

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
Board Chair

Greg Cox
Jim Desmond
Robert H. Gleason
Lloyd B. Hubbs
Jim Janney
Mark Kersey
Paul Robinson
Mary Sessom

SPECIAL AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Tuesday, September 6, 2016
8:30 A.M.

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

Ex-Officio Board Members

Laurie Berman
Eraina Ortega
Col. Jason Woodworth

President / CEO

Thella F. Bowens

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

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

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD AGENDA.***

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

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

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

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

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

NON-AGENDA PUBLIC COMMENT:

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

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

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the May 2, 2016, regular meeting.

2. FISCAL YEAR 2016 ANNUAL REPORT FROM THE AUDIT COMMITTEE:

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

Presented by: Paul Robinson, Audit Committee Chair

3. FISCAL YEAR 2016 ANNUAL AUDIT ACTIVITIES REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for acceptance 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 FISCAL YEAR 2017 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

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

Presented by: Fred Bolger, Manager, Audit Services

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.

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

You may also reach the Administration Building by using public transit via the San Diego Metropolitan Transit System, Route 992. The MTS bus stop at Terminal 1 is a very short walking distance from the Administration Building. ADA paratransit operations will continue to serve the Administration Building as required by Federal regulation. For MTS route, fare and paratransit information, please call the San Diego MTS at (619) 233-3004 or 511. For other Airport related ground transportation questions, please call (619) 400- 2685.

UPCOMING MEETING SCHEDULE

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
November 21	Monday	10:00 a.m.	Regular	Board Room

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

3. **FISCAL YEAR 2016 THIRD QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:** Fred Bolger, Manager, Audit Services, provided a presentation on the Fiscal Year 2016 Third Quarter Activities Report and Audit Recommendations Issued by the Office of the Chief Auditor, which included Audit Activities, Recommendation Follow-Up, Performance Measures, and Summary of Ethics Inquiries.

Board Member Sessom requested that additional revenue/cost savings identified through audits be provided for previous years.

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

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

4. **FISCAL YEAR 2017 PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:** Mark A. Burchyett, Chief Auditor, provided a presentation on the Fiscal Year 2017 Proposed Audit Plan of the Office of the Chief Auditor, which included Risk Assessment Methodology, Audit Activities, Fiscal Year Audit Coverage, Audit Resources, Audit Hours, Annual Ongoing Audits and Support, and Audit Hours Summary.

Board Member Sessom recommended revising the language in Attachment 2, Item Number 39 to state that staff review ethics policies for potential amendments.

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

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

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

Mark A. Burchyett, Chief Auditor, provided a presentation on the Fiscal Year 2017 Proposed Budget of the Office of the Chief Auditor and Fiscal Year 2018 Proposed Conceptual Budget Expense Summary.

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

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

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

Fred Bolger, Manager, Audit Services, provided an overview of the requested revision to the Audit Plan, stating that staff is requesting to remove the Environmental Compliance review from 2016 and that it be added to the Fiscal Year 2017 Audit Plan.

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

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

CLOSED SESSION: The Committee recessed into Closed Session at 10:44 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 11:19 a.m. There was no reportable action.

NON-AGENDA PUBLIC COMMENT: None.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting was adjourned at 11:20 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY THIS 6th DAY OF SEPTEMBER, 2016.

MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR OF CORPORATE & INFORMATION
GOVERNANCE/AUTHORITY CLERK

STAFF REPORT

Meeting Date: **SEPTEMBER 6, 2016**

Subject:

Fiscal Year 2016 Annual Report from the Audit Committee

Recommendation:

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

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 2016 Annual Report from the Audit Committee for the period July 1, 2015, through June 30, 2016, is hereby presented as Attachment A for the Committee's review and any comments prior to the report's submittal to the Board on September 15, 2016.

Fiscal Impact:

None

Authority Strategies:

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

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

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

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

Board Members

C. April Boling
Board Chair

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Mary Sessom

Ex-Officio Board Members

Laurie Berman
Eraina Ortega
Col. Jason Woodworth

President / CEO

Thella F. Bowens

September 6, 2016

C. April Boling
Board Chair
San Diego County Regional Airport Authority
P.O. Box 82776
San Diego, CA 92138-2776

Dear. Ms. Boling:

The annual report from the Audit Committee is herein provided to the San Diego County Regional Airport Authority Board for the Fiscal Year 2016.

The Audit Committee convened four times during Fiscal Year 2016. Following are a list of the meeting dates:

- August 17, 2015
- November 16, 2015 – *Canceled*
- December 7, 2015 – *Special Meeting*
- February 1, 2016
- May 2, 2016

The meeting minutes for these public sessions are on file with the Clerk of the Board and can also be found on the San Diego International Airport website www.san.org.

During Fiscal Year 2016, the Authority's financial records were audited by the independent public accounting firm BKD, LLP. The Audit Committee reviewed and approved the Fiscal Year Ended June 30, 2015, audited financials during its December 7, 2015, special meeting, as well as the Comprehensive Annual Financial Report (CAFR) issued by the Authority's Finance Department. The reports included:

- Audited Financial Statements
- Compliance (single audit) Report
- Passenger Facility Charge (PFC) Compliance Report
- Customer Facility Charge (CFC) Compliance Report
- Report to the Audit Committee
- 2015 Comprehensive Annual Financial Report (CAFR)

In conjunction with its financial oversight the Audit Committee monitored the performance

RE: Annual Report
from the Audit
Committee

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of the Airport Authority, in part, by informational reports provided by the Office of the Chief Auditor (OCA). The Audit Committee reviewed, approved, or received as information, the following reports and presentations submitted by the OCA:

- Fiscal Year 2015 Annual Report of the Office of the Chief Auditor
- Fiscal Year 2016 Quarterly Reports and corresponding audit recommendations
- Audit Reports issued during Fiscal Year 2016, totaling 36
- Recommendations issued during Fiscal Year 2016, totaling 15
- Fiscal Year 2017 Audit Plan and Proposed Budget for the Office of the Chief Auditor
- Construction Audit Updates
- Ethics Program and Confidential Hotline Updates
- Public Employee Performance Evaluation Goal Setting for the Chief Auditor

In addition, Audit Committee Members contributed leadership and expertise in their roles as Airport Authority Board Members and within the San Diego communities that they serve. The Audit Committee also continues to benefit by the contribution of three public members, whose expertise and participation are valued and counted upon.

Sincerely,

Paul Robinson
Audit Committee Chair

PR/MAB/sro

cc: Thella F. Bowens, President/CEO

STAFF REPORT

Meeting Date: **SEPTEMBER 6, 2016**

Subject:

Fiscal Year 2016 Annual Audit Activities Report from the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

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

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

In accordance with the Charter of the Office of the Chief Auditor, the Fiscal Year 2016 Annual Report is submitted as Attachment A to the Audit Committee by the Office of the Chief Auditor. The Annual Report provides an account of activities and accomplishments for Fiscal Year 2016, furnishes a projection of the 2017 Fiscal Year, and features details on all recommendations issued and completed during Fiscal Year 2016, along with the status on recommendations still pending.

Fiscal Impact:

None

Authority Strategies:

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

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

FISCAL YEAR 2016 ANNUAL REPORT



August 25, 2016

Fiscal Year 2016 Annual Report

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

Dear Mr. Robinson:

The Office of the Chief Auditor (OCA) presents our Annual Report for Fiscal Year 2016. The report details the audit and administrative activities of the Office, the resolution of past audit findings, and highlights the Fiscal Year 2017 Audit Plan.

Fiscal Year 2016 was another productive year for the OCA that included:

- Issuance of 36 audit reports
- Continued construction audit activities
- Supervision of the Ethics Program

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

Respectfully submitted,

Mark A. Burchyett
Chief Auditor

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Audit Activities

The Office of the Chief Auditor's (OCA) Fiscal Year 2016 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 2016 (see Appendix A) included 40 planned audits. Also incorporated within the Fiscal Year 2016 plan were three (3) audits carried over from the Fiscal Year 2015 audit plan that were not completed during that fiscal year. Furthermore, during the 2016 fiscal year, one (1) unplanned audit was added to the audit schedule as a "Special Request" and one (1) audit was removed from the audit plan.

In total during FY16, the OCA issued 36 final 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 six (6) 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 15 recommendations (See Page 5, Table 3: Status of Recommendations Issued in FY2016).

Table 1: Total Reports Issued by the Office of the Chief Auditor in Fiscal Year 2016

Quarter	Audits Issued	Recommendations Issued
1 st	8	0
2 nd	8	6
3 rd	9	5
4 th	11	4
Total	36	15

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, IT Monitoring and Evaluation, and Contract Management. Each of these audits identified several potential improvements to the Authority's processes to mitigate certain identified risks.

Expense Contract Audits

Included within this category are audits of consulting, service, and construction contracts. During Fiscal Year 2016 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 Nuera Contracting and Consulting LP and Ace Parking Management. Additionally, the annual audits of the Port District Billings and the Aircraft Rescue and Fire Fighting Expense Billings are included within this category.

Revenue Contract Audits

This category includes audits of entities that provide some form of revenue to the Authority, with the OCA completing a total of 14 revenue audits for the year. Revenue audits include reviews of airline landing fees, airline services, car rental agencies, and concessions. Audits completed this fiscal year included audits of DTG, BW-Budget-SDA LLC, and Midway Rent A Car, Inc., which identified a total of \$466,845 in additional revenue for the Authority.

In Progress Audits

In Fiscal Year 2016, 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, 2016, the following audits had been sent to the audited departments as Draft audit reports:

- Airport Security Management
- Airport Terminal Services, Inc.
- Business and Travel Expenses
- Duty Free Americas San Diego, LLC
- Ricondo and Associates, Inc.
- SSP America, Inc. (FSP 6)

Additionally, the audit of The Hertz Corporation was nearing completion of auditor Fieldwork on June 30, 2016.

Each of the above audits should be completed within the 1st Quarter of Fiscal Year 2017.

Audit Follow-Up

The OCA tracks the number and the status of recommendations issued in audit reports. Tracking of recommendations was completed through regular inquiries made to the audited departments or to the owners of specific recommendations. These inquiries allow the OCA to determine how many recommendations have been completed, as well as to obtain the status of the recommendations in progress. In Fiscal Year 2016, the OCA issued a total of 15 recommendations, of which seven (7) are fully implemented (See Table 2 for an overview of recommendations issued in Fiscal Year 2016). For detailed descriptions of recommendations that were unresolved as of June 30, 2016, and for details of all recommendations completed in Fiscal Year 2016, see Appendices B and C respectively.

Table 2: Status of Recommendations Issued in Fiscal Year 2016

Quarter	Recommendations				
	Issued	Completed ¹	In-Progress ²	Open ³	Not Accepted
1 st	0	0	0	0	0
2 nd	6	4	2	0	0
3 rd	5	2	3	0	0
4 th	4	1	1	2	0
Total	15	7	6	2	0

In addition to the recommendations issued in Fiscal Year 2016, the OCA continued to track the status of recommendations issued in prior fiscal years. In total, the OCA tracked 17 recommendations issued prior to this fiscal year and not fully complete as of June 30, 2015. As of June 30, 2016, 16 of those recommendations have been implemented and only one (1) was in process.

Beginning this fiscal year we endeavored to identify and measure an expected completion timeframe for recommendations. Table 3 below shows the recommendations issued in Fiscal Year 2016 along with the completion results.

Table 3: Completion of Recommendations issued in Fiscal Year 2016

Estimated Completion Timeframe	Completed Within Estimate	Completed Outside Estimate	Outstanding	Total
Zero to 6 Months	7	0	5	12
6 Months to 1 Year	0	0	2	2
Over 1 Year	0	0	1	1
Total	7	0	8	15

¹ Includes recommendations that the OCA had determined to be completed.

² Includes recommendations that are not fully completed but action has been taken.

³ Includes recommendations where corrective action has not yet begun.

Non-Audit Activities

The OCA had numerous non-audit activities during Fiscal Year 2016, which are described below. For Fiscal Year 2017, the OCA will continue its activities in support of the Authority and the Board.

Training

Office of the Chief Auditor staff attend training to maintain acquired certifications and informally comply 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 local IIA Government Audit Seminars
- Attendance at the 2016 ALGA Regional Training
- Attendance at the National Association of Construction Auditors 5th Annual Conference

Additionally, staff completed or attended webinars and self-study courses in order to meet their minimum CPE requirements in a cost efficient manner and to limit travel costs and time.

Audit Committee Support

During Fiscal Year 2016, the Audit Committee met four (4) times, which occurred on:

- August 17, 2015
- December 7, 2015
- February 1, 2016
- May 2, 2016

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

Staffing

During the fiscal year, the OCAs Ethics/Compliance Officer left employment with the Authority, and the Ethics Program responsibilities continue, performed by a Senior Auditor. The OCA welcomed a new Auditor to the staff in May. The Auditor was formerly with the Authority's Accounting Department and has quickly learned the OCAs processes and has already become a valuable member of the team. Additionally during the fiscal year, the OCA continued to augment the department with graduate level interns who were hired following a previous auditor's exit in April 2015.

Performance Measures

Each fiscal year the OCA develops and tracks performance measures to gauge the progress and success of the office. For Fiscal Year 2016, the OCA developed five (5) separate measures that could be used to evaluate OCA performance. Table 4 below outlines the OCAs performance against the selected measures.

Table 4: Status of Performance Measures as of June 30, 2016

Performance Measure	Goal	Progress as of June 30, 2016
Percentage of the audit plan completed annually	100%	84%
Additional revenue/cost savings identified through audits	n/a	\$466,845
Percentage of staff time spent on audit activities	80%	82%
Percentage of audits completed within budgeted time	80%	83%
Implementation of Recommendations	90%	72%

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 out of those planned for the year. At the end of the fiscal year, the OCA completed 84% of the Fiscal Year 2016 Audit Plan. Specifically, 36 out of 43 audits were finalized as issued audit reports. Additionally, on June 30, 2016, there were six (6) audits that were either draft reports awaiting review and comment from the audited departments or that were in the report writing process. If these reports are included in the completed audits total, the percent of the Fiscal Year 2016 Audit Plan completed 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, claiming the revenue identified is highly dependent on circumstances outside the control of the OCA, and therefore, revenue/cost savings identified through audits does not make a clear measure of the efficiency and effectiveness of the department. For the year, the OCA identified over \$466,000 in new revenue, as shown in Table 5 below.

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

Audit Report Number	Title	Amount Identified	Amount Collected
16020	Midway Rent A Car Inc.	\$435,783	\$0
16018	DTG Operations, Inc., dba Thrifty and Dollar	22,220 ⁴	0
16016	BW-Budget-SDA LLC	8,842	8,842
Total		\$466,845	\$8,842

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 2016, the OCA exceeded its goal of 80% percent. This goal is the cumulative percentage of the target utilization for all audit staff.

Percentage of audits completed within budgeted time: This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it does recognize that budgets may need adjustment(s) as additional facts become known during an audit and as the availability of requested documentation is known. In Fiscal Year 2016, the OCA completed 83 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, 72% of the recommendations have been implemented, which is under our goal. However, as shown by Table 6, the percentage of recommendations completed greatly increases as time proceeds, and, in addition, the percentage is affected by the 4 recommendations issued during June 2016.

Table 6: Percentage of Recommendations Completed by Quarter

Recommendation Origination	Recommendation				
	Tracked	Completed	Not Accepted	Outstanding	% Completed
Carryover	17	16	0	1	94%
1 st Quarter	0	0	0	0	N/A
2 nd Quarter	6	4	0	2	67%
3 rd Quarter	5	2	0	3	40%
4 th Quarter	4	1	0	3	25%
Total	32	23	0	9	72%

See Appendix F for a detailed listing of the OCA performance measures for the past 5 Fiscal Years.

⁴ The initial audit report identified a net underpayment of \$35,847. However, subsequent to the audit, DTG provided information and records not previously available and/or provided to the OCA. As a result, the net underpayment was reduced to \$22,220, which is reflected here.

Construction Audit Activities

Throughout Fiscal Year 2016, the OCA continued its Construction Audit and Monitoring Activity separate from its annual Audit Plan. The OCA Construction Auditor completed the Business Process audit of Contract Management in June 2016 as part of the Fiscal Year 2016 Audit Plan. The knowledge gained in this audit, observing how Authority personnel handled the issues with managing the various types of contracts, is currently being used in our review of managing construction projects and the related contracts in the Airport Design & Construction Department and the Facilities Development Department.

As part of the Construction Audit Activity in Fiscal Year 2016, the OCA Construction Auditor issued the summary audit report on Capital Improvement Program Project Management & Construction Management Costs. The OCA Construction Auditor is in the preliminary phase of auditing the close-out of the Green Build project and the related contracts with the two joint ventures, Turner/PCL/Flatiron and Kiewit/Sundt.

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

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

Ethics Program Activities

The OCA continues to run the Authority Ethics Program and confidential hotline system. During the fiscal year, the previous Ethics Compliance Officer left the Authority to pursue other opportunities. As a result, a Senior Auditor on staff picked up the duties associated with managing the Ethics Program and monitoring the various reporting. We saw an initial uptick of notifications and/or complaints received through the hotline immediately following the transition; but, notifications returned to previous levels within a few months.

During Fiscal Year 2016, three reported items warranted further investigation into potential Code of Ethics violations. All three issues were resolved without a finding.

The Ethics Officer continues to receive numerous employee-related concerns as well. Items that continue to surface are:

- Volunteer opportunity emails; quantity and feeling pressured.
- Workplace practices and equitability; perceived inequities between departments and within departments.
- United Way; desire for organization to support donations to additional charities.

See Appendix E, Ethics Hotline Call Summary, for a complete summation of calls received during Fiscal Year 2016.

Fiscal Year 2017 Projection

The Audit Committee approved the Fiscal Year 2017 Audit Plan during its May 5, 2016, meeting. Before commencing work on the Fiscal Year 2017 Audit Plan (Appendix D), the OCA will complete the outstanding audits from Fiscal Year 2016.

For the 1st Quarter of Fiscal Year 2017, the OCA plans to complete the following 14 audits:

- AECOM Technical Services, Inc
- Agreements with Expenditure Limits Not to Exceed \$100,000
- Airline & Others (Ogden Aviation)
- Airport Security Management
- Airport Terminal Services, Inc.
- Avis Rent A Car Systems LLC
- Board Member and Executive Business Expenses
- Business and Travel Expenses
- Duty Free Americas San Diego LLC
- HSS, Inc
- Ricondo and Associates, Inc.
- SP Plus Corporation
- SSP America, Inc. (FSP 6)
- The Hertz Corporation

Completion of the above audits will result in accomplishing 32% of the Fiscal Year 2017 Audit Plan. Throughout Fiscal Year 2017, the OCA will continue conducting the balance of the audit plan, including any special requests that may be approved by the Audit Committee.

Appendix A – Fiscal Year 2016 Audit Plan

BUSINESS PROCESS AUDITS

- 1 Contract Management
- 2 Airport Security Management
- 3 ~~Environmental Compliance~~ (Revision 5/2/16)
- 4 Grant and Non-Airline Revenue Management
- 5 Information Technology Monitoring and Evaluation

EXPENSE CONTRACT AUDITS

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

REVENUE CONTRACT AUDITS

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

ANNUAL ONGOING AUDITS AND SUPPORT

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

- 42 ETHICS PROGRAM ACTIVITY
- 43 CONSTRUCTION AUDIT AND MONITORING ACTIVITY

Appendix B – Status of OCA Recommendations

The following recommendation implementation report contains the status of recommendations from OCA audits that remained unresolved as of June 30, 2016. 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, 2016	OCA's Assessment	Estimated Completion Date
16-09	ACCOUNTING DEPARTMENT	Audit Report 16040, dated June 30, 2016, San Diego Unified Port District Billings - Fiscal Year 2015	19	Impact: 10 Probability: 9	We recommend that the Accounting department notify Port staff concerning the Fiscal Year 2015 under-billing for Harbor Police Department services, and determine the most appropriate method for the Authority to remit the additional \$1,695,283 owed to the Port. In addition, the Port should analyze all actual and estimated billings, especially overhead, and update the Accounting and the Aviation Security & Public Safety Departments frequently, to avoid significant year-end adjustments.	The Authority has received an invoice from the Port and is currently processing the invoice for payment. Airport and Port staff have communicated to analyze and discuss that all actual and estimated billings for FY16 and FY17 are sufficient to avoid significant year-end adjustments. These communications will continue on a regular and on-going basis.	Completed	N/A
16-07	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16020, dated June 14, 2016, Midway Rent A Car, Inc.	18	Impact: 9 Probability: 9	The Business and Financial Management Department should request that the Accounting Department issue an invoice to Midway in the amount of \$435,783, for the underpayment of license fees due to the reclassification of non-airport revenue to airport revenue.	Staff met with corporate representatives from Midway Car Rental to review the Audit Findings. Midway requested time to review their records for accuracy and have time to evaluate how best to address the findings. Staff granted Midway until August 31, 2016, to conduct such internal evaluation and provide the Authority a plan to address the Audit finding by such date.	In Progress	2nd Quarter FY17

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, 2016	OCA's Assessment	Estimated Completion Date
15-18	ACCOUNTING DEPARTMENT	Audit Report 15037, dated May 18, 2015, Procurement Card Program	17	Impact: 9 Probability: 8	The Accounting Department should develop a transaction-specific documentation requirement guide to be included in the Manual, and in the guidance for check requests, to mitigate any conflicts between the various Authority purchasing guidelines.	Accounting has reviewed all payment methods to ensure that the documentation requirements are consistent throughout. An Accounts Payable Guidebook has been developed to provide consistent detailed guidance for the documentation required for a broad variety of transactions. In May, approximately 35 copies were distributed to the appropriate Airport Authority staff. The guidebook was rolled out in conjunction with a workshop that was attended by over 50 Authority Administrative Assistants, Managers, and other staff members, to comprehensively communicate the processes and procedures related to submitting payment requests.	Completed	N/A
16-04	INFORMATION & TECHNOLOGY SERVICES DEPARTMENT	Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation	17	Impact: 9 Probability: 8	Information & Technology Services Department should implement a proactive and systematic program for evaluating and monitoring compliance to IT cybersecurity policies.	I&TS has engaged a consultant to draft a scope of work to implement the NIST Cyber Security Framework. The Security Framework RFP process is expected to commence prior to 11/1/16.	In Progress	November 2016
15-19	PROCUREMENT DEPARTMENT	Audit Report 15037, dated May 18, 2015, Procurement Card Program	15	Impact: 8 Probability: 7	Procurement should ensure that a fully trained backup is performing the full duties and responsibilities of the P-Card Program Analyst during extended absences. A formal training manual should be created and updated annually to address any new procedures or issues noted in the preceding year. The manual can then be used by the backup person to provide the annual training if the P-Card Analyst is not available.	The P-Card Program Analyst continues to work on the draft desk manual. A final review of this living document is anticipated to be completed by the end of October.	In Progress	October 2017

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, 2016	OCA's Assessment	Estimated Completion Date																																	
15-22	PROCUREMENT DEPARTMENT	Audit Report 15037, dated May 18, 2015, Procurement Card Program	14	Impact: 7 Probability: 7	Procurement should provide additional analysis of the P-Card Program to Management on a regular basis.	Reports were distributed for all of calendar year 2015. The P-Card Program Analyst will continue to distribute a full spend analysis to all departments twice annually and will provide additional reports by request.	Completed	N/A																																	
15-31	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16018, dated December 23, 2015, DTG Operations, Inc., dba Thrifty and Dollar	14	Impact: 7 Probability: 7	Business and Financial Management should request that Accounting generate an invoice to DTG in the amount of \$35,847, as detailed below: License Fee and CFC Recalculation	A corrected invoice was issued to DTG in July.	In Progress	August 2016																																	
					<table border="1"> <thead> <tr> <th></th> <th>Dollar</th> <th>Thrifty</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Finding 1</td> <td></td> <td></td> <td></td> </tr> <tr> <td>License Fees</td> <td><\$12,383></td> <td><\$4,449></td> <td><\$16,832></td> </tr> <tr> <td>Finding 2</td> <td></td> <td></td> <td></td> </tr> <tr> <td>CFC</td> <td><2,052></td> <td>18,011</td> <td>15,959</td> </tr> <tr> <td>Finding 3</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Non-Airport</td> <td>27,476</td> <td>9,244</td> <td>36,720</td> </tr> <tr> <td>Total</td> <td>\$13,041</td> <td>\$22,806</td> <td>\$35,847</td> </tr> </tbody> </table>		Dollar	Thrifty	Total	Finding 1				License Fees	<\$12,383>	<\$4,449>	<\$16,832>	Finding 2				CFC	<2,052>	18,011	15,959	Finding 3				Non-Airport	27,476	9,244	36,720	Total	\$13,041	\$22,806	\$35,847				
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16-03	INFORMATION & TECHNOLOGY SERVICES DEPARTMENT	Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation	12	Impact: 6 Probability: 6	Information & Technology Services Department should take immediate measures to identify and protect data and systems by implementing comprehensive IT Cybersecurity policy.	Our Cyber Security Specialist has attended SANS Critical Security Controls Planning, Implementing, and Auditing training. This training has prepared him to plan the Critical Security Controls as documented by the Center for Internet Security (CIS). The ITS Information Security Policy is in progress and scheduled to be completed on 6/1/17.	In Progress	June 2017																																	
16-06	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report 16039, dated June 7, 2016, Emergency Medical Technician-Paramedic Services - Expense for FY15	12	Impact: 6 Probability: 6	The Aviation Security & Public Safety Department should confer with the City of San Diego to identify the best method to remit the \$37,946 underpayment.	This recommendation was issued during the month of June, so no follow-up activity was performed.	Open	Unknown																																	

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2016	OCA's Assessment	Estimated Completion Date
15-29	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16030, dated December 8, 2015, NewZoom, Inc. dba ZoomSystems	11	Impact: 5 Probability: 6	Monitoring of requirements of each concessionaire lease agreement needs to be strengthened and well documented. Differences in processes used by concessionaires should be analyzed for adequacy to determine if they provide the outcome that the Authority is actually seeking. The pricing and product processes used by ZoomSystems appear to be reasonable and ones that can be easily monitored by the Authority, but the lease should be changed to reflect the processes used.	Business Management has a review process and continues to review the agreements to ensure adherence. The pricing and product operating standards have been discussed with Zoom and implemented. A lease amendment with Zoom is being formalized that clarifies agreement ambiguities and addresses the noted items.	In Progress	1st Quarter FY17
16-08	PROCUREMENT DEPARTMENT/ AUTHORITY MANAGEMENT	Audit Report 16001, dated June 21, 2016, Contract Management	11	Impact: 6 Probability: 5	Authority Management should ensure that a complete formal contract management procedure manual is in place in all departments to ensure compliance with Board policies, consistent practices, and proper internal controls. Manuals should be reviewed and updated as needed, on a regular basis, preferably at least every two years.	This recommendation was issued during the month of June, so no follow-up activity was performed.	Open	Unknown
16-05	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16004, dated March 30, 2016, Grant & Non-Airline Revenue Management	9	Impact: 5 Probability: 4	The Business and Financial Management Department (BFM) should expand and enhance documentation pertaining to the grant management program. In addition, the current grant manual should be updated and reviewed and formal training should be conducted periodically, to ensure consistent knowledge of procedures and regulations and to provide guidance for employee(s), including required documents needed by the employee(s) to complete their job duties, as well as the assignment of responsibility for tasks and actions.	Training is being conducted through October on grant procedures to key staff. This training will be captured and provide a basis for the update of the grants manual to be completed by the end of December. The manual will include roles and responsibilities, ACIP timeline and process, grant applications, grant drawdowns, and grant closeouts.	In Progress	December 2016

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

Appendix C – Recommendations Completed in Fiscal Year 2016

The following report provides all recommendations that were completed during Fiscal Year 2016.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
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.	September 30, 2015
15-10	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15018, dated March 12, 2015, Enterprise Holdings Inc.	13	Impact: 7 Probability: 6	The Business and Financial Management Department should request that the Accounting Department issue an invoice to Enterprise Holdings Inc. in the amount of \$45,427 for the underpayment of license fees and CFCs.	September 30, 2015
15-11	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15026, dated March 18, 2015, Gate Gourmet Inc.	10	Impact: 5 Probability: 5	We recommend that the Business and Financial Management Department request the Accounting Department to issue an invoice to Gate Gourmet in the amount of \$1,719.16 for underpaid concession fees. Also, the department should introduce controls to ensure that revenue from all Gate Gourmet customers is included in monthly concession calculations.	September 30, 2015
15-13	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report #15040, dated April 17, 2015, San Diego Unified Port District Billings - Fiscal Year 2014	15	Impact: 8 Probability: 7	We recommend that the Aviation Security & Public Safety Department notify Port staff concerning the Fiscal Year 2014 under-billing for Harbor Police Department services, and determine the most appropriate method for the Authority to remit the additional \$269,942 owed to the Port.	September 30, 2015
15-14	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report #15040, dated April 17, 2015, San Diego Unified Port District Billings - Fiscal Year 2014	11	Impact: 6 Probability: 5	The Aviation Security & Public Safety Department should review and approve General Service hours and expenses prior to exceeding agreed upon estimated hours and costs. In addition, the Department should work with the Port to determine if an increase of the approved estimated hours and expense would be appropriate for future fiscal years.	September 30, 2015

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
15-15	FACILITIES DEVELOPMENT DEPARTMENT	Audit Report #15010, dated April 30, 2015, PCL Construction Services, Inc.	16	Impact: 8 Probability: 8	The Facilities Development Department (FDD) should ensure their contract management procedures include requiring contractors submit a full Schedule of Values (SOV) with each payment application detailing the work performed to date to support the amount billed. Additionally, an updated SOV should be required for all change orders, indicating by line item each revision in value and additions to the SOV for additional work approved in the change orders.	September 30, 2015
15-24	AIRSIDE OPERATIONS PUBLIC SAFETY & SECURITY DEPARTMENT	Audit Report #15039, dated May 22, 2015, Emergency Medical Technician-Paramedic Services	9	Impact: 5 Probability: 4	The Airside Operations/Public Safety & Security Department should request the City to add as an Authority credit \$1,495 (\$4,486/3) to the City's EMT-P service invoices for the next three (3) months.	September 30, 2015
15-25	CORPORATE & INFORMATION GOVERNANCE DEPARTMENT	Audit Report #15005, dated June 5, 2015, Public Records Management	9	Impact: 5 Probability: 4	Authority Policy 8.61, Document Reproduction for the Public, should be amended to ensure compliance with the California Public Records Act (CPRA) . Specifically, the Policy should ensure that the fees for duplication of records are consistent with the CPRA and recover the direct cost of duplication. Additionally, to ensure that the Policy is consistent with the CPRA, and completely transparent regarding all costs for duplication of records from Public Records Requests, we recommend that the Policy should include the formats of records to be provided, with the costs to be charged for producing those records, and a statement regarding charges for actual shipping costs.	September 30, 2015
15-29	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report #15029, dated March 30, 2015, Hudson Group	15	Impact: 8 Probability: 7	We recommend that the Business & Financial Management Department notify the concessionaires that the Authority may periodically request documents for the purpose of an audit and that it is the responsibility of the concessionaire to comply with the request, or penalties may be imposed.	September 30, 2015
15-17	ACCOUNTING DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	11	Impact: 6 Probability: 5	To ensure that personnel changes do not diminish reviews of P-Card purchases, Accounting should ensure that personnel assigned to this function are properly trained.	December 31, 2015

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
15-20	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	10	Impact: 5 Probability: 5	Procurement should ensure that the Manual and the User Guide are reviewed and updated annually to ensure that internal controls are in place and effective surrounding all P-Card transactions.	December 31, 2015
15-21	PROCUREMENT DEPARTMENT	Audit Report #15037, dated May 18, 2015, Procurement Card Program	15	Impact: 8 Probability: 7	Procurement should evaluate the feasibility of instituting an approved vendor list or reviewing all vendors and utilizing some of the built in controls within the US Bank cards.	December 31, 2015
15-23	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report #15034, dated May 18, 2015 Aircraft Rescue and Fire Fighting Expense Billings - Fiscal Year 2014	14	Impact: 8 Probability: 6	We recommend that the Aviation Security & Public Safety Department (AVSEC) notify the City concerning the overbilling of \$39,668 for personnel expenses. These adjustments should be included in the final calculation of the amount due to the City for Fiscal Year 2014 ARFF services.	December 31, 2015
15-26	AIRPORT NOISE MITIGATION/ QUIETER HOME PROGRAM	Audit Report 16011, dated October 19, 2015, Nuera Contracting and Consulting LP	12	Impact: 6 Probability: 6	We recommend that the Quieter Home Program develop a mechanism to bill contractor's liquidated damages as they are incurred. The mechanism should track and aggregate the amounts owed, thus ensuring compliance with Authority Policy. Additionally, all liquidated damages should be collected prior to final payments to contractors.	December 31, 2015
15-27	AIRPORT NOISE MITIGATION/ QUIETER HOME PROGRAM	Audit Report 16011, dated October 19, 2015, Nuera Contracting and Consulting LP	11	Impact: 6 Probability: 5	We recommend that the Quieter Home Program (QHP) evaluate whether it can and should bill Nuera for the past liquidated damages. If it is determined that the damages will be collected, QHP should work in conjunction with the Accounting Department and Nuera to determine the best method of payment.	December 31, 2015
15-16	PROCUREMENT DEPARTMENT	Audit Report 15037, dated May 18, 2015, Procurement Card Program	13	Impact: 6 Probability: 7	To ensure that Approving Officials take ownership of their review responsibilities, the Procurement Department should revise the Manual to include the same disciplinary measures for Approving Officials who approve reconciliations with inadequate documentation, or questionable, prohibited, or restricted purchases, as those imposed on P-Cardholders.	March 31, 2016

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
15-28	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16016, dated November 6, 2015, BW-Budget-SDA LLC	8	Impact: 3 Probability: 5	The Business and Financial Management Department should request that the Accounting Department issue an invoice to Budget for the net amount of \$8,842.	March 31, 2016
15-30	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16030, dated December 8, 2015, NewZoom, Inc. dba ZoomSystems	13	Impact: 7 Probability: 6	More in-depth monitoring of sales and payments of concessionaires should be performed on a monthly/on-going basis. Changes in sales and late payments should be analyzed more thoroughly and any alarming trends should be reported to senior management. Each monthly statement sent to concessionaires should include a delinquency report with the associated assessed late fees with a request for payment.	March 31, 2016
16-01	AIRSIDE OPERATIONS DEPARTMENT	Audit Report 16032, dated February 1, 2016, Aircraft Rescue and Fire Fighting Expense Billings - Fiscal Year 2015	14	Impact: 7 Probability: 7	We recommend that the Airside Operations Department notify the Accounting Department to issue a payment to the City of San Diego for the underbilling of \$159,226 for personnel expenses. The adjustments to firefighter fringe rates, Fair Labor Standards Act overtime expenses, and the Tele Staff Desk credit, should be included in the final calculation of the amount due to the City for Fiscal Year 2015 ARFF services.	March 31, 2016
16-02	INFORMATION & TECHNOLOGY SERVICES DEPARTMENT	Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation	15	Impact: 8 Probability: 7	In order to maintain a comprehensive Cyber-security Policy for all Authority IT systems, the oversight of systems security should be centralized to the Information and Technology Services Department (I&TS). For Facilities Development Department (FDD) and Airport Development Program (ADP) personnel currently managing the GIS and DocuShare systems, business processes should maintain oversight within the respective department, while the IT processes would be the responsibility of I&TS.	March 31, 2016
15-18	ACCOUNTING DEPARTMENT	Audit Report 15037, dated May 18, 2015, Procurement Card Program	17	Impact: 9 Probability: 8	The Accounting Department should develop a transaction-specific documentation requirement guide to be included in the Manual, and in the guidance for check requests, to mitigate any conflicts between the various Authority purchasing guidelines.	June 30, 2016

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
15-22	PROCUREMENT DEPARTMENT	Audit Report 15037, dated May 18, 2015, Procurement Card Program	14	Impact: 7 Probability: 7	Procurement should provide additional analysis of the P-Card Program to Management on a regular basis.	June 30, 2016
16-09	ACCOUNTING DEPARTMENT	Audit Report 16040, dated June 30, 2016, San Diego Unified Port District Billings - Fiscal Year 2015	19	Impact: 10 Probability: 9	We recommend that the Accounting department notify Port staff concerning the Fiscal Year 2015 under-billing for Harbor Police Department services, and determine the most appropriate method for the Authority to remit the additional \$1,695,283 owed to the Port. In addition, the Port should analyze all actual and estimated billings, especially overhead, and update the Accounting and the Aviation Security & Public Safety Departments frequently, to avoid significant year-end adjustments.	June 30, 2016

Appendix D – Fiscal Year 2017 Audit Plan

BUSINESS PROCESS AUDITS

- 1 Telecommunications Services and Billing
- 2 Process Control - Airport Development & Construction
- 3 Property and Inventory Management
- 4 Airport Lost and Found
- 5 Environmental Compliance

EXPENSE CONTRACT AUDITS

- 6 Austin/Sundt
- 7 AECOM Technical Services, Inc.
- 8 AMEC Environmental and Infrastructure, Inc.
- 9 Orion Construction Corporation
- 10 Jones Payne Group
- 11 Hearne Corporation
- 12 Bradford Airport Logistics
- 13 HSS, Inc.
- 14 SP Plus Corporation

REVENUE CONTRACT AUDITS

- 15 Enterprise Rent A Car Company (Enterprise, Alamo, National)
- 16 Coronado Transportation System
- 17 Avis Rent A Car Systems LLC
- 18 The Hertz Corporation
- 19 Fox Rent A Car
- 20 Ace Parking
- 21 Airline & Others (Ogden Aviation)
- 22 JCDecaux, Inc.
- 23 Gate Gourmet Inc.
- 24 High Flying Foods San Diego (FSP 8)
- 25 Host International Inc. (FSP 1)
- 26 Swissport Lounge LLC
- 27 Spa Didacus Inc. (RP 5)
- 28 High Flying Foods San Diego (FSP 7)
- 29 Paradies - San Diego LLC (RP1)

ANNUAL ONGOING AUDITS AND SUPPORT

- 30 Aircraft Rescue and Fire Fighting (ARRF)
- 31 Board Member and Executive Business Expenses
- 32 Rental Car Center Fund
- 33 Procurement Card Program
- 34 Agreements with Expenditure Limits Not to Exceed \$100,000
- 35 Transportation Network Company Reviews and Assistance
- 36 Emergency Medical Technician & Paramedic Services
- 37 San Diego Unified Port District Billing
- 38 Special Request Audits

- 39 ETHICS PROGRAM ACTIVITY
- 40 CONSTRUCTION AUDIT AND MONITORING ACTIVITY

Appendix E – Ethics Compliance Program

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
Code of Ethics Concerns					
Potential Misuse of Public Funds					
<i>Construction/Car Rental</i>	42	24	0	n/a	18
<i>Construction/Access Roads</i>	6	5	0	n/a	1
<i>Construction</i>	4	4	0	n/a	0
<i>Public Art</i>	1	1	0	n/a	0
Potential Misuse of Resources					
<i>Advertising</i>	4	4	0	n/a	0
<i>Employee Barbeque</i>	12	5	0	n/a	7
<i>Holiday Party</i>	5	5	0	n/a	0
<i>General Misuse of Resources</i>	2	2	0	n/a	0
Acceptance of Gifts	5	0	0	n/a	5
Non Ethics Related Concerns					
Aircraft Noise	20	17	0	n/a	3
ATO Practices and Behavior	25	19	0	n/a	6
Land Use Compatibility	1	1	0	n/a	0
Pubic Art Practices	1	1	0	n/a	0
RCC Operations	3	3	0	n/a	0
TSA Practices and Behavior	31	22	0	n/a	9
General Workplace Concerns					
Performance Reviews	7	6	0	n/a	1
Potential Discrimination	2	2	2	Y (1)	0
Potential Conflict of Interest	3	3	0	n/a	0
Prohibited Use of Position	8	8	5	Y (2)	0
United Way	21	18	0	n/a	3
Volunteer Opportunity Emails	31	18	0	n/a	13
Workplace Equitability	8	8	0	n/a	0
Workplace Practices/Behavior	22	19	0	Y (3)	3

- (1) One issue investigated; no evidence of violation found.
- (2) One issue investigated; no evidence of violation found.
- (3) One issue investigated; no evidence of violation found.

Appendix F – Performance Measures Historical Data

	Fiscal Year				
Performance Measure	2012	2013	2014	2015	2016
Percentage of the audit plan completed annually	80%	81%	88%	86%	84%
Additional revenue/cost savings identified through audits	\$1,113,856	\$628,835	\$1,110,651	\$271,755	\$466,845
Percentage of staff time spent on audit activities	84%	91%	86%	86%	82%
Percentage of audits completed within budgeted time	82%	82%	81%	81%	83%
Implementation of Recommendations	41%	74%	52%	64%	72%

Fiscal Year 2016 Annual Audit Activities Report from the Office of the Chief Auditor

July 1, 2015, through June 30, 2016



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

Audit Committee Meeting
September 6, 2016

Presentation Overview

Fiscal Year 2016 Annual Report

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

Audit Activities

- **Completed 36 Audits**
 - **Business Process: 8**
 - **Expenditure Contract: 14**
 - **Revenue Contract: 14**
- **Six (6) audits were in progress as of June 30, 2016**
- **Audit Results**
 - **Issued 15 Recommendations during the Fiscal Year 2016**

Audits in Progress as of June 30, 2016

Audit	Type of Audit	Status as of September 6, 2016
Airport Security Management	Internal Process	Report Issued
Airport Terminal Services, Inc.	Revenue	Report Issued
Business and Travel Expenses	Internal Process	Report Issued
Duty Free Americas San Diego, LLC	Revenue	Report Issued
Ricondo and Associates, Inc.	Expense	Report Issued
SSP America, Inc. (FSP 6)	Revenue	Report Issued
The Hertz Corporation	Revenue	Draft Report

Recommendation Follow-Up

Status as of recommendations issued in Fiscal Year 2016:

Quarter	Recommendations				
	Tracked	Completed	Not Accepted	Outstanding	% Completed
Carryover	17	16	0	1	94%
1 st	0	0	0	0	N/A
2 nd	6	4	0	2	67%
3 rd	5	2	0	3	40%
4 th	4	1	0	3	25%
Total	32	23	0	9	72%
Total 2016	15	7	0	8	47%

Fiscal Year 2016 Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	84%
Additional revenue/cost savings identified through audits	n/a	\$466,845
Percentage of staff time spent on audit activities	80%	82%
Percentage of audits completed within budgeted time	80%	83%
Implementation of Recommendations	90%	72%

Summary of Ethics Inquiries

July 1, 2015, through June 30, 2016

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
Code of Ethics Concerns					
Potential Misuse of Public Funds					
<i>Construction/Car Rental</i>	42	24	0	n/a	18
<i>Construction/Access Roads</i>	6	5	0	n/a	1
<i>Construction</i>	4	4	0	n/a	0
<i>Public Art</i>	1	1	0	n/a	0
Potential Misuse of Resources					
<i>Advertising</i>	4	4	0	n/a	0
<i>Employee Barbeque</i>	12	5	0	n/a	7
<i>Holiday Party</i>	5	5	0	n/a	0
<i>General Misuse of Resources</i>	2	2	0	n/a	0
<i>Acceptance of Gifts</i>	5	0	0	n/a	5
Non Ethics Related Concerns					
<i>Aircraft Noise</i>	20	17	0	n/a	3
<i>ATO Practices and Behavior</i>	25	19	0	n/a	6
<i>Land Use Compatibility</i>	1	1	0	n/a	0
<i>Public Art Practices</i>	1	1	0	n/a	0
<i>RCC Operations</i>	3	3	0	n/a	0
<i>TSA Practices and Behavior</i>	31	22	0	n/a	9
General Workplace Concerns					
<i>Performance Reviews</i>	7	6	0	n/a	1
<i>Potential Discrimination</i>	2	2	2	Y (1)	0
<i>Potential Conflict of Interest</i>	3	3	0	n/a	0
<i>Prohibited Use of Position</i>	8	8	5	Y (2)	0
<i>United Way</i>	21	18	0	n/a	3
<i>Volunteer Opportunity Emails</i>	31	18	0	n/a	13
<i>Workplace Equitability</i>	8	8	0	n/a	0
<i>Workplace Practices/Behavior</i>	22	19	0	Y (3)	3

1. Issue investigated; no evidence of violation found.
2. Issue investigated; no evidence of violation found.
3. Issue investigated; no evidence of violation found.

QUESTIONS?

STAFF REPORT

Meeting Date: **SEPTEMBER 6, 2016**

Subject:

Revision to the Fiscal Year 2017 Audit Plan of the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

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

The Office of the Chief Auditor's (OCA) Annual Audit Plan for Fiscal Year 2017 was approved by the Audit Committee during its May 2, 2016, meeting and subsequently approved by a resolution of the Authority Board on May 19, 2016.

The Fiscal Year 2016 Audit Plan requires a revision due to circumstances presented by Authority management and presented to the Office of the Chief Auditor:

Delete: Coronado Transportation System

The Coronado Transportation System ceased operating in October 2015, filed bankruptcy and closed. The business is currently non-existent. The Authority's Business & Financial Management Department collected against the Coronado Transportation System Letter of Credit and the General Counsel's office worked to resolve other issues.

Add: Pneuma dba Ace Rent A Car

Authority management requested to replace the audit of Coronado Transportation System with Pneuma dba Ace Rent A Car on the Office of the Chief Auditor's Fiscal Year 2017 Audit Plan.

The revised Fiscal Year 2017 Audit Plan is presented in Attachment A.

Fiscal Impact:

None

Authority Strategies:

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

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

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

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

**San Diego County Regional Airport Authority
Office of the Chief Auditor
Fiscal Year 2017 Audit Plan**

ATTACHMENT A

BUSINESS PROCESS AUDITS

- 1 Telecommunications Services and Billing
- 2 Process Control - Airport Development & Construction
- 3 Property and Inventory Management
- 4 Airport Lost and Found
- 5 Environmental Compliance

EXPENSE CONTRACT AUDITS

- 6 Austin/Sundt
- 7 AECOM Technical Services, Inc.
- 8 AMEC Environmental and Infrastructure, Inc.
- 9 Orion Construction Corporation
- 10 Jones Payne Group
- 11 Hearne Corporation
- 12 Bradford Airport Logistics
- 13 HSS, Inc.
- 14 SP Plus Corporation

REVENUE CONTRACT AUDITS

- 15 Enterprise Rent A Car Company (Enterprise, Alamo, National)
- 16 ~~Coronado Transportation System~~
- 17 Avis Rent A Car Systems LLC
- 18 The Hertz Corporation
- 19 Fox Rent A Car
- 20 Ace Parking
- 21 Airline & Others (Ogden Aviation)
- 22 JCDecaux, Inc.
- 23 Gate Gourmet Inc.
- 24 High Flying Foods San Diego (FSP 8)
- 25 Host International Inc. (FSP 1)
- 26 Swissport Lounge LLC
- 27 Spa Didacus Inc. (RP 5)
- 28 High Flying Foods San Diego (FSP 7)
- 29 Paradies - San Diego LLC (RP1)

ANNUAL ONGOING AUDITS AND SUPPORT

- 30 Aircraft Rescue and Fire Fighting (ARRF)
- 31 Board Member and Executive Business Expenses
- 32 Rental Car Center Fund
- 33 Procurement Card Program
- 34 Agreements with Expenditure Limits Not to Exceed \$100,000
- 35 Transportation Network Company Reviews and Assistance
- 36 Emergency Medical Technician & Paramedic Services
- 37 San Diego Unified Port District Billing
- 38 Special Request Audits

Pneuma dba Ace Rent A Car

- 39 ETHICS PROGRAM ACTIVITY
- 40 CONSTRUCTION AUDIT AND MONITORING ACTIVITY