Course in Monterey Bay, CA, in January 2011.
- Scott Thein: Attended an Institute of Internal Auditor's on-line training, 10 Imperatives for Internal Audit Change, in March 2011; and attended an Information System Audit and Control Association on-line training, 360-Degree Approach to Data Breach.
- **CONGRATULATIONS to SCOTT THEIN AND CALLIE ULLMAN** for receiving certification from the National Association of Construction Auditors as a **CERTIFIED CONSTRUCTION AUDITOR**.

Recommendations Not Accepted

No recommendations not accepted.





Questions

