

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## AUDIT COMMITTEE and SPECIAL BOARD MEETING \*

### AGENDA

Monday, May 2, 2016  
10:00 A.M.

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

#### 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

#### Ex-Officio Board Members

Laurie Berman  
Eraina Ortega  
Col. Jason G. Woodworth

#### President / CEO

Thella F. Bowens

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

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

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

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

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

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

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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 February 1, 2016, regular meeting.

**2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDIT FOR THE FISCAL YEAR ENDED JUNE 30, 2016:**

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

Presented by: Mark A. Burchyett, Chief Auditor; Kathy Kiefer, Senior Director, Finance & Asset Management; and David M. Coleman, Partner, Experience BKD CPAs and Advisors

**3. FISCAL YEAR 2016 THIRD QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:**

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

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

**4. FISCAL YEAR 2017 PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**

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

Presented by: Mark A. Burchyett, Chief Auditor

**5. FISCAL YEAR 2017 PROPOSED BUDGET OF THE OFFICE OF THE CHIEF AUDITOR AND FISCAL YEAR 2018 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:**

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2017 Budget process for approval.

Presented by: Mark A. Burchyett, Chief Auditor

**6. REVISION TO THE FISCAL YEAR 2016 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information. *(Requires five (5) affirmative votes of the Audit Committee.)*

Presented by: Fred Bolger, Manager, Audit Services

**CLOSED SESSION:**

**7. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**

(Government Code Section 54957)

Title: Chief Auditor

**REPORT ON CLOSED SESSION:**

**NON-AGENDA PUBLIC COMMENT:**

**COMMITTEE MEMBER COMMENTS:**

**ADJOURNMENT:**

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

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

**Additional Meeting Information**

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

For your convenience, the agenda is also available to you on our website at [www.san.org](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> |
|-------------|------------|-------------|---------------------|-----------------|
| September 6 | Tuesday    | 10:00 a.m.  | Regular             | Board Room      |

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**AUDIT COMMITTEE MEETING MINUTES**  
**MONDAY, FEBRUARY 1, 2016**  
**BOARD ROOM**

**CALL TO ORDER:**

Chair Robinson called the regular meeting of the Audit Committee to order at 10:00 a.m., on Monday, February 1, 2016, in the Board Room of the San Diego International Airport, Administration Building, 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: Thella F. Bowens, President/CEO; Amy Gonzalez, General Counsel Senior Director; Tony Russell, Director of Corporate and Information Governance; Ariel Levy-Mayer, Assistant Authority Clerk I

*Committee Member Van Sambeek arrived during the meeting*

**NON-AGENDA PUBLIC COMMENT:** None

**NEW BUSINESS:**

**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the December 7, 2015, special meeting.

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

**2. FISCAL YEAR 2016 SECOND QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:**

Fred Bolger, Manager, Audit Services, provided a presentation on the Fiscal Year 2016 2<sup>nd</sup> Quarter Activities Report and Audit Recommendations, which included Audit Activities; Recommendation Follow-Up; Performance Measures; 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 Van Sambeek to approve staff's recommendation. Motion carried unanimously, noting Committee Member Gleason as ABSENT.**

**3. CONSTRUCTION AUDIT STATUS REPORT**

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

RECOMMENDATION: Information item only.

In response to Committee Member Hollingworth's question whether the billable hours charged by prime contractors are audited, Callie Ullman, Senior Auditor, stated that it is difficult for auditors to identify if prime contractors are padding their hours; however, timecards are required to be submitted on any project not based on fixed fees and the timecards are audited.

Ms. Ullman also confirmed that percentages of construction management to hard cost are being monitored as well.

**NON-AGENDA PUBLIC COMMENT:** None

**COMMITTEE MEMBER COMMENTS:** None

**ADJOURNMENT:** The meeting adjourned at 10:14 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 2<sup>nd</sup> DAY OF MAY, 2016.

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MARK A. BURCHYETT  
CHIEF AUDITOR

ATTEST:

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TONY RUSSELL  
DIRECTOR OF CORPORATE & INFORMATION  
GOVERNANCE/AUTHORITY CLERK



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Required Communication to the Audit Committee on the  
Financial and Compliance Audit for the Fiscal Year Ended  
June 30, 2016

Presented By: David M. Coleman, Partner

May 2, 2016

experience **BKD**<sup>LLP</sup>  
CPAs & Advisors

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# Engagement Team

- ▲ Joe Vande Bosche, CPA, Concurring Review Partner
- ▲ David Coleman, CPA, Engagement Partner
- ▲ Andrew Sherwood, CPA, Senior Associate II
- ▲ Lauren Berry, CPA, Senior Associate

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# 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

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# 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
  - Passenger Facility Charge Program
  - Federal Awards Program

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# Planned Timing

- ▲ **Week of June 13th** - Planning, interim fieldwork and risk assessment
- ▲ **Week beginning August 29th** - Final audit fieldwork, including Single Audit, Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) testing
- ▲ **September [TBD] 2016** - Exit conference with management to review draft financial statements and other required communications
- ▲ **October 3, 2016** - Drafts of deliverable available for review by management
- ▲ **Week of October 3, 2016** – Concurring partner review to be performed
- ▲ **October 14, 2016** - Release final deliverables
- ▲ **November 21, 2016** - Presentation of financial statements, our required communications and other deliverables to the Audit Committee

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# Approach to Planning

- ▲ Planning and Risk Assessment – Our procedures include:
  - Obtaining an understanding of the internal control environment
  - 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

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# Approach to Planning *(continued)*

- ▲ Planning and Risk Assessment – Our procedures include (continued):
  - Completing our preliminary analytical review procedures
  - Developing applicable audit programs to address significant audit areas and the specific risks identified during our risk assessment procedures

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# Revisions to Professional Standards

- ▲ 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
- ▲ GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* – effective for 2016

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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*

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# Consideration of Errors or Fraud (*continued*)

- ▲ Our audit approach includes:
  - Engagement Team Brainstorming
  - Inquiries of management and others:
    - ▶ Audit Committee Chair
    - ▶ President/CEO
    - ▶ Chief Auditor
    - ▶ General Counsel
    - ▶ Vice President of Finance/CFO

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# Consideration of Errors or Fraud *(continued)*

- Inquiries of management and others *(continued)*:
  - ▶ Others as deemed appropriate in the following areas:
    - Accounting
    - Procurement
    - Airport Development
    - Information Technology
    - Human Resources

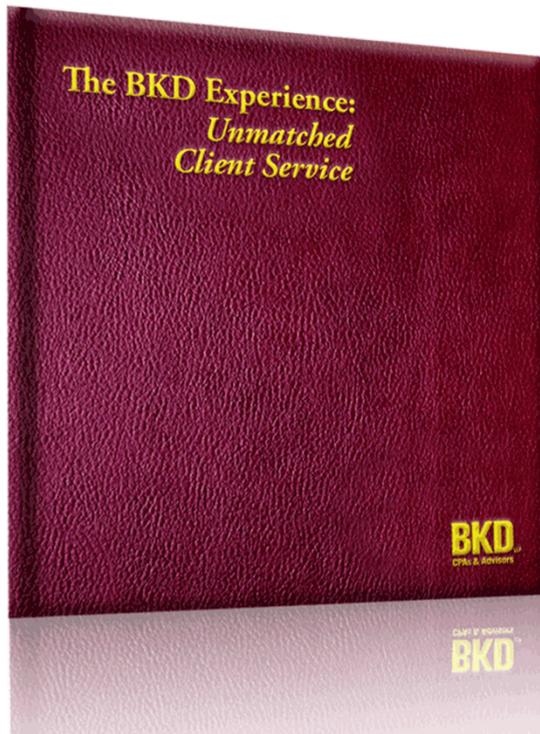
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# Contacts

- ▲ 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 II – 972.702.8262; [asherwood@bkd.com](mailto:asherwood@bkd.com)

# Our Client Service Culture

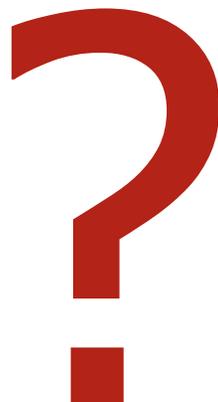
The BKD Experience service philosophy sets expectations for serving clients



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

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# Questions





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

**Item No.  
3**

Meeting Date: **MAY 2, 2016**

**Subject:**

**Fiscal Year 2016 Third Quarter Activities Report and Audit Recommendations Issued by the Office of the Chief Auditor**

**Recommendation:**

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

**Background/Justification:**

The Charter for the Office of the Chief Auditor (OCA), as approved by the San Diego County Regional Airport Authority Board, establishes the roles, responsibilities, and working relationship of the Chief Auditor with the Audit Committee and with Authority management. The Charter was most recently revised on September 4, 2014, Resolution No. 2014-0089.

The Charter directs the Office of the Chief Auditor to periodically communicate to the Audit Committee with respect to management's systems of control, audit findings, management's responses, and including any steps adopted to resolve a noted issue.

The attached Fiscal Year 2016 Third Quarter Report (Attachment A) summarizes the undertakings and accomplishments of the Chief Auditor's office from January 1, 2016, through March 31, 2016.

During the third quarter, the Office of the Chief Auditor completed nine (9) audits of the Fiscal Year 2016 Audit Plan and issued five (5) recommendations. Appendix B of the activity report provides the status of audit recommendations issued by the Office of the Chief Auditor.

A presentation on the Third Quarter activities of the Office of the Chief Auditor will be provided during a meeting of the Audit Committee on May 2, 2016.

**Fiscal Impact:**

None

**Authority Strategies:**

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

- Community Strategy     Customer Strategy     Employee Strategy     Financial Strategy     Operations Strategy

**Environmental Review:**

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

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

**Application of Inclusionary Policies:**

Not applicable

**Prepared by:**

MARK A. BURCHYETT  
CHIEF AUDITOR

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY

## FISCAL YEAR 2016 THIRD QUARTER REPORT

Issue Date: April 21, 2016  
OFFICE OF THE CHIEF AUDITOR



April 21, 2016

FY16 Third Quarter Report

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

Dear Mr. Robinson:

The Office of the Chief Auditor (OCA) presents our Fiscal Year 2016 Third Quarter Report. The report details both the audit and the administrative activities of the OCA during the third quarter of Fiscal Year 2016, the resolutions of past audit findings, and information regarding the future plans of the OCA.

The Third Quarter Report will be presented at the next Audit Committee meeting scheduled for May 2, 2016.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mark A. Burchyett". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark A. Burchyett  
Chief Auditor

*Audit Results*

During the third quarter, the OCA continued its work on audits contained within the FY16 audit plan, as authorized by the Audit Committee. In total, during the third quarter, the OCA issued nine (9) audits reports. For the month of March, we issued three (3) audit reports. The audit reports issued during the month included one (1) recommendation for management bringing the total of recommendations issued during the quarter to five (5). The completed audits for the second quarter are listed in Figure 1 below.

*Figure 1: Audits Completed During the Third Quarter of Fiscal Year 2016*

| <b>Audit</b>   | <b>Report No.</b> | <b>Date</b> | <b>Type of Audit</b> |
|--|-------------------|-------------|----------------------|
| SSP America, Inc. (FSP 5R)                                       | 15031             | 1/20/2016   | Revenue Contract     |
| Hazard Construction Company                                      | 16007             | 1/25/2016   | Expense Contract     |
| Aircraft Rescue and Fire Fighting (ARFF) Expense Billings - FY15 | 16032             | 2/1/2016    | Expense Contract     |
| ThyssenKrupp Airport Systems, Inc.                               | 16012             | 2/19/2016   | Expense Contract     |
| Biennial Audit of Airline Revenue                                | 16037             | 2/22/2016   | Revenue Contract     |
| Information Technology Monitoring and Evaluation                 | 16005             | 2/29/2016   | Internal Process     |
| Simply Wheelz, LLC dba Advantage Rent-A-Car                      | 16019             | 3/7/2016    | Revenue Contract     |
| Smarte Carte, Inc.   | 16024             | 3/16/2016   | Revenue Contract     |
| Grant & Non-Airline Revenue Management                           | 16004             | 3/30/2016   | Internal Process     |

In addition to the completed audits, the Office of the Chief Auditor had 13 audits in progress as of March 31, 2016, as shown in Figure 2 below. Of the 13 audits, at the end of the quarter, four (4) draft audit reports were being developed or had been forwarded to the affected departments for review and comment.

*Figure 2: Audits In-Progress as of March 31, 2016*

| <b>Audit</b>                                       | <b>Type of Audit</b> |
|--|----------------------|
| Ace Parking Management, Inc                        | Expense Contract     |
| Airport Security Management                        | Internal Process     |
| Business and Travel Expenses                       | Internal Process     |
| Contract Management                                | Internal Process     |
| Emergency Medical Technician & Paramedic Services  | Expense Contract     |
| Kimley-Horn and Associates Inc.                    | Expense Contract     |
| Merriwether & Williams Insurance Services, Inc.    | Expense Contract     |
| Midway Rent A Car, Inc.                            | Revenue Contract     |
| Rental Car Center Fund                             | Internal Process     |
| San Diego Unified Port District Billings – FY 2015 | Expense Contract     |
| Sky Chef, Inc. dba LSG Sky Chefs                   | Revenue Contract     |
| SSP America, Inc. (RP 6R)                          | Revenue Contract     |
| The Hertz Corporation                              | Revenue Contract     |

*Recommendation Follow-Up*

To ensure that audit issues are addressed in a timely manner, the OCA tracks the status of its recommendations on an on-going basis. For the last month in the quarter, the OCA tracked the implementation status of 13 recommendations that were issued during FY16, or were outstanding as of June 30, 2015. As shown in Figure 3 below, five (5) of the recommendations have been completed or implemented while eight (8) remain outstanding.

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

*Figure 3: Status of Recommendations as of March 31, 2016*

| <b>Recommendations:</b> |                  |                    |             |                     |
|-------------------------|------------------|--------------------|-------------|---------------------|
| <b>Tracked</b>          | <b>Completed</b> | <b>In Progress</b> | <b>Open</b> | <b>Not Accepted</b> |
| <b>13</b>               | <b>5</b>         | <b>8</b>           | <b>0</b>    | <b>0</b>            |

In tracking recommendations the OCA uses the following designations:

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

For Fiscal Year 2016, we have issued a total of eleven (11) recommendations. Beginning this Fiscal Year we will attempt to identify and measure an expected recommendation completion timeframe. Figure 4 below shows the status of recommendations issued in FY16 along with the expected completion timeframe.

*Figure 4: Status of Recommendations issued in FY16*

| <b>Estimated Completion Timeframe</b> | <b>Completed Within Estimate</b> | <b>Completed Outside Estimate</b> | <b>Outstanding</b> | <b>Total</b> |
|---------------------------------------|----------------------------------|-----------------------------------|--------------------|--------------|
| Zero to 6 Months                      | 6                                | 0                                 | 3                  | 9            |
| 6 Months to 1 Year                    | 0                                | 0                                 | 2                  | 2            |
| Over 1 Year                           | 0                                | 0                                 | 0                  | 0            |
| <b>Total</b>                          | <b>6</b>                         | <b>0</b>                          | <b>5</b>           | <b>11</b>    |

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

### *Non-Audit Activities*

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

#### **Audit Committee:**

The Audit Committee met on February 1, 2016. During that meeting, the OCA presented its Fiscal Year 2016 Second Quarter Activity Report as well as a status report on the OCAs construction audit activity. The next Audit Committee meeting is May 2, 2016.

#### **Construction Audit Activity:**

The OCA continued its Construction Audit activity separate from the Annual Audit Plan. Ongoing activities include:

- Review of Green Build closeout activities. Planning for close-out review of all four GMPs for the Green Build.
- Planning for close-out review of Rental Car Center construction.
- Completion of analysis of project management (soft) costs incurred in capital projects. Preliminary draft of report is being prepared.

Attendance at the Capital Improvement Committee meetings, Development Program meetings, and other construction planning related meetings, allows the OCA Construction Auditor to provide assistance in ensuring that the Authority is meeting compliance requirements for ongoing and planned projects. The OCA Construction Auditor continues to work with Finance personnel to ensure that all costs deemed eligible for Federal Funds meet the requirements of the specific programs and/or grants.

#### **Ethics Compliance Program:**

During the quarter, the OCA successfully transitioned the management of the Ethics Program from the outgoing Senior Auditor to existing staff. No issues were noted and the transition appeared seamless. A summary of the Ethics Program Hotline activities for the period January 1, 2016, through March 31, 2016, is provided in Appendix A.

#### **Training:**

During the third quarter, OCA staff attended the Institute of Internal Auditors Government Auditing Seminar, the National Association of Construction Auditors 5th Annual Conference, and participated in several Internet-based and self-paced training seminars. Of note were sessions regarding ethics and cyber security.

*Performance Measures*

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for FY16, along with their current status, are detailed below in Figure 5.

*Figure 5: Status of Performance Measures as of March 31, 2016*

| Performance Measure                                       | Goal             | Progress as of March 31, 2016 |
|---|------------------|-------------------------------|
| Percentage of the audit plan completed annually           | 100%             | 65%                           |
| Additional revenue/cost savings identified through audits | n/a              | \$44,689                      |
| Percentage of staff time spent on audit activities        | 80% <sup>1</sup> | 90%                           |
| Percentage of audits completed within budgeted time       | 80%              | 80%                           |
| Implementation of Recommendations                         | 90%              | 71%                           |

**Percentage of the audit plan completed annually:** This measure provides information on what has been accomplished regarding the planned audit projects for the year. To date the OCA has completed 65% of the plan and an additional 28% of the audit plan is currently in-progress. We also have established quarterly goals for the completion of our audit plan. For the third quarter, we had a completion goal of 74% of the audit plan. Regardless, we should be able to meet our annual goal of completing the entire plan by the end of the fiscal year.

**Additional revenue/cost savings identified:** While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. During the third quarter of FY16 we did not identify any additional revenue or cost savings leaving the total for the fiscal year at \$44,689, as noted in Figure 6 below:

*Figure 6: Revenue and Cost savings Identified in FY 2016*

| Audit  | Revenue Identified | Revenue Collected |
|--|--------------------|-------------------|
| DTG Operations, Inc., dba Thrifty and Dollar | \$35,847           | \$0               |
| BW-Budget-SDA LLC                            | 8,842              | 8,842             |
| <b>Total</b>                                 | <b>\$44,689</b>    | <b>\$8,842</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. To date, the OCA is well over its current goal of 80%.

**Percentage of audits completed within budgeted time:** This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it recognizes that budgets may

<sup>1</sup> This is the percentage of time staff spends on audit projects, construction audit activities, training, and the Ethics Program, vs. total staff time worked.

need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA is right at its goal of completing 80% of its projects within the budgeted time.

**Implementation of Recommendations:** This goal measures the value that the OCA is providing to the Authority by measuring how audit recommendations have impacted the Authority. For the fiscal year, 20 of 28 recommendations were implemented. While the percentage of implemented recommendations is under our goal, we are on track to achieve the goal, with an aim to have 90% of our recommendations implemented within the year. Additionally, there have been no recommendations issued this fiscal year that have exceeded our estimated completion time.

*Going Forward*

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For completion during the fourth quarter of FY16, the OCA has targeted all of the audits currently in progress and six (6) additional audits. The completion of these audits will result in the accomplishment of 100% of the FY16 Audit Plan. Figure 7 identifies the audits scheduled for completion in the fourth quarter.

*Figure 7: Audits Scheduled for Completion in the Fourth Quarter of Fiscal Year 2016*

| Audit   | Type of Audit    |
|---|------------------|
| Ace Parking Management, Inc                                 | Expense Contract |
| Airport Security Management                                 | Internal Process |
| Airport Terminal Services, Inc.                             | Revenue Contract |
| Business and Travel Expenses                                | Internal Process |
| Contract Management   | Internal Process |
| Duty Free Americas San Diego LLC                            | Revenue Contract |
| Emergency Medical Technician & Paramedic Services           | Expense Contract |
| Helix Electric, Inc.  | Expense Contract |
| Kimley-Horn and Associates, Inc.                            | Expense Contract |
| Merriwether & Williams Insurance Services, Inc.             | Expense Contract |
| Midway Rent A Car, Inc.                                     | Revenue Contract |
| Nevada Lease and Rental, Inc. dba Payless Car Rental System | Revenue Contract |
| Procurement Card Spending                                   | Internal Process |
| Rental Car Center Fund                                      | Internal Process |
| Ricondo and Associates                                      | Expense Contract |
| San Diego Unified Port District Billings – Fiscal Year 2015 | Expense Contract |
| Sky Chef, Inc. dba LSG Sky Chefs                            | Revenue Contract |
| SSP America, Inc. (RP 6R)                                   | Revenue Contract |
| The Hertz Corporation                                       | Revenue Contract |

Ethics Hotline  
January – March 2016

|                                    | 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   |                            |                             |  |                          |  |
| <i>Construction/Car Rental</i>     | 4                          | 4                           | 0  | n/a                      | 0  |
| <i>Construction</i>                | 3                          | 3                           | 0  | n/a                      | 0  |
| <i>Public Art</i>                  | 1                          | 1                           | 0  | n/a                      | 0  |
| Potential Misuse of Resources      |                            |                             |  |                          |  |
| <i>Advertising</i>                 | 1                          | 1                           | 0  | n/a                      | 0  |
| <b>Non Ethics Related Concerns</b> |                            |                             |  |                          |  |
| Aircraft Noise                     | 7                          | 7                           | 0  | n/a                      | 0  |
| ATO Practices and Behavior         | 6                          | 6                           | 0  | n/a                      | 0  |
| TSA Practices and Behavior         | 3                          | 3                           | 0  | n/a                      | 0  |
| RCC Operations                     | 3                          | 3                           | 0  | n/a                      | 0  |
| Public Art Practices               | 1                          | 1                           | 0  | n/a                      | 0  |
| <b>General Workplace Concerns</b>  |                            |                             |  |                          |  |
| Prohibited Use of Position         | 5                          | 5                           | 4  | n/a                      | 0  |
| Workplace Practices/Behavior       | 5                          | 5                           | 0  | n/a                      | 0  |
| Volunteer Opportunity Emails       | 3                          | 3                           | 0  | n/a                      | 0  |
| Workplace Equitability             | 2                          | 2                           | 0  | n/a                      | 0  |

| Rec. No. | Department Name                              | Audit Report Description  | Risk Score | Risk                        | Recommendation  | Status as of March 31, 2016   | OCA's Assessment | Estimated Completion Date |
|----------|--|---|------------|-----------------------------|---|---|------------------|---------------------------|
| 15-18    | ACCOUNTING DEPARTMENT                        | Audit Report 15037, dated May 18, 2015, Procurement Card Program                              | 17         | Impact: 9<br>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 in the final stages of completing an A/P Training and Reference Manual for the user training program that will be conducted prior to June 30, 2016. In addition, Accounting is in the planning stages of creating comprehensive Standards and Guidelines for Accounts Payable that will formally establish and document the processes and controls of approximately ten different methods of handling disbursements. This will involve a thorough review of all procedures to ensure consistent application across all methods. Incremental milestone deadlines will be set, with an estimated completion date to be determined with further discussions with stakeholders and BKD consultants. | In Progress      | December 2017             |
| 16-04    | INFORMATION & TECHNOLOGY SERVICES DEPARTMENT | Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation | 17         | Impact: 9<br>Probability: 8 | Information & Technology Services Department should implement a proactive and systematic program for evaluating and monitoring compliance to IT cybersecurity policies.   | I&TS will put in place the NIST Cyber Security Framework which provides guidance and best practices to manage and reduce cyber security risks for critical infrastructure.  | In Progress      | December 31, 2017         |
| 15-19    | PROCUREMENT DEPARTMENT                       | Audit Report 15037, dated May 18, 2015, Procurement Card Program                              | 15         | Impact: 8<br>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. | The P-Card Program Analyst is working on the draft of a desk manual.  | In Progress      | May 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 March 31, 2016  | OCA's Assessment | Estimated Completion Date |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |
|--------------------------|--|---|-----------------|-----------------------------|---|--|------------------|---------------------------|-------|--------------------------|------------|-----------|------------|-----------------|---------|--------|--------|-------------------------|---------------|--------------|---------------|--------------|-----------------|-----------------|-----------------|--|--|--|
| 16-02                    | INFORMATION & TECHNOLOGY SERVICES DEPARTMENT | Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation                     | 15              | Impact: 8<br>Probability: 7 | In order to maintain a comprehensive Cyber-security Policy for all Authority IT systems, the oversight of systems security should be centralized to the Information and Technology Services Department (I&TS). For Facilities Development Department (FDD) and Airport Development Program (ADP) personnel currently managing the GIS and DocuShare systems, business processes should maintain oversight within the respective department, while the IT processes would be the responsibility of I&TS.   | At the time of the audit report, I&TS indicated that it would work closely with FDD to identify possible solutions to address this recommendation.                                       | Completed        | N/A                       |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |
| 15-22                    | PROCUREMENT DEPARTMENT                       | Audit Report 15037, dated May 18, 2015, Procurement Card Program  | 14              | Impact: 7<br>Probability: 7 | Procurement should provide additional analysis of the P-Card Program to Management on a regular basis.  | A spend report and analysis for 2015 has been run for each department. All reports will have been distributed to Department Directors and Vice Presidents by May 2016.                   | In Progress      | May 2016                  |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |
| 15-31                    | BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT | Audit Report 16018, dated December 23, 2015, DTG Operations, Inc., dba Thrifty and Dollar                         | 14              | Impact: 7<br>Probability: 7 | Business and Financial Management should request that Accounting generate an invoice to DTG in the amount of \$35,847, as detailed below:<br><b>License Fee and CFC Recalculation</b>   | Invoices were issued in February. Collections are still being pursued.   | In Progress      | June 2016                 |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |
|                          |  |   |                 |                             | <table border="0"> <thead> <tr> <th></th> <th>Dollar</th> <th>Thrifty</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Finding 1 - License Fees</td> <td>&lt;\$12,383&gt;</td> <td>&lt;\$4,449&gt;</td> <td>&lt;\$16,832&gt;</td> </tr> <tr> <td>Finding 2 - CFC</td> <td>&lt;2,052&gt;</td> <td>18,011</td> <td>15,959</td> </tr> <tr> <td>Finding 3 - Non-Airport</td> <td><u>27,476</u></td> <td><u>9,244</u></td> <td><u>36,720</u></td> </tr> <tr> <td><b>Total</b></td> <td><b>\$13,041</b></td> <td><b>\$22,806</b></td> <td><b>\$35,847</b></td> </tr> </tbody> </table> |  | Dollar           | Thrifty                   | Total | Finding 1 - License Fees | <\$12,383> | <\$4,449> | <\$16,832> | Finding 2 - CFC | <2,052> | 18,011 | 15,959 | Finding 3 - Non-Airport | <u>27,476</u> | <u>9,244</u> | <u>36,720</u> | <b>Total</b> | <b>\$13,041</b> | <b>\$22,806</b> | <b>\$35,847</b> |  |  |  |
|                          | Dollar                                       | Thrifty   | Total           |                             |   |  |                  |                           |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |
| Finding 1 - License Fees | <\$12,383>                                   | <\$4,449>   | <\$16,832>      |                             |   |  |                  |                           |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |
| Finding 2 - CFC          | <2,052>                                      | 18,011  | 15,959          |                             |   |  |                  |                           |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |
| Finding 3 - Non-Airport  | <u>27,476</u>                                | <u>9,244</u>  | <u>36,720</u>   |                             |   |  |                  |                           |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |
| <b>Total</b>             | <b>\$13,041</b>                              | <b>\$22,806</b>   | <b>\$35,847</b> |                             |   |  |                  |                           |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |
| 16-01                    | AIRSIDE OPERATIONS DEPARTMENT                | Audit Report 16032, dated February 1, 2016, Aircraft Rescue and Fire Fighting Expense Billings - Fiscal Year 2015 | 14              | Impact: 7<br>Probability: 7 | We recommend that the Airside Operations Department notify the Accounting Department to issue a payment to the City of San Diego for the underbilling of \$159,226 for personnel expenses. The adjustments to firefighter fringe rates, Fair Labor Standards Act overtime expenses, and the Tele Staff Desk credit, should be included in the final calculation of the amount due to the City for Fiscal Year 2015 ARFF services.   | Received invoice from the City on Friday April 8, 2016. Currently with AP for processing and payment before end of April.  | Completed        | N/A                       |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |
| 15-16                    | PROCUREMENT DEPARTMENT                       | Audit Report 15037, dated May 18, 2015, Procurement Card Program  | 13              | Impact: 6<br>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.   | The updated 2016 Manual has been published on the Authority's intranet. The new manual includes updating Violation consequences (Page 3, Section III. F) to include approving officials. | Completed        | N/A                       |       |                          |            |           |            |                 |         |        |        |                         |               |              |               |              |                 |                 |                 |  |  |  |

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

| Rec. No. | Department Name                              | Audit Report Description  | Risk Score | Risk                        | Recommendation  | Status as of March 31, 2016  | OCA's Assessment | Estimated Completion Date |
|----------|--|---|------------|-----------------------------|---|--|------------------|---------------------------|
| 15-30    | BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT | Audit Report 16030, dated December 8, 2015, NewZoom, Inc. dba ZoomSystems                     | 13         | Impact: 7<br>Probability: 6 | More in-depth monitoring of sales and payments of concessionaires should be performed on a monthly/on-going basis. Changes in sales and late payments should be analyzed more thoroughly and any alarming trends should be reported to senior management. Each monthly statement sent to concessionaires should include a delinquency report with the associated assessed late fees with a request for payment.   | Statements include late fees. Improved monitoring between Business Managements and the Collections Specialist is in place. Due to E1 constraints, late fess remain calculated after the payment is received.   | Completed        | N/A                       |
| 16-03    | INFORMATION & TECHNOLOGY SERVICES DEPARTMENT | Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation | 12         | Impact: 6<br>Probability: 6 | Information & Technology Services Department should take immediate measures to identify and protect data and systems by implementing comprehensive IT Cybersecurity policy.   | I&TS filled the roll of the Cyber Security Specialist position. The Cyber Security Specialist is taking measures to protect the data and systems. In addition, he is in the process of implementing the Center for Internet Security's (CIS) recommended actions to stop pervasive and dangerous cyber security attacks. | In Progress      | December 31, 2016         |
| 15-29    | BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT | Audit Report 16030, dated December 8, 2015, NewZoom, Inc. dba ZoomSystems                     | 11         | Impact: 5<br>Probability: 6 | Monitoring of requirements of each concessionaire lease agreement needs to be strengthened and well documented. Differences in processes used by concessionaires should be analyzed for adequacy to determine if they provide the outcome that the Authority is actually seeking. The pricing and product processes used by ZoomSystems appear to be reasonable and ones that can be easily monitored by the Authority, but the lease should be changed to reflect the processes used.  | In process to be completed by June 2016.   | In Progress      | June 2016                 |
| 16-05    | BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT | Audit Report 16004, dated March 30, 2016, Grant & Non-Airline Revenue Management              | 9          | Impact: 5<br>Probability: 4 | The Business and Financial Management Department (BFM) should expand and enhance documentation pertaining to the grant management program. In addition, the current grant manual should be updated and reviewed and formal training should be conducted periodically, to ensure consistent knowledge of procedures and regulations and to provide guidance for employee(s), including required documents needed by the employee(s) to complete their job duties, as well as the assignment of responsibility for tasks and actions. | In the process to develop a plan. Estimated completion December 2016.  | In Progress      | December 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 March 31, 2016 | OCA's Assessment | Estimated Completion Date |
|----------|--|---|------------|-----------------------------|--|-----------------------------|------------------|---------------------------|
| 15-28    | BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT | Audit Report 16016, dated November 6, 2015, BW-Budget-SDA LLC | 8          | Impact: 3<br>Probability: 5 | The Business and Financial Management Department should request that the Accounting Department issue an invoice to Budget for the net amount of \$8,842. | Payment received.           | 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.

ITEM 3



Fiscal Year 2016  
Third Quarter Activities Report  
and Audit Recommendations  
Issued by the Office of the Chief Auditor

January 1, 2016, through March 31, 2016

Audit Committee Meeting  
May 2, 2016

# Presentation Overview

## 3rd Quarter Report

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

# Audit Activities

- **Completed 9 Audits**
  - **Internal Process: 2**
  - **Expenditure Contract: 3**
  - **Revenue Contract: 4**
- **Thirteen (13) audits were in progress as of March 31, 2016**
- **Audit Results**
  - **Issued 5 Recommendations during the 3rd Quarter**

## Audits in Progress as of March 31, 2016

| Audit  | Type of Audit | Status as of May 2, 2016 |
|--|---------------|--------------------------|
| Ace Parking Management, Inc.                       | Expense       | Report Issued            |
| Airport Security Management                        | Internal      | Fieldwork                |
| Business and Travel Expenses                       | Internal      | Draft Report             |
| Contract Management                                | Internal      | Fieldwork                |
| Emergency Medical Technician & Paramedic Services  | Expense       | Report Issued            |
| Kimley-Horn and Associates, Inc.                   | Expense       | Draft Report             |
| Merriwether & Williams Insurance Services, Inc.    | Expense       | Report Issued            |
| Midway Rent A Car, Inc.                            | Revenue       | Draft Report             |
| Rental Car Center Fund                             | Internal      | Report Issued            |
| San Diego Unified Port District Billings – FY 2015 | Expense       | Fieldwork                |
| Sky Chef, Inc. dba LSG Sky Chefs                   | Revenue       | Draft Report             |
| SSP America, Inc. (RP 6R)                          | Revenue       | Fieldwork                |
| The Hertz Corporation                              | Revenue       | Draft Report             |

# Recommendation Follow-Up

Status as of March 31<sup>st</sup> :

| Tracked | Completed | In Progress | Open | Not Accepted |
|---------|-----------|-------------|------|--------------|
| 13      | 5         | 8           | 0    | 0            |

## Fiscal Year 2016 Measure Outcomes

| Performance Measure   | Goal | Progress |
|---|------|----------|
| Percentage of the audit plan completed annually                       | 100% | 65%      |
| Percentage of the audit plan completed during 3 <sup>rd</sup> Quarter | 74%  | 65%      |
| Additional revenue/cost savings identified through audits             | n/a  | \$44,689 |
| Percentage of staff time spent on audit activities                    | 80%  | 90%      |
| Percentage of audits completed within budgeted time                   | 80%  | 80%      |
| Implementation of Recommendations                                     | 90%  | 71%      |

# Summary of Ethics Inquiries

January 1, 2016, through March 31, 2016

|                                    | 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   |                            |                             |  |                          |  |
| <i>Construction/Car Rental</i>     | 4                          | 4                           | 0  | n/a                      | 0  |
| <i>Construction</i>                | 3                          | 3                           | 0  | n/a                      | 0  |
| <i>Public Art</i>                  | 1                          | 1                           | 0  | n/a                      | 0  |
| Potential Misuse of Resources      |                            |                             |  |                          |  |
| <i>Advertising</i>                 | 1                          | 1                           | 0  | n/a                      | 0  |
| <b>Non Ethics Related Concerns</b> |                            |                             |  |                          |  |
| Aircraft Noise                     | 7                          | 7                           | 0  | n/a                      | 0  |
| ATO Practices and Behavior         | 6                          | 6                           | 0  | n/a                      | 0  |
| TSA Practices and Behavior         | 3                          | 3                           | 0  | n/a                      | 0  |
| RCC Operations                     | 3                          | 3                           | 0  | n/a                      | 0  |
| Public Art Practices               | 1                          | 1                           | 0  | n/a                      | 0  |
| <b>General Workplace Concerns</b>  |                            |                             |  |                          |  |
| Prohibited Use of Position         | 5                          | 5                           | 4  | n/a                      | 0  |
| Workplace Practices/Behavior       | 5                          | 5                           | 0  | n/a                      | 0  |
| Volunteer Opportunity Emails       | 3                          | 3                           | 0  | n/a                      | 0  |
| Workplace Equitability             | 2                          | 2                           | 0  | n/a                      | 0  |

# QUESTIONS?



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

**Item No.  
4**

Meeting Date: **MAY 2, 2016**

**Subject:**

**Fiscal Year 2017 Proposed Audit Plan of the Office of the Chief Auditor**

**Recommendation:**

Staff recommends that the Audit Committee accept the Proposed Audit Plan and forward it to the Board for approval.

**Background/Justification:**

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

The Fiscal Year 2017 Proposed Audit Plan was prepared by the Chief Auditor based on the following key elements: a comprehensive risk assessment methodology and analysis; input from the Board; input from Authority management; and, on the basis of staff resources available. See Attachment A for a detailed account of the Fiscal Year 2017 Audit Plan formulation.

The Audit Committee will be presented with the Office of the Chief Auditor's Proposed Fiscal Year 2017 Audit Plan (Attachment 1) during a regularly scheduled meeting of the Committee on May 2, 2016.

**Fiscal Impact:**

None

**Authority Strategies:**

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

- Community Strategy     Customer Strategy     Employee Strategy     Financial Strategy     Operations Strategy

**Page 2 of 2**

**Environmental Review:**

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

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

**Application of Inclusionary Policies:**

Not applicable

**Prepared by:**

MARK A. BURCHYETT  
CHIEF AUDITOR

# PROPOSED FISCAL YEAR 2017 AUDIT PLAN

## Introduction

This document is for the purpose of communicating to the San Diego County Regional Airport Authority (Authority) Board the process used for constructing the Office of the Chief Auditor's (OCA) Annual Audit Plan (Audit Plan) for Fiscal Year 2017.

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

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

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2017 Audit Plan is a five-part process consisting of:

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

## Developing the Risk Assessment Model

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

- Annual Ongoing Audits and Support
- Internal Business Process Audits
- Expense Contract Audits
- Car Rental Contract Audits<sup>1</sup>
- Other Lease Contract Audits<sup>1</sup>
- Concession Contract Audits<sup>1</sup>

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

To determine the annual amount of staff time available to complete audits, we estimated the amount of time each audit staff member would have to devote to audit projects, taking into consideration administrative, vacation, training, sick, and holiday hours. We estimated that a total of 10,192 staff hours are available during Fiscal Year 2017 to conduct assigned audits.

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

---

<sup>1</sup> Car Rental, Other Lease, and Concession contracts are combined under Revenue Contract Audits in the Audit Plan.

## PROPOSED FISCAL YEAR 2017 AUDIT PLAN

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

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

|   |              |
|---|--------------|
| Total Available Staff Hours Per Year (See Attachment 1) | 10,192       |
| Annual Ongoing Audits and Special Requests              | (1,867)      |
| Ethics Program Activity                                 | (375)        |
| Construction Audit and Monitoring Activity              | (1,000)      |
| <b>Available Hours for Non-Annual Audits</b>            | <b>6,950</b> |

The final step was to develop the Fiscal Year 2017 audit plan based on the available resources and risk scores. For each of the audit categories (business processes, expense contracts, and revenue contracts) we selected audit units with higher risk scores, taking into account the amount of resources that would be required of the internal audit staff and the amount of audit time required by applicable Authority Departments.

The proposed Audit Plan for Fiscal Year 2017 is presented in Attachment 1. Contracts selected comprise the following:

- Expense contracts account for 64.8% of the total actual expenses over a 12-month period.
- Car Rental revenue contracts account for 71.5% of the total collected revenues over a 12-month period.
- Other Lease revenue contracts account for 51.2% of the total collected revenues over a 12-month period.
- Concession revenue contracts account for 39.9% of the total collected revenues over a 12-month period.

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

Subsequent attachments summarize the risk score details:

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

**San Diego County Regional Airport Authority  
Office of the Chief Auditor  
Proposed FY 2017 Audit Plan**

|  |   |                  |
|--|---|------------------|
| <b>BUSINESS PROCESS AUDITS (Attachment 3)</b>            |   |                  |
| 1  | Telecommunications Services and Billing                     | 300              |
| 2  | Process Control - Airport Development & Construction        | 600              |
| 3  | Property and Inventory Management                           | 250              |
| 4  | Airport Lost and Found                                      | 200              |
| 5  | Environmental Compliance                                    | 300              |
|  | <b>TOTAL BUSINESS PROCESS AUDIT HOURS</b>                   | 1,650    16.2%   |
| <b>EXPENSE CONTRACT AUDITS (Attachment 4)</b>            |   |                  |
| 6  | Austin/Sundt  | 450              |
| 7  | AECOM Technical Services, Inc.                              | 150              |
| 8  | AMEC Environmental and Infrastructure, Inc.                 | 150              |
| 9  | Orion Construction Corporation                              | 150              |
| 10   | Jones Payne Group   | 150              |
| 11   | Hearne Corporation  | 150              |
| 12   | Bradford Airport Logistics                                  | 150              |
| 13   | HSS, Inc.   | 150              |
| 14   | SP Plus Corporation   | 150              |
|  | <b>TOTAL EXPENSE CONTRACT AUDIT HOURS</b>                   | 1,650    16.2%   |
| <b>REVENUE CONTRACT AUDITS (Attachments 5, 6, and 7)</b> |   |                  |
| 15   | Enterprise Rent A Car Company (Enterprise, Alamo, National) | 400              |
| 16   | Coronado Transportation System                              | 250              |
| 17   | Avis Rent A Car Systems LLC                                 | 300              |
| 18   | The Hertz Corporation                                       | 300              |
| 19   | Fox Rent A Car  | 300              |
| 20   | Ace Parking   | 350              |
| 21   | Airline & Others (Ogden Aviation)                           | 150              |
| 22   | JCDecaux, Inc.  | 250              |
| 23   | Gate Gourmet Inc.   | 150              |
| 24   | High Flying Foods San Diego (FSP 8)                         | 200              |
| 25   | Host International Inc. (FSP 1)                             | 200              |
| 26   | Swissport Lounge LLC  | 200              |
| 27   | Spa Didacus Inc. (RP 5)                                     | 200              |
| 28   | High Flying Foods San Diego (FSP 7)                         | 200              |
| 29   | Paradies - San Diego LLC (RP1)                              | 200              |
|  | <b>TOTAL REVENUE AUDIT HOURS</b>                            | 3,650    35.8%   |
| <b>ANNUAL ONGOING AUDITS AND SUPPORT</b>                 |   |                  |
| 30   | Aircraft Rescue and Fire Fighting (ARRF)                    | 150              |
| 31   | Board Member and Executive Business Expenses                | 50               |
| 32   | Rental Car Center Fund                                      | 50               |
| 33   | Procurement Card Program                                    | 150              |
| 34   | Agreements with Expenditure Limits Not to Exceed \$100,000  | 100              |
| 35   | Transportation Network Company Reviews and Assistance       | 250              |
| 36   | Emergency Medical Technician & Paramedic Services           | 80               |
| 37   | San Diego Unified Port District Billing                     | 250              |
|  | <b>ANNUAL ONGOING AUDIT AND SUPPORT HOURS</b>               | 1,080            |
| 38   | Special Request Audits                                      | 787              |
|  | <b>TOTAL ANNUAL ONGOING AUDIT AND SUPPORT HOURS</b>         | 1,867    18.3%   |
| 39   | <b>ETHICS PROGRAM ACTIVITY</b>                              | 375    3.7%      |
| 40   | <b>CONSTRUCTION AUDIT AND MONITORING ACTIVITY</b>           | 1,000    9.8%    |
|  | <b>TOTAL HOURS</b>  | 10,192    100.0% |
|  | <b>AVAILABLE AUDIT HOURS FROM OFFICE STAFF</b>              | 10,192           |
|  | <b>DIFFERENCE</b>   | 0                |

**Fiscal Year 2017 Audit Plan  
Audit Unit Definitions**

**ATTACHMENT 2**

| #                                     | Audit Unit   | Explanation  |
|---------------------------------------|--|--|
| <b><i>Business Process Audits</i></b> |  |  |
| 1                                     | Telecommunications Services and Billing              | Evaluate procedures and controls related to telecommunication services and billings. This audit was suggested by the Director, Information Technology, to help ensure that current telephone billings represent valid Authority needs.                           |
| 2                                     | Process Control - Airport Development & Construction | Analyze procedures and controls related to airport development and construction processes. This audit was suggested by the Director, Airport Development and Construction, to help ensure that current procedures and controls reduce risk to an adequate level. |
| 3                                     | Property and Inventory Management                    | Review controls, compliance, and performance related to the property and inventory management.   |
| 4                                     | Airport Lost and Found                               | Examine the Airport lost and found operations, including policies and procedures, inventory controls, and reporting compliance.  |
| 5                                     | Environmental Compliance                             | Evaluate the controls in place, and operating effectively, to ensure compliance with Federal, State, and Local environmental compliance and reporting.   |
| <b><i>Expense Contract Audits</i></b> |  |  |
| 6                                     | Austin/Sundt   | Review contract expenditures related to joint venture to construct the rental car center.  |
| 7                                     | AECOM Technical Services, Inc.                       | Review contract expenditures related to providing program management and support services, with a maximum contract amount of \$60,000,000 over a three year period.  |
| 8                                     | AMEC Environmental and Infrastructure, Inc.          | Review contract expenditures related to on-call material testing, special inspection, and geotechnical services for Capital Improvement Program and major maintenance programs, with a maximum contract amount of \$5,000,000 over a three year period.          |
| 9                                     | Orion Construction Corporation                       | Review contract expenditures related to Construct the north side utility storm drain trunk, with a maximum contract amount of \$10,396,680 over a three year period.   |
| 10                                    | Jones Payne Group                                    | Review contract expenditures related to on-call engineer to provide consulting work on the airport master plan project, with a maximum contract price of \$19,760,000 over a three year period.  |
| 11                                    | Hearne Corporation                                   | Review expenditures related to reconfiguring security checkpoint 2 and refurbishing Terminal 1 rotundas & baggage claim area, with estimated maximum contract amounts of \$3,829,623.  |

**Fiscal Year 2017 Audit Plan  
Audit Unit Definitions**

| #                                     | Audit Unit  | Explanation  |
|---------------------------------------|---|--|
| 12                                    | Bradford Airport Logistics                                  | Review contract expenditures related to operating the central receiving and distribution center, with a maximum contract amount of \$7,599,422 over a five year period.                                  |
| 13                                    | HSS, Inc.   | Review expenditures related to providing contract security services, with estimated maximum contract amounts of \$19,000,000 over a three year period.   |
| 14                                    | SP Plus Corporation   | Review contract expenditures related to the purchase of 16 shuttle buses in the amount of \$7,791,277, and operate the Rental Car Center buses for a period of five years in the amount of \$29,208,723. |
| <b><i>Revenue Contract Audits</i></b> |   |  |
| 15                                    | Enterprise Rent A Car Company (Enterprise, Alamo, National) | Review the accuracy of revenues received from a car rental company.  |
| 16                                    | Coronado Transportation System+                             | Review the accuracy of revenues received from a car rental company.  |
| 17                                    | Avis Rent A Car Systems LLC                                 | Review the accuracy of revenues received from a car rental company.  |
| 18                                    | The Hertz Corporation                                       | Review the accuracy of revenues received from a car rental company.  |
| 19                                    | Fox Rent A Car  | Review the accuracy of revenues received from a car rental company.  |
| 20                                    | Ace Parking   | Review the accuracy of revenues for providing ground transportation and parking services.  |
| 21                                    | Airline and Others (Ogden Aviation)                         | Review the accuracy of revenues and related expenditures for fueling services.   |
| 22                                    | JCDecaux, Inc.  | Review the accuracy of revenues and related expenditures for advertising services.   |
| 23                                    | Gate Gourmet, Inc.  | Review the accuracy of revenues and related expenditures for airline food services.  |
| 24                                    | High Flying Foods San Diego (FSP 8)                         | Review the accuracy of revenues and related expenditures for concession services.  |
| 25                                    | Host International Inc. (FSP 1)                             | Review the accuracy of revenues and related expenditures for concession services.  |
| 26                                    | Swissport Lounge LLC  | Review the accuracy of revenues and related expenditures for concession services.  |
| 27                                    | Spa Didacus Inc. (RP 5)                                     | Review the accuracy of revenues and related expenditures for concession services.  |
| 28                                    | High Flying Foods San Diego (FSP 7)                         | Review the accuracy of revenues and related expenditures for concession services.  |
| 29                                    | Paradies - San Diego LLC (RP1)                              | Review the accuracy of revenues and related expenditures for concession services.  |

**Fiscal Year 2017 Audit Plan  
Audit Unit Definitions**

| #   | Audit Unit  | Explanation  |
|---|---|--|
| <b><i>Annual Ongoing Audits &amp; Support</i></b> |   |  |
| 30  | Aircraft Rescue & Fire Fighting (ARFF) Billing              | Ensure that the Authority is reimbursing the City for actual costs incurred to provide ARFF services, so that the Authority is in compliance with the FAAs revenue diversion requirements.                                     |
| 31  | Board Member and Executive Business Expenses                | Review the appropriateness of Board Member expenditures, and compliance of these expenditures with Authority policy.   |
| 32  | Rental Car Center Fund                                      | Review Rental Car Center Fund for compliance with Authority policies and State regulations.  |
| 33  | Procurement Card Program                                    | Review controls related to P-cards and appropriateness of expenditures.  |
| 34  | Agreements with Expenditure Limits Not to Exceed \$100,000  | Review sample of expenditures of contracts that are less than \$100,000 per year.  |
| 35  | Transportation Network Company (TNC) Reviews and Assistance | Working with the Ground Transportation Department, review TNC operations and assist with sample selection of TNC operators for background checks.  |
| 36  | Emergency Medical Technician-Paramedic Services             | Ensure that the Authority only reimburses the City for the actual costs of providing the emergency medical technician-paramedic services, so that the Authority is in compliance with the FAAs revenue diversion requirements. |
| 37  | San Diego Unified Port District Billing                     | Determine that payments made to the Port are reflective of the actual expenses incurred to provide those services, so that the Authority is in compliance with the FAAs revenue diversion requirements.                        |
| 38  | Special Request Audits                                      | Perform close out audits (audits of vendors that terminate operations at SDIA) and audits requested by Board Members and/or management that were not included in the audit plan.   |
| <b><i>Other Audit Activity</i></b>                |   |  |
| 39  | Ethics Program Activity                                     | Develop and amend ethics policies, provide training, and investigate reported incidents.   |
| 40  | Construction Audit and Monitoring Activity                  | Perform audits of construction activities related to the Capital Improvement Program and the Airport Design and Construction Department.   |

**Fiscal Year 2017 Audit Plan  
Business Processes – Descending Risk Scores**

**ATTACHMENT 3**

| <b>Business Processes</b>                                | <b>Risk Score</b> | <b>Estimated Hours</b> |
|--|-------------------|------------------------|
| Telecommunications Services and Billing                  | 4.80              | 300                    |
| Process Control - Airport Development & Construction     | 4.80              | 600                    |
| Property Management                                      | 4.70              | 250                    |
| Contract Management                                      | 4.60              | 300                    |
| Airport Lost and Found                                   | 4.60              | 200                    |
| Airport Security Management                              | 4.50              | 300                    |
| Grant and Non-Airline Revenue Procurement and Management | 4.30              | 250                    |
| Environmental Compliance                                 | 4.10              | 300                    |
| Information Technology Monitoring and Evaluation         | 4.00              | 300                    |
| Procurement Management                                   | 3.90              | 300                    |
| Organizational Performance Measures                      | 3.80              | 250                    |
| Airline Services Management                              | 3.80              | 300                    |
| Budget Management and Analysis                           | 3.80              | 300                    |
| Public Parking Management                                | 3.80              | 350                    |
| Revenue and Business Development Management              | 3.80              | 300                    |
| Treasury/Cash Management                                 | 3.80              | 300                    |
| Airline Route Sales and Management                       | 3.70              | 250                    |
| Capital and Maintenance Project Selection and Planning   | 3.70              | 300                    |
| Information Technology Performance                       | 3.70              | 350                    |
| Information Technology Acquisition and Implementation    | 3.70              | 350                    |
| Information Technology Delivery and Support              | 3.70              | 350                    |
| Marketing and Public Communications                      | 3.70              | 350                    |
| Risk Service Management                                  | 3.70              | 250                    |
| Consortium Agreement Compliance                          | 3.60              | 250                    |
| Energy Usage   | 3.60              | 300                    |
| Restricted Fund Accountability                           | 3.60              | 150                    |
| Sustainability Management                                | 3.60              | 250                    |
| Debt Service Management                                  | 3.50              | 250                    |
| Enterprise Risk Management                               | 3.50              | 350                    |
| Small Business Development Management                    | 3.50              | 300                    |
| Timekeeping Payroll Compliance                           | 3.50              | 250                    |
| Transportation and Traffic Services Management           | 3.50              | 300                    |
| Vehicle Fleet Management                                 | 3.50              | 300                    |
| Airport Land Use Management                              | 3.40              | 300                    |
| Concessionaire Management                                | 3.40              | 250                    |
| Attorney General MOU on Greenhouse Gases Compliance      | 3.30              | 200                    |
| Business Continuity Management                           | 3.30              | 300                    |
| Human Resources Services                                 | 3.20              | 350                    |
| Social Media Control                                     | 3.20              | 250                    |
| Special Event Management                                 | 3.20              | 200                    |
| Airport Noise Management                                 | 3.10              | 200                    |
| Business and Travel Expenses                             | 3.10              | 300                    |
| Cloud Management   | 3.10              | 300                    |
| Public Records Management                                | 2.90              | 250                    |

**12,700**

**Fiscal Year 2017 Audit Plan  
Expense Contract – Descending Risk Scores**

**ATTACHMENT 4**

| <b>Company</b>  | <b>Risk Score</b> | <b>Hours</b> |
|---|-------------------|--------------|
| Austin/Sundt  | 4.80              | 450          |
| AECOM Technical Services, Inc.  | 4.70              | 150          |
| AMEC Environmental and Infrastructure, Inc.                                 | 4.50              | 150          |
| Orion Construction Corporation  | 4.40              | 150          |
| Jones Payne Group   | 4.40              | 150          |
| Hearne Corporation  | 4.40              | 150          |
| Bradford Airport Logistics  | 4.40              | 150          |
| HSS, Inc.   | 4.30              | 150          |
| SP Plus Corporation   | 4.20              | 150          |
| Statewide Stripes, Inc.   | 4.10              | 150          |
| Neal Electric Corporation dba Neal Electric Inc.                            | 4.10              | 150          |
| Frasca & Associates Inc.  | 4.10              | 150          |
| RAL Investment Corporation dba Silverstrand Construction                    | 4.10              | 150          |
| KONE, Inc.  | 4.10              | 150          |
| G & G Specialty Contractors, Inc.   | 4.00              | 150          |
| SITA Information Networking Computing USA                                   | 4.00              | 150          |
| Ensley Electric, Inc.   | 4.00              | 150          |
| M.W. Vasquez Construction Company, Inc.<br>dba Vasquez Construction Company | 4.00              | 150          |
| Serco Management Services, Inc.   | 4.00              | 150          |
| Dynamic Contracting Services, Inc.  | 4.00              | 150          |
| DuWright Construction Inc.  | 4.00              | 150          |
| Meriwether and Williams Insurance Services Inc.                             | 4.00              | 150          |
| Helix Electric, Inc.  | 4.00              | 150          |
| Westgroup Designs, Inc.   | 4.00              | 150          |
| Jacobs Project Management Co.   | 4.00              | 150          |
| RGC Construction, Inc.  | 4.00              | 150          |
| Porter Novelli Inc.   | 3.90              | 150          |
| Project Team Solutions, Inc. (PTSI)   | 3.90              | 150          |
| Traveler's Aid Society of San Diego   | 3.90              | 150          |
| AssetWorks  | 3.90              | 150          |
| Greenhaus Inc.  | 3.90              | 150          |
| Ace Parking Management, Inc.  | 3.80              | 350          |
| Kimley-Horn and Associates Inc.   | 3.80              | 150          |
| S&L Specialty Contracting, Inc.   | 3.80              | 150          |
| Pacific Rim Mechanical  | 3.80              | 150          |
| Sign Age Identity Systems Inc.  | 3.80              | 150          |
| Service Tec International, Inc.   | 3.80              | 150          |
| Ricondo and Associates  | 3.80              | 150          |
| Velocity Technology Solutions, Inc.   | 3.80              | 150          |
| Willis Insurance Services of California, Inc.                               | 3.80              | 150          |
| The Christmas Light Company   | 3.80              | 150          |
| Ocean Blue Environmental Services   | 3.70              | 150          |

**Fiscal Year 2017 Audit Plan  
Expense Contract – Descending Risk Scores**

**ATTACHMENT 4**

|  |      |     |
|--|------|-----|
| CompuCom Systems Inc.  | 3.70 | 150 |
| Hazard Construction Company  | 3.60 | 150 |
| Leigh Fisher & Associates  | 3.60 | 150 |
| Allied Waste Systems, Inc. dba Republic Services                         | 3.60 | 150 |
| Jacobsen/Daniels Associates LLC  | 3.60 | 150 |
| Gordon-Prill San Diego, Inc.   | 3.60 | 150 |
| Campbell-Hill Aviation Group   | 3.60 | 150 |
| Insight Public Sector  | 3.60 | 150 |
| Abhe & Svoboda, Inc.   | 3.60 | 150 |
| 24 Hour Fire Protection, Inc.  | 3.60 | 150 |
| PBS Engineers, Inc.  | 3.60 | 150 |
| Zoological Society of San Diego  | 3.60 | 150 |
| SSI, Inc.  | 3.60 | 150 |
| Simon Wong Engineering, Inc.   | 3.60 | 150 |
| Aon Consulting and Insurance Services, Inc.                              | 3.60 | 150 |
| Demattei Wong Architecture, Inc.   | 3.50 | 200 |
| ThyssenKrupp Airport Systems, Inc.                                       | 3.50 | 150 |
| Abadjis Systems, Ltd.  | 3.50 | 150 |
| VA Consulting, Inc.  | 3.50 | 150 |
| Kleinfelder West Inc.  | 3.50 | 150 |
| Manatt, Phelps & Phillips LLP  | 3.50 | 150 |
| URS, Inc.  | 3.50 | 150 |
| Bruel & Kjeear EMS   | 3.50 | 150 |
| Diamond Environmental Services LP  | 3.50 | 150 |
| Cannon Pacific Services Inc.   | 3.50 | 150 |
| Stanley Access, Inc.   | 3.50 | 150 |
| Ameri-Mex Plumbing Inc.  | 3.50 | 150 |
| Borrego Solar System, Inc.   | 3.50 | 150 |
| AT&T, CALNET 2 Contract  | 3.50 | 150 |
| Granite Construction Company   | 3.40 | 150 |
| Serco, Inc.  | 3.40 | 150 |
| Aztec Landscaping  | 3.40 | 150 |
| EC Constructors, Inc.  | 3.40 | 150 |
| Ninyo & Moore Geotechnical Consultants                                   | 3.40 | 150 |
| JRM Consultants & Investigations Company                                 | 3.40 | 150 |
| Best Best Krieger LLP  | 3.40 | 150 |
| Mary Stathoulis dba Modern Painting                                      | 3.40 | 150 |
| Downstream Services, Inc.  | 3.40 | 150 |
| A-Team Contractors, Inc.   | 3.40 | 150 |
| Research Horizons LLC, dba Phoenix Marketing International               | 3.40 | 150 |
| LCPTTracker, Inc.  | 3.40 | 150 |
| Aurora Industrial Hygiene, Inc.  | 3.40 | 150 |
| Riskconnect, Inc.  | 3.40 | 150 |
| County of San Diego Sheriff's Department, Regional Communications System | 3.40 | 150 |

**Fiscal Year 2017 Audit Plan  
Expense Contract – Descending Risk Scores**

**ATTACHMENT 4**

|   |      |     |
|---|------|-----|
| A-Advanced Locksmiths                                   | 3.40 | 150 |
| A Good Roofer, Inc.                                     | 3.40 | 150 |
| UniFirst Corporation                                    | 3.40 | 150 |
| On the Spot Flooring                                    | 3.40 | 150 |
| Morrison & Foerster LLP                                 | 3.40 | 150 |
| Atkins North America, Inc.                              | 3.30 | 150 |
| Tom Mascarenak dba Ground Equipment Services            | 3.30 | 150 |
| Nolte Associates Inc.                                   | 3.30 | 150 |
| Chula Vista Electric Company                            | 3.20 | 150 |
| Haley and Aldrich, Inc.                                 | 3.20 | 150 |
| Southern California Fleet Services, Inc.                | 3.20 | 150 |
| M.B. Oliver Inc. dba Agricultural Pest Control Services | 3.20 | 150 |
| Commercial & Industrial Roofing Company, Inc.           | 3.20 | 150 |
| Planetbids, Inc.  | 3.20 | 150 |
| Paul Plevin Sullivan & Connaughton LLP                  | 3.20 | 150 |
| Location Matters  | 3.20 | 150 |
| Discount Glass & Mirror Inc.                            | 3.20 | 150 |
| Clark Telecom and Electric (CTE) Inc.                   | 3.20 | 150 |
| Audio Associates of San Diego                           | 3.20 | 150 |
| Meyers Nave   | 3.20 | 150 |
| Hawthorne Machinery Co.                                 | 3.20 | 150 |
| Xtreme Floor Covering Specialists Inc.                  | 3.20 | 150 |
| Hellman, Obata & Kassabaum (HOK), Inc.                  | 3.20 | 150 |
| Stutz Artiano Shinoff & Holtz APC                       | 3.20 | 150 |
| United States Department of Agriculture                 | 3.20 | 150 |
| Seasonal Innovations Inc. dba Greenleaf Plant Solutions | 3.10 | 150 |
| Kutak Rock LLP  | 3.10 | 150 |
| Cartwright Termite & Pest Control                       | 3.10 | 150 |
| Hatch Mott MacDonald, LLC                               | 3.10 | 150 |
| Marsh USA Inc.  | 3.10 | 150 |
| TruGreen Landcare LLC                                   | 3.10 | 150 |
| General Networks Corporation                            | 3.00 | 150 |
| Helix Mechanical, Inc.                                  | 3.00 | 150 |
| Ueberall International LLC                              | 3.00 | 150 |
| USDA - Animal and Plant Health Inspection Services      | 3.00 | 150 |
| Passur Aerospace Inc.                                   | 3.00 | 150 |
| HPS Mechanical, Inc.                                    | 3.00 | 150 |
| All County Fire, Inc.                                   | 3.00 | 150 |
| The Glass Company, Inc. dba C & C Glass                 | 3.00 | 150 |
| KPFF, Inc. dba KPFF Consulting Engineers                | 3.00 | 150 |
| Mags Harries & Lajos Heder Collaborative                | 3.00 | 150 |
| AB Engineering, Inc.                                    | 3.00 | 150 |
| Built Pacific, Inc.                                     | 3.00 | 150 |
| Can-Do Electric, Inc.                                   | 3.00 | 150 |

**Fiscal Year 2017 Audit Plan  
Expense Contract – Descending Risk Scores**

**ATTACHMENT 4**

|  |      |     |
|--|------|-----|
| Denovo Ventures LLC  | 3.00 | 150 |
| EMS Construction, Inc.   | 3.00 | 150 |
| Epoch Universal, Inc.  | 3.00 | 150 |
| Gatzke, Dillon & Balance LLP                                   | 3.00 | 150 |
| PAL General Engineering, Inc.                                  | 3.00 | 150 |
| Plumbright, Inc.   | 3.00 | 150 |
| San Diego Office Interiors                                     | 3.00 | 150 |
| Vector Resources, Inc.   | 3.00 | 150 |
| WTS, Inc.  | 3.00 | 150 |
| CH2M Hill  | 2.90 | 150 |
| U.S. Bank National Association                                 | 2.90 | 150 |
| Are & R Plumbing Inc.  | 2.90 | 150 |
| Endless Summer Heating and Cooling, Inc.                       | 2.90 | 150 |
| Quality Fence Co. Inc.   | 2.80 | 150 |
| APEX Contracting & Restoration, Inc.                           | 2.80 | 150 |
| CPS Human Resources  | 2.80 | 150 |
| Drain Medic Plumbing   | 2.80 | 150 |
| United Storm Water Inc.  | 2.80 | 150 |
| Carter & Burgess, Inc.   | 2.70 | 150 |
| Idea Integration Corp. dba Idea                                | 2.70 | 150 |
| Law Management Inc. dba Designer Glass & Shower                | 2.70 | 150 |
| PC Specialists, Inc. dba Technology Integration Group (TIG)    | 2.70 | 150 |
| SIGMAnet, Inc.   | 2.60 | 150 |
| Aircraft Service International, Inc.                           | 2.50 | 150 |
| Sadler Electric, Inc.  | 2.50 | 150 |
| Marsh Risk & Insurance Service                                 | 2.40 | 150 |
| Mactec Engineering and Consulting                              | 2.20 | 150 |
| RJC Architects, Inc.   | 2.00 | 150 |
| MJE Marketing Services, Inc.                                   | 2.00 | 150 |
| Solution Guidance Corporation                                  | 2.00 | 150 |
| ETA Transit Systems  | 2.00 | 150 |
| Transcore LP   | 2.00 | 150 |
| Sharp Business Systems   | 2.00 | 150 |
| Swinerton Builders   | 2.00 | 150 |
| Total Communicator Solutions, Inc.                             | 2.00 | 150 |
| Lease Servicing Center, Inc.                                   | 2.00 | 150 |
| Exelis, Inc. Information Systems                               | 2.00 | 150 |
| Bay City Equipment Industries, Inc. dba Bay City Electric Work | 2.00 | 150 |
| Artwork San Diego  | 2.00 | 150 |
| Everbridge, Inc.   | 2.00 | 150 |
| Print-O-Tape Inc.  | 2.00 | 150 |
| Polsinelli LLP   | 2.00 | 150 |
| Heidi Halsey   | 2.00 | 150 |
| Ball-Nogues Design Studio, LLC                                 | 2.00 | 150 |

**Fiscal Year 2017 Audit Plan  
Expense Contract – Descending Risk Scores**

**ATTACHMENT 4**

|                                     |      |     |
|-------------------------------------|------|-----|
| BC Rental dba BC Traffic Specialist | 2.00 | 150 |
| Casper BV                           | 2.00 | 150 |
| Coffman Associates, Inc.            | 2.00 | 150 |
| Faithful + Gould, Inc.              | 2.00 | 150 |
| Fordyce Construction, Inc.          | 2.00 | 150 |
| Legge Lewis Legge LLC               | 2.00 | 150 |
| Nossaman LLP                        | 2.00 | 150 |
| Oracle, Inc.                        | 2.00 | 150 |
| Selbert Perkins Design              | 2.00 | 150 |

**28,000**

**Fiscal Year 2017 Audit Plan  
Car Rental Contracts – Descending Risk Scores**

**ATTACHMENT 5**

| <b>Company</b>  | <b>Risk Score</b> | <b>Hours</b> |
|---|-------------------|--------------|
| Enterprise Rent A Car Company (Enterprise, Alamo, National) | 4.60              | 400          |
| The Hertz Corporation                                       | 4.60              | 300          |
| Fox Rent A Car  | 4.50              | 300          |
| Avis Rent A Car Systems LLC                                 | 4.40              | 300          |
| Coronado Transportation System                              | 4.10              | 250          |
| BW - Budget - SDA, LLC                                      | 4.00              | 250          |
| Nevada Lease and Rental Inc. dba Payless Car Rental System  | 4.00              | 250          |
| DTG Operations Inc. dba Thrifty & Dollar                    | 3.80              | 300          |
| Simply Wheelz LLC dba Advantage Rent-A-Car                  | 3.80              | 250          |
| Midway Rent A Car, Inc.                                     | 3.67              | 200          |
| Pneuma Enterprises Inc. dba TravCar                         | 3.33              | 150          |
| Gitibin dba Go Rental                                       | 3.33              | 150          |
| Airport Van Rental, Inc.                                    | 3.00              | 150          |
| RLZ Corporation dba Pacific Rent-A-Car                      | 2.67              | 150          |
| South CA A1 Car Rental dba A1 Rent a Car                    | 2.67              | 150          |
| American Car Rental   | 2.67              | 150          |
| Flight Car, Inc. LC   | 2.60              | 150          |
| EZ Rent A Car   | 2.50              | 250          |

**4,100**

**Fiscal Year 2017 Audit Plan  
Other Lease Contracts – Descending Risk Scores**

**ATTACHMENT 6**

| <b>Company</b>                                    | <b>Risk Score</b> | <b>Hours</b> |
|---|-------------------|--------------|
| Ace Parking                                       | 5.00              | 350          |
| Landmark Aviation GSO-SAN, LLC                    | 4.50              | 150          |
| Airline & Others (Ogden Aviation)                 | 3.33              | 150          |
| JCDecaux, Inc.                                    | 3.00              | 250          |
| Gate Gourmet Inc.                                 | 3.33              | 150          |
| US General Services Administration                | 4.50              | 250          |
| Bank of America NA a National Banking Association | 4.00              | 300          |
| Aircraft Services International Inc.              | 3.33              | 150          |
| DAL Global Services LLC                           | 3.83              | 150          |
| GAT Airline Ground Support Inc.                   | 3.83              | 150          |
| Sky Chef Inc. dba LSG Sky Chefs                   | 4.00              | 150          |
| Elite Line Services Inc.                          | 3.50              | 150          |
| Airport Terminal Services Inc.                    | 4.50              | 150          |
| Primeflight Aviation Services                     | 3.17              | 150          |
| Advanced Wireless Group LLC                       | 4.00              | 150          |
| GGTW  | 4.00              | 150          |
| Smarte Carte Inc.                                 | 4.00              | 150          |
| Flying Food Group LLC                             | 4.00              | 150          |
| Integrated Airline Services Inc.                  | 4.00              | 150          |
| Huntleigh USA Corporation                         | 4.00              | 150          |
| Cargo Airport Services USA LLC                    | 4.00              | 150          |
| G2 Secure Staff, LLC                              | 3.83              | 150          |
| San Diego Air and Space Technology                | 3.67              | 150          |
| US Aviation Services Corporation                  | 3.33              | 150          |
| Injai Corporation dba Stevie's Catering           | 3.50              | 150          |
| Travelex America                                  | 3.83              | 150          |
| Aviation Port Services                            | 3.83              | 150          |
| AC Holding, Inc.                                  | 2.67              | 150          |
| Jetstream Ground Services Inc.                    | 3.50              | 150          |
| Certified Aviation Services LLC                   | 4.00              | 150          |
| Worldwide Flight Services                         | 3.50              | 150          |
| Ground Equipment Services                         | 3.83              | 150          |
| SCIS Air Security Corporation                     | 3.50              | 150          |
| Rainbow Concessions                               | 3.00              | 150          |
| ABM Services dba OneSource                        | 3.50              | 150          |
| Accufleet International                           | 3.00              | 150          |
| Gate Safe   | 3.00              | 150          |
| Certified Folder Display Services Inc.            | 3.00              | 150          |
| SLB, Inc. dba Goodfellows Shoeshine               | 3.67              | 150          |
| Hallmark Aviation Services                        | 3.00              | 150          |
| Moody's Lunch Services                            | 2.67              | 150          |
| Aeronautical Radio                                | 2.67              | 150          |

**Fiscal Year 2017 Audit Plan  
Other Lease Contracts – Descending Risk Scores**

**ATTACHMENT 6**

|  |      |     |
|--|------|-----|
| Master Lightning Security Services                 | 3.00 | 150 |
| ABX Air Inc.                                       | 4.00 | 150 |
| Pacific Aircraft Maintenance                       | 3.00 | 150 |
| Pristine Fleet LLC                                 | 3.00 | 150 |
| Immaculate Flight Inc.                             | 3.00 | 150 |
| LGSTX Services Inc.                                | 3.00 | 150 |
| Clean Before Flight Inc.                           | 3.00 | 150 |
| Jaroth, Inc. dba Pacific Telemanagement Services   | 3.33 | 150 |
| Southwest Air Dynamics, Inc.                       | 2.67 | 150 |
| Traveler's Aid Society of San Diego                | 2.67 | 150 |
| Security Point Media LLC                           | 3.00 | 150 |
| Air Transport International, LLC                   | 2.67 | 150 |
| Arinwine Aircraft Maintenance LLC dba F&E Aircraft | 2.67 | 150 |
| Bags of California, LLC                            | 2.67 | 150 |
| Hope Investments LLC dba Jerusalem Grill           | 2.67 | 150 |
| Jet Wash Inc.                                      | 2.67 | 150 |
| RAC & Associates dba SpecialCare                   | 2.67 | 150 |
| San Diego Convention Center                        | 2.33 | 150 |

**9,550**

**Fiscal Year 2017 Audit Plan  
Concession Contracts – Descending Risk Scores**

**ATTACHMENT 7**

| <b>Company</b>  | <b>Risk Score</b> | <b>Hours</b> |
|---|-------------------|--------------|
| High Flying Foods San Diego (FSP 8)   | 4.60              | 200          |
| High Flying Foods San Diego (FSP 7)   | 4.60              | 200          |
| Host International Inc. (FSP 1)   | 4.50              | 200          |
| Paradies - San Diego LLC (RP1)  | 4.40              | 200          |
| Swissport Lounge LLC  | 4.10              | 200          |
| Spa Didacus Inc. (RP 5)   | 4.00              | 200          |
| Host International Inc. (FSP 2)   | 3.90              | 200          |
| Stellar Partners Inc. (RP 4)  | 3.90              | 200          |
| SSP America Inc. (FSP 5)  | 3.80              | 200          |
| SSP America Inc. (FSP 6R)   | 3.80              | 200          |
| SSP America Inc. (FSP 3)  | 3.80              | 200          |
| Pacific Gateway Concessions and Procurement Concepts San Diego LLC (RP 3)       | 3.80              | 200          |
| Hudson Group, Concourse Ventures Inc., Epicure and Martinez San Diego JV (RP 7) | 3.70              | 200          |
| Hudson Group - CV - Epicure - Martinez San Diego (RP 2)                         | 3.60              | 200          |
| Mission Yogurt Inc. (FSP 4)   | 3.60              | 200          |
| InMotion Entertainment (RP 8)   | 3.30              | 200          |
| Duty Free Americans San Diego LLC   | 3.30              | 200          |
| New Zoom Inc. dba ZoomSystems (RP 6)  | 3.00              | 200          |

**3,600**

ITEM 4



Fiscal Year 2017  
Proposed Audit Plan  
of the  
Office of the Chief Auditor

July 1, 2016, through June 30, 2017

Audit Committee Meeting  
May 2, 2016

# Risk Assessment Methodology

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2017 Audit Plan is a five-part process consisting of:

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

# Audit Activities

Audit activities categories are:

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

## FY17 Audit Coverage

The audit units for FY17 selected for review cover the following revenue/expense included in the respective category:

- Expense contracts selected for review account for 64.8% of the total 12-month expenses.
- Car rental revenue contracts selected account for 71.5% of the total 12-month revenues.
- Other lease revenue contracts selected account for 51.2% of the total 12-month revenues.
- Concession revenue contracts selected account for 39.9% of the total 12-month revenues.

# Available Audit Resources

|  | Annual Hours<br>Available |
|--|---------------------------|
| Senior Auditor                             | 1,560                     |
| Senior Auditor                             | 1,560                     |
| Senior Auditor/Ethics Coordinator          | 1,560                     |
| Auditor                                    | 1,560                     |
| Interns (2 part-time)                      | 1,560                     |
| Audit Manager                              | 1,352                     |
| Chief Auditor                              | 1,040                     |
| Total Available Staff Hours Per Year       | <u>10,192</u>             |
| Annual Ongoing Audits and Special Requests | (1,867)                   |
| Ethics Program Activity                    | (375)                     |
| Construction Audit and Monitoring Activity | <u>(1,000)</u>            |
| Net Available Hours - Cycle Audits         | <u>6,950</u>              |

# Business Process Audits

|  |       |       |
|--|-------|-------|
| 1 Telecommunications Services and Billing              | 300   |       |
| 2 Process Control – Airport Development & Construction | 600   |       |
| 3 Property and Inventory Management                    | 250   |       |
| 4 Airport Lost and Found                               | 200   |       |
| 5 Environmental Compliance                             | 300   |       |
| TOTAL BUSINESS PROCESS AUDIT HOURS                     | 1,650 | 16.2% |

## Expense Contract Audits

|    |   |       |       |  |
|----|---|-------|-------|--|
| 6  | Austin/Sundt                                | 450   |       |  |
| 7  | AECOM Technical Services, Inc.              | 150   |       |  |
| 8  | AMEC Environmental and Infrastructure, Inc. | 150   |       |  |
| 9  | Orion Construction Corporation              | 150   |       |  |
| 10 | Jones Payne Group                           | 150   |       |  |
| 11 | Hearne Corporation                          | 150   |       |  |
| 12 | Bradford Airport Logistics                  | 150   |       |  |
| 13 | HSS, Inc.                                   | 150   |       |  |
| 14 | SP Plus Corporation                         | 150   |       |  |
|    | TOTAL EXPENSE CONTRACT AUDIT HOURS          | 1,650 | 16.2% |  |

# Revenue Contract Audits - Car Rentals

|    |   |       |       |
|----|---|-------|-------|
| 15 | Enterprise Rent A Car Company (Enterprise, Alamo, National) | 400   |       |
| 16 | Coronado Transportation System                              | 250   |       |
| 17 | Avis Rent A Car Systems LLC                                 | 300   |       |
| 18 | The Hertz Corporation                                       | 300   |       |
| 19 | Fox Rent A Car  | 300   |       |
|    | Total Car Rental Audits                                     | 1,550 | 15.2% |

# Revenue Contract Audits (Other Lease Contract)

|    |                                   |     |      |
|----|-----------------------------------|-----|------|
| 20 | Ace Parking                       | 350 |      |
| 21 | Airline & Others (Ogden Aviation) | 150 |      |
| 22 | JCDecaux, Inc.                    | 250 |      |
| 23 | Gate Gourmet, Inc.                | 150 |      |
|    | Total Other Lease Contract Hours  | 900 | 8.8% |

## Revenue Contract Audits (Concessions)

|    |                                     |       |       |
|----|-------------------------------------|-------|-------|
| 24 | High Flying Foods San Diego (FSP 8) | 200   |       |
| 25 | Host International Inc. (FSP 1)     | 200   |       |
| 26 | Swissport Lounge LLC                | 200   |       |
| 27 | Spa Didacus, Inc. (RP 5)            | 200   |       |
| 28 | High Flying Foods San Diego (FSP 7) | 200   |       |
| 29 | Paradies – San Diego LLC (RP 1)     | 200   |       |
|    | Total Concession Audit Hours        | 1,200 | 11.8% |

| Summary of Revenue Contract Hours |       |       |
|-----------------------------------|-------|-------|
| Total Car Rental Audits           | 1,550 | 15.2% |
| Total Other Lease Contract Hours  | 900   | 8.8%  |
| Total Concession Audit Hours      | 1,200 | 11.8% |
| Total Revenue Audit Hours         | 3,650 | 35.8% |

# Annual Ongoing Audits and Support

|    |   |            |              |
|----|---|------------|--------------|
| 30 | Aircraft Rescue & Fire Fighting (ARFF)                      | 150        |              |
| 31 | Board Member and Executive Business Expenses                | 50         |              |
| 32 | Rental Car Center Fund                                      | 50         |              |
| 33 | Procurement Card Program                                    | 150        |              |
| 34 | Agreements with Expenditures Limits not to Exceed \$100,000 | 100        |              |
| 35 | Transportation Network Company Reviews and Assistance       | 250        |              |
| 36 | Emergency Medical Technician & Paramedic Services           | 80         |              |
| 37 | San Diego Unified Port District Billing                     | <u>250</u> | 1,080        |
| 41 | Special Request Audits                                      |            | 787          |
| 42 | Ethics Program Activity                                     |            | 375          |
| 43 | Construction Audit and Monitoring Activity                  |            | <u>1,000</u> |
|    | Total Ongoing Audits and Support Hours                      |            | 3,242 31.8%  |

# Audit Hours Summary

|  |               |              |
|--|---------------|--------------|
| Total Business Process Audit Hours             | 1,650         | 16.2%        |
| Total Expense Contract Audit Hours             | 1,650         | 16.2%        |
| Total Revenue Contract Audit Hours             | 3,650         | 35.8%        |
| Total Ongoing Audits and Support Hours         | <u>3,242</u>  | <u>31.8%</u> |
| <b>Total Audit Hours</b>                       | 10,192        | 100.0%       |
| <b>Available Audit Hours From Office Staff</b> | <u>10,192</u> |              |
| <b>Difference</b>                              | <u>0</u>      |              |

# QUESTIONS?



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

**Item No.  
5**

Meeting Date: **MAY 2, 2016**

**Subject:**

**Fiscal Year 2017 Proposed Budget of the Office of the Chief Auditor and Fiscal Year 2018 Proposed Conceptual Budget Expense Summary**

**Recommendation:**

Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2017 Budget process for approval.

**Background/Justification:**

In accordance with the San Diego County Regional Airport Authority's Fiscal Year 2017 Budget process, which was initiated by the Authority's Finance Division in January 2016, the Office of the Chief Auditor (OCA) created a Proposed 2017 and a Proposed 2018 Conceptual Budget. The OCAs proposed budgets contain the anticipated expenditures and headcount necessary to carry out its duties in the coming fiscal years. The accompanying presentation provides the budgets in detail by line item.

During the May 2, 2016, Audit Committee Meeting the OCA will present its Fiscal Year 2017 Proposed Budget and 2018 Proposed Conceptual Budget to the Audit Committee for review. Subsequently, the proposed budget will be forwarded for inclusion in the Finance Division's scheduled Budget Workshop for Board approval.

**Fiscal Impact:**

The proposed FY17 Budget for the Office of the Chief Auditor is \$1,205,793.

**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 5



**Fiscal Year 2017 Proposed Budget  
of the Office of the Chief Auditor and  
Fiscal Year 2018 Proposed Conceptual  
Budget Expense Summary**

**Audit Committee Meeting  
May 2, 2016**

## FY 2017 Proposed - 2018 Proposed Conceptual Budget Expense Summary

|   | FY 2015<br>Actuals  | FY 2016<br>Budget   | FY 2017<br>Conceptual<br>Budget | FY 2017<br>Proposed<br>Budget | Inc / (Dec)<br>FY 17 Proposed<br>vs FY 16 Budget | %<br>Change   | Inc / (Dec)<br>FY 17 Proposed<br>vs FY 17 Conceptual | %<br>Change  | FY 2018<br>Proposed<br>Conceptual Budget | Inc / (Dec)<br>FY 18 Conceptual<br>vs FY 17 Budget | %<br>Change |
|---|---------------------|---------------------|---------------------------------|-------------------------------|--|---------------|--|--------------|--|--|-------------|
| <b>Operating Expenses:</b>                        |                     |                     |                                 |                               |  |               |  |              |  |  |             |
| <b>Personnel Expenses</b>                         |                     |                     |                                 |                               |  |               |  |              |  |  |             |
| Salaries and Wages                                | \$ 784,912          | \$ 809,836          | \$ 832,952                      | \$ 836,507                    | \$ 26,671  | 3.3%          | \$ 3,555   | 0.4%         | \$ 857,891                               | \$ 21,384  | 2.6%        |
| Premium Overtime                                  | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| Employee Benefits                                 | 374,352             | 360,070             | 375,680                         | 327,036                       | (33,034)   | -9.2%         | (48,644)   | -12.9%       | 329,560                                  | 2,524  | 0.8%        |
| Subtotal  | 1,159,265           | 1,169,907           | 1,208,633                       | 1,163,543                     | (6,364)  | -0.5%         | (45,090)   | -3.7%        | 1,187,451                                | 23,908   | 2.1%        |
| Less: Capitalized Labor                           | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| Less: QHP - Labor/Burden/Labor Overhead           | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| <b>Total Personnel Expenses</b>                   | <b>1,159,265</b>    | <b>1,169,907</b>    | <b>1,208,633</b>                | <b>1,163,543</b>              | <b>(6,364)</b>                                   | <b>-0.5%</b>  | <b>(45,090)</b>                                      | <b>-3.7%</b> | <b>1,187,451</b>                         | <b>23,908</b>                                      | <b>2.1%</b> |
| <b>Non-Personnel Expenses</b>                     |                     |                     |                                 |                               |  |               |  |              |  |  |             |
| Contractual Services                              | -                   | 750                 | 750                             | 750                           | -  | 0.0%          | -  | 0.0%         | 800                                      | 50   | 6.7%        |
| Safety and Security                               | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| Space Rental                                      | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| Utilities   | 59                  | 250                 | 275                             | 275                           | 25   | 10.0%         | -  | 0.0%         | 275                                      | -  | 0.0%        |
| Maintenance                                       | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| Operating Equipment & Systems                     | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| Operating Supplies                                | 2,572               | 5,900               | 2,750                           | 2,750                         | (3,150)  | -53.4%        | -  | 0.0%         | 2,800                                    | 50   | 1.8%        |
| Insurance   | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| Employee Programs                                 | 16,047              | 28,700              | 29,200                          | 29,200                        | 500  | 1.7%          | -  | 0.0%         | 29,875                                   | 675  | 2.3%        |
| Business Development                              | 4,002               | 4,225               | 4,380                           | 4,275                         | 50   | 1.2%          | (105)  | -2.4%        | 4,375                                    | 100  | 2.3%        |
| Equipment Rentals & Repairs                       | 4,470               | 7,875               | 5,050                           | 5,000                         | (2,875)  | -137.3%       | (50)   | -100.0%      | 5,100                                    | 100  | 2.1%        |
| Tenant Improvements                               | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| <b>Total Non-Personnel Expenses</b>               | <b>27,149</b>       | <b>47,700</b>       | <b>42,405</b>                   | <b>42,250</b>                 | <b>(5,450)</b>                                   | <b>-11.4%</b> | <b>(155)</b>   | <b>-0.4%</b> | <b>43,225</b>                            | <b>975</b>   | <b>2.3%</b> |
| <b>Total Operating Expenses</b>                   | <b>1,186,414</b>    | <b>1,217,607</b>    | <b>1,251,038</b>                | <b>1,205,793</b>              | <b>(11,814)</b>                                  | <b>-1.0%</b>  | <b>(45,245)</b>                                      | <b>-3.6%</b> | <b>1,230,676</b>                         | <b>24,883</b>                                      | <b>2.1%</b> |
| <b>Non-Operating Expenses:</b>                    |                     |                     |                                 |                               |  |               |  |              |  |  |             |
| Joint Studies/Sound Attenuation                   | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| Debt Service                                      | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| Legal Settlements Expense                         | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| <b>Total Non-Operating Expenses</b>               | <b>-</b>            | <b>-</b>            | <b>-</b>                        | <b>-</b>                      | <b>-</b>   | <b>0.0%</b>   | <b>-</b>   | <b>0.0%</b>  | <b>-</b>                                 | <b>-</b>   | <b>0.0%</b> |
| <b>Total Expenses</b>                             | <b>1,186,414</b>    | <b>1,217,607</b>    | <b>1,251,038</b>                | <b>1,205,793</b>              | <b>(11,814)</b>                                  | <b>-1.0%</b>  | <b>(45,245)</b>                                      | <b>-3.6%</b> | <b>1,230,676</b>                         | <b>24,883</b>                                      | <b>2.1%</b> |
| Equipment Outlay                                  | -                   | -                   | -                               | -                             | -  | 0.0%          | -  | 0.0%         | -  | -  | 0.0%        |
| <b>Total Authority Expenses incl Equip Outlay</b> | <b>\$ 1,186,414</b> | <b>\$ 1,217,607</b> | <b>\$ 1,251,038</b>             | <b>\$ 1,205,793</b>           | <b>\$ (11,814)</b>                               | <b>-1.0%</b>  | <b>\$ (45,245)</b>                                   | <b>-3.6%</b> | <b>\$ 1,230,676</b>                      | <b>\$ 24,883</b>                                   | <b>2.1%</b> |

# Major Drivers of FY 2017 & FY 2018 Proposed Budget

|   | Inc / (Dec)<br>FY 17<br>vs FY 16 | Inc / (Dec)<br>FY 18 Conceptual<br>vs FY 17 |
|---|----------------------------------|---|
| <b>FY 2016 Budget / FY 2017 Budget</b>                    | <b>\$ 1,217,607</b>              | <b>\$ 1,205,793</b>                         |
| <b>Personnel Costs</b>                                    |                                  |   |
| Salary adjustments and pay-for-performance                | 108,825                          | 21,384                                      |
| Burden (benefits & employer taxes) for current staff      | (12,941)                         | 2,524                                       |
| 1 Eliminated position of Auditor (salaries & burden)      | (102,248)                        | -   |
| <b>Total Increase / (Decrease) in Personnel Costs</b>     | <b>(6,364)</b>                   | <b>23,908</b>                               |
| Other, net  | (5,450)                          | 975   |
| <b>Total Increase / (Decrease) in Non-Personnel Costs</b> | <b>(5,450)</b>                   | <b>975</b>                                  |
| <b>Total Increase / (Decrease)</b>                        | <b>(11,814)</b>                  | <b>24,883</b>                               |
| <b>FY 2017 Budget / FY 2018 Conceptual Budget</b>         | <b>\$ 1,205,793</b>              | <b>\$ 1,230,676</b>                         |

# QUESTIONS?



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

**Item No.  
6**

Meeting Date: **MAY 2, 2016**

**Subject:**

**Revision to the Fiscal Year 2016 Audit Plan of the Office of the Chief Auditor**

**Recommendation:**

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

**Background/Justification:**

Pursuant to Section 4 and Section 5 of the Charter of the Office of the Chief Auditor, amendments to an Audit Plan for unforeseen and special request audits may be performed after review and consultation with the Audit Committee.

The Office of the Chief Auditor's (OCA) Annual Audit Plan for Fiscal Year 2016 was approved by the Audit Committee during its May 4, 2015, meeting.

The Fiscal Year 2016 Audit Plan requires a revision due to circumstances identifying the addition, or the deletion, of the following project or vendor, per the request of the Office of the Chief Auditor:

**Delete: Environmental Compliance**

The revised Fiscal Year 2016 Audit Plan is presented in Attachment A.

**Fiscal Impact:**

None

**Authority Strategies:**

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

- Community Strategy     Customer Strategy     Employee Strategy     Financial Strategy     Operations Strategy

**Environmental Review:**

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

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

**Application of Inclusionary Policies:**

Not applicable

**Prepared by:**

MARK A. BURCHYETT  
CHIEF AUDITOR

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**OFFICE OF THE CHIEF AUDITOR**  
**Fiscal Year 2016 Audit Plan**  
**Revised 5/2/2016**

ATTACHMENT A

**BUSINESS PROCESS AUDITS**

---

- 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**

---

- 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**

---

- 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**

---

- 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