

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## **AUDIT COMMITTEE and SPECIAL BOARD MEETING \***

### **AGENDA**

Monday, February 1, 2016  
10:00 A.M.

San Diego International Airport  
SDCRAA Administration Building – Third Floor  
(Formerly Commuter Terminal)  
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 December 7, 2015, special meeting.

**2. FISCAL YEAR 2016 SECOND 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

**3. CONSTRUCTION AUDIT STATUS REPORT:**

RECOMMENDATION: Information item only.

Presented by: Callie Ullman, Senior Auditor

**NON-AGENDA PUBLIC COMMENT:**

**COMMITTEE MEMBER COMMENTS:**

**ADJOURNMENT:**

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

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

**Additional Meeting Information**

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

For your convenience, the agenda is also available to you on our website at [www.san.org](http://www.san.org).

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

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

<b>UPCOMING MEETING SCHEDULE</b>				
<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
May 2, 2016	Monday	10:00 a.m.	Regular	Board Room
September 6, 2016	Monday	10:00 a.m.	Regular	Board Room
November 21, 2016	Monday	10:00 a.m.	Regular	Board Room

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**AUDIT COMMITTEE MINUTES**  
**MONDAY, DECEMBER 7, 2015**  
**SAN DIEGO INTERNATIONAL AIRPORT**  
**BOARD ROOM**

**CALL TO ORDER:**

Chair Robinson called the special meeting of the Audit Committee and Special meeting of the Board to order at 10:40 a.m. on Monday, December 7, 2015, in the Board Room at the San Diego International Airport, Administration Building, 3225 North Harbor Drive, San Diego, CA 92101.

**PLEDGE OF ALLEGIANCE:**

**ROLL CALL:**

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

Board Members: Boling

ABSENT: Committee Members: Van Sambeek

ALSO PRESENT: Thella F. Bowens, President/CEO; Breton K. Lobner, General Counsel; Lorraine Bennett, Assistant Authority Clerk II; Linda Gehlken, Assistant Authority Clerk I

**NON-AGENDA PUBLIC COMMENT:** None

**NEW BUSINESS:**

Chair Robinson stated that Item 3 would be heard first.

**3. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2015, REPORTS: A) AUDITED FINANCIAL STATEMENTS, B) COMPLIANCE (SINGLE AUDIT) REPORT, C) PASSENGER FACILITY CHARGE COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) REPORT TO THE AUDIT COMMITTEE:**

Kathy Kiefer, Senior Director, Finance & Asset Management; Joseph Vande Bosche, Partner, and David Coleman, Director, BKD, LLP, provided a presentation on the Annual Audit - Year Ended June 30, 2015, which included 2015 Highlights; Assets and Deferred Outflows Composition as of June 30, 2015; Assets and Deferred Outflows Composition Trends; Liabilities and Deferred Inflows Composition as of June 30, 2015; Liabilities and Deferred Inflows Composition Trends; Total Revenues and Capital Contributions Composition for the Year Ended June 30, 2015; Total Revenues and Capital Contributions Trends; Expense Composition for the Year Ended June 30, 2015; Expense Trends; and Other Relevant Trends.

In response to Board Member Boling regarding whether the actuarial report received from the San Diego County Employee Retirement System requires modifications before it becomes compliant with GASB 68, Mr. Vande Bosche stated that the assumptions are acceptable and in compliance.

Board Member Gleason requested that the information under Nature of Organization and Summary of Significant Accounting Policies, in the Financial Statements page 22, Note 1, which referenced Insurance contingency as Note 9, and Capital projects and other commitments as Note 12, be revised to correctly identify them as 10 and 13, respectively. He also stated that the information needs to be revised in the Comprehensive Annual Financial Report (CAFR).

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

**ACTION: Moved by Committee Member Tartre and seconded by Board Member Sessom to approve staff's recommendation, and include the revision to the Financial Statement and CAFR. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT.**

**1. APPROVAL OF MINUTES:**

**RECOMMENDATION:** Approve the minutes of the August 17, 2015, regular meeting.

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

**2. PRESENTATION INTRODUCING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) 68 IMPLEMENTED IN THE AUDITED FINANCIAL STATEMENTS AS OF JUNE 30, 2015:**

**RECOMMENDATION:** Information item only.

**ACTION: The presentation for this item was not given, but, the information was covered by the External Auditor during Item 3.**

**4. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2015:**

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

**ACTION: Moved by Board Member Gleason and seconded by Board Member Hubbs to approve staff's recommendation as amended, noting to revise the reports as directed under Item 3. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT.**

5. **FISCAL YEAR 2016 FIRST QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:** Mark A. Burchyett, Chief Auditor; and Fred Bolger, Manager, Audit Services, presented an overview of the Fiscal Year 2016 First Quarter Audit Activities Report, which included Audit Activities; Audits in Progress as of September 30, 2015; Recommendation Follow-Up; Fiscal Year 2016 Measure Outcomes; and Summary of Ethics Inquiries.

In response to Committee Member Tartre's recommendation that Audits in Progress, which have been ongoing for an extended period of time, include a summary for additional clarity; Fred Bolger, Audit Manager, stated that going forward the recommendations will be presented in another format showing aging.

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

**NON-AGENDA PUBLIC COMMENT:** None

**COMMITTEE MEMBER COMMENTS:** None

**ADJOURNMENT:** The meeting was adjourned at 11:24 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 1<sup>th</sup> DAY OF FEBRUARY, 2016.

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MARK A. BURCHYETT  
CHIEF AUDITOR

ATTEST:

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LORRAINE BENNETT  
ASSISTANT AUTHORITY CLERK II



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

Item No.  
**2**

Meeting Date: **FEBRUARY 1, 2016**

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**Subject:**

**Fiscal Year 2016 2nd 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. To reflect current operational practices, the Charter was 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 Second Quarter Activity Report (Attachment A) summarizes the undertakings and accomplishments of the Chief Auditor's office from October 1, 2015, through December 31, 2015.

During the second quarter, the Office of the Chief Auditor completed eight (8) audits of the Fiscal Year 2016 Audit Plan and issued six (6) recommendations. Appendix B of the activity report provides the status of audit recommendations awaiting implementation that were issued by the Office of the Chief Auditor.

A presentation on the Second Quarter activities of the Office of the Chief Auditor will be provided during a meeting of the Audit Committee on February 1, 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

## FISCAL YEAR 2016 SECOND QUARTER REPORT



January 21, 2016

FY16 Second 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 Second Quarter Report. The report details both the audit and the administrative activities of the OCA during the second quarter of Fiscal Year 2016, the resolutions of past audit findings, and information regarding the future plans of the OCA.

The Second Quarter Report will be presented at the next Audit Committee meeting scheduled for February 1, 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 second quarter, the OCA continued its work on audits contained within the FY16 audit plan, as authorized by the Audit Committee, and wrapped up audits from the FY15 audit plan. In total, during the second quarter, the OCA issued eight (8) audits reports. For the month of December, we issued three (3) audit reports and one (1) audit memo. The audit reports issued during the quarter included six (6) recommendations for management. The completed audits for the second quarter are listed in Figure 1 below.

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

<b>Audit</b>	<b>Report No.</b>	<b>Date</b>	<b>Type of Audit</b>
Nuera Contracting and Consulting LP	16011	10/19/2015	Expense Contract
BW-Budget-SDA LLC	16016	11/6/2015	Revenue Contract
SSP America, Inc. (FSP 3)	16027	11/13/2015	Revenue Contract
Ocean Blue Environmental Services, Inc.	16006	11/16/2015	Expense Contract
NewZoom Inc., dba ZoomSystems	16030	12/8/2015	Revenue Contract
Review of Uber Compliance	MEMO	12/21/2015	Special Compliance
Landmark Aviation GSO-SAN, LLC	16022	12/18/2015	Revenue Contract
DTG Operations, Inc., dba Thrifty and Dollar	16018	12/23/2015	Revenue Contract

In addition to the completed audits, the Office of the Chief Auditor had ten (10) audits in progress as of December 31, 2015, as shown in Figure 2 below. Of the ten (10) 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. Of those four, one audit report, for SSP America – Package #5R, has been issued.

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

<b>Audit</b>	<b>Type of Audit</b>
Aircraft Rescue & Fire Fighting (ARFF)	Expense Contract
Biennial Airline Revenue	Revenue Contract
Business and Travel Expenses	Internal Process
Hazard Construction Company	Expense Contract
IT Monitoring and Evaluation	Internal Process
Merriwether Williams Insurance Services	Expense Contract
Midway Rent A Car Inc.	Revenue Contract
Smarte Carte Inc.	Revenue Contract
SSP America Inc. (FSP 5R)	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 14 recommendations that were issued during FY16, or were outstanding as of June 30, 2015. As shown by Figure 3 below, six (6) 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 December 31, 2015*

<b>Recommendations:</b>				
<b>Tracked</b>	<b>Completed</b>	<b>In Progress</b>	<b>Open</b>	<b>Not Accepted</b>
<b>14</b>	<b>6</b>	<b>5</b>	<b>3</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 FY16, we have issued a total of six (6) 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	2	0	4	6
6 Months to 1 Year	0	0	0	0
Over 1 Year	0	0	0	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>6</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 December 7, 2015. During that meeting, the Committee received the Authority’s external auditor’s Fiscal Year Ended June 30, 2015 reports; the Fiscal Year 2015 CAFR; and the OCAs Fiscal Year 2015 First Quarter Activity Report. The next Audit Committee meeting is February 1, 2016.

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

The OCA continued its Construction Audit activity separate from the Annual Audit Plan. On-going activities related to the Green Build include:

- Review of Green Build closeout activities

On-going activities related to other construction projects include:

- Analysis of project management (soft) costs incurred in capital projects

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 the Authority is meeting compliance requirements for ongoing and planned projects.

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

A summary of the Ethics Program Hotline activities for the period October 1, 2015, through December 31, 2015, is provided in Appendix A.

#### **Training:**

During the second quarter, OCA staff participated in several Internet-based and self-paced training seminars. Of note were sessions regarding ethical leadership, cyber threats, and financial statement fraud.

*Performance Measures*

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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 December 31, 2015*

Performance Measure	Goal	Progress as of December 31, 2015
Percentage of the audit plan completed annually	100%	40%
Additional revenue/cost savings identified through audits	n/a	\$44,689
Percentage of staff time spent on audit activities	80% <sup>1</sup>	81%
Percentage of audits completed within budgeted time	80%	83%
Implementation of Recommendations	90%	65%

**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 40% of the plan and an additional 22% of the audit plan is currently in-progress. We also have established quarterly goals for the completion of our audit plan. For the second quarter, we had a completion goal of 51% 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 second quarter of FY16 we did not identify any additional revenue or cost savings.

**Percentage of staff time spent on audit activities:** This measure helps ensure that the OCA spends an adequate amount of time on audit activities rather than administrative activities. To date, the OCA is over its current goal of 80%.

**Percentage of audits completed within budgeted time:** This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it recognizes that budgets may need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA is over its goal of completing 80% of its projects within the budgeted 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, 15 of 23 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.

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

*Going Forward*

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For completion during the third quarter of FY16, the OCA has targeted all of the audits currently in progress and four (4) additional audits. The completion of these audits will result in the accomplishment of 74% of the FY16 Audit Plan. Figure 6 identifies the audits scheduled for completion in the third quarter.

*Figure 6: Audits Scheduled for Completion in the Third Quarter of Fiscal Year 2016*

Audit	Type of Audit
Aircraft Rescue & Fire Fighting (ARFF)	Expense Contract
Biennial Airline Revenue	Revenue Contract
Business and Travel Expenses	Internal Process
Emergency Medical Technician & Paramedic Services	Expense Contract
Grant and Non-Airline Revenue Management	Internal Process
Hazard Construction Company	Expense Contract
IT Monitoring and Evaluation	Internal Process
Merriwether Williams Insurance Services	Expense Contract
Midway Rent A Car, Inc.	Revenue Contract
Simply Wheelz LLC dba Advantage Rent-A-Car	Revenue Contract
Sky Chef, Inc. dba LSG Sky Chefs	Revenue Contract
Smarte Carte, Inc.	Revenue Contract
SSP America, Inc. (FSP 5R)	Revenue Contract
The Hertz Corporation	Revenue Contract

Ethics Hotline  
October – December 2015

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
<b>Code of Ethics Concerns</b>					
Potential Misuse of Public Funds					
<i>Construction/Car Rental</i>	15	12	0	n/a	3
<i>Construction/Access Roads</i>	1	1	0	n/a	0
Potential Misuse of Resources					
<i>Holiday Party</i>	5	5	0	n/a	0
Acceptance of Gifts	2	0	0	n/a	2
<b>Non Ethics Related Concerns</b>					
TSA Practices and Behavior	14	9	0	n/a	5
ATO Practices and Behavior	8	6	0	n/a	2
Aircraft Noise	7	7	0	n/a	0
<b>General Workplace Concerns</b>					
United Way	21	18	0	n/a	3
Volunteer Opportunity Emails	16	12	0	n/a	4
Workplace Practices/Behavior	5	4	0	n/a	1
Workplace Equitability	3	3	0	n/a	0
Potential Conflict of Interest	3	3	0	n/a	0

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of December 31, 2015	OCA's Assessment	Estimated Completion Date
15-18	ACCOUNTING DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	17	<b>Impact: 9 Probability: 8</b>	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 continues to work with BKD (Authority's external auditor) to review our processes, and will implement improvements based upon the feedback provided. In addition, all payables-related user guides are being internally reviewed and updated and documentation requirements will be consistent for all payment methods. User training sessions are being developed and will be offered in the near future.	In Progress	June 2016
15-19	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	15	<b>Impact: 8 Probability: 7</b>	Procurement should ensure that a fully trained backup is performing the full duties and responsibilities of the P-Card Program Analyst during extended absences. A formal training manual should be created and updated annually to address any new procedures or issues noted in the preceding year. The manual can then be used by the backup person to provide the annual training if the P-Card Analyst is not available.	Procurement has identified and fully trained a back-up for the P-Card Program Analyst. A formal desk manual will be created and updated annually to address new procedures.	In Progress	March 2016
15-21	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	15	<b>Impact: 8 Probability: 7</b>	Procurement should evaluate the feasibility of instituting an approved vendor list or reviewing all vendors and utilizing some of the built in controls within the US Bank cards.	The government CALcard program disallows 10 merchant categories. Procurement has reviewed all US Bank's merchant categories and identified an additional 61 merchant categories that were closed in November. Two categories were re-opened at the request of an Authority Director to allow for appropriate transactions.	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 December 31, 2015	OCA's Assessment	Estimated Completion Date																					
15-22	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	14	Impact: 7 Probability: 7	Procurement should provide additional analysis of the P-Card Program to Management on a regular basis.	Procurement is working on various spend report formats. Standard transaction and spend analysis reports are used for additional analysis and recommendations to management.	In Progress	February 2016																					
15-23	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report #15034, dated May 18, 2015 Aircraft Rescue and Fire Fighting Expense Billings - Fiscal Year 2014	14	Impact: 8 Probability: 6	We recommend that the Aviation Security & Public Safety Department (AVSEC) notify the City concerning the overbilling of \$39,668 for personnel expenses. These adjustments should be included in the final calculation of the amount due to the City for Fiscal Year 2014 ARFF services.	The Authority received and applied the credit from the City.	Completed	N/A																					
15-31	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16018, dated December 23, 2015, DTG Operations, Inc., dba Thrifty and Dollar	14	Impact: 7 Probability: 7	Business and Financial Management should request that Accounting generate an invoice to DTG in the amount of \$35,847, as detailed below: <b>License Fee and CFC Recalculation</b>	This recommendation was issued during the month of December so no follow-up was performed.	Open	Unknown																					
					<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 style="text-align: right;">&lt;\$12,383&gt;</td> <td style="text-align: right;">&lt;\$4,449&gt;</td> <td style="text-align: right;">&lt;\$16,832&gt;</td> </tr> <tr> <td>Finding 2 - CFC</td> <td style="text-align: right;">&lt;2,052&gt;</td> <td style="text-align: right;">18,011</td> <td style="text-align: right;">15,959</td> </tr> <tr> <td>Finding 3 - Non-Airport</td> <td style="text-align: right;"><u>27,476</u></td> <td style="text-align: right;"><u>9,244</u></td> <td style="text-align: right;"><u>36,720</u></td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>\$13,041</b></td> <td style="text-align: right;"><b>\$22,806</b></td> <td style="text-align: right;"><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>				
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NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of December 31, 2015	OCA's Assessment	Estimated Completion Date
15-16	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	13	<b>Impact: 6 Probability: 7</b>	To ensure that Approving Officials take ownership of their review responsibilities, the Procurement Department should revise the Manual to include the same disciplinary measures for Approving Officials who approve reconciliations with inadequate documentation, or questionable, prohibited, or restricted purchases, as those imposed on P-Cardholders.	Approving Officials (Department Directors or in some cases authorized Managers) are currently identified along with the cardholder on violation letters sent to the respective Executive. Approving Officials are also required to take remedial training specific to the violation. Procurement has revised the P-Card Manuals to reflect updates and recommendations that strengthen controls. The new manuals will be released in conjunction with the updated mandatory training being coordinated through Talent, Culture, & Capability (TCC).	In Progress	January 2016
15-30	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16030, dated December 8, 2015, NewZoom, Inc. dba ZoomSystems	13	<b>Impact: 7 Probability: 6</b>	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.	This recommendation was issued during the month of December so no follow-up was performed.	Open	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of December 31, 2015	OCA's Assessment	Estimated Completion Date
15-26	AIRPORT NOISE MITIGATION/ QUIETER HOME PROGRAM	Audit Report 16011, dated October 19, 2015, Nuera Contracting and Consulting LP	12	<b>Impact: 6 Probability: 6</b>	We recommend that the Quieter Home Program develop a mechanism to bill contractor's liquidated damages as they are incurred. The mechanism should track and aggregate the amounts owed, thus ensuring compliance with Authority Policy. Additionally, all liquidated damages should be collected prior to final payments to contractors.	QHP routinely tracks unauthorized days and potential liquidated damages on a weekly basis as part of the weekly construction progress meeting. Liquidated damages are typically assessed on a monthly basis as part of the progress payment application process. Final payment, to include the release of retainage, is not made before liquidated damages are addressed.	Completed	N/A
15-17	ACCOUNTING DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	11	<b>Impact: 6 Probability: 5</b>	To ensure that personnel changes do not diminish reviews of P-Card purchases, Accounting should ensure that personnel assigned to this function are properly trained.	P-card review, reconciliation, and posting process documentation has been completed and is available for review. Primary and backup personnel are fully trained. In addition, management now provides additional oversight, especially during personnel transitions.	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 December 31, 2015	OCA's Assessment	Estimated Completion Date
15-27	AIRPORT NOISE MITIGATION/ QUIETER HOME PROGRAM	Audit Report 16011, dated October 19, 2015, Nuera Contracting and Consulting LP	11	<b>Impact: 6 Probability: 5</b>	We recommend that the Quieter Home Program (QHP) evaluate whether it can and should bill Nuera for the past liquidated damages. If it is determined that the damages will be collected, QHP should work in conjunction with the Accounting Department and Nuera to determine the best method of payment.	Nuera was a local small business intent on achieving long-term participation with QHP. Overall, Nuera was not equipped or experienced enough to realize immediate success and struggled to meet the most basic expectations. Despite the many challenges, Nuera remained professional and determined to complete each project. It is not in anyone's best interest to collect past liquidated damages incurred.	Completed	N/A
15-29	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16030, dated December 8, 2015, NewZoom, Inc. dba ZoomSystems	11	<b>Impact: 5 Probability: 6</b>	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.	This recommendation was issued during the month of December so no follow-up was performed.	Open	Unknown
15-20	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	10	<b>Impact: 5 Probability: 5</b>	Procurement should ensure that the Manual and the User Guide are reviewed and updated annually to ensure that internal controls are in place and effective surrounding all P-Card transactions.	Procurement has revised the P-Card Manuals to reflect updates and recommendations that strengthen controls. The new manuals will be released in conjunction with the updated mandatory training being coordinated through Talent, Culture, & Capability (TCC).	Complete	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 December 31, 2015	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 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.	An invoice has been issued and the Authority is awaiting payment.	In Progress	February-16

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.



# Quarterly Audit Activities Report

October 1, 2015, through December 31, 2015

Fiscal Year 2016 2<sup>nd</sup> Quarter Activities Report  
and Audit Recommendations  
Issued by the Office of the Chief Auditor

Audit Committee Meeting  
February 1, 2016

# Presentation Overview

## 2<sup>nd</sup> Quarter Report

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

# Audit Activities

- **Completed 8 Audits**
  - Expenditure Contract: 2
  - Revenue Contract: 5
  - Special Compliance Review: 1
- **Ten (10) audits were in progress as of December 31, 2015**
- **Audit Results**
  - Six (6) Recommendations Issued during the 2<sup>nd</sup> Quarter

# Audits in Progress as of December 31, 2015

Audit	Type of Audit	Status as of January 21, 2016
Aircraft Rescue & Fire Fighting (ARFF)	Expense	Draft Report
Biennial Airline Revenue	Revenue	Fieldwork
Business and Travel Expense	Internal	Fieldwork
Hazard Construction Company	Expense	Draft Report
IT Monitoring and Evaluation	Internal	Fieldwork
Merriwether Williams Insurance Services	Expense	Draft Report
Midway Rent A Car, Inc.	Revenue	Fieldwork
Smarte Carte, Inc.	Revenue	Fieldwork
SSP America, Inc. (FSP 5R)	Revenue	Issued
The Hertz Corporation	Revenue	Draft Report

# Recommendation Follow-Up

Status as of December 31, 2015:

Tracked	Completed	In Progress	Open	Not Accepted
14	6	5	3	0

# Fiscal Year 2016 Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	40%
Percentage of the audit plan completed during 2 <sup>nd</sup> Quarter	51%	40%
Additional revenue/cost savings identified through audits	n/a	\$44,689
Percentage of staff time spent on audit activities	80%	81%
Percentage of audits completed within budgeted time	80%	83%
Implementation of Recommendations	90%	65%

# Summary of Ethics Inquiries

October 1, 2015, through December 31, 2015

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
<b>Code of Ethics Concerns</b>					
Potential Misuse of Public Funds					
<i>Construction/Car Rental</i>	15	12	0	n/a	3
<i>Construction/Access Roads</i>	1	1	0	n/a	0
Potential Misuse of Resources					
<i>Holiday Party</i>	5	5	0	n/a	0
Acceptance of Gifts	2	0	0	n/a	2
<b>Non Ethics Related Concerns</b>					
TSA Practices and Behavior	14	9	0	n/a	5
ATO Practices and Behavior	8	6	0	n/a	2
Aircraft Noise	7	7	0	n/a	0
<b>General Workplace Concerns</b>					
United Way	21	18	0	n/a	3
Volunteer Opportunity Emails	16	12	0	n/a	4
Workplace Practices/Behavior	5	4	0	n/a	1
Workplace Equitability	3	3	0	n/a	0
Potential Conflict of Interest	3	3	0	n/a	0

# QUESTIONS?

# CONSTRUCTION AUDIT STATUS REPORT

February 1, 2016



# On-Going Green Build Audit Activities

- Green Build Closeout Activities



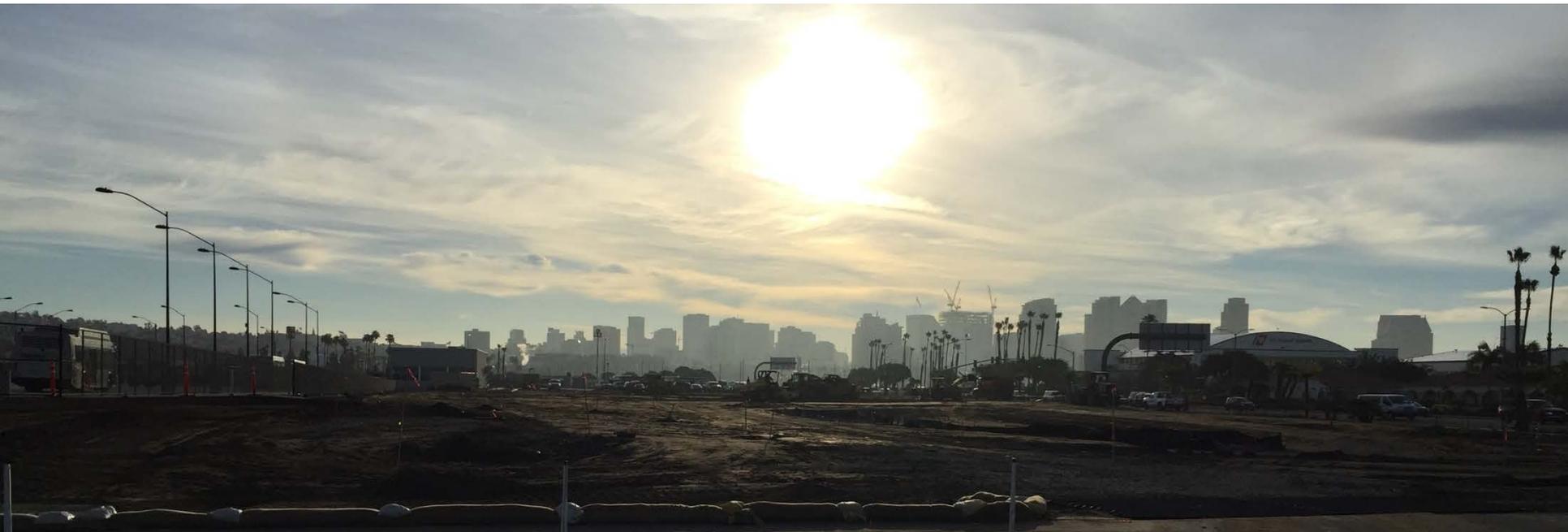
# On-Going RCC Audit Activities

- None this quarter



# On-Going General Construction Audit Activities

- Soft Cost Review



Questions

RENTAL CAR CENTER