

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY



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ERAINA ORTEGA\*  
PAUL ROBINSON  
MARY SESSOM  
TOM SMISEK

\* EX OFFICIO BOARD MEMBERS

PRESIDENT/CEO  
THELLA F. BOWENS

## AUDIT COMMITTEE and SPECIAL BOARD MEETING \*

### AGENDA

Monday, August 18, 2014  
10:00 A.M.

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

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

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate & 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, Sessom, Smisek, Tartre,  
Van Sambeek

**NON-AGENDA PUBLIC COMMENT:**

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

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

**NEW BUSINESS:**

**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the May 12, 2014, regular meeting.

**2. FISCAL YEAR 2014 – ANNUAL REPORT FROM THE AUDIT COMMITTEE:**

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

Presented by: Tom Smisek, Audit Committee Chair

**3. FISCAL YEAR 2014 – ANNUAL AUDIT ACTIVITIES REPORT FROM THE OFFICE OF THE CHIEF AUDITOR, AND AUDIT RECOMMENDATIONS FROM THE OFFICE OF THE CHIEF AUDITOR FOR REVIEW:**

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information; and provide, if necessary, direction to staff on audit recommendations. ***(Requires five (5) affirmative votes of the Audit Committee)***

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

**4. REVISION TO THE CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR:**

RECOMMENDATION: Staff recommends that the Audit Committee approve and forward to the Board for approval revisions to the Charter for the Office of the Chief Auditor to address consulting services recommended as part of the Quality Assessment Review. ***(Requires five (5) affirmative votes of the Audit Committee)***

Presented by: Mark A. Burchyett, Chief Auditor

**5. UPDATE ON CONCESSION AUDITS:**

RECOMMENDATION: Information item only.

Presented by: Michael Williams, Auditor

**6. UPDATE ON THE GREEN BUILD CONSTRUCTION AUDIT:**

RECOMMENDATION: Information item only.

Presented by: Callie Ullman, Senior Auditor

**7. REVISION TO THE FISCAL YEAR 2015 AUDIT PLAN:**

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

Presented by: Mark A. Burchyett, Chief 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 initiation of the 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 Section at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, and Committees 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 could not be heard during the first Public Comment period.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees. Public comment on specific items 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 and 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>				
<b><i>Date</i></b>	<b><i>Day</i></b>	<b><i>Time</i></b>	<b><i>Meeting Type</i></b>	<b><i>Location</i></b>
November 17	Monday	10:00 a.m.	Regular	Board Room

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**AUDIT COMMITTEE MINUTES**  
**MONDAY, MAY 12, 2014**  
**BOARD ROOM**

**CALL TO ORDER:**

Chair Smisek called the meeting of the Audit Committee to order at 10:03 a.m., on Monday, May 12, 2014, in the Board Room of the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

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

**ROLL CALL:**

PRESENT: Committee Members: Hollingworth, Hubbs, Smisek, Tartre,  
Van Sambeek

ABSENT: Committee Members: Gleason, Sessom

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

**NON-AGENDA PUBLIC COMMENT:** None

**NEW BUSINESS:**

Chair Smisek announced that Item 2 would be heard first.

**2. RESULTS OF THE QUALITY ASSESSMENT REVIEW:**

Mark A. Burchyett, Chief Auditor, provided a presentation on the results of the Quality Assessment Review (QAR), which included information on the QAR process, QAR Results, and Management Letter suggestions.

In regard to Management Letter Suggestion 5, Committee Member Van Sambeek suggested looking at swapping out the audit of Board Member expenses with another public agency.

In response to Committee Member Tartre regarding how “consulting” services are defined in the Office of the Chief Auditor’s Charter, Mr. Burchyett stated that staff is currently crafting language to re-define consulting services in the Charter, and will bring the matter back to the Committee for any further refinements. Committee Member Tartre also suggested that staff work together with General Counsel on language definition.

In response to Committee Member Tartre's concern that auditors be allowed to continue to do their due diligence and not be constrained due to pending initial approval of their audit plan, Mr. Burchyett stated that he would only ask that the auditors not sign off on their work papers until their audit plan is approved. He further stated that this process would not impede the work that needs to be done.

**RECOMMENDATION:** Staff recommends that the Audit Committee accept the Peer Review's reported conclusions for quality assurance of the Office of the Chief Auditor, and forward it to the Board for approval.

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

**1. APPROVAL OF MINUTES:**

**RECOMMENDATION:** Approve the minutes of the February 10, 2014, regular meeting and the April 21, 2014 special meeting.

**ACTION: Moved by Board Member Hubbs and seconded by Committee Member Tartre to approve staff's recommendation. Motion carried noting the ABSTENTION of Board Member Hubbs for the February 10, 2014, regular meeting and the ABSTENTION of Committee Member Van Sambeek for the April 21, 2014, special meeting, and noting Board Members Gleason and Sessom as ABSENT.**

**3. REQUIRED COMMUNICATIONS FROM THE EXTERNAL AUDITOR TO THE AUDIT COMMITTEE ON THE FISCAL YEAR ENDED JUNE 30, 2014, FINANCIAL AND COMPLIANCE AUDIT:**

Joseph P. Vande Bosche, Partner, BKD, LLP, CPAs & Advisors, provided the external auditor's presentation, which included an Overview of Auditing Guidelines, Planned Scope, Planned Timing, Approach to Planning, Tools, Revisions to Professional Standards, Consideration of Errors or Fraud, Contacts, and Client Service Culture. He also provided a presentation about BKD Client Services, which included the history of BKD and their qualifications.

In response to concern expressed by Committee Member Hollingworth regarding how toxic waste will be handled, Joseph P. Vande Bosche, Partner, BKD, stated that there is a standard that applies specifically to this type of issue, and this would include being evaluated for any potential environmental remediation.

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

*Committee Member Hubbs left the dais at 11:05 a.m.*

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

*Committee Member Hubbs returned to the dais at 11:10 a.m.*

**4. FISCAL YEAR 2014 THIRD QUARTER AUDIT ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:**

Fred Bolger, Manager, Audit Services, provided an overview of the Fiscal Year 2014 Third Quarter Audit Activities Report, which included Audits in Progress, Recommendation Follow-up, Fiscal Year 2014 Performance Measure Outcomes, and Summary of Ethics Inquiries.

In response to Committee Member Tartre regarding the audit recommendation for monitoring of concessionaire menu price lists, Angela Shafer-Payne, Vice President, Operations, provided an overview of the operation of concessions and how pricing of items are monitored. She stated that the Authority has made a commitment as part of this program, to put in place "street pricing" to provide passengers fair pricing.

In response to Committee Member Van Sambeek's concern that the process appears to be cumbersome, Ms. Shafer-Payne responded that "street pricing" is a common practice in airports around the country.

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

**5. FISCAL YEAR 2015 PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**

Mark A. Burchyett, Chief Auditor, provided a presentation on the Fiscal Year 2015 proposed Audit Plan of the Office of the Chief Auditor, which included Risk Assessment Methodology, Audit Activity Categories, Audit Coverage, Available Audit Resources, Business Process Audits, Expense Contract Audits, Revenue Contract Audits, Annual Ongoing Audits and Support, and Audit Hours Summary.

Board Member Hubbs requested that the reference to the CONRAC Fund Review in the presentation be revised to accurately reflect the name change to Rental Car Center.

Committee Member Tartre suggested that staff communicate with those concessionaires who are less sophisticated with their operations, about what is expected of them for their reporting requirements, to avoid any issues down the road.

Board Member Hubbs suggested that in order to assist the auditing process for rental car companies, to consider utilizing a software package that would allow all rental car companies to provide the required information with uniformity and consistency.

In response to Board Member Hubbs, Scott Brickner, Vice President, Finance & Asset Management/Treasurer, stated that the new rental car contracts will have a new reporting format incorporated that will alleviate this concern.

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

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

**6. FISCAL YEAR 2015 PROPOSED BUDGET OF THE OFFICE OF THE CHIEF AUDITOR AND FISCAL YEAR 2016 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:**

Mark A. Burchyett, Chief Auditor, provided a presentation on the Fiscal Year 2015 Proposed Budget of the Office of the Chief Auditor and Fiscal Year 2016 Proposed Conceptual Budget Expense Summary, which included Fiscal Year 2015 Proposed – Fiscal Year 2016 Proposed Conceptual Budget Expense Summary, and Major Drivers of Fiscal Year 2015 and Fiscal Year 2016 Proposed Budget.

**RECOMMENDATION:** Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2015 Budget for approval.

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

**CLOSED SESSION:** The Committee recessed into Closed Session at 11:45 a.m. to discuss Item 7.

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

**REPORT ON CLOSED SESSION:** The Committee reconvened into Open Session at 12:32 p.m. There was no reportable action.

**COMMITTEE MEMBER COMMENTS:** None

**ADJOURNMENT:** The meeting was adjourned at 12:33 p.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 18<sup>TH</sup> DAY OF AUGUST, 2014.

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MARK A. BURCHYETT  
CHIEF AUDITOR

ATTEST:

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LORRAINE BENNETT  
ASSISTANT AUTHORITY CLERK II



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

Item No.  
**2**

Meeting Date: **AUGUST 18, 2014**

**Subject:**

**Fiscal Year 2014 – Annual Report from the Audit Committee**

**Recommendation:**

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

**Background/Justification:**

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

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

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

The 2014 Annual Report of the Audit Committee for the period July 1, 2013, through June 30, 2014, is hereby presented as Attachment A.

**Fiscal Impact:**

None

**Authority Strategies:**

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

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

**Environmental Review:**

- A. CEQA: This Board action, as an administrative 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

## Board Communication

**Date:** August 18, 2014  
**To:** San Diego County Regional Airport Authority Board Members  
**Cc:** Thella F. Bowens, President/CEO  
**From:** The Audit Committee  
**Subject:** Annual Report of the Audit Committee for Fiscal Year 2014

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A report on the accomplishments of the Audit Committee is submitted for Fiscal Year 2014 for the period July 1, 2013, through June 30, 2014.

The Audit Committee convened five times during FY14. The meeting minutes for these public sessions are on file with the Clerk of the Board and can also be found at <http://www.san.org> under Airport Authority/Board Members/Meetings and Agendas.

- August 19, 2013
- November 18, 2013
- February 10, 2014
- April 21, 2014
- May 12, 2014

The following list of reports issued by the Authority's Finance Department and prepared by the external auditor, McGladrey & Pullen, LLP, for the Fiscal Year Ended June 30, 2013, were reviewed and approved by the Audit Committee during its November 18, 2013, meeting.

- Audited Financial Statements
- Compliance (single audit) Report
- Passenger Facility Charge (PFC) Compliance Report
- Customer Facility Charge (CFC) Compliance Report
- Report to the Audit Committee
- 2013 Comprehensive Annual Financial Report (CAFR)

The Audit Committee reviewed, approved, or received as information, the following reports and presentations submitted by the Office of the Chief Auditor (OCA), as well as monitored the progress of internal activities of the OCA.

- Fiscal Year 2013 Annual Report of the Office of the Chief Auditor
- Fiscal Year 2014 Quarterly Reports and corresponding audit recommendations
- Audit Reports issued by the Office of the Chief Auditor during FY14, totaling 37

- Recommendations issued by the Office of the Chief Auditor during FY14, totaling 37
- FY15 Audit Plan and Proposed Budget for the Office of the Chief Auditor
- Monthly reports from the OCA, including audits in progress and recommendations awaiting implementation
- Green Build Construction Audit Updates
- Ethics Program and Confidential Hotline Status
- Public Employee Performance Evaluation Goal Setting for Chief Auditor – FY14

Of note during Fiscal Year 2014, the Authority issued a Request for Proposals (RFP) for Financial Audit Services to hire a new external auditor. A Special Audit Committee Meeting was held on April 21, 2014, whereby the Committee reviewed, discussed, and forwarded a recommendation to the Board for the engagement of a new external auditor, BKD, LLP for a three-year term.

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Tom Smisek  
Audit Committee Chair

Date



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

Item No.  
**3**

Meeting Date: **AUGUST 18, 2014**

**Subject:**

**Fiscal Year 2014 – Annual Audit Activities Report from the Office of the Chief Auditor, and Audit Recommendations from the Office of the Chief Auditor for Review**

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

As directed in the Charter, a report on audits completed, findings, corrective actions, and the implementation status on recommendations is to be submitted annually to the Board by the Chief Auditor.

In accordance with the Charter of the Office of the Chief Auditor, the Fiscal Year 2014 Annual Report is submitted to the Audit Committee by the Office of the Chief Auditor (see Attachment A). The Annual Report provides an account of activities and accomplishments for Fiscal Year 2014 and features details on all recommendations issued and their implementation status.

**Fiscal Impact:**

None

**Authority Strategies:**

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

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

**Environmental Review:**

- A. CEQA: This Board action, as an administrative 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 2014 ANNUAL REPORT



# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

August 7, 2014

Fiscal Year 2014 Annual Report

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

Dear Mr. Smisek:

The Office of the Chief Auditor (OCA) presents our Annual Report for Fiscal Year 2014. The report details the audit and administrative activities of the Office, the resolution of past audit findings, and highlights the Fiscal Year 2015 Audit Plan.

Fiscal Year 2014 was another productive year for the OCA that included:

- Issuance of 37 audit reports
- Creation of a Concession audit program
- Continued audit activities on the construction of the Green Build
- Supervision of the Ethics Program

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

Respectfully submitted,

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

Mark A. Burchyett  
Chief Auditor

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## Audit Activities

The Office of the Chief Auditor's (OCA) Fiscal Year 2014 internal audit plan had three (3) categories of audits: 1) Business Process Audits, 2) Expense Contract Audits, and 3) Revenue Contract Audits. Additionally, there are specific annual ongoing audits and support duties that are apportioned within the audit plan. The Annual Audit Plan for Fiscal Year 2014 (see Appendix A) included 33 planned audits. Also incorporated within the Fiscal Year 2014 plan were seven (7) audits carried over from the Fiscal Year 2013 audit plan that were not completed during that fiscal year. Furthermore, during the 2014 fiscal year, two (2) unplanned audits were added to the audit schedule as "Special Requests" and two planned audits were replaced with other projects due to management requests concerning time constraints.

In total during fiscal year 2014, the OCA issued 37 audit reports, including eleven (11) during the fourth quarter. Additionally, the OCA had numerous audits that were nearing completion at the end of the 4th quarter, including four (4) draft audit reports that had been sent to the affected departments for review and comment. From the completed audit reports, we issued a total of 37 recommendations (See Page 3, Table 2: Status of Recommendations Issued in FY2014).

*Table 1: Total Reports Issued by the Office of the Chief Auditor in Fiscal Year 2014*

Quarter	Audits Issued	Recommendations Issued
1 <sup>st</sup>	11	9
2 <sup>nd</sup>	5	3
3 <sup>rd</sup>	10	7
4 <sup>th</sup>	11	18
<b>Total</b>	<b>37</b>	<b>37</b>

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

### Business Process Audits

The OCA issued eight (8) business process audit reports during this fiscal year. The audits within this category included departmental audits where the OCA reviews the operations of an entire Authority department, as well as reviews selected processes or projects that may span multiple Authority functions. Significant projects within this category included our annual audit of the Procurement Card Program, performance audits of Human Resources services, Energy Usage, and a review of compliance with the Authority's Request for Proposal (RFP) thresholds. From these types of audits we issued a total of nine (9) recommendations.

### Expenditure Contract Audits

Included within this category are audits of consulting, service, and construction contracts. During fiscal year 2014 the OCA completed 14 expenditure contract audits. In these audits the OCA ensures that the contracts adhere to Authority policies, follow industry best practices, and that internal controls have been established and are working properly. Generally, these audits review the procurement process for the contracts, contract monitoring, and expenditures resulting from the contracted activities. Of note, the OCA completed audits of Port District reimbursements, Aircraft Rescue & Fire Fighting (ARFF) expenses covering 2011 through 2013, and expenses reimbursed to ACE Parking.

### **Revenue Contract Audits**

This category includes audits of entities that provide some form of revenue to the Authority, with the OCA completing a total of 15 revenue audits for the year. Revenue audits include reviews of airline landing fees, airline services, car rental agencies, and concessions. Audits completed this fiscal year included audits of Nevada Lease and Rentals, Inc. (Payless), Host International, Inc., and Landmark Aviation. In total we issued ten (10) recommendations for these types of audits, including recommendations that identified a total of \$583,171 in underpayments to the Authority.

### **Special Request Audits**

The OCA sets aside audit hours within each Annual Audit Plan in order to respond to special requests from both the Authority Board and from Management. Included in the totals stated in the three categories above are two special request audits that the OCA completed during the year. Of note, we completed close out audits of Simply Wheelz and ASIG.

### **In Progress Audits**

In Fiscal Year 2014, the OCA tried to maintain a steady pace of activity, yet did not fully complete all planned audits for the year. Specifically, as of June 30, 2014, the following audits had been sent to the audited departments as Draft audit reports:

- Emergency Medical Technician-Paramedic Services
- Merriwhether Williams
- The Hertz Corporation
- Timekeeping Payroll

Additionally, the following audits were in progress as of June 30, 2014:

- Debt Service Management

Each of the above audits should be completed within the 1<sup>st</sup> Quarter of Fiscal Year 2015.

## Audit Follow-Up

The OCA tracks the number and the status of recommendations issued in audit reports. Tracking of recommendations was completed through regular inquiries made to the audited departments or to the owners of specific recommendations. These inquiries allow the OCA to determine how many recommendations have been completed, as well as to obtain the status of the recommendations in progress. In FY 2014, the OCA issued a total of 37 recommendations, of which 16 are fully implemented. See Table 2 for an overview of recommendations issued by the OCA in FY 2014. For detailed descriptions of recommendations that were unresolved as of June 30, 2014, and for details on all recommendations completed in FY 2014, see Appendices B and C respectively.

*Table 2: Status of Recommendations Issued in Fiscal Year 2014*

Quarter	Recommendations				
	Issued	Completed <sup>1</sup>	In-Progress <sup>2</sup>	Open <sup>3</sup>	Not Accepted
1 <sup>st</sup>	9	8	0	0	1
2 <sup>nd</sup>	3	2	1	0	0
3 <sup>rd</sup>	7	6	0	0	1
4 <sup>th</sup>	18	0	0	18	0
<b>Total</b>	<b>37</b>	<b>16</b>	<b>1</b>	<b>18</b>	<b>2</b>

In addition to the recommendations issued in FY 2014, the OCA continued to track the status of recommendations issued in prior fiscal years. In total, the OCA tracked 13 recommendations issued prior to this fiscal year and not fully completed as of June 30, 2013. As of June 30, 2014, ten (10) of those recommendations have been implemented, two (2) were in progress, and one (1) was not accepted by management.

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

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

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

## *Non-Audit Activities*

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The OCA had numerous non-audit activities during Fiscal Year 2014, which are described below. For Fiscal Year 2015, the OCA will continue its activities in support of the Authority and the Board.

### **Training**

The OCA informally complies with the continuing education requirements (CPE) issued by The Institute of Internal Auditors' "red book" and the U.S. General Accounting Office's "yellow book". During the fiscal year staff completed numerous training courses, including attendance at the annual Association of Airport Internal Auditors conference. Additionally, staff completed or attended webinars and self-study courses in order to meet their minimum CPE requirements.

### **Quality Assessment Review**

During the fiscal year, the OCA underwent an External Quality Control Review to ensure compliance with International Standards for the Professional Practice of Internal Auditing. The OCA's internal quality control system was evaluated and tested to ensure compliance. The OCA was found to be in compliance with the standards and was provided with recommendations to improve the performance, efficiency, and controls within the department. To date, all of the recommendations have been implemented.

### **Audit Committee Support**

During Fiscal Year 2014, the Audit Committee met five (5) times, which occurred on:

- August 19, 2013
- November 18, 2013
- February 10, 2014
- April 21, 2014
- May 12, 2014

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

### **Ethics Compliance Program**

The OCA administers the Authority Ethics Program receiving notifications via the confidential hotline, email, and in person. Notifications that include sufficient information to indicate a potential violation of the Authority Code of Ethics are investigated by the OCA. In FY2014, a total of 366 notifications were made thru the various reporting methods. Notifications are summarized into categories of potential ethics violation issues, as well as general workplace concerns or other Airport related matters. Those items that warranted further review and were investigated during FY2014 did not result in a finding of a Code of Ethics violation. A summary of issues reported and their resolution are noted in the Ethics Hotline Summary, Appendix E.

## Performance Measures

Each fiscal year the OCA develops and tracks performance measures to gauge the progress and success of the office. For Fiscal Year 2014, the OCA developed five (5) separate measures that could be used to evaluate OCA performance. Table 3 below outlines the OCAs performance against the selected measures.

*Table 3: Status of Performance Measures as of June 30, 2014*

Performance Measure	Goal	Progress as of June 30, 2014
Percentage of the audit plan completed annually	100%	88%
Additional revenue/cost savings identified through audits	\$30,000	\$1,110,651
Percentage of staff time spent on audit activities	85%	86%
Percentage of audits completed within budgeted time	80%	81%
Implementation of Recommendations	90%	52%

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

**Percentage of the audit plan completed annually:** This measure provides information on the number of audits accomplished of those planned for the year. For the year, the OCA completed 88% of the Fiscal Year 2014 audit plan. Specifically, 37 out of 42 audits were finalized as issued audit reports. Additionally, there were four (4) draft audit reports that were awaiting review and comment from the audited departments. If these reports are included in the completed audits total, progress on the Fiscal Year 2014 audit plan is 98%.

**Additional revenue/cost savings identified through audits:** While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. More important is probably whether the amount of identified additional revenue and cost savings is realized by the Authority. While that total is also tracked and monitored by the OCA, it is highly dependent on circumstances outside the control of the OCA, and therefore, it does not make a good measure of the efficiency and effectiveness of the department. For the year, the OCA greatly exceeded the goal by identifying over \$1,100,000 in new revenue, as shown in Table 4 below. Appendix F provides an estimate of soft savings identified through audits and special reviews.

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

Audit Report Number	Title	Amount Identified	Amount Collected/ Paid
13026	Aircraft Rescue & Fire Fighting Expense Billings – FY 2011 and FY 2012	\$ 430,408	\$ 430,408
14017	Nevada Lease and Rentals, Inc. (Payless)	\$ 297,814	0
14018	Simply Wheelz, LLC dba Advantage Rent-A-Car	\$ 282,778	\$198,958
13033	San Diego Unified Port District Billings - FY 2012	\$ 56,109	\$ 56,109
14026	Aircraft Rescue and Fire Fighting Expense Billings – FY13	\$ 30,454	\$ 30,454
14033	San Diego Unified Port District Billings – FY 2013	\$ 10,509	\$ 10,509
14021	Landmark Aviation GSO-SAN, LLC	\$ 2,579	\$ 2,579
<b>Total</b>		<b>\$ 1,110,651</b>	<b>\$ 728,997</b>

**Percentage of staff time spent on audit activities:** This measure helps ensure that the OCA spends an adequate amount of time on audit activities rather than administrative activities. For Fiscal Year 2013, the OCA was over our goal of 85% percent. This goal is the cumulative percentage of the target utilization for all audit staff.

**Percentage of audits completed within budgeted time:** This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it does recognize that budgets may need adjustment(s) as additional facts become known during an audit. In Fiscal Year 2014, the OCA completed 81 percent of its audits within the budgeted time.

**Implementation of Audit Recommendations:** This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. For the year, 52% of the recommendations have been implemented, which is under our goal. However, as shown by Table 5, the percentage of recommendations completed greatly increases as time proceeds and the percentage is greatly affected by the 18 recommendation issued during June 2014.

*Table 5: Percentage of Recommendations Completed*

Recommendation Origination	Recommendation				
	Tracked	Completed	Not Accepted	Outstanding	% Completed
Carryover	13	10	1	2	77%
1 <sup>st</sup> Quarter	9	8	1	0	89%
2 <sup>nd</sup> Quarter	3	2	0	1	66%
3 <sup>rd</sup> Quarter	7	6	1	0	86%
4 <sup>th</sup> Quarter	18	0	0	18	0%
<b>Total</b>	<b>50</b>	<b>26</b>	<b>3</b>	<b>21</b>	<b>52%</b>

## *Construction Audit Activities*

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For the Fiscal Year 2014, the OCA continued Construction Audit activities separate from the Annual Audit Plan. R. W. Block Consulting, Inc. (RWBC) continued to provide assistance and expertise to the OCA. Roy Block led a presentation at the January 21, 2014, Capital Improvement Program Oversight Committee meeting on the major activities RWBC performed over the Green Build program during its contract. Subsequent to the presentation, RWBC provided consulting services to the OCA through May 31, 2014, the end of the contract.

The OCA Construction Auditor performed a review of the procurement of the original contracts with the joint ventures. On-going activities of the Construction Auditor include:

- Tracking the resolution and implementation of the RWBC recommendations.
- Working with Finance in the eligibility review of Green Build expenses submitted for grant and/or Passenger Facility Charge (PFC) reimbursement.
- Reviewing payments made to the Green Build contractors through the end of the close-out process.
- Review of Rental Car Center, enabling and other project costs identified as eligible for Customer Facility Charge (CFC) reimbursement.

The OCA Construction Auditor remains involved through the close-out of the Terminal Development Program and continues with the North Side Development and Facilities Development Programs, providing assistance on issues identified by Authority Management, attending meetings specific to the aspects of the Authority's construction activity, and providing updates to the Audit Committee during their regularly scheduled meetings.

## *Concession Audit Activities*

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In order to better monitor and audit the Authority's robust terminal concession program the OCA created and filled an Auditor position to focus on the audit of concession activities. That position was filled in December 2013. The auditor is responsible for conducting or leading the various audits of concessionaires that appear on the OCA's Annual Audit Plan as well as conducting specific reviews of concession related activities as needed.

As part of the Fiscal Year 2014 OCA Audit Plan, the concession auditor completed audits for contract compliance for the below Food and Beverage concessionaires that are part of the Concession Development Program (CDP) at San Diego International Airport (SDIA):

- Host International, Inc. (FSP 1) – Audit Report #14023
- High Flying Foods (FSP 8) – Audit Report #14034

The two concessionaires' combined sales made up 43% of total sales for the Food and Beverage concessionaires at SDIA for Fiscal Year 2014. The primary focus of the audits was to verify the following:

- Concessionaires reported and paid the correct amount of revenue to SDIA.
- Insurance coverage was in compliance with the contract agreement.
- Management controls over the sales reporting process were in place and operating effectively.

In addition, the concession auditor performed a review of the Concessionaire Accounts Receivable Aging process. The concession auditor also assessed the key business processes of the CDP staff and provided recommendations as needed to mirror industry best practices.

### *Fiscal Year 2015 Projection*

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The Audit Committee approved the Fiscal Year 2015 Audit Plan during its May 12, 2014, meeting. Before commencing work on the Fiscal Year 2015 Audit Plan (Appendix D), the OCA will complete the outstanding audits from Fiscal Year 2014. Specifically, for the 1st Quarter of Fiscal Year 2014, the OCA plans to complete the following audits:

- CDW – Government
- Agreements Less Than \$100,000
- GGTW
- Fox RAC
- Paradies
- Mission Yogurt
- EZ Rent A Car
- Cartwright
- Airlines and Others (Allied Aviation)
- The Hertz Corporation
- Merriwhether Williams

Throughout Fiscal Year 2015, the OCA will continue conducting audits from the audit plan, including any special requests that may be approved by the Audit Committee.

## *Appendix A – Fiscal Year 2014 Audit Plan*

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**San Diego County Regional Airport Authority**  
**OFFICE OF THE CHIEF AUDITOR**  
**Fiscal Year 2014 Audit Plan**  
**REVISED 2/10/14**

### **BUSINESS PROCESS AUDITS**

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- 1 Debt Service Management
- 2 Request for Proposal Threshold Compliance
- 3 Human Resources Services Performance
- 4 Airport Lost and Found
- 5 Timekeeping Payroll
- 6 Social Media Control and Performance

### **EXPENSE CONTRACT AUDITS**

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- 7 Bradford Airport Logistics
- 8 Leigh Fisher & Associates
- 9 SOLPAC Construction, Inc., dba Soltek Pacific Construction Company
- 10 Abadjis Systems, Ltd.
- 11 Ace Parking Management, Inc.
- 12 Kimley-Horn and Associates, Inc.
- 13 Porter Novelli, Inc.
- 14 AMEC Environmental and Infrastructure, Inc.

### **REVENUE CONTRACT AUDITS**

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- 15 Budget Rent A Car Systems
- 16 DTG Operations, Inc. dba Thrifty & Dollar
- 17 Nevada Lease and Rental, Inc. dba Payless Car Rental System
- 18 Simply Wheelz, LLC dba Advantage Rent-A-Car
- 19 DAL Global Services, LLC
- 20 Elite Line Services, Inc.
- 21 Landmark Aviation GSO-SAN, LLC
- 22 Sky Chef, Inc. dba LSG Sky Chefs
- 23 Host International, Inc.
- 24 High Flying Foods
- 25 Smarte Carte, Inc.

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

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- 26 Aircraft Rescue & Fire Fighting (ARFF)
- 27 Board Member Expenditures
- 28 CONRAC Fund Review
- 29 Procurement Card Program
- 30 Agreements with Expenditure Limits Not to Exceed \$100,000
- 31 Biennial – Airline Landing Fees
- 32 Emergency Medical Technician-Paramedic Services
- 33 San Diego Unified Port District Billing

### **Special Request Audits**

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Aircraft Service International Group (ASIG)

### **QUALITY ASSESSMENT REVIEW**

### **ETHICS PROGRAM ACTIVITY**

### **CONSTRUCTION AUDIT AND MONITORING ACTIVITY**

## *Appendix B – Status of OCA Recommendations as of June 30, 2014*

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The following recommendation implementation report contains the status of recommendations from OCA audits that remained unresolved as of June 30, 2014. In general, the OCA is satisfied with the progress that Authority departments are currently making with the implementation.

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

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2014	OCA's Assessment	Estimated Completion Date
11-10	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	20	Impact: 10 Probability: 10	To ensure the accurate recording of all ground transportation activities at SDIA, the Ground Transportation Department should upgrade or replace the Automated Vehicle Identification (AVI) system. Once the AVI system is updated or replaced, the trip fee payment process should be automated. The AVI system data would be uploaded daily to a website accessible to the taxicab operators to allow them to track and download the trip data per taxicab. Monthly, the Ground Transportation Department would lump sum bill the activity to the taxicab companies. This would eliminate an unnecessary risk of misappropriation of Authority assets and the reliance on LPI employees to properly record and account for the collections.	The AVI System has been divided into two installations due to the Taxi Hold Lot (new lot) construction: 1) The terminal roadway installation is scheduled for completion Q1 2015, and 2) The Taxi Hold Lot AVI System will be completed in Q1 2016.	In Progress	Q1 2016
14-24	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	20	Impact: 10 Probability: 10	Business and Financial Management should inform Payless that they are required to remit all monies collected in the form of CFCs. Additionally, Payless should immediately recalculate the CFCs collected from January 1, 2014, thru present, and remit any monies previously excluded, in total, to the Authority.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-25	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	20	Impact: 10 Probability: 10	Business and Financial Management should request Accounting generate an invoice to Payless in the amount of \$297,814.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-17	AVIATION SECURITY & PUBLIC SAFETY	Audit Report #14033, dated February 26, 2014, San Diego Unified Port District Billings - FY 2013	19	Impact: 10 Probability: 9	We recommend that the Aviation Security & Public Safety Department notify District staff concerning the Fiscal Year 2013 under-billing for Harbor Police Department services and determine the most appropriate method for the Authority to remit the additional \$371,145 owed to the District.	The District invoiced the Authority and the Authority remitted a payment.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2014	OCA's Assessment	Estimated Completion Date
14-20	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	19	Impact: 9 Probability: 10	Due to the lack of cooperation, the inaccuracies of the financial data provided, and the inability to provide all requested supporting paperwork, we recommend that Management take appropriate measures to ensure that Payless immediately complies with all terms of the License Agreement.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-16	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #14026, dated February 14, 2014, Aircraft Rescue & Fire Fighting Expense Billings - Fiscal Year 2013	18	Impact: 9 Probability: 9	We recommend that Airside Operation and Accounting work together to ensure that all payments for services are properly supported by invoices and payments are made within the parameters of the contract. Specifically, consideration should be given to requesting the City to send the invoices directly to Accounting where receipt of the invoice can be logged and the payment due date can be recorded. The invoice would then be forwarded to Airside Operations for review for accurate billing of ARFF services and proper supporting documentation for all reimbursable expenses. The invoice would be recorded on the Airside Operations tracking worksheet listing the amount approved for payment and each disallowed expense submitted that is disputed or does not contain proper support. Accounting would follow-up with Airside Operations to ensure that the approved amounts are submitted for payment by the due date.	Accounting and Airside Operations have implemented the recommendation.	Completed	N/A
14-21	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	18	Impact: 9 Probability: 9	Business and Financial Management should inform Payless that they must immediately implement a financial reporting system to accurately segregate revenues collected and to properly calculate gross revenue and concession fees due.	This recommendation was issued during the month so no follow up was performed.	Open	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2014	OCA's Assessment	Estimated Completion Date
14-22	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	18	Impact: 9 Probability: 9	Business and Financial Management should inform Payless that they must immediately implement a system to ensure only rental agreements that fully meet the Non-Airport criteria of the Agreement are excluded from gross revenue.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-14	AVIATION AND COMMERCIAL BUSINESS DEPARTMENT	Audit Report #14018, dated January 21, 2014, Simply Wheelz, LLC dba Advantage Rent-A-Car	17	Impact: 9 Probability: 8	Aviation and Commercial Business Department should request that the Accounting Department issue an invoice to Simply Wheelz in the net amount of \$282,778 for the underpayment of Customer Facility Charge (CFC) Funds and license fees.	During the audit period, the SimplyWheelz entity was owned by Hertz Corporation subsequently by Franchise Services of North America (FSNA). The Authority billed and received payment for an agreed negotiated settlement to close out the audit recommendation.	Completed	N/A
14-35	GROUND TRANSPORTATION DEPARTMENT	Audit Report #14011, dated June 10, 2014, Ace Parking Management, Inc.	17	Impact: 9 Probability: 8	The Ground Transportation Department should provide Ace written approvals for all special project requests and require the approvals to be attached as supporting documentation with reimbursement requests.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
12-38	GROUND TRANSPORTATION DEPARTMENT	Audit Report #12001, dated April 25, 2012, Public Parking	15	Impact: 8 Probability: 7	Policies and procedures should be developed and instituted by Ground Transportation, the Planning and Operations division, and the Finance Division regarding all areas of public parking management.	The policies and procedures are in a draft form and under review.	In Progress	FY15
14-19	TERMINALS AND TENANTS DEPARTMENT	Audit Report #14023, dated March 11, 2014, Host International, Inc.	15	Impact: 6 Probability: 9	In addition to obtaining an annual price list from the concessionaire, as required by the lease agreement, the Terminals and tenants Department should conduct regularly scheduled price reviews, track and maintain documentation of any discrepancies that were identified.	In addition to the annual lease-mandated pricing survey, the Terminals and Tenants Department has developed a plan for semi-annual pricing audits of the Food & Beverage and retail concessions.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2014	OCA's Assessment	Estimated Completion Date
14-29	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	15	Impact: 8 Probability: 7	We recommend that TCC reconcile billings for benefits monthly to the current benefits in effect for all employees prior to submission for payment. The incorrect billing amounts should be deducted from the billing prior to payment. This will ensure the Authority is paying only for benefits received by Authority employees.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-30	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	15	Impact: 8 Probability: 7	Since it is known that there have been issues with the billings since at least July 2013, we recommend that TCC perform a complete reconciliation of all benefit billings for fiscal year 2014 prior to the end of the fiscal year to ensure the Authority has not overpaid for any employee benefits.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-34	GROUND TRANSPORTATION DEPARTMENT	Audit Report #14011, dated June 10, 2014, Ace Parking Management, Inc.	15	Impact: 8 Probability: 7	The Ground Transportation Department should develop and document procedures to verify and review, on a regular basis, the requirements set forth in both the Parking Management Services and Shuttle Services Agreements to ensure Ace is compliant with Agreement terms.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-36	GROUND TRANSPORTATION DEPARTMENT	Audit Report #14011, dated June 10, 2014, Ace Parking Management, Inc.	15	Impact: 8 Probability: 7	The Ground Transportation Department should develop a process to verify shuttle hours charged through a comparison of personnel time sheets and shuttle operational hours to in-service reports. In addition, Ground Transportation should improve procedures to conduct a more thorough analysis of the hours charged to identify potential deviations and shuttle usage by parking lot.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-32	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	14	Impact: 7 Probability: 7	We recommend that all TCC employees be required to sign a confidentiality agreement.	This recommendation was issued during the month so no follow up was performed.	Open	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2014	OCA's Assessment	Estimated Completion Date
14-11	FACILITIES DEVELOPMENT DEPARTMENT	Audit Report #14010, dated November 22, 2013, Abadjis Systems, Ltd.	13	Impact: 7 Probability: 6	We recommend that Management consider amending Authority Policy to limit the amount of continuous time an individual contractor may work at the Authority. The limit could be by time, contract, and/or project. The limit could provide an opportunity to evaluate whether the contractor's services are required on a temporary or permanent basis.		In Progress	Unknown
14-23	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #14017, dated June 3, 2014, Nevada Lease and Rentals, Inc. (Payless)	13	Impact: 7 Probability: 6	Business and Financial Management should inform Payless that they must immediately update their rental agreement template to include the proper language regarding "non-Airport" customers.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-27	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	12	Impact: 7 Probability: 5	Employee records and personnel files should be protected in an environmentally safe storage area and a backup of the files should be created and kept off site.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-26	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	11	Impact: 6 Probability: 5	The required posters for Equal Employment Opportunity is the Law and Your Rights Under the Family and Medical Leave Act should be posted in an area where all applicants for employment can readily see them, such as the Talent, Culture and Capability lobby.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-37	GROUND TRANSPORTATION DEPARTMENT	Audit Report #14011, dated June 10, 2014, Ace Parking Management, Inc.	11	Impact: 6 Probability: 5	The Ground Transportation Department should annually calculate the cost of subsidizing parking costs to other government agencies and provide the results to Authority Management. Authority Management should review the data and determine if it wishes to continue reducing Authority revenue by the amounts identified.	This recommendation was issued during the month so no follow up was performed.	Open	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2014	OCA's Assessment	Estimated Completion Date
14-38	GROUND TRANSPORTATION DEPARTMENT	Audit Report #14011, dated June 10, 2014, Ace Parking Management, Inc.	11	Impact: 6 Probability: 5	The Ground Transportation Department should review all rules and features within the Parking Card Program and determine if the rules are appropriate and required for card holders at SDIA. The "anti-passback" feature should be activated immediately for all card holders without exception to prevent possible fraudulent activity.	This recommendation was issued during the month so no follow up was performed.	Open	N/A
14-31	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	10	Impact: 5 Probability: 5	We suggest that the Standard: Corrective Action, Section #J-4, be revised to include the steps the performance management process plays in corrective actions for employees. The procedures for initial conversations regarding performance improvement and disciplinary action should be formalized for managers, to ensure that actions taken are consistent for similar problems across the Authority. As the current performance management system does not provide adding performance improvement guidance or disciplinary action to the quarterly reviews, we suggest TCC develop a form for managers to complete with the initial corrective action steps that the employee would sign acknowledgement. A copy of this initial action would be sent to TCC and filed in the employee's personnel file. Any additional updates and/or warnings would also be documented on the form and initialed by the employee.  If the matter is settled to the manager's satisfaction within the specified time period, the final settlement should be documented with copies to the employee and TCC for the employee's personnel file, or in the performance management system if the settlement coincides with the annual performance review. If the improvement is not satisfactory, the manager should develop a formal corrective action plan with a TCC representative who works with the manager and employee throughout the process.	This recommendation was issued during the month so no follow up was performed.	Open	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2014	OCA's Assessment	Estimated Completion Date
14-33	TALENT, CULTURE AND CAPABILITY DEPARTMENT	Audit Report #14003, dated June 10, 2014, Human Resources Services Performance	10	Impact: 5 Probability: 5	The hiring process and procedures should be standardized and summarized in a checklist provided to all hiring managers so they can complete the required steps as efficiently as possible. The checklist should include a requirement that the hiring manager provide additional websites and publications for posting positions with specific technical needs to attract properly qualified candidates. Additionally, as hiring managers are ultimately responsible for the hiring choices, they should be allowed to complete any part of the resume review to expedite the process. If they complete the qualifications review, TCC staff would do a follow-up review for accuracy.	This recommendation was issued during the month so no follow up was performed.	Open	N/A

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

*Appendix C – Recommendations Completed in Fiscal Year 2014*

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The following report provides all recommendations that were completed during Fiscal Year 2014.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
13-28	MARKETING AND PUBLIC RELATIONS DEPARTMENT	Audit Report #13013 dated June 27, 2013, COLAB Studio, LLC	14	Impact: 6 Probability: 8	The Art Program Manager should improve internal controls for contract management, including, but not limited to: --Maintaining contract deliverable records, e.g., notices to proceed, approval of submissions, adherence to required timelines, and other contract requirements. -- Formalizing requirements for review of payment application requests by all stakeholders and/or subject matter experts, prior to authorization to pay.	August 31, 2013
14-06	FACILITIES DEVELOPMENT DEPARTMENT	Audit Report #13001 dated August 2, 2013, Energy Usage Performance	13	Impact: 7 Probability: 6	We recommend that the Director of Facilities Development, who currently oversees the Life Cycle Management Program, continue in the direction of utilizing Facilities Development Program Management and Construction Management expertise to incorporate the Life Cycle Management Program efforts into Development Department initiatives.	August 31, 2013
13-29	MARKETING AND PUBLIC RELATIONS DEPARTMENT	Audit Report #13013 dated June 27, 2013, COLAB Studio, LLC	12	Impact: 5 Probability: 7	Unless adequate evidence supporting and detailing an unforeseen and unavoidable increased cost in the delivery of Phase 9 can be provided to the Authority, the Amendment to the Agreement should be voided. Additionally, Management should consider creating internal controls to require supporting evidence should future requests for increased compensation payable be made.	August 31, 2013
13-30	MARKETING AND PUBLIC RELATIONS DEPARTMENT	Audit Report #13013 dated June 27, 2013, COLAB Studio, LLC	10	Impact: 5 Probability: 5	In order to mitigate the potential for a copyright infringement case being initiated by the copyright holder, the Authority should seek either copyright permission, or documentation that such permission is not required, for any images utilized in artwork that is subject to copyright protection.	August 31, 2013
13-31	MARKETING AND PUBLIC RELATIONS DEPARTMENT	Audit Report #13013 dated June 27, 2013, COLAB Studio, LLC	9	Impact: 4 Probability: 5	When external evaluation panel members are utilized during the selection of contractors, we recommend that a procedure be implemented that requires the manager of the program or contract prepare a memo to file, to be maintained with the Procurement file, detailing the specifics of how the external panel members were selected.	August 31, 2013 Not Accepted by Management
13-14	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13019 dated January 9, 2013, Fox Rent A Car	18	Impact: 10 Probability: 8	In order to address the concerns regarding under-reported gross revenue, we recommend that Aviation & Commercial Business (AvCom) request that the Accounting Department invoice Fox in the amount of \$268,169 for underpayment of license fees.	September 30, 2013

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
13-15	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13019 dated January 9, 2013, Fox Rent A Car	15	Impact: 7 Probability: 8	In order to address the under-reported unique rental transactions, we recommend that Aviation & Commercial Business (AvCom) request that the Accounting Department invoice Fox in the amount of \$147,365 for underpayment of Customer Facility Charges (CFCs).	September 30, 2013
14-08	AVIATION SECURITY & PUBLIC SAFETY	Audit Report #13033 dated August 26, 2013, San Diego Unified Port District Billings - Fiscal Year 2012	15	Impact: 7 Probability: 8	Expenses that are not allowed per the contract should continue to be deducted and should not be repaid. Any exceptions to the Service Level Agreement should be approved before the expenses are incurred. We recommend that any subsequent negotiations and decisions regarding payment of disallowed expenses should be performed by the Director of Aviation Operations & Public Safety.	September 30, 2013
14-09	AVIATION SECURITY & PUBLIC SAFETY	Audit Report #13033 dated August 26, 2013, San Diego Unified Port District Billings - Fiscal Year 2012	11	Impact: 6 Probability: 5	We recommend that the Authority contract with a local mechanic to perform the service and maintenance needed on the Harbor Police Department Airport vehicles. The maintenance and repairs services provided by the District's General Services personnel at the rate of \$137 per hour is excessive and should be discontinued in favor of an external service provider.	September 30, 2013
13-19	HUMAN RESOURCES DEPARTMENT	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	9	Impact: 5 Probability: 4	We recommend that the Human Resources Department (HR) strengthen their policy for obtaining safety shoes, to either disallow purchases from vendors other than those on-site, or require all reimbursement requests for safety shoes to be reviewed and approved by HR.	September 30, 2013
14-01	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #13026 dated July 1, 2013, Aircraft Rescue & Fire Fighting Expense Billings - FY2011 and FY2012	18	Impact: 9 Probability: 9	We recommend that Airside Ops require the City of San Diego to provide the supporting documentation annually with the Cost Allocation Plan (CAP). Airside Ops can then analyze the costs to ensure those included in the CAP meet the standards of the FAA Policy in a more timely manner.	December 31, 2013
14-04	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #13026 dated July 1, 2013, Aircraft Rescue & Fire Fighting Expense Billings - FY2011 and FY2012	16	Impact: 8 Probability: 8	Airside Ops should obtain a detailed explanation of the calculation of the benefit rate for each level of ARFF personnel used for billing purposes each year. Due to the variances noted in the FY 2011 and FY 2012 audit, we recommend this rate should be compared to the actual cost of the ARFF personnel for at least one invoice every six months to determine the reasonableness of the rate for the hours billed compared to the actual cost of the benefits.	December 31, 2013

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
14-07	AVIATION SECURITY & PUBLIC SAFETY	Audit Report #13033 dated August 26, 2013, San Diego Unified Port District Billings - Fiscal Year 2012	16	Impact: 8 Probability: 8	We recommend that the Aviation Security & Public Safety Department notify District staff concerning the Fiscal Year 2012 under-billing for Harbor Police Department services and determine the most appropriate method for the Authority to remit the additional \$747,237 owed to the District.	December 31, 2013
14-03	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #13026 dated July 1, 2013, Aircraft Rescue & Fire Fighting Expense Billings - FY2011 and FY2012	14	Impact: 7 Probability: 7	We recommend that Airside Ops require the City of San Diego to maintain an accurate TeleStaff Report for the ARFF station on a daily basis. This report should be submitted monthly with the ARFF services invoice as supporting documentation of the actual staffing for which the City is billing.	December 31, 2013
13-25	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13025 dated April 23, 2013, GAT Airline Ground Support Services, Inc.	13	Impact: 6 Probability: 7	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice GAT for \$42,737 for underpayment of license fees due to underreporting of revenue from July 2007 through April 2008.	December 31, 2013
13-26	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13025 dated April 23, 2013, GAT Airline Ground Support Services, Inc.	12	Impact: 5 Probability: 7	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice GAT for \$9,164 for underpayment of license fees due to revenue adjustments identified by GAT for the length of the audit period.	December 31, 2013
14-05	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #13026 dated July 1, 2013, Aircraft Rescue & Fire Fighting Expense Billings - FY2011 and FY2012	11	Impact: 6 Probability: 5	We recommend that the Operations Division consider adding a Senior Contract Administrator/Analyst position specifically dedicated to management of the local government contracts.	December 31, 2013 Not accepted by Management
14-12	AVIATION AND COMMERCIAL BUSINESS DEPARTMENT	Audit Report #14019 dated December 4, 2013, DAL Global Services, LLC	11	Impact: 6 Probability: 5	AvCom should request that DAL Global Services increase the Letter of Credit amount by at least \$25,700 to a total of \$65,700 to comply with Section 7 of the License.	December 31, 2013
14-10	AVIATION AND COMMERCIAL BUSINESS DEPARTMENT	Audit Report #14021 dated November 15, 2013, Landmark Aviation GSO-SAN, LLC	10	Impact: 5 Probability: 5	The Aviation and Commercial Business Department (AvCom) should request that Accounting send an invoice to landmark in the Amount of \$2,579 for underpayment of landing fees due for the period from May 2012 through June 2013.	February 28, 2014

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
14-13	MARKETING AND PUBLIC RELATIONS DEPARTMENT	Audit Report #14006 dated January 10, 2014, Social Media Control and Performance	13	Impact: 5 Probability: 8	Management should develop a social Media Policy. The policy should address goals, target audiences, content, ownership, governance, and performance measurement, while incorporating best practices into the policies and metrics.	February 28, 2014 Not Accepted by Management
14-02	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #13026 dated July 1, 2013, Aircraft Rescue & Fire Fighting Expense Billings - FY2011 and FY2012	18	Impact: 10 Probability: 8	We recommend that Airside Ops notify the City of San Diego concerning the Fiscal Years 2011 and 2012 over-billings for overhead costs and determine the most appropriate method to receive the \$430,408 owed to the Authority.	March 31, 2014
13-12	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #11024 dated December 5, 2012, Aircraft Rescue & Fire Fighting Expense Billings - FY 2010	17	Impact: 10 Probability: 7	We recommend that the Airside Operations Department (OPS) notify the City concerning the Fiscal Year 2010 over-billing for ARFF services and determine the most appropriate method for the Authority to receive the additional \$222,823 owed to the Authority.	March 31, 2014
13-11	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #11024 dated December 5, 2012, Aircraft Rescue & Fire Fighting Expense Billings - FY 2010	16	Impact: 9 Probability: 7	We recommend that the Airside Operations Department (OPS) notify the City concerning the Fiscal Year 2010 over-billing for overhead costs and determine the most appropriate method for the Authority to receive the \$160,139 owed to the Authority.	March 31, 2014
14-15	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #14026, dated February 14, 2014, Aircraft Rescue & Fire Fighting Expense Billings - Fiscal Year 2013	13	Impact: 7 Probability: 6	We recommend that Airside Operations notify the City concerning the overbilling of \$44,167 for overhead costs, the unsupported training and miscellaneous costs of \$32,562 and the adjustment in the credit for Tele Staff Desk activities of \$46,275. These adjustments should be included in the final calculation of amount due to the City for Fiscal Year 2013 ARFF Services. See Appendix A for calculation of the final true-up amount.	March 31, 2014
14-18	AVIATION SECURITY & PUBLIC SAFETY	Audit Report #14033, dated February 26, 2014, San Diego Unified Port District Billings - FY 2013	13	Impact: 7 Probability: 6	The Aviation Security & Public Safety Department should require the District to provide documentary evidence to support that direct and indirect charges of the amounts claimed were actually expended for Harbor Police Department Services at SDIA.	March 31, 2014
14-17	AVIATION SECURITY & PUBLIC SAFETY	Audit Report #14033, dated February 26, 2014, San Diego Unified Port District Billings - FY 2013	19	Impact: 10 Probability: 9	We recommend that the Aviation Security & Public Safety Department notify District staff concerning the Fiscal Year 2013 under-billing for Harbor Police Department services and determine the most appropriate method for the Authority to remit the additional \$371,145 owed to the District.	June 30, 2014

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
14-16	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #14026, dated February 14, 2014, Aircraft Rescue & Fire Fighting Expense Billings - Fiscal Year 2013	18	Impact: 9 Probability: 9	We recommend that Airside Operation and Accounting work together to ensure that all payments for services are properly supported by invoices and payments are made within the parameters of the contract. Specifically, consideration should be given to requesting the City to send the invoices directly to Accounting where receipt of the invoice can be logged and the payment due date can be recorded. The invoice would then be forwarded to Airside Operations for review for accurate billing of ARFF services and proper supporting documentation for all reimbursable expenses. The invoice would be recorded on the Airside Operations tracking worksheet listing the amount approved for payment and each disallowed expense submitted that is disputed or does not contain proper support. Accounting would follow-up with Airside Operations to ensure that the approved amounts are submitted for payment by the due date.	June 30, 2014
14-19	TERMINALS AND TENANTS DEPARTMENT	Audit Report #14023, dated March 11, 2014, Host International, Inc.	15	Impact: 6 Probability: 9	In addition to obtaining an annual price list from the concessionaire, as required by the lease agreement, the Terminals and tenants Department should conduct regularly scheduled price reviews, track and maintain documentation of any discrepancies that were identified.	June 30, 2014
14-14	AVIATION AND COMMERCIAL BUSINESS DEPARTMENT	Audit Report #14018, dated January 21, 2014, Simply Wheelz, LLC dba Advantage Rent-A-Car	17	Impact: 9 Probability: 8	Aviation and Commercial Business Department should request that the Accounting Department issue an invoice to Simply Wheelz in the net amount of \$282,778 for the underpayment of Customer Facility Charge (CFC) Funds and license fees.	June 30, 2014

## Appendix D – Fiscal Year 2015 Audit Plan

OFFICE OF THE CHIEF AUDITOR			
BUSINESS PROCESS AUDITS			
1	Debt Service Management	250	
2	Cloud Management and Performance	300	
3	Human Resources Services Performance	350	
4	Airport Lost and Found	200	
5	Timekeeping Payroll	250	
6	Social Media Control and Performance	250	
	<b>TOTAL BUSINESS PROCESS AUDIT HOURS</b>	<b>1,600</b>	<b>17.2%</b>
EXPENSE CONTRACT AUDITS			
7	Bradford Airport Logistics	200	
8	Leigh Fisher & Associates	200	
9	SOLPAC Construction, Inc., dba Soltek Pacific Construction Company	150	
10	Abadjis Systems, Ltd.	200	
11	Ace Parking Management, Inc.	250	
12	Kimley-Horn and Associates, Inc.	200	
13	Porter Novelli, Inc.	150	
14	AMEC Environmental and Infrastructure, Inc.	150	
	<b>TOTAL EXPENSE CONTRACT AUDIT HOURS</b>	<b>1,500</b>	<b>16.1%</b>
REVENUE CONTRACT AUDITS			
15	Budget Rent A Car Systems	250	
16	DTG Operations, Inc. dba Thrifty & Dollar	250	
17	Nevada Lease and Rental, Inc. dba Payless Car Rental System	250	
18	Simply Wheelz, LLC dba Advantage Rent-A-Car	250	
19	DAL Global Services, LLC	150	
20	Elite Line Services, Inc.	150	
21	Landmark Aviation GSO-SAN, LLC	150	
22	Sky Chef, Inc. dba LSG Sky Chefs	150	
23	Host International, Inc. (FSP 1)	250	
24	SSP America, Inc. (FSP 3)	250	
25	Smarte Carte, Inc.	150	
	<b>TOTAL REVENUE CONTRACT AUDIT HOURS</b>	<b>2,250</b>	<b>24.1%</b>
ANNUAL ONGOING AUDITS AND SUPPORT			
26	Aircraft Rescue & Fire Fighting (ARFF)	150	
27	Board Member Expenditures	50	
28	CONRAC Fund Review	100	
29	Procurement Card Program	150	
30	Agreements with Expenditure Limits Not to Exceed \$100,000	100	
31	Bi-Annual Airline Landing Fees	250	
32	Emergency Medical Technician-Paramedic Services	80	
33	San Diego Unified Port District Billing	250	
	<b>ANNUAL ONGOING AUDITS AND SUPPORT HOURS</b>	<b>1,130</b>	
34	Special Request Audits	798	
	<b>TOTAL ANNUAL ONGOING AUDITS AND SUPPORT HOURS</b>	<b>1,928</b>	<b>20.7%</b>
35	<b>QUALITY ASSESSMENT REVIEW</b>	<b>300</b>	<b>3.2%</b>
36	<b>ETHICS PROGRAM ACTIVITY</b>	<b>400</b>	<b>4.3%</b>
37	<b>CONSTRUCTION AUDIT AND MONITORING ACTIVITY</b>	<b>1,340</b>	<b>14.4%</b>
	<b>TOTAL HOURS</b>	<b>9,318</b>	<b>100.0%</b>
	<b>AVAILABLE AUDIT HOURS FROM OFFICE STAFF</b>	<b>9,318</b>	
	<b>DIFFERENCE</b>	<b>0</b>	

## Appendix E – Ethics Compliance Program

## Fiscal Year 2014 Ethics Hotline Summary

	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>New Construction</i>	55	37	0	n/a	18
<i>Advertising</i>	33	20	0	n/a	13
<i>Terminal 2 Gala</i>	15	14	0	n/a	1
<i>Public Art</i>	14	12	0	n/a	2
Potential Misuse of Resources					
<i>Timekeeping</i>	2	2	2	Yes (1)	0
<i>Misuse of Confidential Information</i>	1	1	1	Yes (2)	0
Employee Barbeque	12	5	0	n/a	7
Employee Holiday Party - Funds	12	12	0	n/a	0
Acceptance of Gifts	7	0	0	n/a	7
Harassment	1	0	1	Yes (3)	1
<b>Non Ethics Related Concerns</b>					
ATO Practices and Behavior	32	19	0	n/a	13
TSA Practices and Behavior	28	19	0	n/a	9
Aircraft Noise	21	16	0	n/a	5
Concession Availability	3	1	0	n/a	2
<b>Workplace Concerns</b>					
Workplace Practices/Behavior	37	29	0	n/a	8
United Way	29	21	0	n/a	8
Volunteer Opportunity Emails	22	22	0	n/a	0
Workplace Equitability	16	13	0	n/a	3
Performance Reviews	16	7	0	n/a	9
Employee Parties/Retirement/Gifts	10	7	0	n/a	3

(1) Same issue reported multiple times. Investigation completed with no evidence of violation indicated.

(2) Issue was investigated and no evidence of violation indicated.

(3) Issue was investigated and no evidence of violation indicated.

## Appendix F – Soft Savings Estimate

**Office of the Chief Auditor  
Soft Savings Estimate for Fiscal Year 2014**

Audit	Savings	Comments	Status
<b>AECOM Expense Review</b>  Report #13030 Type: Annual	\$231,270	Twenty-eight (28) staff continue to work as consultants in FDD under the three new on-call program management and support service providers. Of these, twelve (12) consultants have been working at the Authority for more than five years, two of which have been employed since the Authority split from the San Diego Unified Port District on January 1, 2003. Assuming the 3 positions that have been contracted out since 2003 could be transitioned to Authority employees, at a savings of \$77,090 <sup>1</sup> per year, the total annual savings would be \$231,270 (3 * \$77,090).	Management has put in place procedures to continuously evaluate the staffing needs in support of the implementation of the construction projects by evaluating the projects' manpower, and by evaluating the department staffing needs.
<b>San Diego Unified Port District Billings – Fiscal Year 2012</b>  Report #13033 Type: Annual	\$37,000	We recommended that the Authority contract with a local mechanic to perform the service and maintenance needed on the Harbor Police Department (HPD) Airport vehicles. The maintenance and repair services provided by the District's General Services personnel at the rate of \$137 per hour appear to be excessive, and should be discontinued in favor of an external service provider. Assuming 1,000 hours of maintenance, and assuming that services could be obtained at a rate of \$100 per hour, cost savings would be \$37,000 [(137-100) * 1,000].	The Aviation Security & Public Safety Department researched the cost/ benefit of contracting with a local mechanic to perform the maintenance needed on HPD Airport vehicles to determine potential cost savings, as well as repair/ maintenance quality and timeliness. At this time, management has decided to continue the current service and maintenance processes.
<b>ASIG – Aircraft Service International Group, Inc.</b> (Special Request)  Report #13036 Type: On-Time	\$2,620	Aircraft Service International Group, Inc. (ASIG) inquired with the AvCom Department regarding possible errors in the calculations of license and fuel flowage fees during 2010, 2011, and 2012. AvCom requested the OCA conduct an audit to verify accuracy of fees paid during the 3-year period. After preliminary audit work and records requests from the OCA to ASIG, ASIG did not pursue the claim of overpayments made and did not provide the financial reports and supporting documentation. Therefore, OCA did not conduct any further work on the special request audit.	OCA considers the special request audit completed, and ASIG has dropped its claim.

<sup>1</sup> In previous audits we noted that the cost savings of Authority employees versus various Consultants was between \$4,938 and \$149,242 per position, resulting in an average savings per position of \$77,090.

# Appendix F – Soft Savings Estimate Cont.

Audit	Savings	Comments	Status
<b>Abadjis Systems Ltd.</b>  Report #14010 Type: Expense Contract	\$564,676 <sup>2</sup> annually	We noted that many of the employees working for Abadjis had been working at the Authority for several years. We noted that nothing in Authority Policy limits the length of time contractors may work at the Authority, and that contractors may work at the Authority indefinitely, if contracts are renewed or extended, at rates higher than Authority staff. We recommend that Management consider amending Authority Policy to limit the amount of continuous time an individual contractor may work at the Authority. The limit could be by time, contract, and/or project. The limit could provide an opportunity to evaluate whether the contractor's services are required on a temporary or permanent basis.	The current Program Management put in place in May of 2011 uses 3 firms to provide staff support for the Authority's Capital Improvement Program (CIP). This approach enables the Authority to mobilize or demobilize staff to meet the demands of the CIP program. FDD identified 7 positions that are intended as long-term type Authority positions slated to replace consultant positions. These positions are: 1 Senior Program Manager, 3 Project Managers, 1 Cost Analyst, and 2 Labor Compliance Specialists (Technician I and II). FDD will continuously evaluate the staffing needs in support of the implementation of the CIP by evaluating the projects' manpower, and by evaluating the department staffing needs six months prior to the expiration date of contracts, to determine whether the positions should be retained by the Authority or be augmented by the consultants.
<b>Total Soft Savings</b>	<b>\$835,566</b>		

<sup>2</sup> Calculation: Average cost saving from 5 positions (417.66/hour) \* 2080 hours \* 65% utilization.

# San Diego County Regional Airport Authority

## Fiscal Year 2014 Annual Audit Activities Report from the Office of the Chief Auditor

July 1, 2013, through June 30, 2014

Audit Committee Meeting  
August 18, 2014

# Presentation Overview

## FY14 Annual Report

- Audit Activities
- Recommendation Follow-up
- Performance Measures
- Non-Audit & On-going Activities



# Audit Activities

- Completed 37 Audits
  - Revenue Contract Audits: 15
  - Expenditure Contract Audits: 14
  - Business Process Audits: 8
- Audits in Progress
  - Five (5) audits were in progress as of June 30, 2014, with four (4) of these in Draft form awaiting management response.
- Audit Results
  - Issued 37 Recommendations
  - Identified additional revenue or cost savings of \$1,110,651



# Audits In Progress

Audit	Type of Audit	Status as of August 18, 2014
Emergency Medical Technician-Paramedic Services	Expenditure	Report Issued
Merriwether & Williams Insurance Services	Expenditure	Draft Report
The Hertz Corporation	Revenue	Draft Report
Timekeeping Payroll	Business Process	Report Issued
Debt Service Management	Business Process	Fieldwork



# Recommendation Follow-up

Status of Recommendations Issued in FY14:

Quarter	Recommendations				
	Tracked	Completed	Not Accepted	Outstanding	% Completed
Carryover	13	10	1	2	77%
1 <sup>st</sup>	9	8	1	0	89%
2 <sup>nd</sup>	3	2	0	1	66%
3 <sup>rd</sup>	7	6	1	0	86%
4 <sup>th</sup>	18	0	0	18	0%
<b>Total</b>	<b>50</b>	<b>26</b>	<b>3</b>	<b>21</b>	<b>52%</b>
<b>Total 2014</b>	<b>37</b>	<b>16</b>	<b>2</b>	<b>19</b>	<b>43%</b>



# FY14 Performance Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	88% <sup>1</sup>
Additional revenue/cost savings identified through audits	\$30,000	\$1,110,651
Percentage of staff time spent on audit activities	85%	86%
Percentage of audits completed within budgeted time	80%	81%
Implementation of Recommendations	90%	52%

<sup>1</sup> If draft reports issued are included, total progress would be 98%.

# Non-Audit Activities and On-Going Activities

- Training
  - Continued compliance with the Institute of Internal Auditors
- Committee Support
  - Supported five (5) Audit Committee meetings
- Ethics Compliance Program
  - 366 complaints were registered in Fiscal Year 2014
- Construction Audit Program
  - Remain involved with the Terminal Development Program close-out and the North Side Development Program, providing assistance on issues identified by management, attending meetings specific to the aspects of the Authority's construction activity, and providing updates to Authority Board and Committees.



# Non-Audit Activities and On-Going Activities

- Quality Assessment Review
  - During the fiscal year, the OCA underwent an External Quality Control Review to ensure compliance with International Standards for the Professional Practice of Internal Auditing.
  - The OCA internal quality control system was evaluated and tested to ensure compliance. The OCA was found to be in compliance with the standards and was provided with recommendations to improve the performance, efficiency, and controls within the department.
  - To date, all of the recommendations have been implemented.



# Questions





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

Item No.  
**4**

Meeting Date: **AUGUST 18, 2014**

**Subject:**

**Revision to the Charter for the Office of the Chief Auditor**

**Recommendation:**

Staff recommends that the Audit Committee approve and forward to the Board for approval revisions to the Charter for the Office of the Chief Auditor to address consulting services recommended as part of the Quality Assessment Review.

**Background/Justification:**

The Charter of the Office of the Chief Auditor was adopted by Board approval on October 2, 2003, per Resolution No. 2003-062. The Charter establishes the role and requirements of the Office of the Chief Auditor (OCA).

On June 1, 2004, the Audit Committee (Audit and Performance Monitoring Committee) **revised the OCA Charter pertaining to the Committee's approval authority of the external auditor's work program, and to define the Chief Auditor's role in reviewing both the draft and the final submission of the external auditor's audited financial statements.**

During its February 8, 2010, meeting the Audit Committee approved revisions to the OCA Charter to reflect operational practices covering the review and approval of amendments to the Annual Audit Plan, the retention of audit work papers, the request to access Authority information and records, and the process for handling responses to audit recommendations, among others.

Revisions accepted by the Audit Committee on February 8, 2010, were adopted by **Board approval during the Board's March 4, 2010, meeting, per Resolution No. 2010-0023.**

To reflect current operational practices, staff provides for your consideration, revisions **to the Office of the Chief Auditor's** Charter, page 3, Section 5, Special Audits, satisfying a recommendation from the April 4, 2014, External Quality Control Review related to consulting services.

The proposed edits to the Charter of the Chief Auditor are provided 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, as an administrative 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  
Charter for the Office of the Chief Auditor**

**SECTIONS:**

1. Independence of the Chief Auditor
2. Assistants and Employees
3. Scope of Audits
4. Audit Plan
5. Special Audits and Consultation
6. Funding
7. Records
8. Access to Personnel, Records and Property
9. Management Response
10. Audit Reports to the Board
11. Report of Irregularities
12. Annual Report
13. Audit Follow-up
14. Audit Consultants and Experts
15. Quality Assurance Reviews
16. External Audits
17. Chief Auditor Employment Agreement

**SECTION 1. Independence of the Chief Auditor**

1. The Chief Auditor shall conduct his/her work in accordance with the professional auditing standards applicable to financial, performance and contract audits.
2. The Chief Auditor shall be accountable to the Board of Directors (hereinafter "the Board") under Public Utilities Code §170026, and pursuant to his/her employment agreement.

**SECTION 2. Assistants and Employees**

1. The Chief Auditor shall establish an organizational structure appropriate to carrying out the responsibilities and functions of this Charter.
2. Within the budget approval process and established personnel policies for the Authority's departments and subject to review and advice of the Audit Committee, the Chief Auditor shall have the power to appoint, employ, and remove such staff auditors, employees and personnel, as he/she may deem necessary for the efficient and effective administration of the affairs of the Office of the Chief Auditor.

### SECTION 3. Scope of Audits

The Chief Auditor shall have the authority to conduct performance, financial and contract audits of all departments, offices, activities, contractors and sub-contractors of the Authority in order to independently determine whether:

- (a) programs being implemented have been authorized by the Board, state law or applicable federal law or regulations and are being conducted and funds expended in a manner consistent with the intended objectives; and
- (b) departments, programs, activities, functions and policies are effective and achieving the desired results, benefits and goals; and
- (c) resources, including funds, property and personnel, are adequately acquired, safeguarded, controlled and being used efficiently and effectively; and
- (d) management has established adequate operating and administrative procedures and practices, systems, accounting internal control systems and internal management controls;
- (e) there are indications of fraud, abuse or illegal acts which need investigation; and
- (f) financial and other reports are being provided that disclose fairly, accurately and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities, or that is necessary to establish a proper basis for evaluating the results of programs and activities including the collection of, accounting for and depositing of revenues and other resources.

### SECTION 4. Audit Plan

1. At the beginning of each fiscal year, the Chief Auditor shall submit a one-year Audit Plan to the Audit Committee for review and approval. The plan shall include the departments, offices, activities, contractors and sub-contractors subject to audit for the period. This plan may be amended during the fiscal year after review and approval by the Audit Committee. All such plans shall, upon approval by the Audit Committee, be forwarded as an information item to the Board. Additionally, the Chief Auditor may, after consultation with the Chair of the Audit Committee, initiate and conduct any other audits deemed necessary to undertake at any point of time, subject to review by the Audit Committee if the Audit Committee believes it is appropriate or necessary
2. In the selection of audit areas, the determination of audit scope and the timing of audit work, the Chief Auditor should consult with the General Counsel, federal and state auditors and external auditors, as necessary, so that the desirable audit coverage is provided and audit activities are properly coordinated.

## SECTION 5. Special Audits and Consultation

1. The Audit Committee and the President/Chief Executive Officer may request the Chief Auditor to perform special audits that are not included in the annual audit plan. After consultation with the Audit Committee, a special audit may become an amendment to the annual audit schedule.
2. The Audit Committee, the President/Chief Executive Officer, a Vice President or other Authority management may request the Office of the Chief Auditor to provide consultation on internal control matters. In these instances, the Office of the Chief Auditor will comply with the requirements of the Attribute and Performance Standards provide for in the International Standards for the Professional Practice of Internal Auditing.

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## SECTION 6. Funding

The Board shall endeavor to provide a separate budget for the Office of the Chief Auditor sufficient to carry out the responsibilities and functions established in this Charter.

## SECTION 7. Records

The Chief Auditor shall retain for at least three (3) years, a complete file of each audit report and each report of other examinations, investigations, surveys and reviews. The file should include audit work papers and other supportive material directly pertaining to the audit report. The retention or destruction of audit records shall be governed by all applicable laws, codes and policies of the Authority, and of state and federal agencies.

## SECTION 8. Access to Personnel, Records and Property

1. All officers and employees of the Authority, upon request, shall furnish the Chief Auditor with access to personnel information and records, including automated data, within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts and methods of business required to conduct an audit or otherwise perform audit duties. In addition, they shall provide access for the auditors to inspect all property, equipment, and facilities and personnel within their accountability. If such officers or employees fail to produce the aforementioned information, they may be subject to appropriate disciplinary actions and the Chief Auditor may cause a search to be made and exhibits to be taken from any book, paper or record of any such official or employee, or outside contractor or subcontractor, except for legally privileged and/or legally confidential information. All contracts with outside contractors and subcontractors shall provide for auditor access to all relevant personnel, financial and performance-related records, property, and equipment where Authority funds were expended or Authority facilities were used.

2. The Chief Auditor shall not publicly disclose in his or her reports or otherwise any information received during an audit that is proprietary in nature, legally privileged or legally confidential. All applicable provisions of the California Public Records Act shall be complied with by the Chief Auditor.

#### SECTION 9. Management Response

A final draft of the audit report will be forwarded to the management of the audited department for review and comment. Management must respond in writing specifying (a) agreement with the audit findings and recommendations, or (b) reasons for disagreement with the findings and/or recommendations, plans for implementing solutions to identified problems and a timetable to complete such activities. The affected department's response must be forwarded to the Chief Auditor within five (5) business days from the date of receipt of the audit, unless an extension is requested by department management and granted by the Chief Auditor. The Chief Auditor will include the full text of the management response in the final report. If no response is received, the Chief Auditor will note this fact in the transmittal letter and will release the audit report.

#### SECTION 10. Audit Reports to the Board of Directors

1. Each audit included in the Annual Audit Plan will result in a final written report. The final report shall be available for public examination, subject to the provision in Section 8, Item 2, above.
2. The Chief Auditor shall submit each final audit report to the Audit Committee, and shall retain a copy in his/her office as a permanent record. A copy shall be filed with the Clerk of the Board.

#### SECTION 11. Report of Irregularities

If, during an audit, the auditor becomes aware of fraud or illegal acts or indications of such acts that could affect the Authority, the Chief Auditor shall report the irregularities to the Chair of the Audit Committee, the General Counsel, and the President/Chief Executive Officer. Where one or more of the aforementioned persons is or is believed to be a responsible or culpable party, the Chief Auditor shall report the matter to the full Board in Closed Session called for that purpose in accordance with the requirements of the Ralph M. Brown Act.

#### SECTION 12. Annual Report

The Chief Auditor shall submit an annual report to the Board within forty-five (45) days after the end of the fiscal year, indicating audits completed, major findings, corrective actions taken, and significant findings that have not been fully addressed by the Authority's management.

#### SECTION 13. Audit Follow-up

1. The Chief Auditor shall follow-up on audit recommendations insofar as practical to determine if appropriate corrective actions are implemented.

2. The Chief Auditor may request and shall receive periodic status reports from audited departments regarding actions taken to address reported deficiencies and audit recommendations.

#### SECTION 14. Audit Consultants and Experts

Subject to budget limitations and the contracting policies of the Authority, the Chief Auditor may obtain the services of public accountants, qualified management consultants, or other professional experts necessary to assist the Chief Auditor in the discharge of his/her responsibilities. A contractor performing an audit should have no financial or other interests in the affairs of the Authority, any member of the Board, or its officers.

#### SECTION 15. Quality Assurance Reviews

1. The audit activities of the Office of the Chief Auditor shall be subject to quality review at intervals to ensure compliance with the International Standards for the Professional Practice of Internal Auditing<sup>1</sup>. The Quality Assurance Review shall be conducted in accordance with the requirements provided for in the International Standards for the Professional Practice of Internal Auditing, and the assistance of a professional, independent and objective professional accounting services firm. A written report of the independent review shall be furnished to the Audit Committee.
2. The quality control review shall determine compliance with the International Standards for the Professional Practice of Internal Auditing and the quality of audit effort and reporting, including:
  - (a) general standards such as staff qualifications, due professional care, and quality assurance;
  - (b) field work standards such as planning, supervision, and audit evidence;
  - (c) reporting standards such as report content, presentation, and timeliness.

#### SECTION 16. External Audits

The President/Chief Executive Officer shall recommend to the Audit Committee for referral to the Board, the external Certified Public Accountants who will conduct annual certified financial statement audits as specified by state law. The Audit Committee shall approve, on behalf of the Board, the work program of the external auditors. The Chief Auditor, on behalf of the Board, shall monitor the responses to external auditor questions as prepared by management and shall review draft external audit reports and comment to the Audit Committee on final external audit reports. The Chief Auditor shall work toward the elimination of duplicative audit work through cooperation with external, state and federal auditors.

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<sup>1</sup> The International Standards for the Practice of Internal Auditing require at quality review every 5 years.

SECTION 17: Chief Auditor Employment Agreement

In the event of any conflict between this Charter and the Chief Auditor's Employment Agreement, the terms of the Employment Agreement shall control. Nothing in this Charter shall be deemed to add to or detract from said Employment Agreement.

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Revised: Resolution No. 2014-xx

# San Diego County Regional Airport Authority

## Revision to the Charter for the Office of the Chief Auditor

Audit Committee Meeting  
August 18, 2014

# Background for Charter Change

One of the recommendations from the Quality Assessment Review report issued April 4, 2014, was that the OCA Charter should address the scope of consulting.

**Observation 2: The Audit Charter did not address the nature of consulting services.**

The *International Standards for the Professional Practice of Internal Auditing* requires that “the nature of consulting services must be defined in the internal audit charter” (1000.C1). While the Chief Auditor indicated that the office did not provide consulting services, the Charter should clearly state whether consulting services are provided and if so, the nature of such.

The Definition of Internal Auditing states, “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations....”. With the Institute of Internal Auditors (IIA) adopting this definition, it is important that all internal auditing organizations that use the IIA Standards address consulting in their Charter.

During our review, we observed some services provided by the Office of the Chief Auditor that could be perceived to be consulting services. These services included providing advice on internal controls during the development of new processes and advice during the preparation of the annual financial statements.

**Suggestion 2: The Audit Charter should be revised to include the nature of consulting services.**



# Charter Change Recommendation

Page 3, Section 5, two changes have been made:

- The words “and Consultation” have been added to the title.
- Paragraph 2 has been added in full, and states the following:

*The Audit Committee, the President/Chief Executive Officer, a Vice President or other Authority management may request the Office of the Chief Auditor to provide consultation on internal control matters. In these instances, the Office of the Chief Auditor will comply with the requirements of the Attribute and Performance Standards provide for in the International Standards for the Professional Practice of Internal Auditing.*



# Questions



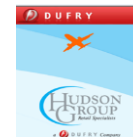
# San Diego County Regional Airport Authority

## Update On Concession Audits Revised 8/15/14



# Background

- The Concession Development Program (CDP) was created in 2011 to:
  - Promote various San Diego based vendors (Food & Beverages and Retail) at the San Diego International Airport.
  - Incorporate additional concession opportunities from the Terminal 2 West (Green Build) and Terminal 2 East expansion projects
  - Re-concept most of the existing concessionaire locations.
- As of June 2014 there are 12 (4 Food Service and 8 Retail) Locations new concessionaires, which includes a total of 74 concession locations (as of May 9, 2014) . Total build out = 85 concession locations by February 2015.
- The Business & Financial Management Department oversees the concession leases.



# New to the Authority

- Sales reporting - Tenant Reporting Application (TRA)
- Accounting - Cost Recovery Program
- Oversight - Collaboration between Terminals & Tenants Department as well as the Business & Financial Management Department



# Audit Preparation

- Reviewed background information about the Concession Development Program (CDP) including:
  - Board Meeting Minutes
  - Staff Reports
- Interviewed Terminals and Tenants Department Staff
- Reviewed various concession lease agreements
- Reviewed previous concession audits by the Authority
- Reviewed periodicals containing information about the concession programs at other airports
- Notified all of the concessionaires through the “Concessionaire Welcome Letter” about upcoming audits during FY 2015



# OCA's Role

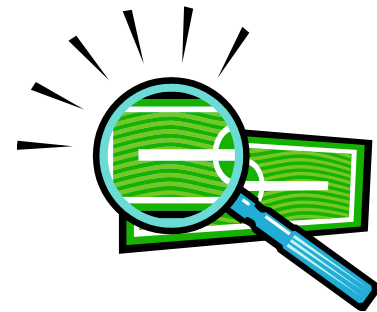
- To achieve our audit objective we performed the following:
  - Interviewed Terminals and Tenants Department and concessionaire personnel.
  - Evaluated management controls utilized by the Authority to manage the concessionaire. Noted any control gaps in the key business processes.
  - Reconciled sales reported by the concessionaire to amounts received by the Authority.
  - Verified the accuracy and timeliness of the rent payments received by the Authority.
  - Assessed the effectiveness of the Cost Recovery Program.
  - Reviewed the following documents:
    - ✓ Accounts receivables reports
    - ✓ Invoices for rent payments
    - ✓ Cost Recovery reports
    - ✓ Weekly and Monthly Sales Activity Reports
    - ✓ Gross Sales Receipts
    - ✓ Unaudited Financial Statements
- Concessionaire audits completed in FY2014:
  - Audit # 14023 - Host
  - Audit # 14034 – High Flying Foods
- Concessionaire audits completed in FY2015:
  - Audit #15028 – Paradies - San Diego LLC



# What We Have Found

## Areas for Improvement

- Price monitoring
- Late rent payments (low risk)
- Concessionaire's lack of understanding of Sales reporting



# Our Recommendations

- Provide more training on the Tenant Reporting application to the concessionaires
- Business & Financial Management to create performance metrics for each concessionaire
- Bi-annual audits
- Consistent monitoring of Accounts Receivables



# The Road Ahead

- Concession Management Performance
- Special Audits (as needed)
- Financial Reporting



# Questions



# **UPDATE ON THE GREEN BUILD CONSTRUCTION AUDIT**

Audit Committee Meeting  
August 18, 2014

# Summary Report of Green Build Audit Activities

R. W. Block Consulting, Inc. (RWBC) with  
OCA assistance

- Early involvement to have an effective role in the Green Build Program
- Assist in developing a valuable risk avoidance strategy
- Promote respect and cooperation between auditors and project implementers

# RWBC Activities

- Green Build Program Diagnostic Review
- Airport Improvement Program (AIP) and Transportation Security Administration (TSA) Funding Compliance Review
- Green Build Program Lookback Audit
- Funding Compliance Review

# OCA Construction Audit Activities

- TDP Contracting Process
- Change Order Process
- GMP Invoice Approval and Payment Process
- GMP Contingencies and Allowances Processes
- AECOM Project Management Expenses
- Funding Source Eligibility Determination Process

# Observations and Management Action

- Alignment of scope of work to funding sources
  - Finance addresses with TDP management
- Develop contract compliance methodology
  - TDP instituted new process
- Develop policies/procedures specific to Green Build
  - Specific procedures developed
- Improve procedures for funding source eligible vs. ineligible cost identification
  - Process was refined
- Ensure formal approval obtained for all Federally-funded project costs
  - Approvals obtained

# Close Out Activities

- RWBC recommendation follow-up
- Federal Grants and PFC reimbursement expense review
- Contracts payment review





# Questions



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

Item No.  
**7**

Meeting Date: **AUGUST 18, 2014**

**Subject:**

**Revision to the Fiscal Year 2015 Audit Plan**

**Recommendation:**

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

**Background/Justification:**

The Office of the Chief Auditor's (OCA) Annual Audit Plan for Fiscal Year 2015 was approved by the Audit Committee during its May 12, 2014, meeting.

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

The Fiscal Year 2015 Audit Plan requires a revision due to circumstances identifying the addition, or the deletion, of the following list of projects or vendors:

**Add (*per special request by Board Member Cox*): GGTW, LLC**

The revised Fiscal Year 2015 Audit Plan is presented in Attachment A.

**Fiscal Impact:**

No fiscal impact. The Office of the Chief Auditor's Fiscal Year 2015 Budget includes funds specified for conducting Special Request Audits.

**Authority Strategies:**

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

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

**Environmental Review:**

1. This Board action, as an administrative 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.
2. 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  
FY 2015 Audit Plan  
REVISED 8/18/14**

ATTACHMENT A

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**BUSINESS PROCESS AUDITS**

Concessionaire Management and Performance  
Cloud Management and Performance  
Airport Noise Management  
Business and Travel Expenses  
Public Records Management  
Consortium Agreement Compliance

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**EXPENSE CONTRACT AUDITS**

Cartwright Termite & Pest Control  
Network Security Electronics, Inc.  
Ninyo & Moore Geotechnical Consultants  
PCL Construction Services, Inc.  
Aztec Landscaping  
CDW - Government  
Demattei Wong Architecture, Inc.  
Granite Construction Company  
Hatch Mott MacDonald, LLC  
Serco Management Services, Inc.

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**REVENUE CONTRACT AUDITS**

Avis Rent A Car Systems LLC  
Enterprise Rent A Car Company (Enterprise, Alamo, National)  
Fox Rent A Car  
The Hertz Corporation  
EZ Rent A Car  
Ace Parking  
Airline & Others (Ogden Aviation)  
JCDecaux, Inc.  
Aircraft Services International Inc.  
Gate Gourmet Inc.  
High Flying Foods San Diego (FSP 7)  
Paradies - San Diego LLC (RP1)  
Hudson Group, Concourse Ventures Inc., Epicure and Martinez (RP 7)  
Pacific Gateway Concessions and Procurement Concepts SD (RP 3)  
SSP America Inc. (FSP 5)  
Mission Yogurt Inc. (FSP 4)  
Stellar Partners Inc. (RP 4)

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**ANNUAL ONGOING AUDITS AND SUPPORT**

Airport Rescue & Firefighters (ARFF)  
Board Member Expenditures  
CONRAC Fund Review  
Procurement Card Spending  
Audit of Contracts & Expenditures for Agreements <\$100,000  
Emergency Medical Technician & Paramedic Services  
San Diego Unified Port District Billing  
Ethics Program Activities  
Construction Audit and Monitoring Activity

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**SPECIAL REQUEST AUDITS**

GGTW, LLC

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