

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY



AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Monday, May 4, 2015
10:00 A.M.

San Diego International Airport
Commuter Terminal -- Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

BOARD MEMBERS

DAVID ALVAREZ
LAURIE BERNAN*
C. APRIL BOLING
GREG COX
JIM DESMOND
COLL. JOHN FARNAM*
ROBERT H. GLEASON
LLOYD B. HUBBS
JIM LANNENY
ERAINA ORTEGA*
PAUL ROBINSON
MARY SEEDOM

* EX OFFICIO BOARD MEMBER

PRESIDENT/CEO
THELLA F. BOWENS

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

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

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

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

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

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

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

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

NON-AGENDA PUBLIC COMMENT:

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

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

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 9, 2015, regular meeting.

2. FISCAL YEAR 2015 THIRD QUARTER AUDIT ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

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

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

3. FISCAL YEAR 2016 PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

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

Presented by: Mark A. Burchyett, Chief Auditor

4. FISCAL YEAR 2016 PROPOSED BUDGET OF THE OFFICE OF THE CHIEF AUDITOR AND FISCAL YEAR 2017 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2016 Budget process for approval.

Presented by: Mark A. Burchyett, Chief Auditor

CLOSED SESSION:

5. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

(Government Code Section 54957)

Title: Chief Auditor

REPORT ON CLOSED SESSION:

NON-AGENDA PUBLIC COMMENT:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

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

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

Additional Meeting Information

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

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

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

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

UPCOMING MEETING SCHEDULE

Date	Day	Time	Meeting Type	Location
August 17	Monday	10:00 a.m.	Regular	Board Room
November 16	Monday	10:00 a.m.	Regular	Board Room

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MINUTES
MONDAY, FEBRUARY 9, 2015
BOARD ROOM

CALL TO ORDER:

Vice Chair Hubbs called the meeting of the Audit Committee to order at 10:00 a.m., on Monday, February 9, 2015, in the Board Room of the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

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

ROLL CALL:

PRESENT: Committee Members: Gleason, Hubbs, Tartre, Van Sambeek
 Board Members: Janney

ABSENT: Committee Members: Hollingworth, Sessom

ALSO PRESENT: Thella F. Bowens, President/CEO; Amy Gonzalez, Senior Director,
 General Counsel; Lorraine Bennett, Assistant Authority Clerk II; Sara
 Real, Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 17, 2014, regular meeting.

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

2. FISCAL YEAR 2015 SECOND QUARTER AUDIT ACTIVITIES REPORT, AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Fred Bolger, Manager, Audit Services, provided a presentation on the Quarterly Audit Activities Report, which included Audit Activities; Audits in Progress as of December 31, 2014; Recommendation Follow-Up; Fiscal Year 2015 Measure Outcomes; and Summary of Ethic Inquiries.

In response to Committee Member Van Sambeek regarding ways to address rental car issues before they occur, Scott Brickner, Vice President, Finance & Asset Management/Treasurer, stated that when there is an audit finding, staff works with the rental car companies to resolve the issue. He stated that in some cases, an audit firm has been retained. He further stated that staff anticipates that this issue will improve with the implementation of the Rental Car Center.

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

3. CONSTRUCTION AUDIT STATUS REPORT:

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

RECOMMENDATION: Information item only.

ACTION: No action taken.

4. AUTHORITY BOND COVENANTS OVERVIEW AND FORECAST OF NET INCOME:

Michael Sears, Director, Financial Management, and Scott Brickner, Vice President, Finance & Asset Management/Treasurer, provided a presentation on the Authority Bond Covenants Overview and Forecast of Net Income, which included an Update on Bond Covenants; Forecast of Net Income; and Key Performance Indicators to Assess Our Performance as an Airport.

In response to Committee Member Tartre regarding what is the cost per enplaned passenger and how this compares to other airports in the region, Mr. Sears stated that the anticipated cost per enplaned passenger is \$11.37. Regarding comparison information at peer airports, Mr. Brickner stated that staff will provide this information to the Committee Members.

Vice Chair Hubbs requested that staff forward the chart of Debt Service Coverage information to the Audit Committee.

RECOMMENDATION: Information item only.

ACTION: No action taken.

5. REVIEW OF PERFORMANCE AUDITING PROCEDURES:

Mark A. Burchyett, Chief Auditor, provided a presentation on the Review of Performance Auditing Procedures, which included the History of Performance Auditing; Background of the Office of the Chief Auditor (OCA) Performance Auditing; Performance and Internal Audit Defined; Performance Audit Concerns and Analysis; Summary of Conversations; and Recommended OCA Approach Going Forward.

Committee Member Tartre spoke in support of the visibility of performance audit results.

Board Member Gleason requested that staff provide a memorandum to the Board to disclose performance audit concerns and analysis.

Vice Chair Hubbs requested that staff provide joint status reports to the Committee and to the Board regarding the proposed Audit Plan discussed between management and the OCA.

RECOMMENDATION: Information item only.

ACTION: No action taken.

6. REVISION TO FISCAL YEAR 2015 AUDIT PLAN:

Fred Bolger, Manager, Audit Services, provided an overview of the revision to the Fiscal Year 2015 Audit Plan.

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

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

NON-AGENDA PUBLIC COMMENT: None

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT: The meeting was adjourned at 10:47 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY THIS 4th DAY OF MAY, 2015.

MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:

LORRAINE BENNETT
ASSISTANT AUTHORITY CLERK II



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

Item No.
2

Meeting Date: **MAY 4, 2015**

Subject:

Fiscal Year 2015 Third Quarter Audit Activities Report and Audit Recommendations Issued by the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

The Charter of the Audit Committee states compliance and regulatory oversight responsibilities of the Audit Committee. One of these oversight responsibilities requires their review of the Office of the Chief Auditor's (OCA) periodic communications and presentations to the Committee on the adequacy of management's systems of control. The scope of controls to be reviewed include computerized information system controls and security, audit findings identified with management's responses, special audit steps implemented due to material control deficiencies, and special investigations.

The Office of the Chief Auditor hereby files its Fiscal Year 2015 Third Quarter Report (Attachment A) summarizing the activities and accomplishments of the office from January 1, 2015, through March 31, 2015.

During the Third Quarter, the Office of the Chief Auditor completed eleven (11) audits of the Fiscal Year 2015 Audit Plan and issued three (3) recommendations. Fifteen (15) audits were in progress as of March 31, 2015.

At the regularly scheduled Audit Committee meeting on May 4, 2015, the Office of the Chief Auditor will present the Fiscal Year 2015 Third Quarter Report and a current status on the implementation of all outstanding audit recommendations.

Fiscal Impact:

None

Authority Strategies:

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

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

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

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
OFFICE OF THE CHIEF AUDITOR

FY15 THIRD QUARTER REPORT

April 24, 2015



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

April 24, 2015

FY15 Third Quarter Report

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

Dear Mr. Robinson:

The Office of the Chief Auditor (OCA) presents our Fiscal Year 2015 Third Quarter Report. The report details both the audit and the administrative activities of the OCA during the third quarter of Fiscal Year 2015; and it 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 4, 2015.

Respectfully submitted,

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

Mark A. Burchyett
Chief Auditor

Audit Results

During the third quarter, the OCA continued its work on audits contained within the FY15 audit plan, as authorized by the Audit Committee, and wrapped up audits from the FY14 audit plan. In total, during the third quarter, the OCA issued eleven (11) audits reports. For the month of March, we issued six (6) audit reports, for which audit snapshots are located in Appendix A. The audit reports included three (3) recommendations, which were the only recommendations issued during the third quarter. The completed audits for the third quarter 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 2015

Audit	Report No.	Date	Type of Audit
Airport Noise Management Performance	15003	1/8/2015	Internal Process
JCDecaux Airport, Inc.	15024	1/16/2015	Revenue Contract
Network Security Electronics, Inc.	15008	1/20/2015	Expense Contract
Concessionaire Management and Performance	15001	1/27/2015	Internal Process
Cloud Management and Performance	15002	2/18/2015	Internal Process
Enterprise Holdings Inc.	15018	3/12/2015	Revenue Contract
Gate Gourmet Inc.	15026	3/18/2015	Revenue Contract
Board Member and Executive Business Expenses	15035	3/20/2015	Internal Process
Aztec Landscaping, Inc.	15011	3/27/2015	Expense Contract
Aircraft Service International Inc.	15025	3/30/2015	Revenue Contract
Stellar Partners, Inc.	15033	3/30/2015	Revenue Contract

In addition to the completed audits, the Office of the Chief Auditor had 15 audits in progress as of March 31, 2015, as shown in Figure 2 below. Of the 15 audits, at the end of the quarter, six (6) draft audit reports had been forwarded to the affected departments for review and comment. Of those six, one audit report for the Port District Billings has been issued.

Figure 2: Audits In-Progress as of March 31, 2015

Audit	Type of Audit	Audit	Type of Audit
PCL Construction Services, Inc.	Expense Contract	Merriwether Williams Insurance Services	Expense Contract
Aircraft Rescue & Fire Fighting (ARFF) Expense Billings	Expense Contract	Procurement Card Spending	Internal Process
Business and Travel Expenses	Internal Process	Public Records Management	Internal Process
Emergency Medical Technician & Paramedic Services	Expense Contract	Rental Car Center Fund Review	Internal Process
Granite Construction Company	Expense Contract	San Diego Unified Port District Billings – FY14	Expense Contract
Hatch Mott MacDonald, LLC	Expense Contract	Serco Management Services, Inc.	Expense Contract
High Flying Foods San Diego (FSP 7)	Revenue Contract	The Hertz Corporation	Revenue Contract
Hudson Group, Concourse Ventures Inc., Epicure and Martinez (RP 7)	Revenue Contract		

Recommendation Follow-Up

To ensure that audit issues are addressed in a timely manner, the OCA tracks the status of its recommendations on an on-going basis. For the last month in the quarter, the OCA tracked the implementation status of nine (9) recommendations that were issued during FY15, or were outstanding as of June 30, 2014. As shown by Figure 3 below, three (3) of the recommendations have been completed or implemented while six (6) remain outstanding.

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

Figure 3: Status of Recommendations as of March 31, 2015

<i>Recommendations:</i>				
Tracked	Completed	In Progress	Open	Not Accepted
9	3	3	3	0

In tracking recommendations the OCA uses the following designations:

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

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

Non-Audit Activities

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

Audit Committee:

The Audit Committee met on February 9, 2015. During that meeting, the Committee received an overview of the Authority's bond covenants and a forecast of net income; an update on the Construction Audit activity; the OCAs FY15 Second Quarter Activity Report; and an overview of the OCAs performance auditing procedures. The next Audit Committee meeting is May 4, 2015.

Construction Audit Activity:

For the third quarter of Fiscal Year 2015, the OCA continued its Construction Audit activity separate from its Annual Audit Plan. The OCA Construction Auditor completed the audit testwork of the PCL Construction Services, Inc. agreement as part of the FY15 OCA Audit Plan. This agreement was for the refurbishment of the concessions support infrastructure. Due to the unanticipated issues encountered in the work performed, the knowledge gained in observing the corroboration between Authority personnel and the contractor in addressing these issues, and the resulting changes needed to the agreement, is currently being used in our review of other Facilities Development Department projects.

A review of capitalized costs assigned to the Green Build project subsequent to the date the building was put in service has been initiated. The review of project management costs included in several Authority projects is on-going. Through attendance at the Capital Improvement Committee meetings, Development Program meetings, and other construction planning related meetings, the OCA Construction Auditor continues to provide assistance in ensuring 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, and Authority Management, giving assistance and attending meetings specific to the aspects of the Authority's construction activity. A formal update is presented to the Audit Committee during most regularly scheduled meetings and will be presented to the Capital Improvement Program Oversight Committee as determined necessary.

Ethics Compliance Program:

The OCA continues to run the Authority Ethics Program and confidential hotline system. See Appendix B, Ethics Hotline Call Summary, for a complete summation of calls received during the quarter.

Training:

During the third quarter, OCA staff participated in several Internet-based and self-paced training seminars. Of note were sessions regarding using data analytics to uncover fraud, IT auditing, and cyber security.

Performance Measures

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for FY15, along with their current status, are detailed below in Figure 4.

Figure 4: Status of Performance Measures as of March 31, 2015

Performance Measure	Goal	Progress as of March 31, 2015
Percentage of the audit plan completed annually	100%	59%
Additional revenue/cost savings identified through audits	n/a	\$160,640
Percentage of staff time spent on audit activities	80% ¹	82%
Percentage of audits completed within budgeted time	80%	81%
Implementation of Recommendations	90%	79%

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 59% of the plan and an additional 36% of the audit plan is currently in-progress. We also have established quarterly goals for the completion of our audit plan. For the third quarter, we had a completion goal of 68% of the audit plan. Regardless, we should be able to meet our annual goal of completing the entire plan by the end of the fiscal year.

Additional revenue/cost savings identified: While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. During the first three quarters of FY15 we have identified a net total of \$160,640 as shown in Figure 5 below. To date, we have not identified any soft cost savings through our auditing activities.

Figure 5: Additional Revenue and Cost Savings Identified through Audit Activity

Audit Report	Title	Amount Identified
15017	Avis Rent A Car Systems	\$133,955
14032	Emergency Medical Technician-Paramedic Services	6,984
15018	Enterprise Holdings Inc.	45,427
15021	EZ Rent A Car	<40,220>
15019	Fox Rent A Car	12,775
15026	Gate Gourmet Inc.	1,719
Total		\$160,640

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.

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 is over its goal of completing 80% of its projects within the budgeted amount of time.

Implementation of Recommendations: This goal measures the value that the OCA is providing to the Authority by measuring how audit recommendations have impacted the Authority. For the fiscal year, 26 of 33 recommendations were implemented. Additionally, one (1) recommendation was not accepted by management. While the percentage of implemented recommendations is under our goal, we are on track to achieve the goal, with an aim to have 90% of our recommendations implemented within the year.

Going Forward

For completion during the fourth quarter of FY15, the OCA has targeted all of the audits currently in progress, as well as the two (2) remaining audits on the FY14 Audit Plan. The completion of these audits will result in the accomplishment of 100% of the FY15 Audit Plan. Any additional time will be utilized by beginning work on the Committee Approved FY16 Audit Plan. Figure 6 identifies the audits scheduled for completion in the fourth quarter.

Figure 6: Audits Scheduled for Completion in the Fourth Quarter of Fiscal Year 2015

Audit	Type of Audit
Ace Parking	Revenue Contract
Aircraft Rescue & Fire Fighting (ARFF) Expense Billings	Expense Contract
Business and Travel Expenses	Internal Process
Emergency Medical Technician & Paramedic Services	Expense Contract
Granite Construction Company	Expense Contract
Hatch Mott MacDonald, LLC	Expense Contract
High Flying Foods San Diego (FSP 7)	Revenue Contract
Hudson Group, Concourse Ventures Inc., Epicure and Martinez (RP 7)	Revenue Contract
Merriwether Williams Insurance Services	Expense Contract
PCL Construction Services, Inc.	Expense Contract
Procurement Card Spending	Internal Process
Public Records Management	Internal Process
Rental Car Center Fund Review	Internal Process
Serco Management Services, Inc.	Expense Contract
SSP America Inc. (FSP 5)	Revenue Contract
The Hertz Corporation	Revenue Contract

Enterprise Holdings, Inc.
Report Number 15018, March 2015

Background

Enterprise Holdings, Inc. (EHI) d/b/a Enterprise Rent-A-Car (Enterprise), Alamo Rent-A-Car (Alamo), and National Rent-A-Car (National) operates at San Diego International Airport (SDIA) under three (3) Nonexclusive Airport Car Rental License Agreements (License) with a five (5) year term from January 1, 2011, to December 31, 2015. The License grants EHI the right to provide rental car services and use courtesy vehicles to provide pickup and drop-off services at SDIA. In exchange for offering its service at SDIA, the License requires EHI to remit a license fee calculated and based on airport customers. Total gross revenue reported and fees remitted to the Authority are shown below:

	Enterprise	Alamo	National
Gross Revenue Reported	\$ 50,893,625	\$ 39,862,045	\$ 50,263,894
Concession Fees Paid	5,089,363	3,986,204	5,026,389
Consolidated Facilities Charges (CFC)	4,545,585	3,833,872	4,832,905
Total Fees Collected	9,634,948	7,820,076	9,859,294

The objective of this audit was to determine if gross revenue reported by EHI was accurate and that the license fees due were calculated in accordance with the terms of the Agreements and to verify the accuracy of revenues received related to CFC.

Finding #1: *Enterprise and Alamo Did Not Comply with Section 4(b) of the License*

Section 4(b) of the License provides for specific requirements of the Licensee for the proper documentation of local or "non-airport" customers to be classified as such. A "Non-Airport Customer" is defined as a customer that provides the customer's home address, which must be located within a radius of ten statute miles of the Airport; customer's home telephone number, California driver's license number; and, customer's initials immediately adjacent to the following statement, "I certify under penalty of perjury that I did not exit the Airport via a shuttle, bus, tram, taxi, courtesy vehicle service, or other vehicle."

Audit work determined that not all Enterprise customers initialed the statement. Specifically, of the 30 rental contracts reviewed, four (4) customers or 13.33% did not sign the statement. Audit work also determined one (1) of 30 or 3.33% of Enterprise's Non-Airport customers and two (2) of 30 or 6.66% of Alamo's Non-Airport customers did not have a California driver's license. As a result of customers not properly initialing the non-airport clause or not having a valid California driver's license, we determined that Enterprise had a combined error rate of 16.66% and Alamo had an error rate of 6.66%. Therefore, 16.66% of the Non-Airport customers as identified by Enterprise and 6.66% of Alamo's Non-Airport customers should be re-classified as Airport customers. This amounts to additional license fees due of \$32,172 and \$9,032, respectively.

Finding #2: *Enterprise Underreported Gross Revenue*

The license fees are the greater of a monthly Minimum License Fee of \$100, or a 10 percent monthly fee based on the total gross revenues from "Airport Customers". Our review found that

Enterprise did not include all gross revenue when determining total concessionable revenue as required by the License. Specifically, Enterprise omitted \$51,928 of concessionable revenue from an account called "One Way" during several months within the audit period. As a result, Enterprise underpaid license fees in the amount of \$5,193.

Finding #3: *Enterprise Underpaid Customer Facility Charges during October 2013*

Enterprise's transactional records detail the number of unique rental transactions, including the number of days rented for each Airport Customer on a monthly basis. Utilizing this data, we calculated the corresponding CFC funds due the Authority based on the rental days. Our review found that Enterprise underpaid CFC funds in the amount of \$6,880 during October 2013.

Finding #4: *Enterprise Overpaid License Fees during July 2013*

As noted above, license fees are based on the total gross revenues from "Airport Customers". Our review of license fees found that Enterprise included revenue from local customers during the month of July 2013 when calculating concessionable revenues. Subsequently, Enterprise overpaid license fees during July 2013 in the amount of \$7,851.

As a result of all of our audit findings, EHI underpaid license fees and CFC in the gross amount of \$45,427 during the audit period as calculated in Figure 1:

Figure 1: Calculation of Additional License Fees & CFC Due

Description	Amount
Enterprise Non-Airport Underpayment from Finding #1	\$ 32,173
Alamo Non-Airport Underpayment from Finding #1	9,032
Enterprise Underpayment from Finding #2	5,193
Enterprise CFC Underpayment from Finding #3	6,880
Enterprise Overpayment from Finding #4	(7,851)
Total License Fee & CFC Due	\$ 45,427

Recommendation: The Business & Financial Management Department should request that the Accounting Department issue an invoice to EHI in the amount of \$45,427 for the underpayment of license fees and CFCs.

Recommendation Status: Open

Gate Gourmet, Inc.
Report Number 15026, March 2015

Background

Gate Gourmet, Inc. (Gate Gourmet) provides catering services to passenger airlines, charters, and others at San Diego International Airport (SDIA) under an In-Flight Catering License (License). The current License has a term of four (4) years from January 1, 2014, through December 31, 2017, and was an extension of the prior License Agreement. Gate Gourmet is the primary supplier of in-flight food service for airline catering and provided service to twenty-eight (28) airlines in the audit period.

In exchange for being able to offer their services at SDIA, Gate Gourmet is required to pay a licensing fee. The concession is calculated as the greater of a monthly minimum of \$60,000 or eight percent (8%) of gross income of all Gate Gourmet operations within or from SDIA from January 1, 2014 through December 31, 2014.

The License Agreement with the San Diego County Regional Airport Authority (Authority) allows sales or excise taxes, received gratuities or refunds for goods returned to be excluded from gross revenue and the corresponding calculation of monthly concession fees. Gross income includes all other revenue derived from operations at SDIA and is not reduced for bad debts expense. During the audit period of April 1, 2013, through December 31, 2014, Gate Gourmet reported \$23,978,776 in total gross income and paid a total sum of \$1,818,839 in license fees to the Authority.

Finding #1: Gate Gourmet Underpaid Concession Fees

A review of paid concession fees revealed that Gate Gourmet had incorrectly omitted revenue from SCIS Air Security Corporation (SCIS) from their monthly concession calculations. During the audit period, SCIS paid Gate Gourmet \$26,599, but Gate Gourmet only reported \$3,575 as gross revenue to the Authority and only paid \$250.25 in concession fees. This resulted in an underpayment of concession fees of \$1,719.

Recommendation #1: We recommend that the Business and Financial Management Department request the Accounting Department to issue an invoice to Gate Gourmet in the amount of \$1,719.16 for underpaid concession fees. Also, the department should introduce controls to ensure that revenue from all Gate Gourmet customers is included in monthly concession calculations.

Recommendation Status: Open

Board Member and Executive Expenses

Report Number 15035, March 2015

Background

The 2015 Audit Plan included an audit of Board Member and Executive Business Expenses and Board Member compensation as an annual audit item. Authority Policy 3.30, Business Expense Reimbursement Policy, requires that the Office of the Chief Auditor (OCA) conduct an annual audit of expenses related to Board Members, the President/CEO, General Counsel, and the Chief Auditor.

California legislation Assembly Bill 1234 requires that members of a legislative body submit an expense report in a timely manner for all meals, lodging, travel, and other business related expenses. Cal. Public Utilities Code (PUC) §170017 sets the compensation amount for board members, and provides the regulations and rules related to compensation.

The requirements set forth in PUC § 170017 were adopted into the Authority's policies in Policy 1.10, Appointment, Term, Succession, and Compensation of the Board of Directors. Resolution No. 2009-0149R provides pre-approval for various meetings Board Members may attend. Authority Policy 1.20, Formation of Board Committees, provides detail on compensation for Committee Members, including the Audit Committee public members. Business and travel expense reimbursement is set forth in Policy 3.30, Business Expense Reimbursement Policy, and Policy 3.40, Travel and Lodging Expense Reimbursement.

Summary of Findings/Observations

Audit work performed determined that Board Member and Executive expenses and Board Member compensation substantially complied with Authority policy. The audit did not identify any issues or observations.

Aztec Landscaping, Inc.
Report Number 15011, March 2015

Background

Aztec Landscaping, Inc., (Aztec) operates at San Diego International Airport (SDIA) under professional services Agreements to provide both landscaping maintenance and tree maintenance services on San Diego County Regional Airport Authority (Authority) property.

The current landscaping Agreement has a term of three (3) years from July 15, 2013, to July 14, 2016, with a maximum amount not to exceed of \$2,175,000, and the current tree maintenance agreement has a term of three (3) years from June 1, 2013, to May 31, 2016, and a maximum amount not to exceed of \$821,000. During the audit period of September 1, 2010, to December 31, 2014, Aztec also operated at the Authority under two previous agreements. A landscaping agreement with a term of August 1, 2009, to July 31, 2012, and a maximum not to exceed of \$997,916 was amended one time on February 21, 2012, increasing the maximum payable to \$1,097,707. Additionally, Aztec provided tree maintenance services under an agreement with a term of May 1, 2010, to April 30, 2013, with a maximum not to exceed of \$236,384.

The Facilities Management Department (FMD) manages the Aztec agreements and is responsible for monitoring the services and reviewing and approving all expenses incurred. During the audit period the Authority paid Aztec in aggregate, \$2,294,894 for landscaping and tree maintenance services under the four (4) agreements.

The objective of the audit was to determine whether the expenditures paid to Aztec complied with Agreement terms, and to evaluate the monitoring of Aztec services provided. Additionally, we ensured that all Authority policies were followed in the procurement of the Agreement.

Audit Results

Our review of the Aztec payment applications indicates that Authority payments to Aztec generally comply with the terms of the Agreements, including the charged rates for on-call and landscape services provided at the Authority. Additionally, we found Aztec invoices to be accurate and in receipt of adequate review and approval by Authority staff prior to payment. Our review determined that Authority policies were adhered to during the procurement of the Agreements with Aztec. Finally, we found that required Aztec deliverables were documented and appeared to be complete and appropriate.

Aircraft Service International, Inc.
Report Number 15025, March 2015

Background

Aircraft Services International, Inc. (ASI) operates at San Diego International Airport (SDIA) under a Non-Exclusive License Agreement to conduct Commercial Aviation Ground Handling and Support Services (Ground Handling Agreement) that has a term of four (4) years from January 1, 2013, to December 31, 2017. The Ground Handling Agreement provides ASI the right to provide commercial aviation services to airlines, tenants, and the Authority.

In exchange for offering its services at SDIA, the Ground Handling Agreement requires ASI to remit a license fee to the Authority. The license fee is the greater of a monthly minimum of \$250 or 8% of total gross revenues from all operations at SDIA. Total gross revenue for ASI does not include sales of petroleum products. The sale of petroleum products is subject to a fuel flowage fee of \$.05 per gallon reported and paid monthly. Additionally, ASI has a Use and Occupancy Permit requiring monthly payments. During the audit period from January 1, 2013, to January 31, 2015, ASI paid remitted a total of \$990,273.

The objective of the audit was to ensure that ASI was properly reporting, calculating, and remitting, the correct license and fuel flowage fees to the Authority, as required by the Ground Handling Agreement.

Audit Results

Audit work showed that ASI correctly calculated concession and fuel flowage fees monthly in compliance with the terms of the Ground Handling Agreement for the audit period. Further, audit review confirmed that the revenues reported and fuel dispensed matched internal records and are accurate. ASI correctly remitted Use and Occupancy fees monthly as specified in their Agreement.

Stellar Partners, Inc.
Report Number 15033, March 2015

Background

Stellar Partners, Inc. is one of twelve concessionaires that were selected by the San Diego County Regional Airport Authority (Authority) in September 2011 as part of the Concession Development Program. Currently known as the Concessions Program, the program was created to promote various San Diego based vendors (food & beverage and retail) at the San Diego International Airport (SDIA). During Fiscal Year 2014, the Concessions Program has generated \$86,616,665 in total sales and provided the Authority with an economic return of \$15,774,247 (based on rent payments and cost recovery fees).

Currently, Concession Lease LE-0648 (Lease) is the primary contract between Stellar Partners and the Authority. In addition, Stellar Partners maintains a sublease agreement to the concession Lease. The sublease agreement is for a sole concession, Brookstone, Inc. The Lease is managed by the Authority's Business & Financial Management Department. The Lease contains a distinct retail "package" that details terms of a fixed Minimum Annual Guarantee (MAG) and of percentage rents of gross sales within a specified range. Stellar Partners maintains one package that includes seven (7) individual retail stores at SDIA.

In addition to the percentage rent, Stellar Partners pays the Authority for miscellaneous expenses incurred under a Cost Recovery Program. These expenses include, but are not limited to, Trash Collection, Janitorial Services, Receiving & Distribution Center, and Pest Control. The concessionaire is charged a late fee if any payment is received after the 20th of the month for expenses incurred in the preceding month.

For Fiscal Year 2014, Stellar Partners reported gross sales of \$10,323,796 and paid \$852,269 in rent (includes Minimum Annual Guarantee and Percentage Rent).

Scope and Methodology

The objective of this audit was to assess the accuracy of the sales generated by Stellar Partners during the audit period to ensure that the revenue received by the Authority was aligned with the terms of the Lease. In addition, management controls related to sales reporting, adequacy of business operations, and compliance with federal guidelines, were reviewed to ensure that the Authority was performing adequate oversight over the concessionaire.

Audit Results

In general, we found that the Business & Financial Management Department is adequately monitoring Stellar Partners to ensure that the concessionaire is in compliance with the contract requirements that were reviewed. Management controls to ensure that Stellar Partners is accurately reporting sales and paying revenue to the Authority were in place and operating effectively, as well. In addition, the testwork performed indicated that sales reported during the audit period and revenue received by the Authority was accurate. However areas for improvement were identified and are detailed below:

Finding #1: Annual Gross Receipts and Rent Report Should Have Been Provided

There is no evidence to suggest that the concessionaire provided the Authority with its Annual Gross Receipts and Rent Report for Fiscal Year 2014. In addition, it appears that only three of

twelve concessionaires in the Concessions Program provided this report to the Authority. Our criteria for the Finding are:

- Per the Lease, Section 4.05 D - Reports and Payments to the Authority, it states that within 90 days after the conclusion of each Lease Year during the term of the lease, the Concessionaire shall provide a written statement to the Authority, from an Independent Certified Public Accountant or authorized Corporate Officer, stating the amounts of Concessionaire's Gross Receipts and the amounts paid to the Authority as rent for the Lease Year, or part thereof, and certifying that in the Accountant's or Corporate Officer's opinion, the Gross Receipts reported and the rent paid by the Concessionaire to Authority during the preceding Lease Year were made in accordance with the terms of the Lease.
- Per the Government Accountability Office (GAO) Financial Audit Manual, Section 395 B - Financial Statement Assertions, Potential Misstatements, and Control Objectives: A potential misstatement could occur if revenues and expenses included in the financial statements are measured improperly.

Recommendation #1: The Business & Financial Management Department should consider following up with the remaining nine concessionaires in the Concessions Program to ensure that the Authority receives the Annual Gross Receipts and Rent Report for Fiscal Year 2014 to determine if any variance in payments owed to the Authority exists. In addition, we recommend that the Business & Financial Management Department add a procedure to ensure that proactive monitoring is performed prior to the end of each fiscal year to have better assurance that the Concessionaires will comply with the requirement in a timely manner.

Recommendation Status: Open

Ethics Hotline
January – March 2015

	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>Advertising</i>	9	5	0	n/a	4
<i>Construction/Car Rental</i>	8	7	0	n/a	1
Potential Misuse of Resources					
<i>Departmental Holiday Parties</i>	6	5	0	n/a	1
Conflict of Interest	2	0	2	Y(1)	2
Non Ethics Related Concerns					
TSA Practices and Behavior	12	4	0	n/a	8
ATO Practices and Behavior	7	5	0	n/a	2
Aircraft Noise	6	5	0	n/a	1
Workplace Concerns					
Volunteer Opportunity Emails	11	9	0	n/a	2
Workplace Equitability	9	4	0	n/a	5
Workplace Practices/Behavior	7	3	0	n/a	4

(1) Issue is currently being investigated

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2015	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 Automated Vehicle Identification (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.	The AVI system is scheduled for completion in June 2016. Completion has been delayed due to delays in the construction of the new taxi hold lot.	In Progress	June 2016
15-08	AIRPORT DESIGN AND CONSTRUCTION DEPARTMENT	Audit Report #15013, dated November 26, 2014, Demattei Wong Architecture, Inc.	17	Impact: 9 Probability: 8	The Development Division needs to take steps to ensure that properly developed and comprehensive agreements are used for all future project specific professional design service procurements.	The Development Division is aware of the unique challenges resulting from this contract, As a result, it will ensure that future project specific professional design service agreements are properly developed and sufficiently detailed.	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, 2015	OCA's Assessment	Estimated Completion Date
14-36	GROUND TRANSPORTATION DEPARTMENT	Audit Report #14011, dated June 10, 2014, Ace Parking Management, Inc.	15	Impact: 8 Probability: 7	The Ground Transportation Department should develop a process to verify shuttle hours charged through a comparison of personnel time sheets and shuttle operational hours to in-service reports. In addition, Ground Transportation should improve procedures to conduct a more thorough analysis of the hours charged to identify potential deviations and shuttle usage by parking lot.	Ground Transportation developed a process to verify the shuttle hours and identify potential deviations.	In Progress - The OCA needs to review the process in place prior to closing out this recommendation. The review will be done during the OCA's audit of Ace Parking this Fiscal Year.	4th Quarter FY15
15-01	FACILITIES MAINTENANCE DEPARTMENT	Audit Report #14005, dated July 18, 2014, Timekeeping Payroll Processing	13	Impact: 7 Probability: 6	We recommend that Facilities Maintenance Department (FMD) strengthen internal controls within their current Timekeeping system. As the Computer Maintenance Management System (CMMS) is implemented, FMD should seek to include increased automation where possible as well as capture actual time worked on specific work orders, which can then be used to build a knowledge base for assigning expected completion times to work orders and more accurate work scheduling.	Since the last update we have had a change in vendor to assist us in the CMMS activation. Through IT research it was discovered that E1 had incorporated new programs to support a CMMS data base. After reviewing the E1 criteria it was decided to cancel the identified program (Asset Works) and use the Authorities own E1 system. This is a very recent change which will push us to a date later in the year for implementation. However please note after the audit was performed, FMD strengthened their tracking procedures as it pertains to actual time worked on specific work orders.	In Progress	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, 2015	OCA's Assessment	Estimated Completion Date
15-10	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15018, dated March 12, 2015, Enterprise Holdings Inc.	13	Impact: 7 Probability: 6	The Business and Financial Management Department should request that the Accounting Department issue an invoice to Enterprise Holdings Inc. in the amount of \$45,427 for the underpayment of license fees and CFCs.	This audit was completed during the month, so no follow-up was performed.	Open	
15-03	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14005, dated July 18, 2014, Timekeeping Payroll Processing	11	Impact: 6 Probability: 5	We recommend that Authority Management work to develop a consistent process for employees to obtain and document prior approval of overtime before such hours are incurred or paid.	The TCC department has drafted a revised standard on Timekeeping (B-01 – Timekeeping), incorporating the expectation that all departments with hourly staff have written timekeeping procedures. This revised standard has been submitted to the General Counsel's office for review. Once the standard has been finalized, TCC will work with Departments to confirm their current practices are consistent with the updated standard. In addition, TCC will provide guidance to any Department needing assistance in updating the written procedures.	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, 2015	OCA's Assessment	Estimated Completion Date
15-12	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15033, dated March 30, 2015, Stellar Partners, Inc.	11	Impact: 6 Probability: 5	The Business and Financial Management Department should consider following up with the remaining nine concessionaires in the Concessions Program, to ensure that the Authority receives the Annual Gross Receipts and Rent Report for Fiscal Year 2014 to determine if any variance in payments owed to the Authority exists. In addition, we recommend that the Business and Financial Management Department add a procedure to ensure that proactive monitoring is performed prior to the end of each fiscal year to have better assurance that the Concessionaires will comply with the requirement in a timely manner.	This audit was completed during the month, so no follow-up was performed.	Open	
15-02	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14005, dated July 18, 2014, Timekeeping Payroll Processing	10	Impact: 5 Probability: 5	We recommend that all Authority departments with hourly staff develop written timekeeping procedures that have controls for the recording and reviewing of time to ensure accuracy. Those procedures should be reviewed with all current hourly staff and used as training resources for any new hourly staff.	The TCC department has drafted a revised standard on Timekeeping (B-01 – Timekeeping), incorporating the expectation that all departments with hourly staff have written timekeeping procedures. This revised standard has been submitted to the General Counsel's office for review. Once the standard has been finalized, TCC will work with Departments to confirm their current practices are consistent with the updated standard. In addition, TCC will provide guidance to any Department needing assistance in updating the written procedures.	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, 2015	OCA's Assessment	Estimated Completion Date
15-11	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15026, dated March 18, 2015, 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 \$1,719.16 for underpaid concession fees. Also, the department should introduce controls to ensure that revenue from all Gate Gourmet customers is included in monthly concession calculations.	This audit was completed during the month, so no follow-up was performed.	Open	

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

ITEM 2



Quarterly Audit Activities Report

January 1, 2015, through March 31, 2015

Fiscal Year 2015 Third Quarter,
and Report on Audit Recommendations
Issued by the Office of the Chief Auditor

Audit Committee Meeting
May 4, 2015

Presentation Overview

3rd Quarter Report

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



Audit Activities

- **Completed 11 Audits**
 - Internal Process: 4
 - Expenditure Contract: 2
 - Revenue Contract: 5
- **Fifteen (15) audits were in progress as of March 31, 2015**
- **Audit Results**
 - Issued 3 Recommendations during the 3rd Quarter



Audits in Progress as of March 31, 2015

Audit	Type of Audit	Status as of May 4, 2015
PCL Construction Services, Inc.	Expense	Report Issued
Aircraft Rescue & Fire Fighting (ARFF) Expense Billings – FY14	Expense	Fieldwork
Business and Travel Expenses	Internal	Fieldwork
Emergency Medical Technician & Paramedic Services	Expense	Fieldwork
Granite Construction Company	Expense	Fieldwork
Hatch Mott MacDonald LLC	Expense	Fieldwork
High Flying Foods San Diego (FSP 7)	Revenue	Fieldwork
Hudson Group, Concourse Ventures Inc., Epicure and Martinez (RP 7)	Revenue	Report Issued
Merriwether Williams Insurance Services	Expense	Draft Report
Procurement Card Spending	Internal	Report Issued
Public Record Management	Internal	Fieldwork
Rental Car Center Fund Review	Internal	Draft Report
San Diego Unified Port District Billing	Expense	Report Issued
Serco Management Services Inc.	Expense	Fieldwork
The Hertz Corporation	Revenue	Draft Report



Recommendation Follow-Up

Status as of March 31st :

Tracked	Completed	In Progress	Open	Not Accepted
9	3	3	3	0



Fiscal Year 2015 Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	59%
Percentage of the audit plan completed during 3 rd Quarter	73%	59%
Additional revenue/cost savings identified through audits	n/a	\$160,640
Percentage of staff time spent on audit activities	80%	82%
Percentage of audits completed within budgeted time	80%	81%
Implementation of Recommendations	90%	79%



Summary of Ethics Inquiries

January 1, 2015, through March 31, 2015

Code of Ethics Concerns	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)
Potential Misuse of Public Funds					
<i>Advertising</i>	9	5	0	n/a	4
<i>Construction/Car Rental</i>	8	7	0	n/a	1
Potential Misuse of Resources					
<i>Departmental Holiday Parties</i>	6	5	0	n/a	1
Conflict of Interest	2	0	2	Y(1)	2
Non Ethics Related Concerns					
TSA Practices and Behavior	12	4	0	n/a	8
ATO Practices and Behavior	7	5	0	n/a	2
Aircraft Noise	6	5	0	n/a	1
Workplace Concerns					
Volunteer Opportunity Emails	11	9	0	n/a	2
Workplace Equitability	9	4	0	n/a	5
Workplace Practices/Behavior	7	3	0	n/a	4

(1) Issue is currently being investigated



QUESTIONS?





SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE

Item No.
3

Meeting Date: **MAY 4, 2015**

Subject:

Fiscal Year 2016 Proposed Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee accept the proposed audit plan and forward it to the Board for approval.

Background/Justification:

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

The Fiscal Year 2016 Proposed Audit Plan was prepared by the Chief Auditor based on the key elements of: a comprehensive risk assessment methodology and analysis; input from the Board; input from Authority management; and, on the basis of staff resources available, as detailed in Attachment A.

During its May 4, 2015, Audit Committee Meeting, the proposed Fiscal Year 2016 Audit Plan (Attachment 1) will be presented to the Committee for their review and acceptance.

Fiscal Impact:

The proposed FY16 budget for the Office of the Chief Auditor is \$1,217,606.

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

PROPOSED FISCAL YEAR 2016 AUDIT PLAN

Introduction

This document is for the purpose of communicating to the San Diego County Regional Airport Authority (Authority) Board the process used for constructing the Office of the Chief Auditor's (OCA) Annual Audit Plan (Audit Plan) for Fiscal Year 2016.

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

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

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2016 Audit Plan is a five-part process consisting of:

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

Developing the Risk Assessment Model

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

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

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

To determine the annual amount of staff time available to complete audits, we estimated the amount of time each audit staff member would have to devote to audit projects, taking into consideration administrative, vacation, training, sick, and holiday hours. We estimated that a total of 10,192 staff hours are available during Fiscal Year 2016 to conduct assigned audits.

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

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

PROPOSED FISCAL YEAR 2016 AUDIT PLAN

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

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

Total Available Staff Hours Per Year (See Attachment 1)	10,192
Annual Ongoing Audits	(1,330)
Ethics Program Activity	(375)
Construction Audit and Monitoring Activity	(1,300)
Available Hours for Non-Annual Audits	7,187

The final step was to develop the Fiscal Year 2016 audit plan based on the available resources and risk scores. For each of the audit categories (business processes, expense contracts, and revenue contracts) we selected audit units with higher risk scores, taking into account the amount of resources that would be required of the internal audit staff and the amount of audit time required by applicable Authority Departments.

The proposed Audit Plan for Fiscal Year 2016 is presented in Attachment 1. The expense contracts selected for review account for 43.3% of the total actual expenses over a 12-month period. Car rental revenue contracts selected account for 24.7% of the total collected revenues over a 12-month period. Other lease revenue contracts selected account for 27.9% of the total collected revenues over a 12-month period. Concession revenue contracts selected account for 37.5% of the total collected revenues over a 12-month period.

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

Subsequent attachments summarize the risk score details:

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

**San Diego County Regional Airport Authority
Proposed FY 2016 Audit Plan**

BUSINESS PROCESS AUDITS (Attachment 3)		
1	Contract Management	300
2	Airport Security Management	300
3	Environmental Compliance	300
4	Grant and Non-Airline Revenue Management	250
5	Information Technology Monitoring and Evaluation	300
	TOTAL BUSINESS PROCESS AUDIT HOURS	1,450 14.2%
EXPENSE CONTRACT AUDITS (Attachment 4)		
6	Ocean Blue Environmental Services	150
7	Hazard Construction Company	150
8	Kimley-Horn and Associates Inc.	150
9	Abadjis Systems, Ltd.	150
10	Ricondo and Associates	150
11	Nuera Contracting & Consulting LP	150
12	ThyssenKrupp Airport Systems, Inc.	150
13	VA Consulting, Inc.	150
14	Ace Parking Management, Inc.	350
15	Helix Electric, Inc.	150
	TOTAL EXPENSE CONTRACT AUDIT HOURS	1,700 16.7%
REVENUE CONTRACT AUDITS (Attachments 5 and 6)		
16	BW - Budget - SDA, LLC	250
17	Nevada Lease and Rental Inc dba Payless Car Rental System	250
18	DTG Operations Inc dba Thrifty & Dollar	300
19	Simply Wheelz LLC dba Advantage Rent-A-Car	250
20	Midway Rent A Car, Inc.	200
21	Airport Terminal Services Inc.	150
22	Landmark Aviation GSO-SAN, LLC	150
23	Sky Chef Inc. dba LSG Sky Chefs	150
24	Smarte Carte Inc.	150
25	Host International Inc. (FSP 2)	200
26	SSP America Inc. (FSP 6R)	200
27	SSP America Inc. (FSP 3)	200
28	Duty Free Americans San Diego LLC	200
29	InMotion Entertainment (RP 8)	200
30	New Zoom Inc. dba ZoomSystems (RP 6)	200
31	Hudson Group - CV - Epicure - Martinez San Diego (RP 2)	200
	TOTAL REVENUE AUDIT HOURS	3,250 31.9%
ANNUAL ONGOING AUDITS AND SUPPORT		
32	Aircraft Rescue & Fire Fighting (ARFF)	150
33	Board Member and Executive Business Expenses	50
34	Rental Car Center Fund Review	50
35	Procurement Card Spending	150
36	Agreements with Expenditure Limits not to Exceed \$100,000	100
37	Biennial Airline Landing Fees	250
38	Transportation Network Company Reviews and Assistance	250
39	Emergency Medical Technician & Paramedic Services	80
40	San Diego Unified Port District Billings	250
	ANNUAL ONGOING AUDIT AND SUPPORT HOURS	1,330
41	Special Request Audits	787
	TOTAL ANNUAL ONGOING AUDIT AND SUPPORT HOURS	2,117 20.8%
42	ETHICS PROGRAM ACTIVITY	375 3.7%
43	CONSTRUCTION AUDIT AND MONITORING ACTIVITY	1,300 12.8%
	TOTAL HOURS	10,192 100.0%
	AVAILABLE AUDIT HOURS FROM OFFICE STAFF	10,192
	DIFFERENCE	0

**Fiscal Year 2016 Audit Plan
Audit Unit Definitions**

ATTACHMENT 2

#	Audit Unit	Explanation
<i>Business Process Audits</i>		
1	Contract Management	Evaluate the effectiveness of governance, risk management and controls supporting the contracting activities, including assessing oversight of contracting activities; processes for soliciting bids and awarding contracts; and, management of contracts in accordance with agreed terms and conditions.
2	Airport Security Management	Assess the adequacy of controls to ensure and monitor compliance with the Airport Security Program.
3	Environmental Compliance	Evaluate the controls in place, and operating effectively, to ensure compliance with Federal, State and Local environmental compliance and reporting.
4	Grant and Non-Airline Revenue and Management	Review controls and compliance related to grant and non-airline revenue procurement and management.
5	Information Technology Monitoring and Evaluation	Assess the effectiveness of establishing an internal control program monitoring information technology processes, reporting of control exceptions, and evaluating operations and compliance with applicable laws and regulations.
<i>Expense Contract Audits</i>		
6	Ocean Blue Environmental Services	Review contract expenditures related to hazardous waste management and emergency response services, with a maximum contract amount of \$3,180,000 over a five year period.
7	Hazard Construction Company	Review contract expenditures related to performing construction and repair services, with a maximum contract amount of \$27,630,186 over various contracts.
8	Kimley-Horn and Associates	Review contract expenditures related to management and support services in support of CIP and major maintenance programs, with a maximum contract amount of \$18,000,000 over a three year period.
9	Abadjis Systems, Ltd.	Review contract expenditures related to management and support services in support of CIP and major maintenance programs, with a maximum contract amount of \$18,000,000 over a three year period.
10	Ricondo and Associates	Review contract expenditures related to providing professional consulting services supporting a variety of programs and initiatives in Airport Planning, with a maximum contract price of \$3,000,000 over a three year period.

**Fiscal Year 2016 Audit Plan
Audit Unit Definitions**

ATTACHMENT 2

#	Audit Unit	Explanation
11	Nuera Contracting & Consulting LP	Review expenditures related to construction and consulting services for the Quieter Home Program, with estimated maximum contract amounts of \$2,638,473 annually.
12	ThyssenKrupp Airport Systems, Inc.	Review contract expenditures related to replacing passenger boarding bridges in Terminal 1, with a maximum contract amount of \$1,929,571.
13	VA Consulting, Inc.	Review expenditures related to airside/landside architect and engineering services for the capital improvement program, with estimated maximum contract amounts of \$5,000,000 over a three year period.
14	ACE Parking Management, Inc.	Review contract expenditures related to providing parking and shuttle service for SDIA, with a maximum contract amount of \$28,800,000 over three years.
15	Helix Electric, Inc.	Review contract expenditures related to Construct an airport electrical distribution system, with estimated maximum contract amounts of \$13,000,000 over a three year.
Revenue Contract Audits		
16	BW – Budget – SDA, LLC	Review the accuracy of revenues received from a car rental company.
17	Nevada Lease and Rental Inc dba Payless Car Rental System	Review the accuracy of revenues received from a car rental company.
18	DTG Operations Inc dba Advantage Rent-A-Car	Review the accuracy of revenues received from a car rental company.
19	Simply Wheelz LLC dba Advantage Rent-A-Car	Review the accuracy of revenues received from a car rental company.
20	Midway Rent A Car, Inc.	Review the accuracy of revenues received from a car rental company.
21	Airport Terminal Services, Inc.	Review the accuracy of revenues and related expenditures for providing ground handling and support services at SDIA.
22	Landmark Aviation GSO-SAN, LLC	Review the accuracy of revenues and related expenditures for providing ground handling and support services at SDIA.
23	Sky Chef Inc. dba LSG Sky Chefs	Review the accuracy of revenues received from providing in-flight catering at SDIA.
24	Smarte Carte, Inc.	Review the accuracy of revenues and related expenditures for providing baggage cart rentals at SDIA.
25	Host International Inc. (FSP 2)	Review the accuracy of revenues and related expenditures for concession services at SDIA.

#	Audit Unit	Explanation
26	SSP America Inc. (FSP6R)	Review the accuracy of revenues and related expenditures for concession services at SDIA.
27	SSP America Inc. (FSP3)	Review the accuracy of revenues and related expenditures for concession services at SDIA.
28	Duty Free Americans San Diego LLC	Review the accuracy of revenues and related expenditures for concession services at SDIA.
29	InMotion Entertainment (RP 8)	Review the accuracy of revenues and related expenditures for concession services at SDIA.
30	New Zoom Inc. dba ZoomSystems (RP 6)	Review the accuracy of revenues and related expenditures for concession services at SDIA.
31	Hudson Group – CV – Epicure – Martinez San Diego (RP2)	Review the accuracy of revenues and related expenditures for concession services at SDIA.
Annual Ongoing Audits & Support		
32	Aircraft Rescue & Fire Fighting (ARFF) Billing	Ensure that the Authority is reimbursing the City for actual costs incurred to provide ARFF services, so that the Authority is in compliance with the FAA's revenue diversion requirements.
33	Board Member and Executive Business Expenses	Review the appropriateness of Board Member expenditures, and compliance of these expenditures with Authority policy.
34	Rental Car Center Fund Review	Review Rental Car Center Fund for compliance with Authority policies and State regulations.
35	Procurement Card Program	Review controls related to P-cards and appropriateness of expenditures.
36	Agreements with Expenditure Limits Not to Exceed \$100,000	Review sample of expenditures of contracts that are less than \$100,000 per year.
37	Biennial Airline Landing Fees	Review the accuracy of revenues for commercial and cargo airline service from all air carriers servicing SDIA.
38	Transportation Network Company (TNC) Reviews and Assistance	Working with the Ground Transportation Department, review TNC operations and assist with sample selection of TNC operators for background checks.
39	Emergency Medical Technician-Paramedic Services	Ensure that the Authority only reimburses the City for the actual costs of providing the emergency medical technician-paramedic services, so that the Authority is in compliance with the FAA's revenue diversion requirements.
40	San Diego Unified Port District Billings	Determine that payments made to the Port are reflective of the actual expenses incurred to provide those services, so that the Authority is in compliance with the FAA's revenue diversion requirements.

Fiscal Year 2016 Audit Plan
Audit Unit Definitions

ATTACHMENT 2

#	Audit Unit	Explanation
41	Special Request Audits	Perform close out audits (audits of vendors that terminate operations at SDIA) and audits requested by Board Members and/or management that were not included in the audit plan.
<i>Other Audit Activity</i>		
42	Ethics Program Activity	Develop and amend ethics policies, provide training, and investigate reported incidents.
43	Construction Audit and Monitoring Activity	Perform audits of construction activities related to the Capital Improvement Program and the Terminal Development Program.

**Fiscal Year 2016 Audit Plan
Business Processes – Descending Risk Scores**

ATTACHMENT 3

Business Processes	Risk Score	Estimated Hours
Procurement Management	4.80	300
Contract Management	4.60	300
Property Management	4.40	250
Grant Revenue Procurement and Management	4.30	250
Information Technology Monitoring and Evaluation	4.00	350
Airport Security Management	4.00	300
Airline Services Management	3.80	300
Budget Management and Analysis	3.80	300
Organizational Performance Measures	3.80	250
Public Parking Management	3.80	350
Revenue and Business Development Management	3.80	300
Treasury/Cash Management	3.80	300
Airline Route Sales and Management	3.70	250
Capital and Maintenance Project Selection and Planning	3.70	300
Environmental Compliance	3.70	300
Information Technology Performance	3.70	350
Information Technology Acquisition and Implementation	3.70	350
Information Technology Delivery and Support	3.70	350
Marketing and Public Communications	3.70	350
Risk Service Management	3.70	250
Consortium Agreement Compliance	3.60	250
Energy Usage	3.60	300
Restricted Fund Accountability	3.60	150
Sustainability Management	3.60	250
Debt Service Management	3.50	250
Enterprise Risk Management	3.50	350
Small Business Development Management	3.50	300
Timekeeping Payroll Compliance	3.50	250
Transportation and Traffic Services Management	3.50	300
Vehicle Fleet Management	3.50	300
Airport Land Use Management	3.40	300
Concessionaire Management	3.40	250
Airport Lost and Found	3.30	200
Attorney General MOU on Greenhouse Gases Compliance	3.30	200
Business Continuity Management	3.30	300
Human Resources Services	3.20	350
Social Media Control	3.20	250
Special Event Management	3.20	200
Airport Noise Management	3.10	200
Business and Travel Expenses	3.10	300
Cloud Management	3.10	300
Public Records Management	2.90	250

11,850

**Fiscal Year 2016 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

Company	Risk Score	Estimated Hours
Ocean Blue Environmental Services	4.30	150
Hazard Construction Company	4.20	150
Kimley-Horn and Associates Inc.	4.20	150
Abadjis Systems, Ltd.	4.20	150
Jones Payne Group	4.20	150
Ricondo and Associates	4.20	150
CH2M Hill	4.20	150
Nuera Contracting & Consulting LP	4.10	150
ThyssenKrupp Airport Systems, Inc.	4.10	150
VA Consulting, Inc.	4.10	150
Neal Electric Corporation dba Neal Electric Inc.	4.10	150
KONE, Inc.	4.10	150
Statewide Stripes, Inc.	4.10	150
West Coast General Corporation/ PK Mechanical Systems Inc. a Joint Venture	4.10	150
RAL Investment Corporation dba Silverstrand Construction	4.10	150
Frasca & Associates Inc.	4.10	150
Helix Electric, Inc.	4.00	150
G & G Specialty Contractors, Inc.	4.00	150
Dynamic Contracting Services, Inc.	4.00	150
RJC Architects, Inc.	4.00	150
Serco Management Services, Inc.	4.00	150
DuWright Construction Inc.	4.00	150
SITA Information Networking Computing USA	4.00	150
M.W. Vasquez Construction Company, Inc. dba Vasquez Construction Company	4.00	150
Jacobs Project Management Co.	4.00	150
ACRO Service Corporation	4.00	150
Ensley Electric, Inc.	4.00	150
Westgroup Designs, Inc.	4.00	150
Siemens Industry Inc.	4.00	150
Merriwether and Williams Insurance Services Inc.	4.00	150
RGC Construction, Inc.	4.00	150
HSS, Inc.	3.90	150
Porter Novelli Inc.	3.90	150
Greenhaus Inc.	3.90	150
AssetWorks	3.90	150
Christian Moeller and Amy Landesberg Partnership	3.90	150
Project Team Solutions, Inc. (PTSI)	3.90	150
Traveler's Aid Society of San Diego	3.90	150
Ace Parking Management, Inc.	3.80	350
S&L Specialty Contracting, Inc.	3.80	150
Pacific Rim Mechanical	3.80	150
Network Security Electronics, Inc.	3.80	150
Velocity Technology Solutions, Inc.	3.80	150

**Fiscal Year 2016 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

Company	Risk Score	Estimated Hours
General Networks Corporation	3.80	150
Service Tec International, Inc.	3.80	150
Sign Age Identity Systems Inc.	3.80	150
Willis Insurance Services of California, Inc.	3.80	150
The Christmas Light Company	3.80	150
Profit Concepts International	3.80	150
Xerox Corporation	3.70	150
GovConnection	3.70	150
Hearne Corporation	3.70	150
DFS Flooring	3.70	150
CompuCom Systems Inc.	3.70	150
Koch-Armstrong General Engineering, Inc.	3.70	150
Airport Concession Consultants, Inc.	3.70	150
Inland Flooring Contractors, Inc.	3.70	150
SOLPAC Construction, Inc., dba Soltek Pacific Construction Company	3.60	150
Bradford Airport Logistics	3.60	150
AMEC Environmental and Infrastructure, Inc.	3.60	150
Leigh Fisher & Associates	3.60	150
Allied Waste Systems, Inc. dba Republic Services	3.60	150
Jacobsen/Daniels Associates LLC	3.60	150
Insight Public Sector	3.60	150
Abhe & Svoboda, Inc.	3.60	150
AGBW Corporation, dba BPI Plumbing	3.60	150
Campbell-Hill Aviation Group	3.60	150
Western Bay Sheet Metal, Inc.	3.60	150
PBS Engineers, Inc.	3.60	150
Dell Marketing Services	3.60	150
PMWeb, Inc.	3.60	150
Miki Iwasaki dba MI-Workshop	3.60	150
Wirtz Quality Installations, Inc.	3.60	150
SSI, Inc.	3.60	150
Gordon-Prill San Diego, Inc.	3.60	150
24 Hour Fire Protection, Inc.	3.60	150
Zoological Society of San Diego	3.60	150
Simon Wong Engineering, Inc.	3.60	150
Aon Consulting and Insurance Services, Inc.	3.60	150
American Steel Builders	3.60	150
Demattei Wong Architecture, Inc.	3.50	200
Manatt, Phelps & Phillips LLP	3.50	150
Kleinfelder West Inc.	3.50	150
Bruel & Kjeear EMS	3.50	150
AT&T, CALNET 2 Contract	3.50	150
Jason Bruges Studio Limited	3.50	150

**Fiscal Year 2016 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

Company	Risk Score	Estimated Hours
PFM Asset Management	3.50	150
McBee Strategic Consulting	3.50	150
Cannon Pacific Services Inc.	3.50	150
URS, Inc.	3.50	150
Diamond Environmental Services LP	3.50	150
Ameri-Mex Plumbing Inc.	3.50	150
Stanley Access, Inc.	3.50	150
Borrego Solar System, Inc.	3.50	150
Granite Construction Company	3.40	150
PCL Construction Services, Inc.	3.40	150
Ninyo & Moore Geotechnical Consultants	3.40	150
Serco, Inc.	3.40	150
Aztec Landscaping	3.40	150
JRM Consultants & Investigations Company	3.40	150
Verizon Wireless	3.40	150
Research Horizons LLC, dba Phoenix Marketing International	3.40	150
Riskconnect, Inc.	3.40	150
Best Best Krieger LLP	3.40	150
A-Team Contractors, Inc.	3.40	150
Flagship Sweeping Services, Inc.	3.40	150
A-Advanced Locksmiths	3.40	150
A Good Roofer, Inc.	3.40	150
Aurora Industrial Hygiene, Inc.	3.40	150
EC Constructors, Inc.	3.40	150
Loren Smith Productions	3.40	150
EHMCKE Sheet Metal	3.40	150
Downstream Services, Inc.	3.40	150
LCPTTracker, Inc.	3.40	150
Passur Aerospace Inc.	3.40	150
Mary Stathoulis dba Modern Painting	3.40	150
UniFirst Corporation	3.40	150
C&S Engineering, Inc.	3.40	150
Apex Lighting & Electric, Inc.	3.40	150
Morrison & Foerster LLP	3.40	150
On the Spot Flooring	3.40	150
County of San Diego Sheriff's Department, Regional Communications System	3.40	150
Best Contracting Services	3.40	150
CDW - Government	3.30	150
Nolte Associates Inc.	3.30	150
Strong Tower Construction dba Koch Corporation	3.30	150
Tom Mascanrenak dba Ground Equipment Services	3.30	150
Atkins North America, Inc.	3.30	150
David Brush Consulting	3.20	150

**Fiscal Year 2016 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

Company	Risk Score	Estimated Hours
Haley and Aldrich, Inc.	3.20	150
Paul Plevin Sullivan & Connaughton LLP	3.20	150
William Nicholas Bodouva + Associates	3.20	150
Planetbids, Inc.	3.20	150
Bear Fence	3.20	150
M.B. Oliver Inc. dba Agricultural Pest Control Services	3.20	150
Tetra Tech Inc.	3.20	150
Southern California Fleet Services, Inc.	3.20	150
Xtreme Floor Covering Specialists Inc.	3.20	150
Discount Glass & Mirror Inc.	3.20	150
Audio Associates of San Diego	3.20	150
Paul Hobson	3.20	150
Hawthorne Machinery Co.	3.20	150
Marcon Engineering, Inc.	3.20	150
Meyers Nave	3.20	150
Location Matters	3.20	150
Clark Telecom and Electric (CTE) Inc.	3.20	150
Commercial & Industrial Roofing Company, Inc.	3.20	150
Stutz Artiano Shinoff & Holtz APC	3.20	150
APEX Contracting & Restoration, Inc.	3.20	150
Chula Vista Electric Company	3.20	150
Hellman, Obata & Kassabaum (HOK), Inc.	3.20	150
United States Department of Agriculture	3.20	150
Hatch Mott MacDonald, LLC	3.10	150
Cartwright Termite & Pest Control	3.10	150
Seasonal Innovations Inc. dba Greenleaf Plant Solutions	3.10	150
Kutak Rock LLP	3.10	150
Calderon Builders Inc.	3.10	150
COR Security, Inc.	3.10	150
GTSI dba Government Technology Service Inc.	3.10	150
Marsh USA Inc.	3.10	150
SP Plus Corporation	3.10	150
TruGreen Landcare LLC	3.10	150
USDA - Animal and Plant Health Inspection Services	3.00	150
Gatzke, Dillon & Balance LLP	3.00	150
All County Fire, Inc.	3.00	150
Vector Resources, Inc.	3.00	150
The Glass Company, Inc. dba C & C Glass	3.00	150
Packet Telcom Solution, Inc.	3.00	150
AB Engineering, Inc.	3.00	150
Alliant Insurance Services, Inc.	3.00	150
Built Pacific, Inc.	3.00	150
Can-Do Electric, Inc.	3.00	150

**Fiscal Year 2016 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

Company	Risk Score	Estimated Hours
Denovo Ventures LLC	3.00	150
DIIO, LLC formally Aviation Data Group, LLC	3.00	150
EMS Construction, Inc.	3.00	150
Epoch Universal, Inc.	3.00	150
General Ledger Resources	3.00	150
Gilbert Angundaz Concrete	3.00	150
Helix Mechanical, Inc.	3.00	150
HPS Mechanical, Inc.	3.00	150
J.P. Witherow Roofing Company, Inc.	3.00	150
KPFF, Inc. dba KPFF Consulting Engineers	3.00	150
Laser Electric Inc.	3.00	150
Mags Harries & Lajos Heder Collaborative	3.00	150
Microsoft Licensing, GP	3.00	150
PAL General Engineering, Inc.	3.00	150
Phillips Painting, Inc.	3.00	150
Plumbright, Inc.	3.00	150
San Diego Office Interiors	3.00	150
SIGMAnet, Inc.	3.00	150
Sun Pacific Glazing, Inc.	3.00	150
Tabizi Incorporated dba Raider Painting Company	3.00	150
Tower Glass, Inc.	3.00	150
Ueberall International LLC	3.00	150
Visionary Painting Services Corporation	3.00	150
Windco Painting Inc.	3.00	150
WTS, Inc.	3.00	150
U.S. Bank National Association	2.90	150
CDM Smith, Inc.	2.90	150
Endless Summer Heating and Cooling, Inc.	2.90	150
Are & R Plumbing Inc.	2.90	150
Epic Pest Control	2.90	150
KRS, Inc., dba Kings Glass and Screen	2.90	150
MW Construction	2.90	150
Quateman LLP	2.90	150
Allsup Corporation	2.80	150
Accurate Engineering Integrated Construction Services, Inc.	2.80	150
Apex Consulting Group Inc.	2.80	150
CPS Human Resources	2.80	150
Creative Nerve	2.80	150
Flatiron West, Inc.	2.80	150
McKenna, Long & Aldridge LLP	2.80	150
Quality Fence Co. Inc.	2.80	150
Robert Half International	2.80	150
Roger Buma	2.80	150

**Fiscal Year 2016 Audit Plan
Expense Contract – Descending Risk Scores**

ATTACHMENT 4

Company	Risk Score	Estimated Hours
SkillStorm Commercial Services, LLC	2.80	150
SOS Staffing Services, dba TOPS Staffing	2.80	150
The Bernard Johnson Group, Inc.	2.80	150
TLC Staffing	2.80	150
United Storm Water Inc.	2.80	150
Zuheir Inc., dba Comprehensive Glassworks	2.80	150
Barney & Barney, LLC	2.70	150
Carter & Burgess, Inc.	2.70	150
Idea Integration Corp. dba Idea	2.70	150
Law Management Inc. dba Designer Glass & Shower	2.70	150
PC Specialists, Inc. dba Technology Integration Group (TIG)	2.70	150
Sheryl Oring	2.60	150
Erik J. Carlson	2.60	150
Drain Medic Plumbing	2.60	150
Advantage Performance Group LLC	2.50	150
Aircraft Service International, Inc.	2.50	150
Sadler Electric, Inc.	2.50	150
Marsh Risk & Insurance Service	2.40	150
Mactec Engineering and Consulting	2.20	150

35,350

**Fiscal Year 2016 Audit Plan
Car Rental Contracts – Descending Risk Scores**

ATTACHMENT 5

Company	Risk Score	Estimated Hours
BW - Budget - SDA, LLC	4.50	250
Nevada Lease and Rental Inc dba Payless Car Rental System	4.50	250
DTG Operations Inc dba Thrifty & Dollar	4.17	300
Simply Wheelz LLC dba Advantage Rent-A-Car	4.17	250
Midway Rent A Car, Inc.	3.67	200
Enterprise Rent A Car Company (Enterprise, Alamo, National)	3.33	400
Pneuma Enterprises Inc. dba TravCar	3.33	150
Gitibin dba Go Rental	3.33	150
Coronado Transportation System	3.33	250
Avis Rent A Car Systems LLC	3.17	300
The Hertz Corporation	3.17	300
Fox Rent A Car	3.00	300
Airport Van Rental, Inc.	3.00	150
RLZ Corporation dba Pacific Rent-A-Car	2.67	150
South CA A1 Car Rental dba A1 Rent a Car	2.67	150
American Car Rental	2.67	150
EZ Rent A Car	2.50	250
		<u>3,950</u>

**Fiscal Year 2016 Audit Plan
Other Lease Contracts – Descending Risk Scores**

ATTACHMENT 6

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

**Fiscal Year 2016 Audit Plan
Other Lease Contracts – Descending Risk Scores**

ATTACHMENT 6

Company	Risk Score	Estimated Hours
JCDecaux, Inc.	3.00	250
LGSTX Services Inc.	3.00	150
Master Lightning Security Services	3.00	150
Pacific Aircraft Maintenance	3.00	150
Pristine Fleet LLC	3.00	150
Rainbow Concessions	3.00	150
Security Point Media LLC	3.00	150
AC Holding, Inc.	2.67	150
Aeronautical Radio	2.67	150
Air Transport International, LLC	2.67	150
Arinwine Aircraft Maintenance LLC dba F&E Aircraft	2.67	150
Bags of California, LLC	2.67	150
Hope Investments LLC dba Jerusalem Grill	2.67	150
Jet Wash Inc.	2.67	150
Moody's Lunch Services	2.67	150
RAC & Associates dba SpecialCare	2.67	150
Southwest Air Dynamics, Inc.	2.67	150
Traveler's Aid Society of San Diego	2.67	150
San Diego Convention Center	2.33	150
		9,700

**Fiscal Year 2016 Audit Plan
Concession Contracts – Descending Risk Scores**

ATTACHMENT 7

Company	Risk Score	Estimated Hours
Host International Inc. (FSP 2)	4.4	200
SSP America Inc. (FSP 6R)	4.3	200
SSP America Inc. (FSP 3)	4.3	200
Duty Free Americans San Diego LLC	4.2	200
Hudson Group - CV - Epicure - Martinez San Diego (RP 2)	4.1	200
InMotion Entertainment (RP 8)	4.0	200
New Zoom Inc. dba ZoomSystems (RP 6)	4.0	200
Spa Didacus Inc. (RP 5)	3.9	200
Swissport Lounge LLC	3.9	200
Paradies - San Diego LLC (RP1)	3.6	200
High Flying Foods San Diego (FSP 8)	3.6	200
Host International Inc. (FSP 1)	3.6	200
High Flying Foods San Diego (FSP 7)	3.5	200
Pacific Gateway Concessions and Procurement Concepts San Diego LLC (RP 3)	3.5	200
SSP America Inc. (FSP 5)	3.5	200
Stellar Partners Inc. (RP 4)	3.5	200
Hudson Group, Concourse Ventures Inc., Epicure and Martinez San Diego JV (RP 7)	3.2	200
Mission Yogurt Inc. (FSP 4)	3.2	200
		<u>3,600</u>



Fiscal Year 2016 Proposed Audit Plan of the Office of the Chief Auditor

July 1, 2015, through June 30, 2016

Audit Committee Meeting
May 4, 2015

Risk Assessment Methodology

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2016 Audit Plan is a five-part process consisting of:

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

Audit Activities

Audit activities categories are:

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



FY16 Audit Coverage

The audit units for FY16 selected for review cover the following revenue/expense included in the respective category:

- Expense contracts selected for review account for 43.3% of the total 12-month expenses.
- Car rental revenue contracts selected account for 24.7% of the total 12-month revenues.
- Other lease revenue contracts selected account for 27.9% of the total 12-month revenues.
- Concession revenue contracts selected account for 37.5% of the total 12-month revenues.



Available Audit Resources

	Annual Hours Available
Senior Auditor	1,560
Senior Auditor	1,560
Auditor/Concessions	1,560
Senior Auditor/Construction	1,560
Senior Auditor/Ethics Coordinator	1,560
Audit Manager	1,352
Chief Auditor	1,040
Total Available Staff Hours Per Year	10,192
Annual Ongoing Audit Projects	(1,330)
Ethics Program Activity	(375)
Construction Audit and Monitoring Activity	(1,300)
Net Available Hours - Cycle Audits	7,187



Business Process Audits

1 Contract Management	300	
2 Airport Security Management	300	
3 Environmental Compliance	300	
4 Grant and Non-Airline Revenue Management	250	
5 Information Technology Monitoring and Evaluation	300	
TOTAL BUSINESS PROCESS AUDIT HOURS	1,450	14.2%



Expense Contract Audits

6	Ocean Blue Environmental Services	150		
7	Hazard Construction Company	150		
8	Kimley-Horn and Associates	150		
9	Abadjis Systems, Ltd.	150		
10	Ricondo and Associates	150		
11	Nuera Contracting & Consulting LP	150		
12	ThyssenKrupp Airport Systems, Inc.	150		
13	VA Consulting, Inc.	150		
14	Ace Parking Management, Inc.	300		
15	Helix Electric, Inc.	150		
TOTAL EXPENSE CONTRACT AUDIT HOURS		1,700	16.7%	



Revenue Contract Audits - Car Rentals

16	BW – Budget – SDA, LLC	250		
17	Nevada Lease and Rental Inc. dba Payless Car Rental System	250		
18	DTG Operations Inc. dba Thrifty & Dollar	300		
19	Simply Wheelz LLC dba Advantage Rent-A-Car	250		
20	Midway Rent A Car	200		
Total Car Rental Audits		1,250	12.3%	



Revenue Contract Audits (Other Lease Contract)

21	Airport Terminal Services, Inc.	150	
22	Landmark Aviation GSO-SAN, LLC	150	
23	Sky Chef Inc. dba LSG Sky Chefs	150	
24	Smarte Carte, Inc.	150	
	Total Other Lease Contract Hours	600	5.9%



Revenue Contract Audits (Concessions)

25	Host International Inc. (FSP 2)	200	
26	SSP America Inc. (FSP 6R)	200	
27	SSP America Inc. (FSP 3)	200	
28	Duty Free Americans San Diego LLC	200	
29	InMotion Entertainment (RP 8)	200	
30	NewZoom Inc. dba ZoomSystems (RP 6)	200	
31	Hudson Group – CV Epicure – Martinez San Diego (RP 2)	200	
	Total Concession Audit Hours	1,400	13.7%

Summary of Revenue Contract Hours		
Total Car Rental Audits	1,250	12.3%
Total Other Lease Contract Hours	600	5.9%
Total Concession Audit Hours	1,400	13.7%
Total Revenue Audit Hours	3,250	31.9%



Annual Ongoing Audits and Support

32	Airport Rescue & Firefighters (ARFF)	150	
33	Board Member Expenditures	50	
34	Rental Car Center Fund Review	50	
35	Procurement Card Spending	150	
36	Agreements with Expenditures Limits not to Exceed \$100,000	100	
37	Biennial Airline Landing Fees	250	
38	Transportation Network Company Reviews and Assistance	250	
39	Emergency Medical Technician & Paramedic Services	80	
40	San Diego Unified Port District Billing	250	1,330
41	Special Request Audits		787
42	Ethics Program Activity		375
43	Construction Audit and Monitoring Activity		1,300
Total Ongoing Audits and Support Hours		3,792	37.2%



Audit Hours Summary

Total Business Expense Hours	1,450	14.2%
Total Expense Contract Audits Hours	1,700	16.7%
Total Revenue Contract Audit Hours	3,250	31.9%
Total Ongoing Audits and Support Hours	3,792	37.2%
Total Audit Hours	10,192	100.0%
Available Audit Hours From Office Staff	10,192	
Difference	0	



QUESTIONS?





SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE

Item No.
4

Meeting Date: **MAY 4, 2015**

Subject:

Fiscal Year 2016 Proposed Budget of the Office of the Chief Auditor and Fiscal Year 2017 Proposed Conceptual Budget Expense Summary

Recommendation:

Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2016 Budget for approval.

Background/Justification:

In accordance with the San Diego County Regional Airport Authority Fiscal Year 2016 Budget process and timeline, the Office of the Chief Auditor (OCA) submitted its proposed 2016 and proposed 2017 conceptual budget to the Authority's Finance Division (see presentation). The OCAs proposed budget contains the anticipated expenditures and headcount necessary to carry out its duties in the coming fiscal year.

During the May 4, 2015, Audit Committee Meeting the OCA Fiscal Year 2016 Proposed Budget will be presented to the Committee for review, and subsequently, forwarded to the Board for approval within the Finance Division's scheduled budget process.

Fiscal Impact:

The proposed FY16 Budget for the Office of the Chief Auditor is \$1,217,606.

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

ITEM 4

Fiscal Year 2016 Proposed Budget of the Office of the Chief Auditor and Fiscal Year 2017 Proposed Conceptual Budget Expense Summary

July 1, 2015, through June 30, 2016



Audit Committee Meeting
May 4, 2015

FY 2016 Proposed - 2017 Proposed Conceptual Budget Expense Summary

	FY 2014 Actuals	FY 2015 Budget	FY 2016 Conceptual Budget	FY 2016 Proposed Budget	Inc/(Dec) FY16 Budget vs FY15 Budget	% Change	Inc/(Dec) FY16 Proposed vs FY16 Conceptual	% Change	FY 2017 Proposed Conceptual Budget	Inc/(Dec) FY17 Conceptual vs FY16 Budget	% Change
Operating Expenses:											
Personnel Expenses											
Salaries and Wages	\$ 740,063	\$ 780,617	\$ 804,259	\$ 808,836	\$ 29,219	3.7%	\$ 5,577	0.7%	\$ 832,952	\$ 25,116	2.9%
Premium Overtime	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Employee Benefits	334,701	362,816	378,743	368,070	(2,745)	-0.8%	(18,672)	-4.9%	375,680	15,610	4.3%
Subtotal	1,074,764	1,143,433	1,183,002	1,168,906	28,473	2.3%	(13,096)	-1.1%	1,208,633	38,726	3.3%
Less: Capitalized Labor	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Less: QHP - Labor/Burden/Labor Overhead	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Total Personnel Expenses	1,074,764	1,143,433	1,183,002	1,168,906	28,473	2.3%	(13,096)	-1.1%	1,208,633	38,726	3.3%
Non-Personnel Expenses											
Contractual Services	6,777	375	375	750	375	100.0%	375	100.0%	750	-	0.0%
Safety and Security	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Space Rental	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Utilities	-	250	250	250	-	0.0%	-	0.0%	275	25	10.0%
Maintenance	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Operating Equipment & Systems	1,904	500	500	-	(500)	-100.0%	(500)	-100.0%	-	-	0.0%
Operating Supplies	2,592	2,600	2,600	5,900	3,300	126.9%	3,300	126.9%	2,750	(3,150)	-55.4%
Insurance	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Employee Programs	16,787	28,150	28,900	28,700	550	2.0%	(200)	-0.7%	29,200	500	1.7%
Business Development	4,317	4,000	4,250	4,225	225	5.6%	(25)	-0.6%	4,380	155	3.7%
Equipment Rentals & Repairs	4,200	4,700	4,925	7,875	3,175	82.5%	3,250	63.8%	5,050	(7,825)	-26.1%
Total Non-Personnel Expenses	36,578	48,575	41,800	47,960	7,133	17.0%	5,968	14.1%	42,468	(9,398)	-13.1%
Total Operating Expenses	1,111,342	1,192,008	1,224,802	1,216,866	33,598	2.8%	(7,188)	-0.6%	1,251,101	38,831	2.7%
Non-Operating Expenses:											
Joint Studies/Sound Attenuation	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Debt Service	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Total Non-Operating Expenses	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Total Expenses	1,111,342	1,192,008	1,224,802	1,216,866	33,598	2.8%	(7,188)	-0.6%	1,251,101	38,831	2.7%
Equipment Outlay	-	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Total Authority Expenses Incl Equip Outlay	\$ 1,111,342	\$ 1,192,008	\$ 1,224,802	\$ 1,216,866	\$ 33,598	2.8%	\$ (7,188)	-0.6%	\$ 1,251,101	\$ 38,831	2.7%



Major Drivers of FY 2016 & FY 2017 Proposed Budget

	Inc/(Dec) FY16 vs FY15	Inc/(Dec) FY17 Conceptual vs FY16
FY 2015 Budget / FY 2016 Budget	\$ 1,184,008	\$ 1,217,606
Personnel costs		
Salary adjustments and pay-for-performance	29,219	23,116
Burden (benefits & employer taxes) for current staff	(2,745)	15,610
Total Increase / (Decrease) in personnel costs	26,473	38,726
Other, net	7,125	(5,295)
Total Increase / (Decrease) in non-personnel costs	7,125	(5,295)
Total Increase / (Decrease)	33,598	33,431
FY 2016 Budget / FY 2017 Conceptual Budget	\$ 1,217,606	\$ 1,251,038



QUESTIONS?

