

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY



## BOARD MEMBERS

DAVID ALVAREZ  
LAURIE BERMAN\*  
C. APRIL BOLING  
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ROBERT H. GLEASON  
LLOYD B. HUBBS  
JIM JANNEY  
ERAINA ORTEGA\*  
PAUL ROBINSON  
MARY SESSOM

\* EX OFFICIO BOARD MEMBERS

PRESIDENT/CEO  
THELLA F. BOWENS

## AUDIT COMMITTEE and SPECIAL BOARD MEETING \*

### AGENDA

Monday, August 17, 2015  
10:00 A.M.

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

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

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

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

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

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

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

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**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 May 4, 2015, regular meeting.

**2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDIT FOR THE FISCAL YEAR ENDED JUNE 30, 2015:**

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

Presented by: Mark Burchyett, Chief Auditor; and Kathy Kiefer, Senior Director, Finance & Asset Management

**3. FISCAL YEAR 2015 ANNUAL REPORT FROM THE AUDIT COMMITTEE:**

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

Presented by: Paul Robinson, Audit Committee Chair

**4. FISCAL YEAR 2015 ANNUAL AUDIT ACTIVITIES REPORT FROM 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. *(Requires five (5) affirmative votes of the Audit Committee)*

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

**5. CONSTRUCTION AUDIT STATUS REPORT:**

RECOMMENDATION: Information item only.

Presented by: Callie Ullman, Senior Auditor

**NON-AGENDA PUBLIC COMMENT:**

**COMMITTEE MEMBER COMMENTS:**

**ADJOURNMENT:**

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

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the 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](http://www.san.org).

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

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

**UPCOMING MEETING SCHEDULE**

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
NOVEMBER 16	Monday	10:00 a.m.	Regular	Board Room

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**AUDIT COMMITTEE MINUTES**  
**MONDAY, MAY 4, 2015**  
**BOARD ROOM**

**CALL TO ORDER:**

Chair Robinson called the regular meeting of the Audit Committee to order at 10:00 a.m., on Monday, May 4, 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: Hollingworth, Hubbs, Robinson, Sessom, Tartre, Van Sambeek

ABSENT: Committee Members: Gleason

ALSO PRESENT: Angela Shafer-Payne, Vice President, Operations; Amy Gonzalez, Senior Director, General Counsel; Lorraine Bennett, Assistant Authority Clerk II; Linda Gehlken, Assistant Authority Clerk I

**NON-AGENDA PUBLIC COMMENT:** None

**NEW BUSINESS:**

**1. APPROVAL OF MINUTES:**

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

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

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

Fred Bojger, Manager, Audit Services, provided a presentation of the Fiscal Year 2015 Third Quarter Audit Activities Report, which included Audit Activities, Audits in Progress as of March 31, 2015, Recommendation Follow-up, Fiscal Year 2015 Measure Outcomes, and Summary of Ethics Inquiries.

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

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

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

Mark A. Burchyett, Chief Auditor, provided a presentation on the Fiscal Year 2016 proposed Audit Plan of the Office of the Chief Auditor, which included Risk Assessment Methodology, Audit Activities, Fiscal Year 2016 Audit Coverage, Available Audit Resources, Business Process Audits, Expense Contract Audits, Revenue Contract Audits, Annual Ongoing Audits and Support, and Audit Hours Summary.

Committee Member Tartre requested that in the future, staff provide the Fiscal Year Audit Coverage data for revenue/expense contracts to reflect the percentage covered over the audit period, versus a 12-month period.

Board Member Hubbs requested that Finance staff provide the soft costs versus hard costs for Contract Management, Construction Manager and Project Manager costs.

In response to Board Member Hubbs regarding why Jacobs Project Management Co. was not included as part of the Expense Contract Audits, Mark Burchyett, Chief Auditor, stated that there was not much spent on this contract, as compared with Kimberly-Horn & Associates and Abadjis Systems, Ltd. He stated that staff will look at the close-out for these two contracts, and if there are any problems, staff will revisit the Jacobs Project Management Co. contract.

Committee Member Hollingworth requested that staff look at the soft costs associated with the Contract Management billing rates.

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

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

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

Mark A. Burchyett, Chief Auditor, provided a presentation on the Fiscal Year 2016 proposed budget of the Chief Auditor and Fiscal Year 2017 proposed conceptual budget, which included Fiscal Year 2016 Proposed – 2017 Proposed Conceptual Budget Expense Summary, and Major Drivers of Fiscal Year 2016 and Fiscal Year 2017 Proposed Budget.

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

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

**CLOSED SESSION:** The Committee recessed into Closed Session at 10:37 a.m. to discuss Item 5.

**5. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**  
(Government Code Section 54957)  
Title: Chief Auditor

**REPORT ON CLOSED SESSION:** The Committee reconvened into Open Session at 11:10 a.m. There was no reportable action.

**NON-AGENDA PUBLIC COMMENT:** None

**COMMITTEE MEMBER COMMENTS:** None

**ADJOURNMENT:** The meeting was adjourned at 11:11 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO  
COUNTY REGIONAL AIRPORT AUTHORITY THIS 17<sup>th</sup> DAY OF AUGUST, 2015.

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MARK A. BURCHYETT  
CHIEF AUDITOR

ATTEST:

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LORRAINE BENNETT  
ASSISTANT AUTHORITY CLERK II





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

**Item No.  
2**

Meeting Date: **AUGUST 17, 2015**

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**Subject:**

**Required Communication to the Audit Committee on the Financial and Compliance Audit for the Fiscal Year Ended June 30, 2015**

**Recommendation:**

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

**Background/Justification:**

The Charter of the Audit Committee, and as specified in the Statement on Auditing Standards (SAS) 114, requires that the Authority's external auditor communicate for review and approval by the Audit Committee its planned scope and timing for conducting the audit of the Authority's financial statements; and to communicate an annual report on independence, a report on its quality control program and peer review, and other responsibilities under generally accepted auditing standards.

On April 21, 2014, staff presented a recommendation to the Audit Committee to enter in to an agreement with BKD, LLP, for Financial Audit Services. The Audit Committee recommended that the Board adopt Resolution No. 2014-0039 approving and authorizing the President/CEO to execute an agreement with BKD.

During the May 1, 2014, Board Meeting, the Board adopted Resolution No. 2014-0039 approving and authorizing the President/CEO to execute an agreement with BKD, LLP, for an amount not to exceed \$950,000 for a three year term with an option for two (2) one year extensions, which may be exercised, subject to Board approval, at the sole discretion of the Authority's President/CEO.

A presentation to the Audit Committee from BKD communicating matters pertaining to the Fiscal Year Ended June 30, 2015, Financial and Compliance Audit will be given during the August 17, 2015, Audit Committee Meeting.

**Fiscal Impact:**

Adequate funding for the agreement with BKD, LLP, for performing the Authority's financial audit services is included in the proposed FY 2016 Budget and FY 2017 Conceptual Budget within the Services-Auditing line item. Expenses that will impact budget years not yet adopted by the Board will be included in future year budget requests.



**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 2

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Required Communication to the Audit Committee on the  
Financial and Compliance Audit for the Fiscal Year Ended  
June 30, 2015

Presented By: Joseph P. Vande Bosche, Partner and  
David M. Coleman, Partner

August 17, 2015

experience **BKD**  
CPAs & Advisors

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## Engagement Team

- ▲ Joe Vande Bosche, Concurring Review Partner
- ▲ David Coleman, Engagement Partner
- ▲ Andrew Sherwood, Senior Associate
- ▲ Bryan Callahan, Senior Managing Consultant
- ▲ Stephen O'Beirne, Audit Associate

## Overview

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

3

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CPAs & Advisors

## Planned Scope

- ▲ The following are considered as having a higher risk of material misstatement due to error or fraud:
  - Management override of controls
  - Revenue recognition
  - Investment classification
  - GASB 68 adoption

4

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## Planned Scope (*continued*)

- ▲ The following will also be considered areas of higher audit risk:
  - **Passenger Facility Charge Program:** Tests of account balances are performed to substantiate the passenger facility charge revenue and year-end receivable balances and tests of compliance are performed in accordance with the *Passenger Facility Charge Audit Guide for Public Agencies*
  - **Federal Award Programs:** All federal award programs are currently facing greater scrutiny than ever due to a number of factors. We test compliance with the specific requirements that are direct and material to each identified major program, as well as the associated controls over compliance

## Planned Timing

- ▲ **Week of May 18** - Planning, interim fieldwork and risk assessment
- ▲ **Week beginning August 24th** - Final audit fieldwork, including A-133 testing
- ▲ **September [TBD] 2015** - Exit conference with management to review draft financial statements and other required communications
- ▲ **October 1, 2015** - Drafts of deliverable available for review by management
- ▲ **Week of October 5, 2015** - Concurring partner review to be performed
- ▲ **October 15, 2015** - Release final deliverables
- ▲ **November 16, 2015** - Presentation of financial statements, our required communications and other deliverables to the Audit Committee
- ▲ **December 17, 2015** - Presentation of financial statements, our required communications and other deliverables to the Board

## Approach to Planning

### ▲ Planning and Risk Assessment – Our procedures include:

- Obtaining an understanding of the internal control environment:
  - ▶ Reviewing client prepared documentation of internal control policies and procedures
  - ▶ Testing internal control systems and procedures as appropriate
  - ▶ Assessing control risk
- Obtaining an understanding of changes to the Authority's operations for the year, including new revenue streams and activities
- Examining Authority Board and Audit Committee minutes and highlighting any ordinances, resolutions, laws and compliance regulations to be reviewed

7

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## Approach to Planning (*continued*)

### ▲ Planning and Risk Assessment – Our procedures include (continued):

- Determining materiality levels for the Authority
- Completing our preliminary analytical review procedures
- Identifying new accounting and auditing pronouncements that may have an impact on the audit and/or financial statements and discussing a plan for implementation with the Authority staff
- Developing applicable audit programs to address significant audit areas and the specific risks identified during our risk assessment procedures

8

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## Revisions to Professional Standards

- ▲ GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* – effective for 2015
- ▲ GASB Statement No. 72, *Fair Value Measurement and Application* – effective for 2016
- ▲ GASB Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*– effective for 2017

9

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## Consideration of Errors or Fraud

- ▲ Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*
- ▲ Statements on Auditing Standards Nos. 104–111 address how we are to assess and respond to the risks of material misstatement due to error or fraud in an audit

10

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## Consideration of Errors or Fraud (continued)

### ▲ Our audit approach includes:

- Engagement Team Brainstorming
  - ▶ Discussions include how and where we believe the entity's financial statements might be susceptible to material misstatement due to errors or fraud, how management could perpetrate and conceal fraudulent financial reporting and how assets of the entity could be misappropriated
  - ▶ An emphasis is placed on the importance of maintaining the proper state of mind throughout the audit regarding the potential for material misstatement due to errors or fraud

11

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## Consideration of Errors or Fraud (continued)

- Inquiries of management and others:
  - ▶ Audit Committee Chair
  - ▶ President/CEO
  - ▶ Chief Auditor
  - ▶ General Counsel
  - ▶ Vice President of Finance/CFO
  - ▶ Others as deemed appropriate in the following areas:
    - Accounting
    - Procurement
    - Airport Development
    - Information Technology
    - Human Resources

12

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## Consideration of Errors or Fraud (continued)

- Inquiries are directed towards the risks of errors or fraud and whether personnel have knowledge of any fraud or suspected fraud affecting the entity
- Review of accounting estimates for bias
- Evaluation of business rationale for significant unusual transactions
- Incorporation of an element of unpredictability into our audit procedures

13

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## Contacts

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

14

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## Our Client Service Culture

*The BKD Experience* service philosophy sets expectations for serving clients



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

15

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## Questions



16

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

Item No.

**3**

Meeting Date: **AUGUST 17, 2015**

**Subject:**

**Fiscal Year 2015 Annual Report from the Audit Committee**

**Recommendation:**

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

**Background/Justification:**

On November 25, 2002, Authority Policy Article 1, adopted by the Board per Resolution No. 2002-2, established the administration and governance of the San Diego County Regional Airport Authority. Policy Section 1.50 (5)(c)(iv) outlines the Audit Committee's roles, responsibilities, and practices.

On October 2, 2003, the Board approved the Charter of the Audit Committee (formerly Audit and Performance Monitoring Committee).

In accordance with the Audit Committee Charter and the oversight responsibilities outlined in Authority Policy Section No. 1.50 (5)(c)(ii), the Committee shall annually provide a report to the Board covering the discharge of its duties and the responsibilities carried out during the previous year.

The 2015 Annual Report of the Audit Committee for the period July 1, 2014, through June 30, 2015, is hereby presented as Attachment A.

**Fiscal Impact:**

None

**Authority Strategies:**

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

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

August 17, 2015

**Board Members**

Robert H. Gleason  
Board Chair

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

Robert H. Gleason  
Board Chair  
San Diego County Regional Airport Authority  
P.O. Box 82776  
San Diego, CA 92138-2776

**Ex-Officio Board Members**

Laurie Berman  
Col. John Farnam  
Eraina Ortega

**President / CEO**

Thella F. Bowens

Dear. Mr. Gleason:

On January 15, 2015, Board Member Tom Smisek's service on the Board, and his role as Audit Committee Chair, concluded. It is my pleasure as the Committee Chair to provide the Annual Report from the Audit Committee to the San Diego County Regional Airport Authority Board for the Fiscal Year 2015.

The Audit Committee convened four times during Fiscal Year 2015. The meeting minutes for these public sessions are on file with the Clerk of the Board and can also be found on the San Diego International Airport website [www.san.org](http://www.san.org). Following are a list of the meeting dates:

- August 18, 2014
- November 17, 2014
- February 9, 2015
- May 4, 2015

During Fiscal Year 2015, the Authority's financial records were audited by the independent public accounting firm BKD, LLP. The Audit Committee reviewed and approved the Fiscal Year Ended June 30, 2014, audited financials at its November 17, 2014, meeting, as well as the Comprehensive Annual Financial Report (CAFR) issued by the Authority's Finance Department. The reports included:

- Audited Financial Statements
- Compliance (single audit) Report
- Passenger Facility Charge (PFC) Compliance Report
- Customer Facility Charge (CFC) Compliance Report
- Report to the Audit Committee
- 2014 Comprehensive Annual Financial Report (CAFR)

The Audit Committee additionally monitors the performance of the Airport Authority through the information provided by the activities of the Office of the Chief Auditor (OCA).

Page 2 of 2

The Audit Committee reviewed, approved, or received as information, the following reports and presentations submitted by the OCA:

- Fiscal Year 2014 Annual Report of the Office of the Chief Auditor
- Fiscal Year 2015 Quarterly Reports and corresponding audit recommendations
- Audit Reports issued by the Office of the Chief Auditor during Fiscal Year 2015, totaling 37
- Recommendations issued by the Office of the Chief Auditor during Fiscal Year 2015, totaling 29
- Fiscal Year 2015 Audit Plan and Proposed Budget for the Office of the Chief Auditor
- Construction Audit Updates
- Ethics Program and Confidential Hotline Updates
- Public Employee Performance Evaluation Goal Setting for the Chief Auditor

In addition, a revision to the Charter for the Office of the Chief Auditor was reviewed by the Audit Committee and approved by the Authority Board in early Fiscal Year 2015. The revision implemented a recommendation from an external Quality Assessment Review report on the OCA that was issued in April 2014.

Sincerely,

Paul Robinson  
Audit Committee Chair

PR/MAB/sro

cc: Thella F. Bowens, President/CEO





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

**Item No.  
4**

Meeting Date: **AUGUST 17, 2015**

**Subject:**

**Fiscal Year 2015 Annual Audit Activities Report from 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:**

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

As directed in the Charter, the Chief Auditor shall annually report to the Board on audits completed, findings, corrective actions, and the implementation status on recommendations.

In accordance with the Charter of the Office of the Chief Auditor, the Fiscal Year 2015 Annual Report is submitted as Attachment A to the Audit Committee by the Office of the Chief Auditor. The Annual Report provides an account of activities and accomplishments for Fiscal Year 2015 and features details on all recommendations issued and their implementation status.

**Fiscal Impact:**

None

**Authority Strategies:**

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

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



**Environmental Review:**

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

**Application of Inclusionary Policies:**

Not applicable

**Prepared by:**

MARK A BURCHYETT  
CHIEF AUDITOR



**SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY  
OFFICE OF THE CHIEF AUDITOR**

**FISCAL YEAR 2015 ANNUAL REPORT**

August 6, 2015



August 6, 2015

Fiscal Year 2015 Annual Report

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

Dear Mr. Robinson:

The Office of the Chief Auditor (OCA) presents our Annual Report for Fiscal Year 2015. The report details the audit and administrative activities of the Office, the resolution of past audit findings, and highlights the Fiscal Year 2016 Audit Plan.

Fiscal Year 2015 was another productive year for the OCA that included:

- Issuance of 37 audit reports
- Continued execution of the Concession audit program
- Continued construction audit activities
- Supervision of the Ethics Program

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

Respectfully submitted,

Mark A. Burchyett  
Chief Auditor

*Table of Contents*

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Audit Activities.....	1
Audit Follow-Up.....	3
Non-Audit Activities .....	4
Performance Measures.....	6
Construction Audit Activities .....	9
Concession Audit Activities.....	10
Fiscal Year 2016 Projection .....	11
 <u>Appendix A</u>	
Fiscal Year 2015 Audit Plan.....	12
 <u>Appendix B</u>	
Status of OCA Recommendations as of June 30, 2015 .....	13
 <u>Appendix C</u>	
Recommendations Completed in Fiscal Year 2015.....	23
 <u>Appendix D</u>	
Fiscal Year 2016 Audit Plan.....	31
 <u>Appendix E</u>	
Ethics Compliance Program .....	32

## Audit Activities

The Office of the Chief Auditor's (OCA) Fiscal Year 2015 internal audit plan had three (3) categories of audits: 1) Business Process Audits, 2) Expense Contract Audits, and 3) Revenue Contract Audits. Additionally, there are specific annual ongoing audits and support duties that are apportioned within the audit plan. The Annual Audit Plan for Fiscal Year 2015 (see Appendix A) included 40 planned audits. Also incorporated within the Fiscal Year 2015 plan were four (4) audits carried over from the Fiscal Year 2014 audit plan that were not completed during that fiscal year. Furthermore, during the 2015 fiscal year, one (1) unplanned audit was added to the audit schedule as a "Special Request".

In total during FY15, the OCA issued 37 final audit reports, including ten (10) during the fourth quarter. Additionally, the OCA had numerous audits that were nearing completion at the end of the 4th quarter, including three (3) draft audit reports that had been sent to the affected departments for review and comment. From the completed audit reports, we issued a total of 28 recommendations (See Page 5, Table 3: Status of Recommendations Issued in FY2015).

*Table 1: Total Reports Issued by the Office of the Chief Auditor in Fiscal Year 2015*

Quarter	Audits Issued	Recommendations Issued
1 <sup>st</sup>	9	4
2 <sup>nd</sup>	6	5
3 <sup>rd</sup>	12	4
4 <sup>th</sup>	10	16
<b>Total</b>	<b>37</b>	<b>29</b>

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

### Business Process Audits

The OCA issued nine (9) business process audit reports during this fiscal year. The audits within this category included departmental audits where the OCA reviews the operations of an entire Authority department, as well as reviews selected processes or projects that may span multiple Authority functions. Significant projects within this category included our annual audit of the Procurement Card Program, Public Records Management, and Timekeeping Payroll Processing. Each of these audits identified several potential improvements to the Authority's processes to mitigate certain identified risks.

### Expenditure Contract Audits

Included within this category are audits of consulting, service, and construction contracts. During Fiscal Year 2015 the OCA completed 14 expenditure contract audits. In these audits the OCA ensures that the contracts adhere to Authority policies, follow industry best practices, and that internal controls have been established and are working properly. Generally, these audits review the procurement process for the contracts, contract monitoring, and expenditures resulting from the contracted activities. Of note, the OCA completed audits of Demattei Wong Architecture, Inc. and PCL Construction Services, Inc., which identified improvements to the contract management process. Additionally, the annual audits of the Port District Billings and Aircraft Rescue and Fire Fighting Expense Billings are included within this category.

### **Revenue Contract Audits**

This category includes audits of entities that provide some form of revenue to the Authority, with the OCA completing a total of 14 revenue audits for the year. Revenue audits include reviews of airline landing fees, airline services, car rental agencies, and concessions. Audits completed this fiscal year included audits of Fox Rent A Car, Inc., Avis Rent A Car Systems, LLC, and Enterprise Holdings Inc., which identified a total of \$192,157 in additional revenue for the Authority. However, an audit of EZ Rent A Car, Inc. found that they had been collecting excess CFCs from their customers and remitting that amount to the Authority. This resulted in a net loss of \$42,144 to the Authority.

### **Special Request Audits**

The OCA sets aside audit hours within each Annual Audit Plan in order to respond to special requests from both the Authority Board and from Management. Included in the totals stated in the three (3) categories above is one (1) special request audit that the OCA completed during the year and entailed a review of the tenant leasing the salt farm property from the Authority.

### **In Progress Audits**

In Fiscal Year 2015, the OCA tried to maintain a steady pace of activity, yet did not fully complete all planned audits for the year. Specifically, as of June 30, 2015, the following audits had been sent to the audited departments as Draft audit reports:

- Ace Parking Management, Inc.
- High Flying Foods San Diego, LLC
- Merriwether Williams Insurance Services

Additionally, the following audits were in progress as of June 30, 2015:

- Business and Travel Expenses
- SSP America Inc. (FSP 5)
- The Hertz Corporation

Each of the above audits should be completed within the 1<sup>st</sup> Quarter of Fiscal Year 2016.



### Audit Follow-Up

The OCA tracks the number and the status of recommendations issued in audit reports. Tracking of recommendations was completed through regular inquiries made to the audited departments or to the owners of specific recommendations. These inquiries allow the OCA to determine how many recommendations have been completed, as well as to obtain the status of the recommendations in progress. In Fiscal Year 2015, the OCA issued a total of 29 recommendations, of which nine (9) are fully implemented. See Table 2 for an overview of recommendations issued by the OCA in Fiscal Year 2015. For detailed descriptions of recommendations that were unresolved as of June 30, 2015, and for details of all recommendations completed in FY 2015, see Appendices B and C respectively.

*Table 2: Status of Recommendations Issued in Fiscal Year 2015*

Quarter	Recommendations				
	Issued	Completed <sup>1</sup>	In-Progress <sup>2</sup>	Open <sup>3</sup>	Not Accepted
1 <sup>st</sup>	4	4	0	0	0
2 <sup>nd</sup>	5	5	0	0	0
3 <sup>rd</sup>	4	1	3	0	0
4 <sup>th</sup>	16	3	11	2	0
<b>Total</b>	<b>29</b>	<b>13</b>	<b>14</b>	<b>2</b>	<b>0</b>

In addition to the recommendations issued in Fiscal Year 2015, the OCA continued to track the status of recommendations issued in prior fiscal years. In total, the OCA tracked 21 recommendations issued prior to this fiscal year and not fully completed as of June 30, 2014. As of June 30, 2015, 19 of those recommendations have been implemented, one (1) was in process, and one (1) was not accepted by management.

<sup>1</sup> Includes recommendations that the OCA had determined to be completed.

<sup>2</sup> Includes recommendations that are not fully completed but action has been taken.

<sup>3</sup> Includes recommendations where corrective action has not yet begun.



## ***Non-Audit Activities***

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The OCA had numerous non-audit activities during Fiscal Year 2015, which are described below. For Fiscal Year 2016, the OCA will continue its activities in support of the Authority and the Board.

### **Training**

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

- Attendance at the Annual Association of Airport Internal Auditors Conference
- Attendance at a joint ISACA/IIA seminar covering varied IT and audit topics
- Attendance at the 2015 ALGA Regional Training

Additionally, staff completed or attended webinars and self-study courses in order to meet their minimum CPE requirements.

### **Audit Committee Support**

During Fiscal Year 2015, the Audit Committee met four (4) times, which occurred on:

- August 18, 2014
- November 17, 2014
- February 9, 2015
- May 4, 2015

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

### **Ethics Compliance Program**

The OCA continues to run the Authority Ethics Program and confidential hotline system. During Fiscal Year 2015, four reported items warranted further investigation into potential Code of Ethics violations. Three issues were resolved without a finding and one issue was turned over to Management for appropriate action. The Ethics Officer continues to receive numerous employee-related concerns as well. Items that continue to surface are:

- Volunteer opportunity emails; quantity and feeling pressured.
- Workplace practices and equitability; perceived inequities between departments.
- United Way; desire for organization to support donations to additional charities.
- Departmental holiday parties; Authority funds expended amongst/between departments.

See Appendix E, Ethics Hotline Call Summary, for a complete summation of calls received during Fiscal Year 2015.

**Staffing**

During the fiscal year, the OCAs Concession Auditor left employment with the Authority. Prior to leaving, the Auditor had established a concession audit program and conducted numerous audits and reviews. Those activities did not identify significant concerns or issues with the Authority's concessionaires. Therefore, we determined that immediately refilling the concession auditor position was not the best use of Authority funds. Rather, we will utilize graduate level interns to supplement our staffing. The recruitment and hiring of the intern positions is on-going.

## *Performance Measures*

Each fiscal year the OCA develops and tracks performance measures to gauge the progress and success of the office. For Fiscal Year 2015, the OCA developed five (5) separate measures that could be used to evaluate OCA performance. Table 3 below outlines the OCAs performance against the selected measures.

*Table 3: Status of Performance Measures as of June 30, 2015*

Performance Measure	Goal	Progress as of June 30, 2015
Percentage of the audit plan completed annually	100%	86%
Additional revenue/cost savings identified through audits	n/a	\$271,755
Percentage of staff time spent on audit activities	80%	86%
Percentage of audits completed within budgeted time	80%	81%
Implementation of Recommendations	90%	64%

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

**Percentage of the audit plan completed annually:** This measure provides information on the number of audits accomplished of those planned for the year. For the year, the OCA completed 86% of the Fiscal Year 2015 audit plan. Specifically, 37 out of 43 audits were finalized as issued audit reports. Additionally, there were three (3) draft audit reports that were awaiting review and comment from the audited departments. If these reports are included in the completed audits total, progress on the Fiscal Year 2015 audit plan is 93%.

**Additional revenue/cost savings identified through audits:** While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. More important is probably whether the amount of identified additional revenue and cost savings is realized by the Authority. While that total is also tracked and monitored by the OCA, it is highly dependent on circumstances outside the control of the OCA, and therefore, it does not make a good measure of the efficiency and effectiveness of the department. For the year, the OCA greatly exceeded the goal by identifying over \$271,755 in new revenue, as shown in Table 4 below.



*Table 4: Schedule of Additional Revenue and Cost Savings Identified through Audit Activity*

Audit Report Number	Title	Amount Identified	Amount Collected/ Paid
15017	Avis Rent A Car Systems	\$133,955	\$133,955
14032	Emergency Medical Technician-Paramedic Services	6,984	6,984
15018	Enterprise Holdings Inc.	45,427	--
15021	EZ Rent A Car	<42,144>	<42,144>
15019	Fox Rent A Car	12,775	12,775
15026	Gate Gourmet Inc.	1,719	--
15040	San Diego Unified Port District Billings - Fiscal Year 2014	68,885	68,885
15034	Aircraft Rescue and Fire Fighting Expense Billings - FY14	39,668	--
15039	Emergency Medical Technician-Paramedic Services	4,486	--
<b>Total</b>		<b>\$271,755</b>	<b>\$180,455</b>

**Percentage of staff time spent on audit activities:** This measure helps ensure that the OCA spends an adequate amount of time on audit activities rather than administrative activities. For Fiscal Year 2015, the OCA was well over our goal of 80% percent. This goal is the cumulative percentage of the target utilization for all audit staff.

**Percentage of audits completed within budgeted time:** This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it does recognize that budgets may need adjustment(s) as additional facts become known during an audit. In Fiscal Year 2015, the OCA completed 81 percent of its audits within the budgeted time.

**Implementation of Audit Recommendations:** This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. For the year, 64% of the recommendations have been implemented, which is under our goal. However, as shown by Table 5, the percentage of recommendations completed greatly increases as time proceeds and the percentage is greatly affected by the 16 recommendations issued during the fourth quarter for which implementation has not commenced.

Table 5: *Percentage of Recommendations Completed*

Recommendation Origination	Recommendation				
	Tracked	Completed	Not Accepted	Outstanding	% Completed
Carryover	21	19	1	1	90%
1 <sup>st</sup> Quarter	4	4	0	0	100%
2 <sup>nd</sup> Quarter	5	5	0	0	100%
3 <sup>rd</sup> Quarter	4	1	0	3	25%
4 <sup>th</sup> Quarter	16	3	0	13	19%
<b>Total</b>	<b>50</b>	<b>32</b>	<b>1</b>	<b>17</b>	<b>64%</b>

## *Construction Audit Activities*

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Throughout 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 agreements with Demattaei Wong Architecture, Inc. and PCL Construction Services, Inc. as part of the Fiscal Year 2015 OCA Audit Plan. The knowledge gained in observing how Authority personnel handled the issues with the projects, the consultants, and the contractors for the two projects, and for the resulting changes needed to the agreements, is currently being used in our review of other projects in the Airport Design & Construction Department and Facilities Development Department.

The OCA Construction Auditor also performed a preliminary review of the methodology used to allocate the different cost categories of the Checked Baggage Inspection System for the final reimbursement request under the TSA Other Transaction Agreement. Other on-going activities related to Green Build included:

- Review of Green Build closeout activities for T2W, including review of final PFC and grant funding of the projects
- Review of capitalized costs assigned to the Green Build projects
- Final analysis of Attic Stock procedures
- Review of on-going projects in T2E and T1 that are under the Turner/PCL/Flatiron joint venture contract

On-going activities related to other construction projects include:

- Analysis of project management (soft) costs incurred in capital projects
- Review of costs incurred that are identified as eligible for Customer Facility Charge (CFC) reimbursement

Through attendance at the Capital Improvement Committee meetings, Development Program meetings, and other construction planning related meetings; and working closely with members of the Accounting and Business & Financial Management Departments, the OCA Construction Auditor continues to provide assistance in ensuring that the Authority is meeting compliance requirements for ongoing and planned projects.

Additionally, the OCA Construction Auditor remains involved with issues identified by the Airport Design and Construction team, Facilities Development team, and Authority Management, giving assistance and attending meetings specific to the aspects of the Authority's construction activity.

### *Concession Audit Activities*

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In order to better monitor and audit the Authority's robust terminal concession program the OCA created and filled an Auditor position to focus on the audit of concession activities in Fiscal Year 2014. The auditor was responsible for creating an audit program for use on the various audits of concessionaires that appear on the OCAs Annual Audit Plan, as well as conducting specific reviews of concession related activities as needed.

As part of the Fiscal Year 2015 OCA Audit Plan, the concession auditor completed audits for contract compliance on Food and Beverage concessionaires that are part of the Concession Development Program (CDP) at SDIA:

- Paradies - San Diego LLC (RP1)
- Hudson Group, Concourse Ventures Inc., Epicure and Martinez (RP 7)
- Pacific Gateway Concessions and Procurement Concepts SD (RP 3)
- Mission Yogurt Inc. (FSP 4)

In general, the audits of the concessionaires found that the Authority had established adequate internal controls and they were working appropriately. Furthermore, the audits found that the Authority was receiving accurate payments from the concessionaires. As a result, going forward, the OCA will most likely scale back concession audits to ensure that staff resources are used efficiently and effectively.



### *Fiscal Year 2016 Projection*

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The Audit Committee approved the Fiscal Year 2016 Audit Plan during its May 4, 2015, meeting. Along with commencing work on the Fiscal Year 2016 Audit Plan (Appendix D), the OCA will complete the outstanding audits from Fiscal Year 2015. Specifically, for the 1st Quarter of Fiscal Year 2016, the OCA plans to complete the following audits:

- Ace Parking Management, Inc.
- Adabjjs Systems, Ltd.
- Agreements with Expenditure Limits not to Exceed \$100,000
- Business and Travel Expenses
- High Flying Foods San Diego, LLC
- Host International Inc. (FSP 1)
- In Motion Entertainment (RP 8)
- Merriwether Williams Insurance Services
- New Zoom Inc. dba ZoomSystems (RP 8)
- SSP America Inc. (FSP 5)
- The Hertz Corporation
- VA Consulting, Inc.

Completion of the above audits will result in the accomplishment of 27% of the Fiscal Year 2016 audit plan. Throughout Fiscal Year 2016, the OCA will continue conducting audits from the audit plan, including any special requests that may be approved by the Audit Committee.

## Appendix A – Fiscal Year 2015 Audit Plan

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### **BUSINESS PROCESS AUDITS**

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- 1 Concessionaire Management and Performance
- 2 Cloud Management and Performance
- 3 Airport Noise Management
- 4 Business and Travel Expenses
- 5 Public Records Management
- 6 Consortium Agreement Compliance

### **EXPENSE CONTRACT AUDITS**

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- 7 Cartwright Termite & Pest Control
- 8 Network Security Electronics, Inc.
- 9 Ninyo & Moore Geotechnical Consultants
- 10 PCL Construction Services, Inc.
- 11 Aztec Landscaping
- 12 CDW - Government
- 13 Demattei Wong Architecture, Inc.
- 14 Granite Construction Company
- 15 Hatch Mott MacDonald, LLC
- 16 Serco Management Services, Inc.

### **REVENUE CONTRACT AUDITS**

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- 17 Avis Rent A Car Systems LLC
- 18 Enterprise Rent A Car Company (Enterprise, Alamo, National)
- 19 Fox Rent A Car
- 20 The Hertz Corporation
- 21 EZ Rent A Car
- 22 Ace Parking
- 23 Airline & Others (Ogden Aviation)
- 24 JCDecaux, Inc.
- 25 Aircraft Services International Inc.
- 26 Gate Gourmet Inc.
- 27 High Flying Foods San Diego (FSP 7)
- 28 Paradies - San Diego LLC (RP1)
- 29 Hudson Group, Concourse Ventures Inc., Epicure and Martinez (RP 7)
- 30 Pacific Gateway Concessions and Procurement Concepts SD (RP 3)
- 31 SSP America Inc. (FSP 5)
- 32 Mission Yogurt Inc. (FSP 4)
- 33 Stellar Partners Inc. (RP 4)

### **ANNUAL ONGOING AUDITS AND SUPPORT**

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- 34 Aircraft Rescue & Fire Fighting (ARFF) Expense Billings
- 35 Board Member Expenditures
- 36 Rental Car Center Fund Review
- 37 Procurement Card Spending
- 38 Audit of Contracts & Expenditures for Agreements <\$100,000
- 39 Emergency Medical Technician & Paramedic Services
- 40 San Diego Unified Port District Billing
- 41 **Special Request Audits**
  - GGTW, LLC, aka South Bay Salt Works
- 42 Ethics Program Activities
- 43 Construction Audit and Monitoring Activity

## *Appendix B – Status of OCA Recommendations*

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The following recommendation implementation report contains the status of recommendations from OCA audits that remained unresolved as of June 30, 2015. In general, the OCA is satisfied with the progress that Authority departments are currently making with the implementation.

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

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 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 permit holder (vendor) website is operational. The AVI hardware and equipment will be installed and operational the first week of August. The trip fee payment processing software is currently being tested. All AVI hardware and software components will be operational by 9/1/15.	In Progress	September 2015
15-18	ACCOUNTING DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	17	Impact: 9 Probability: 8	The Accounting Department should develop a transaction-specific documentation requirement guide to be included in the Manual, and in the guidance for check requests, to mitigate any conflicts between the various Authority purchasing guidelines.	Accounting is currently working with BKD to review our processes and will implement improvements based upon the review. All User Guides will be updated and documentation requirements will be consistent for all payment methods. In addition, user training sessions will be conducted.	In Progress	June 2016

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



Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2015	OCA's Assessment	Estimated Completion Date
15-26	CORPORATE & INFORMATION GOVERNANCE DEPARTMENT	Audit Report #15005, dated June 5, 2015, Public Records Management	17	Impact: 8 Probability: 9	To reduce unnecessary risk, Corporate & Information Governance should, as standard practice, notify General Counsel of all Public Records Requests.	All records to be provided in response to a public records request are forwarded to the General Counsel for review to determine if they are associated with any current and/or potential litigation, claims, regulatory action, etc. before providing the documents to the requestor.	Completed	N/A
15-15	FACILITIES DEVELOPMENT DEPARTMENT	Audit Report #15010, dated April 30, 2015, PCL Construction Services, Inc.	16	Impact: 8 Probability: 8	The Facilities Development Department should ensure their contract management procedures include requiring contractors submit a full Schedule of Values (SOV) with each payment application detailing the work performed to date to support the amount billed. Additionally, an updated SOV should be required for all change orders, indicating by line item each revision in value and additions to the SOV for additional work approved in the change orders.	Facilities Development Department is working with General Counsel and Procurement to update their standard contract language to address the concerns.	In Progress	September 2015
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.	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 June 30, 2015	OCA's Assessment	Estimated Completion Date
15-13	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report #15040, dated April 17, 2015, San Diego Unified Port District Billings - Fiscal Year 2014	15	Impact: 8 Probability: 7	We recommend that the Aviation Security & Public Safety Department notify Port staff concerning the Fiscal Year 2014 under-billing for Harbor Police Department services, and determine the most appropriate method for the Authority to remit the additional \$269,942 owed to the Port.	A revised report was issued. The reports will be forwarded to the Port to generate an invoice and payment from the Authority will be complete by the end of August.	In Progress	1st Quarter FY16
15-19	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	15	Impact: 8 Probability: 7	Procurement should ensure that a fully trained backup is performing the full duties and responsibilities of the P-Card Program Analyst during extended absences. A formal training manual should be created and updated annually to address any new procedures or issues noted in the preceding year. The manual can then be used by the backup person to provide the annual training if the P-Card Analyst is not available.	Procurement has identified and fully trained a back-up for the P-Card Program Analyst. A formal desk manual will be created and updated annually to address new procedures.	In Progress	March 2016
15-21	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	15	Impact: 8 Probability: 7	Procurement should evaluate the feasibility of instituting an approved vendor list or reviewing all vendors and utilizing some of the built in controls within the US Bank cards.	Procurement will review merchant codes to recommend and impose restrictions as appropriate.	In Progress	November 2015
15-29	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15029, dated March 30, 2015, Hudson Group	15	Impact: 8 Probability: 7	We recommend that the Business & Financial Management Department notify the concessionaires that the Authority may periodically request documents for the purpose of an audit and that it is the responsibility of the concessionaire to comply with the request, or penalties may be imposed.	This audit report was just issued, therefore, no recommendation follow-up was performed.	In Progress	TBD

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



Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2015	OCA's Assessment	Estimated Completion Date
15-22	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	14	Impact: 7 Probability: 7	Procurement should provide additional analysis of the P-Card Program to Management on a regular basis.	Procurement is working on various spend report formats. Standard transaction and spend analysis reports are used for additional analysis and recommendations to management. Procurement will continue to review non-spend trend analysis and document.	In Progress	TBD
15-23	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report #15034, dated May 18, 2015 Aircraft Rescue and Fire Fighting Expense Billings - Fiscal Year 2014	14	Impact: 8 Probability: 6	We recommend that the Aviation Security & Public Safety Department (AVSEC) notify the City concerning the overbilling of \$39,668 for personnel expenses. These adjustments should be included in the final calculation of the amount due to the City for Fiscal Year 2014 ARFF services.	The City has been notified and they have accepted the audit. A credit invoice from the City will be provided to the Authority.	In Progress	1st Quarter FY16

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2015	OCA's Assessment	Estimated Completion Date
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.	The CMMS system contract identified to use (Asset Works) back a couple of years ago was cancelled per IT's request. IT Management felt our E1 system was capable of handling our needs thus not needing to introduce another system. This change has delayed our start-up. However Facilities Management has taken the steps in identifying hours worked on projects and is included in the timekeeping records we keep today. Through IT's assurances we should have limited capabilities of some of the CMMS functions by years end with our understanding in year 2016 much more robust.	Completed	N/A
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.	Enterprise was invoiced for the entire amount, but has yet to remit payment.	In Progress	October 2015

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2015	OCA's Assessment	Estimated Completion Date
15-16	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	13	Impact: 6 Probability: 7	To ensure that Approving Officials take ownership of their review responsibilities, the Procurement Department should revise the Manual to include the same disciplinary measures for Approving Officials who approve reconciliations with inadequate documentation, or questionable, prohibited, or restricted purchases, as those imposed on P-Cardholders.	Approving Officials are currently identified along with the cardholder on the violation letter/s sent to the respective Executive. In addition to a violation letter, approving officials are required to take remedial training specific to the violation received. Approving officials are either Department Directors, or in some cases Department Managers. Procurement does not recommend a temporary suspension of duties. Procurement relies on the Executive Leadership at the Authority to hold management accountable, as appropriate. Procurement is actively working on revisions to the P-Card Manuals to reflect updates and recommendations that strengthen controls.	In Progress	November 2015

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



Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 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.	To date, all Food & Beverage (F&B) and Retail Concessionaires have submitted their Annual Gross Receipts and Rent Report for FY 2014. A letter was sent in July to all F&B and Retail Concessionaires as a reminder to submit FY 2015 Annual Reports within 90 days of July 1, 2015, in accordance with the Lease. A comparison will be made to what was reported on a fiscal year basis.	Completed	N/A
15-14	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report #15040, dated April 17, 2015, San Diego Unified Port District Billings - Fiscal Year 2014	11	Impact: 6 Probability: 5	The Aviation Security & Public Safety Department should review and approve General Service hours and expenses prior to exceeding agreed upon estimated hours and costs. In addition, the Department should work with the Port to determine if an increase of the approved estimated hours and expense would be appropriate for future fiscal years.	Aviation Security & Public Safety Department will work with the Accounting Department to develop a more accurate estimate of hours to incorporate in the annual agreement.	In Progress	August 2015
15-17	ACCOUNTING DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	11	Impact: 6 Probability: 5	To ensure that personnel changes do not diminish reviews of P-Card purchases, Accounting should ensure that personnel assigned to this function are properly trained.	1 - Process documentation will be reviewed and expanded upon. 2 - Effective immediately, management will provide additional oversight, especially during personnel transitions.	In Progress	December 2015

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2015	OCA's Assessment	Estimated Completion Date
15-28	CORPORATE & INFORMATION GOVERNANCE DEPARTMENT	Audit Report #15005, dated June 5, 2015, Public Records Management	11	Impact: 5 Probability: 6	All fee calculations for reproduction and actual shipping costs should be recorded as support that the fees were calculated and charged in compliance with the Policy and the California Public Records Act. On a monthly basis, the amounts recorded should be reconciled to the amounts received and turned into Finance for deposit, and the remaining unpaid amounts for open requests.	Corporate & Information Governance is now capturing the total counts by media type (e.g., pages, CD, large format, etc.) and the total shipping charge. These total counts can be calculated against the fee structure to confirm that the appropriate fees are being requested and paid.	Completed	N/A
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.	Gate Gourmet was invoiced for the entire amount, but has yet to remit payment.	In Progress	October 2015
15-20	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	10	Impact: 5 Probability: 5	Procurement should ensure that the Manual and the User Guide are reviewed and updated annually to ensure that internal controls are in place and effective surrounding all P-Card transactions.	Procurement is actively working on revisions to the P-Card Manuals to reflect updates and recommendations that strengthen controls.	In Progress	November 2015
15-24	AIRSIDE OPERATIONS PUBLIC SAFETY & SECURITY DEPARTMENT	Audit Report #15039, dated May 22, 2015, Emergency Medical Technician-Paramedic Services	9	Impact: 5 Probability: 4	The Airside Operations/Public Safety & Security Department should request the City to add as an Authority credit \$1,495 (\$4,486/3) to the City's EMT-P service invoices for the next three (3) months.	The City is aware of its underpayment and was preparing to provide a credit to the Authority.	In Progress	1st Quarter FY16

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



Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2015	OCA's Assessment	Estimated Completion Date
15-25	CORPORATE & INFORMATION GOVERNANCE DEPARTMENT	Audit Report #15005, dated June 5, 2015, Public Records Management	9	Impact: 5 Probability: 4	Authority Policy 8.61, Document Reproduction for the Public, should be amended to ensure compliance with the California Public Records Act (CPRA). Specifically, the Policy should ensure that the fees for duplication of records are consistent with the CPRA and recover the direct cost of duplication. Additionally, to ensure that the Policy is consistent with the CPRA, and completely transparent regarding all costs for duplication of records from Public Records Requests, we recommend that the Policy should include the formats of records to be provided, with the costs to be charged for producing those records, and a statement regarding charges for actual shipping costs.	Corporate & Information Governance is amending the policy to be presented to the Board for approval at its September 17, 2015, meeting.	In Progress	September 2015
15-27	CORPORATE & INFORMATION GOVERNANCE DEPARTMENT	Audit Report #15005, dated June 5, 2015, Public Records Management	6	Impact: 3 Probability: 3	Corporate & Information Governance (CIG) should ensure that all cash receipts are deposited according to the CIG Administration procedures and the Finance Cash Receipts Policy.	Corporate & Information Governance have strengthened their internal procedures to ensure that deposits are made according to the department's procedures and the Finance Cash Receipts Policy.	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.



*Appendix C – Recommendations Completed in Fiscal Year 2015*

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The following pages provide all recommendations that were completed during Fiscal Year 2015.

APPENDIX C: Recommendations Completed in Fiscal Year 2015

Fiscal Year 2015 Annual Report

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
12-38	GROUND TRANSPORTATION DEPARTMENT	Audit Report #12001, dated April 25, 2012, Public Parking	15	Impact: 8 Probability: 7	Policies and procedures should be developed and instituted by Ground Transportation, the Planning and Operations division, and the Finance Division regarding all areas of public parking management.	September 30, 2014
14-26	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	11	Impact: 6 Probability: 5	The required posters for Equal Employment Opportunity is the Law and Your Rights Under the Family and Medical Leave Act should be posted in an area where all applicants for employment can readily see them, such as the Talent, Culture and Capability lobby.	September 30, 2014
14-27	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	12	Impact: 7 Probability: 5	Employee records and personnel files should be protected in an environmentally safe storage area and a backup of the files should be created and kept off site.	September 30, 2014
14-29	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	15	Impact: 8 Probability: 7	We recommend that TCC reconcile billings for benefits monthly to the current benefits in effect for all employees prior to submission for payment. The incorrect billing amounts should be deducted from the billing prior to payment. This will ensure the Authority is paying only for benefits received by Authority employees.	September 30, 2014
14-30	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	15	Impact: 8 Probability: 7	Since it is known that there have been issues with the billings since at least July 2013, we recommend that TCC perform a complete reconciliation of all benefit billings for fiscal year 2014 prior to the end of the fiscal year to ensure the Authority has not overpaid for any employee benefits.	September 30, 2014

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
14-31	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	10	Impact: 5 Probability: 5	<p>We suggest that the Standard: Corrective Action, Section #J-4, be revised to include the steps the performance management process plays in corrective actions for employees. The procedures for initial conversations regarding performance improvement and disciplinary action should be formalized for managers, to ensure that actions taken are consistent for similar problems across the Authority. As the current performance management system does not provide adding performance improvement guidance or disciplinary action to the quarterly reviews, we suggest TCC develop a form for managers to complete with the initial corrective action steps that the employee would sign acknowledgement. A copy of this initial action would be sent to TCC and filed in the employee's personnel file. Any additional updates and/or warnings would also be documented on the form and initialed by the employee.</p> <p>If the matter is settled to the manager's satisfaction within the specified time period, the final settlement should be documented with copies to the employee and TCC for the employee's personnel file, or in the performance management system if the settlement coincides with the annual performance review. If the improvement is not satisfactory, the manager should develop a formal corrective action plan with a TCC representative who works with the manager and employee throughout the process.</p>	Not Accepted September 30, 2014
14-32	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	14	Impact: 7 Probability: 7	We recommend that all TCC employees be required to sign a confidentiality agreement.	September 30, 2014



Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
14-33	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	10	Impact: 5 Probability: 5	The hiring process and procedures should be standardized and summarized in a checklist provided to all hiring managers so they can complete the required steps as efficiently as possible. The checklist should include a requirement that the hiring manager provide additional websites and publications for posting positions with specific technical needs to attract properly qualified candidates. Additionally, as hiring managers are ultimately responsible for the hiring choices, they should be allowed to complete any part of the resume review to expedite the process. If they complete the qualifications review, TCC staff would do a follow-up review for accuracy.	September 30, 2014
14-34	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 and document procedures to verify and review, on a regular basis, the requirements set forth in both the Parking Management Services and Shuttle Services Agreements to ensure Ace is compliant with Agreement terms.	September 30, 2014
14-35	GROUND TRANSPORTATION DEPARTMENT	Audit Report #14011, dated June 10, 2014, Ace Parking Management, Inc.	17	Impact: 9 Probability: 8	The Ground Transportation Department should provide Ace written approvals for all special project requests and require the approvals to be attached as supporting documentation with reimbursement requests.	September 30, 2014
14-37	GROUND TRANSPORTATION DEPARTMENT	Audit Report #14011, dated June 10, 2014, Ace Parking Management, Inc.	11	Impact: 6 Probability: 5	The Ground Transportation Department should annually calculate the cost of subsidizing parking costs to other government agencies and provide the results to Authority Management. Authority Management should review the data and determine if it wishes to continue reducing Authority revenue by the amounts identified.	September 30, 2014
14-38	GROUND TRANSPORTATION DEPARTMENT	Audit Report #14011, dated June 10, 2014, Ace Parking Management, Inc.	11	Impact: 6 Probability: 5	The Ground Transportation Department should review all rules and features within the Parking Card Program and determine if the rules are appropriate and required for card holders at SDIA. The "anti-passback" feature should be activated immediately for all card holders without exception to prevent possible fraudulent activity.	September 30, 2014

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
15-04	AIRSIDE OPERATIONS PUBLIC SAFETY & SECURITY DEPARTMENT	Audit Report #14032, dated July 22, 2014, Emergency Medical Technician-Paramedic Services	12	Impact: 6 Probability: 6	The Airside Operations/Public Safety & Security Department should request the City to add as an Authority credit \$6,984 (\$2,328/3) to the City's EMT-P service invoices for the next three (3) months.	September 30, 2014
14-24	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	20	Impact: 10 Probability: 10	Business and Financial Management should inform Payless that they are required to remit all monies collected in the form of CFCs. Additionally, Payless should immediately recalculate the CFCs collected from January 1, 2014, thru present, and remit any monies previously excluded, in total, to the Authority.	December 31, 2014
14-25	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	20	Impact: 10 Probability: 10	Business and Financial Management should request Accounting generate an invoice to Payless in the amount of \$297,814.	December 31, 2014
14-20	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	19	Impact: 9 Probability: 10	Due to the lack of cooperation, the inaccuracies of the financial data provided, and the inability to provide all requested supporting paperwork, we recommend that Management take appropriate measures to ensure that Payless immediately complies with all terms of the License Agreement.	December 31, 2014
14-21	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	18	Impact: 9 Probability: 9	Business and Financial Management should inform Payless that they must immediately implement a financial reporting system to accurately segregate revenues collected and to properly calculate gross revenue and concession fees due.	December 31, 2014
14-22	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	18	Impact: 9 Probability: 9	Business and Financial Management should inform Payless that they must immediately implement a system to ensure only rental agreements that fully meet the Non-Airport criteria of the Agreement are excluded from gross revenue.	December 31, 2014
15-07	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15017, dated November 26, 2014, Avis Rent A Car Systems, LLC	16	Impact: 8 Probability: 8	Business and Financial Management Department (BFM) should request that the Accounting Department issue an invoice to Avis in the amount of \$133,955 for the underpayment of license fees.	December 31, 2014



## APPENDIX C: Recommendations Completed in Fiscal Year 2015

Fiscal Year 2015 Annual Report

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
14-11	FACILITIES DEVELOPMENT DEPARTMENT	Audit Report #14010, dated November 22, 2013, Abadjis Systems, Ltd.	13	Impact: 7 Probability: 6	We recommend that Management consider amending Authority Policy to limit the amount of continuous time an individual contractor may work at the Authority. The limit could be by time, contract, and/or project. The limit could provide an opportunity to evaluate whether the contractor's services are required on a temporary or permanent basis.	December 31, 2014
14-23	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	13	Impact: 7 Probability: 6	Business and Financial Management should inform Payless that they must immediately update their rental agreement template to include the proper language regarding "non-Airport" customers.	December 31, 2014
15-05	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15021, dated November 10, 2014, EZ Rent A Car, Inc.	11	Impact: 6 Probability: 5	The Business and Financial Management Department should request that the Accounting Department issue a refund to EZ for \$40,961, the net of over and under payments of CFCs for the audit period. Additionally, EZ should be notified in writing that they are obligated to return to their customers the CFCs collected in excess of the amount permitted by law, and the Business and Financial Management Department should follow-up with EZ to confirm the return of over-collected funds.	December 31, 2014
15-09	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15019, dated December 3, 2014, Fox Rent A Car, Inc.	11	Impact: 6 Probability: 5	The Business and Financial Management department (BFM) should request that the Accounting Department issue an invoice to Fox in the amount of \$12,775 for the underpayment of license fees.	December 31, 2014
15-06	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15021, dated November 10, 2014, EZ Rent A Car, Inc.	8	Impact: 4 Probability: 4	The Business and Financial Management Department should request that the Accounting Department generate an invoice to EZ in the amount of \$741 for the underpayment of license fees during the audit period.	December 31, 2014
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.	March 31, 2015

## APPENDIX C: Recommendations Completed in Fiscal Year 2015

Fiscal Year 2015 Annual Report

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
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.	March 31, 2015
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.	March 31, 2015
15-26	CORPORATE & INFORMATION GOVERNANCE DEPARTMENT	Audit Report #15005, dated June 5, 2015, Public Records Management	17	Impact: 8 Probability: 9	To reduce unnecessary risk, Corporate & Information Governance should, as standard practice, notify General Counsel of all Public Records Requests.	June 30, 2015
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.	June 30, 2015
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.	June 30, 2015



## APPENDIX C: Recommendations Completed in Fiscal Year 2015

Fiscal Year 2015 Annual Report

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
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.	June 30, 2015
15-28	CORPORATE & INFORMATION GOVERNANCE DEPARTMENT	Audit Report #15005, dated June 5, 2015, Public Records Management	11	Impact: 5 Probability: 6	All fee calculations for reproduction and actual shipping costs should be recorded as support that the fees were calculated and charged in compliance with the Policy and the California Public Records Act. On a monthly basis, the amounts recorded should be reconciled to the amounts received and turned into Finance for deposit, and the remaining unpaid amounts for open requests.	June 30, 2015
15-27	CORPORATE & INFORMATION GOVERNANCE DEPARTMENT	Audit Report #15005, dated June 5, 2015, Public Records Management	6	Impact: 3 Probability: 3	Corporate & Information Governance (CIG) should ensure that all cash receipts are deposited according to the CIG Administration procedures and the Finance Cash Receipts Policy.	June 30, 2015

## Appendix D – Fiscal Year 2016 Audit Plan

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### **BUSINESS PROCESS AUDITS**

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

### **EXPENSE CONTRACT AUDITS**

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

### **REVENUE CONTRACT AUDITS**

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

### **ANNUAL ONGOING AUDITS AND SUPPORT**

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

## Appendix E – Ethics Compliance Program

### Ethics Summary – Fiscal Year 2015

	Number of Reports Received	Number Received <i>Anonymously</i>	Details Support Potential Code Violation (Ethics or <i>Workplace</i> )	Investigation of Concern	Response (email or phone to non- anonymous reports)
<b>Code of Ethics Concerns</b>					
Potential Misuse of Public Funds					
<i>Construction/Car Rental</i>	42	36	0	n/a	6
<i>Advertising</i>	25	18	0	n/a	7
<i>Public Art</i>	16	11	0	n/a	5
Potential Misuse of Resources					
<i>Departmental Holiday Parties</i>	19	13	0	n/a	6
<i>Employee Barbeque</i>	8	6	0	n/a	2
<i>Prohibited Use of Position</i>	3	0	1	Y(1)	3
<i>All Employee Holiday Party</i>	3	2	0	n/a	1
Conflict of Interest	4	2	2	Y(2)	2
Employee Misconduct	2	1	2	Y(3,4)	1
<b>Non Ethics Related Concerns</b>					
ATO Practices and Behavior	27	13	0	n/a	14
Aircraft Noise	25	20	0	n/a	5
TSA Practices and Behavior	24	12	0	n/a	12
Ace Parking/Shuttle Concerns	2	0	0	n/a	2
<b>Workplace Concerns</b>					
Volunteer Opportunity Emails	43	34	0	n/a	9
Workplace Practices/Behavior	42	18	0	n/a	24
Workplace Equitability	27	19	0	n/a	8
Performance Reviews	19	11	0	n/a	8
United Way	17	10	0	n/a	7
Promotional Opportunities	4	3	0	n/a	1

(1) Issue investigated; no evidence of violation found.

(2) Issue investigated; no evidence of violation found.

(3) Issue investigated; no evidence of violation found.

(4) Issue investigated; potential violation substantiated; details provided to Management for action.



ITEM 4



## Fiscal Year 2015 Annual Audit Activities Report from the Office of the Chief Auditor

July 1, 2014, through June 30, 2015

Audit Committee Meeting  
August 17, 2015

# Presentation Overview

## **FY 2015 Annual Report**

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

## Audit Activities

- **Completed 37 Audits**
  - **Business Process: 9**
  - **Expenditure Contract: 14**
  - **Revenue Contract: 14**
- **Six (6) audits were in progress as of June 30, 2015**
- **Audit Results**
  - **Issued 29 Recommendations during the Fiscal Year 2015**

## Audits in Progress as of June 30, 2015

Audit	Type of Audit	Status as of August 6, 2015
Ace Parking Management, Inc.	Revenue	Report Issued
Business and Travel Expenses	Internal	Draft Report
High Flying Foods San Diego LLP	Revenue	Report Issued
Merriwether Williams Insurance Services	Expense	Draft Report
SSP America, Inc. (FSP 5)	Revenue	Draft Report
The Hertz Corporation	Revenue	Draft Report

# Recommendation Follow-Up

Status as of recommendation issued in 2015:

Quarter	Recommendations				
	Tracked	Completed	Not Accepted	Outstanding	% Completed
Carryover	21	19	1	1	90%
1 <sup>st</sup>	4	4	0	0	100%
2 <sup>nd</sup>	5	5	0	0	100%
3 <sup>rd</sup>	4	1	0	3	25%
4 <sup>th</sup>	16	3	0	13	19%
<b>Total</b>	<b>50</b>	<b>32</b>	<b>1</b>	<b>17</b>	<b>64%</b>
<b>Total 2015</b>	<b>29</b>	<b>13</b>	<b>1</b>	<b>16</b>	<b>45%</b>



## Fiscal Year 2015 Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	86%
Additional revenue/cost savings identified through audits	n/a	\$271,755
Percentage of staff time spent on audit activities	80%	86%
Percentage of audits completed within budgeted time	80%	81%
Implementation of Recommendations	90%	64%

# Summary of Ethics Inquiries

July 1, 2014, through June 30, 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)
<b>Code of Ethics Concerns</b>					
Potential Misuse of Public Funds					
Construction/Car Rental	42	36	0	n/a	6
Advertising	25	18	0	n/a	7
Public Art	16	11	0	n/a	5
Potential Misuse of Resources					
Departmental Holiday Parties	19	13	0	n/a	6
Employee Barbeque	8	6	0	n/a	2
Prohibited Use of Position	3	0	1	Y(1)	3
All Employee Holiday Party	3	2	0	n/a	1
Conflict of Interest	4	2	2	Y(2)	2
Employee Misconduct	2	1	2	Y(3,4)	1
<b>Non Ethics Related Concerns</b>					
ATO Practices and Behavior	27	13	0	n/a	14
Aircraft Noise	25	20	0	n/a	5
TSA Practices and Behavior	24	12	0	n/a	12
Ace Parking/Shuttle Concerns	2	0	0	n/a	2
<b>Workplace Concerns</b>					
Volunteer Opportunity Emails	43	34	0	n/a	9
Workplace Practices/Behavior	42	18	0	n/a	24
Workplace Equitability	27	19	0	n/a	8
Performance Reviews	19	11	0	n/a	8
United Way	17	10	0	n/a	7
Promotional Opportunities	4	3	0	n/a	1

1. Issue investigated; no evidence of violation found.
2. Issue investigated; no evidence of violation found.
3. Issue investigated; no evidence of violation found.
4. Issue investigated; potential violation substantiated; details provided to management for action.

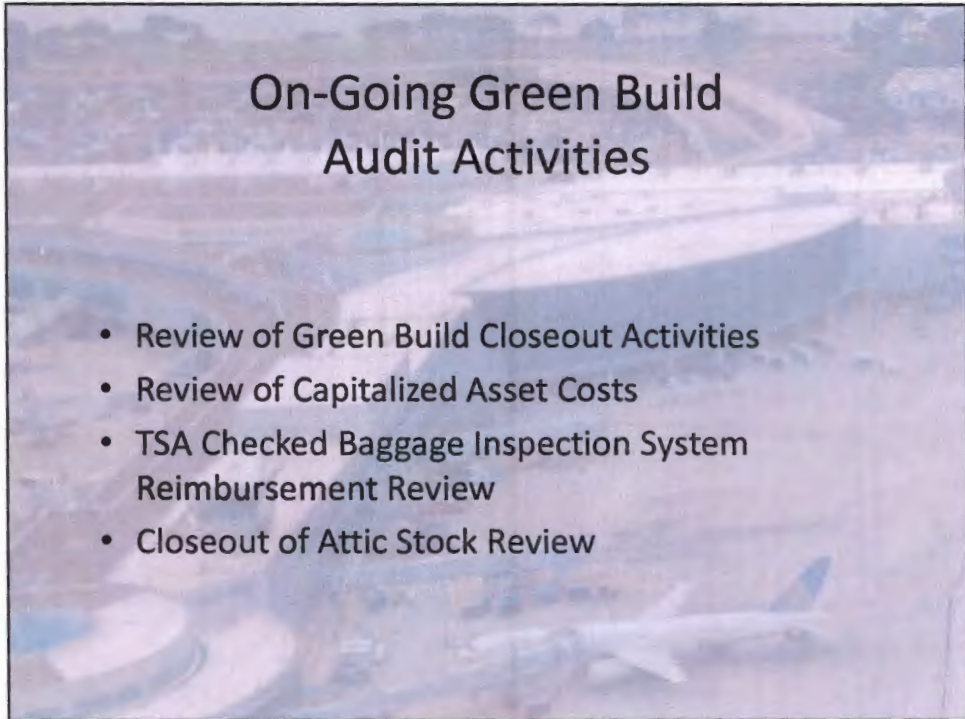
# QUESTIONS?



ITEM 5

## **CONSTRUCTION AUDIT STATUS REPORT**

August 17, 2015



### **On-Going Green Build Audit Activities**

- Review of Green Build Closeout Activities
- Review of Capitalized Asset Costs
- TSA Checked Baggage Inspection System Reimbursement Review
- Closeout of Attic Stock Review



## On-Going RCC Audit Activities

- RCC Bus Purchase Review
- Review of eligibility of Projects for CFC Funding



## On-Going General Construction Audit Activities

- Soft Cost Review
- Airport Development Plan



# Questions

