

Revised 5/6/13



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE

Item No.
3

Meeting Date: **MAY 13, 2013**

Subject:

Fiscal Year 2013 Third Quarter Audit Activities Report and Report on Audit Recommendations Issued by the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

The Charter of the Office of the Chief Auditor (OCA), as approved by the Board, established the roles, responsibilities, and working relationship of the Chief Auditor with the Audit Committee and Authority management. The Charter directs the Office of the Chief Auditor to provide periodic communications and presentations to the Audit Committee with respect to management's systems of control, audit findings, management's responses, and including any steps adopted to resolve a noted issue.

The FY13 Third Quarter Report (Attachment A), hereby filed by the Chief Auditor, summarizes the activities and accomplishments of his office from January 1, 2013, through March 31, 2013.

During the Third Quarter, the Office of the Chief Auditor completed eight (8) audits of the Fiscal Year 2013 Audit Plan and issued eleven (11) recommendations.

At the regularly scheduled Audit Committee meeting on May 13, 2013, the Office of the Chief Auditor will present the FY13 Third Quarter Report and a current status on the implementation of all outstanding audit recommendations.

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:

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.

Equal Opportunity Program:

Not applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
OFFICE OF THE CHIEF AUDITOR

FY13 THIRD QUARTER REPORT

Revised: May 3, 2013
April 29, 2013



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

April 29, 2013

FY13 Third Quarter Report

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

Dear Mr. Smisek:

As requested by the Audit Committee, we present our Fiscal Year 2013 Third Quarter Report. The report details the audit and the administrative activities of the Office of the Chief Auditor (OCA) during the third quarter of FY13, and includes the resolutions of past audit findings and information regarding the future plans of the OCA.

The Third Quarter Report will be presented at the next Audit Committee meeting, scheduled for May 13, 2013.

Respectfully submitted,

Mark A. Burchyett
Chief Auditor

Audit Results

During the third quarter, the OCA continued to work on audits contained within the FY13 audit plan as authorized by the Audit Committee. In total, during the third quarter, the OCA completed eight (8) audits. For the month of March, we issued one (1) audit report, for which an audit snapshot is located in Appendix A. From that audit report we issued two (2) recommendations, bringing the total recommendations issued during the third quarter to eleven (11). The completed audits are listed in Figure 1 below and the status of recommendations is presented on Page 3.

Figure 1: Audits Completed During the Third Quarter of Fiscal Year 2013

Audit	Report No.	Date	Type of Audit
Lindbergh Parking Inc. - Close-out	13023	1/2/2013	Revenue Contract
JRM Consultants and Investigations Company	13016	1/8/2013	Expenditure Contract
Fox Rent A Car	13019	1/9/2013	Revenue Contract
Newport Beach Sales & Leasing, Inc. - Close-out	13034	1/15/2013	Revenue Contract
JCDecaux Airport, Inc.	13020	2/21/2013	Revenue Contract
Host International, Inc. - Close-out	13024	2/28/2013	Revenue Contract
Business and Travel Expenses	13005	2/28/2013	Internal Process
Triad International Maintenance Corporation	13035	3/7/2013	Revenue Contract

In addition to the completed audits, the Office of the Chief Auditor had 14 audits in progress as of March 31, 2013, as shown in Figure 2 below:

Figure 2: Audits In-Progress as of March 31, 2013

Audit	Type of Audit
Advantage Performance Group LLC	Expenditure Contract
AECOM Expenditures	Expenditure Contract
Aircraft Rescue & Fire Fighting (ARFF) Billing	Expenditure Contract
Avis Rent A Car Systems LLC	Revenue Contract
COLAB Studio LLC (Green Build Art)	Expenditure Contract
Emergency Medical Technician-Paramedic Services	Expenditure Contract
Energy Usage Performance	Internal Process
GAT Airline Ground Support Services, Inc.	Revenue Contract
Merriwhether Williams Insurance Services	Expenditure Contract
Procurement Card Program	Internal Process
Ricondo and Associates	Expenditure Contract
San Diego Unified Port District Billing	Expenditure Contract
The Hertz Corporation	Revenue Contract
Wier Construction Corporation	Expenditure Contract

Of the 14 in-progress audits above, four (4) had been completed and a draft audit report had been issued to the affected Departments for review and comment. Each of those audits will be issued in April.

Recommendation Follow-Up

To ensure that audit issues are addressed in a timely manner, the OCA tracks the status of its recommendations on an on-going basis. For the last month in the quarter, the OCA tracked the implementation status of 18 recommendations that were issued during FY13, or were outstanding as of June 30, 2012. As shown by Figure 3 below, three (3) of the recommendations have been completed or implemented, while fifteen (15) remain outstanding.

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

Figure 3: Status of Recommendations as of March 31, 2013

Recommendations:				
Tracked	Completed	In Progress	Open	Not Accepted
18	3	13	2	0

In tracking recommendations the OCA uses the following designations:

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

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

Non-Audit Activities

Along with the audit activities detailed above, the OCA continues its involvement in several non-audit projects and activities. Specifically, during the third quarter of FY13 the OCA was involved in the following:

Audit Committee:

The Audit Committee met on February 4, 2013. At that meeting the Committee received an update on the Construction Audit activity and an OCA Quarterly Activity Report. The next meeting is scheduled for May 13, 2013.

Construction Audit Activity:

For the third quarter of Fiscal Year 2013, the OCA continued its Construction Audit activity separate from its Annual Audit Plan. To this end R. W. Block Consulting, Inc. (RWBC) continued to provide assistance and expertise to the OCA and was issued Task Authorization #4 in November 2011. RWBC staff was on-site for a week in January 2013 for a review of the Green Build program documentation for compliance with Federal requirements over reimbursable costs, working with the Airport Design and Construction and Finance Departments. Task Authorization #4 is due to be completed in May 2013.

The OCA Construction Auditor is working on an audit of the AECOM contract, including expense, performance, and contract management reviews. Additionally, the OCA Construction Auditor is involved in reviewing multiple aspects of the North Side projects, including the Rental Car Center.

The OCA Construction Auditor remains involved with issues identified by Green Build and Authority Management, giving assistance and attending meetings specific to the Committee during all of their regularly scheduled meetings.

Ethics Compliance Program:

The OCA continues to man the Authority hotline system including e-mail and voicemail. See Appendix B, Ethics Hotline Call Summary, for a listing of calls received during the quarter.

Training:

During the quarter staff performed numerous training activities to both maintain professional licensures and stay up-to-date on current trends. Specifically:

- Three (3) staff members attended the San Diego Chapter of the Institute of Internal Auditors Seminar: Government Auditors.
- The Construction Auditor attended the San Diego Chapter of the Institute of Internal Auditors Seminar: Contracts and Construction Auditing.
- One staff member continued taking courses related to the Leading at all Levels program.
- Staff also participated in numerous free webinars touching on various subjects, including Office of Management and Budget (OMB) Grant reforms, planning integrated audits, data security, and risk management.

Performance Measures

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for FY13, along with their current status, are detailed below in Figure 4.

Figure 4: Status of Performance Measures as of March 31, 2013

Performance Measure	Goal	Progress as of March 31, 2013
Percentage of the audit plan completed annually	100%	60%
Additional revenue/cost savings identified through audits	n/a	\$565,298
Percentage of staff time spent on audit activities	80% ¹	82%
Percentage of audits completed within budgeted time	80%	89%
Implementation of Recommendations	90%	66%

Percentage of the audit plan completed annually: This measure provides information on what has been accomplished regarding the planned audit projects for the year. To date the OCA has completed 60% of the plan and an additional 33% of the audit plan is currently in-progress. We also have established quarterly goals for the completion of our audit plan. For the third quarter, we had a completion goal of 74% of the audit plan. We fell short of this goal due to going over budget on several audits. Regardless we should be able to meet our fourth quarter goal of completing 98% of the plan by June 30, 2013.

Additional revenue/cost savings identified: While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. During the first three quarters we identified a net total of \$565,298, as shown in the figure below, and the Soft Savings estimate as of March 31, 2013, in Figure 6.

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

Audit Report Number	Title	Amount Identified
13015	AirProjects, Inc.	\$10,296
11044	Aircraft Rescue & Fire Fighting – FY 2010	382,962
13018	Enterprise Holdings, Inc	22,404
13019	Fox RAC	415,534
13034	Newport Beach Sales & Leasing, Inc.	-48,029
12032	SD Unified Port District Billings – FY 2011	-287,941
13035	Triad International Maintenance Corporation	70,072
Total		\$565,298

¹ This percentage is the percentage of time staff spends on audit projects, construction audit activities, training, and the ethics program, vs. total staff time worked.

Figure 6: Soft Savings Estimate as of March 31, 2013

Audit	Type	Savings	Comments	Status
#12005 Vehicle Fleet Management	Annual	\$126,102	Current practice is to provide vehicle to individual departments. A review of the usage mileage for passenger vehicles compared to what the Authority would reimburse an employee for mileage on a personal vehicle, indicated that reducing and/or consolidating the vehicle fleet would provide significant costs savings. Annual cost for vehicles was estimated at \$140,382 (assuming 3 year depreciation) and cost of reimbursement was \$14,280.	Management rejected this recommendation stating that the operational nature and physical size of the airport does not lend itself to a standard Fleet Management model, and a pure financial analysis does not take into account the diversity of the Authority's mission.
#13005 Business and Travel Expenses	Annual	\$30,770	Authority employees can charge actual costs for meals when traveling on Authority business. We recommended that management should consider only allowing reimbursement for meals up to the GSA approved rate. We estimated that this could save 18% of on meal reimbursement.	Management is evaluating this observation, but there are no plans at this time to change the Authority meals reimbursement policy.
Total Soft Savings		<u>\$156,872</u>		

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

Percentage of audits completed within budgeted time: This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it recognizes that budgets may need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA has completed 89% of its projects within the budgeted amount of time, which was above the goal.

Implementation of Recommendations: This goal measures the value that the OCA is providing to the Authority by measuring how audit recommendations have impacted the Authority. For the fiscal year, 35 of 53 recommendations were implemented. Additionally, three (3) recommendations have been deemed "Not Accepted by Management" during the Fiscal Year. While the percentage of implemented recommendations appears under our goal, we are on track to achieve the goal, because we aim to have 90% of our recommendations implemented within the year.

Going Forward

During the fourth quarter of FY13 the OCA has targeted 13 of the audits currently in progress as well as three (3) additional audits for completion. The completion of these audits will result in the accomplishment of 98% of the FY13 audit plan. Unfortunately, it does not appear as if the San Diego Unified Port District Billings audit will be completed this Fiscal Year due to delays requested by the District's financial staff. Figure 7 identifies the audits scheduled for completion in the fourth quarter.

Figure 7: Audits Scheduled for Completion in the Fourth Quarter of Fiscal Year 2013

Audit	Type of Audit
Advantage Performance Group, LLC	Expenditure Contract
AECOM Expenditures	Expenditure Contract
Aircraft Rescue & Fire Fighting (ARFF) Billing	Expenditure Contract
Avis Rent A Car Systems, LLC	Revenue Contract
COLAB Studio LLC (Green Build Art)	Expenditure Contract
Consolidated Rental Car Facility (CONRAC) Fund	Internal Process
Emergency Medical Technician-Paramedic Services	Expenditure Contract
Energy Usage Performance	Internal Process
GAT Airline Ground Support Services, Inc.	Revenue Contract
Gate Gourmet, Inc.	Revenue Contract
Merriwether Williams Insurance Services	Expenditure Contract
Nolte Associates, Inc.	Expenditure Contract
Procurement Card Program	Internal Process
Ricondo and Associates	Expenditure Contract
The Hertz Corporation	Revenue Contract
Wier Construction Corporation	Expenditure Contract

Triad International Maintenance Corporation
Report Number 13035, March 2013

Background

Triad International Maintenance Corporation (TIMCO) operated at San Diego International Airport (SDIA) under the direction of a Non-Exclusive License Agreement to Conduct Commercial Aviation Ground Handling and Support Services (Ground Handling Agreement) from July 1, 2007, to October 31, 2012. The Ground Handling Agreement requires licensees to remit a monthly license fee to the Authority, the greater of a monthly minimum of \$250 or 8% of total gross revenues from all operations at SDIA. During the audit period of July 1, 2007, to November 30, 2012, TIMCO paid \$808,558 in license fees to the Authority. The Aviation and Commercial Business Department manages the Ground Handling Agreements for the Authority.

Our review of
TIMCO found
that:

- TIMCO
underreported
gross revenue

The objective of the audit was to ensure that TIMCO was properly reporting, calculating, and remitting the correct license fees to the Authority, as required by the Ground Handling Agreement, and was operating in full compliance with the Ground Handling Agreement terms. We also reviewed the monitoring processes utilized by Authority personnel to ensure licensees compliance to Ground Handling Agreement terms.

Finding #1: TIMCO Under-reported Gross Revenue

During our review of TIMCO's accounts receivable records for airlines serviced at SDIA, we determined that TIMCO is passing the 8% license fee on to the both United and SkyWest, but they are excluding that sum from the gross revenue reported to the Authority. Our review determined that for the audit period, TIMCO reported gross revenue of \$10,106,978, but collected revenue of \$10,915,530 from the airlines. The consequential under-reporting of \$808,551 in gross revenue resulted in an underpayment of license fees in the sum of \$64,684.

Recommendation #1: The Aviation and Commercial Business Department should initiate a request to Accounting to invoice TIMCO for \$64,684 for underpayment of license fees due the underreporting of revenue from United and SkyWest.

Recommendation Status: **Open**

Finding #2: TIMCO Failed to Include All Revenue in Gross Revenue

We requested TIMCO provide accounts receivable records for their customers related to services provided by TIMCO at SDIA. TIMCO identified a revenue stream from services provided to AccuFleet that they had neglected to previously include in gross revenue reported to the Authority. During the audit period, TIMCO collected \$67,350 in revenue from AccuFleet, resulting in an underpayment of license fees in the amount of \$5,388.

Recommendation #2: The Aviation and Commercial Business Department should initiate a request to Accounting to invoice TIMCO for \$5,388 for underpayment of license fees due to the failure to include revenue from AccuFleet for the length of the audit period.

Recommendation Status: **Open**

Ethics Hotline Call Summary
January – March 2013

Code of Ethics Concerns	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)
Potential Misuse of Public Funds					
<i>New Construction</i>	23	14	0	n/a	9
<i>Advertising</i>	9	7	0	n/a	2
Potential Misuse of Resources					
<i>Misuse of Time/Travel</i>	2	2	0	n/a	0
<i>Misuse of Position</i>	1	1	1	Yes (1)	0
<i>Employee Opinion Survey/Anonymity</i>	8	7	0	n/a	1
<i>Acceptance of Gifts</i>	1	0	1	Yes (2)	1
<i>Customer Strategy Sessions ~ Funds</i>	1	1	0	n/a	0
Non Ethics Related Concerns					
<i>TSA Practices and Behavior</i>	16	13	0	n/a	3
<i>ATO Practices and Behavior</i>	15	8	0	n/a	7
<i>Aircraft Noise</i>	10	10	0	n/a	0
Workplace Concerns					
<i>Workplace Practices/Behavior</i>	17	15	1	Yes (3)	2
<i>Workplace Equitability</i>	3	3	0	n/a	0

(1,3) Issue was investigated with no evidence of concern or violation found. Concerns were reported anonymously.

(2) Issue was investigated and concern was determined to not be a violation. Response was provided to individual who reported issue.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2013	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 Automated Vehicle Identification (AVI) system is currently on the proposed FY14 Capital Improvement Program (CIP). Once the project is approved Ground Transportation will move forward to implement. Estimated implementation is by fiscal year end June, 2014.	In Process	June 1, 2014
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.	Fox has provided additional information regarding the audit findings. AvCom and Audit are working with Fox to validate the findings.	In Process	Unknown
12-17	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12023 dated October 19, 2011, Host International	17	Impact: 8 Probability: 9	Aviation & Commercial Business Department (AvCom) should develop and document a comprehensive and efficient monitoring program that specifically targets concessionaire revenue and sales activity prior to implementation of the new Concession Development Program. In addition, ACB should verify the accuracy of financial data provided by concessionaires, prior to input into the E1 financial system by the Accounting Department, and then in turn, verify that the E1 data is congruent with the concessionaire's monthly reports.	AvCom developed tools and process that address the specific concerns identified within the audit. As the OCA begins auditing the new concessionaire they will be re-evaluated.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2013	OCA's Assessment	Estimated Completion Date
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.	In February Accounting billed the City the \$222,823 for the over-billing. A copy of the audit report was presented to the City for their review. At this time the amount is still outstanding. Staff will call to determine status.	In Process	Unknown
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.	In February Accounting billed the City the \$163,139 for the over-billing of overhead costs. A copy of the audit report was presented to the City for their review. At this time the amount is still outstanding. Staff will call to determine status.	In Process	Unknown
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 Operations, the Planning and Operations division, and the Finance Division regarding all areas of public parking management	Policies and procedures are still being developed and instituted and should be completed in June 2013.	In Process	June 1, 2013

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2013	OCA's Assessment	Estimated Completion Date
13-13	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #11024 dated December 5, 2012, Aircraft Rescue & Fire Fighting Expense Billings - FY 2010	15	Impact: 8 Probability: 7	We recommend that the Airside Operations Department (OPS) review the invoice monthly, using the Excel spreadsheet support provided by the City, to calculate the totals of all pay types and fringe benefit types to ensure that the Authority is not billed for types that are included in the labor load or are unsupported by documentation of the service provided. Travel, training, an supply expenses should be totaled on the Excel sheets and verified to the supporting documentation for each charge. Additionally, the City should be required to provide a summary of the firefighters drill training when an invoice with training-related expenses is submitted. The summary should indicate the firefighter for which expenses are being submitted, and for each firefighter: the dates of the training, the expenses included in the current invoice, the expenses previously submitted for payment, and the estimate of outstanding expenses. OPS should maintain a record of the certificates of training received for each firefighter to ensure the training expense payments are supported by proof of training course completion.	The OCA is currently performing the Aircraft Rescue and Fire Fighting reconciliation audit. That audit will re-evaluate the processes utilized by the Authority and City surrounding billing and payment practices.	In Process	Unknown
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).	Fox has provided additional information regarding the audit findings. AvCom and Audit are working with Fox to validate the findings.	In Process	Unknown
11-02	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #11014 dated December 1, 2010, Abhe & Svoboda, Inc.	13	Impact: 7 Probability: 6	Authority Management should ensure that any allowance for additional services included in an agreement should be directly related to the services provided in the agreement.	Facilities Management Department (FMD) will ensure that all work covered under FMDs contracts is related work as defined in the scope.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2013	OCA's Assessment	Estimated Completion Date
13-21	LANDSIDE OPERATIONS AND FACILITIES MANAGEMENT DEPARTMENTS	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	13	Impact: 6 Probability: 7	Management of the Landside Operations and the Facilities Management Departments (FMD) should work to develop a procedure for the processing of meal reimbursement requests to ensure that the requests meet Memorandum of Understanding (MOU) requirements.	Landside Operations took corrective action when the audit report was being issued. FMDs response: The following procedures for processing of meal reimbursement requests to ensure that requests meet MOU requirements have been instituted. 1. It is now required that Maintenance Supervisors review and sign all meal reimbursement requests prior to submittal to the Senior Manager for signature. 2. A copy of the employee's time sheet is now required as supporting information to the petty cash reimbursement request. 3. Maintenance Supervisors will periodically conduct refresher training to their staff.	Completed	N/A
13-23	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13035 dated March 7, 2013, Triad International Maintenance Corporation (TIMCO)	13	Impact: 6 Probability: 7	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice TIMCO for \$64,664 for underpayment of license fees due to underreporting of revenue from United and SkyWest.	This audit was completed during the month so no follow up was performed.	Open	Unknown
13-24	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13035 dated March 7, 2013, Triad International Maintenance Corporation (TIMCO)	12	Impact: 5 Probability: 7	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice TIMCO for \$5,388 for underpayment of license fees due to the failure to include revenue from AccuFleet for the length of the audit period.	This audit was completed during the month so no follow up was performed.	Open	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2013	OCA's Assessment	Estimated Completion Date
13-16	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13034 dated January 15, 2013, Newport Beach Sales & Leasing Inc.	12	Impact: 6 Probability: 6	Aviation & Commercial Business should request that the Accounting Department issue a credit to Newport in the amount of \$56,645 for the overpayment of license fees.	A net credit was processed on February 1, 2013.	Completed	N/A
13-17	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13034 dated January 15, 2013, Newport Beach Sales & Leasing Inc.	11	Impact: 6 Probability: 5	Aviation & Commercial Business should request that the Accounting Department issue an invoice to Newport in the amount of \$8,616 for the underpayment of Consolidated Facility Charges.	A net credit was processed on February 1, 2013.	Completed	N/A
13-22	LANDSIDE OPERATIONS AND FACILITIES MANAGEMENT DEPARTMENTS	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	11	Impact: 5 Probability: 6	Employees who received meal reimbursement that did not satisfy the requirements of the Memorandum of Understanding (MOU) should be asked to reimburse the Authority for those amounts.	Landside Operations and the Facilities Management Department took corrective action when the audit report was being issued.	Completed	N/A
13-18	ACCOUNTING DEPARTMENT	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	10	Impact: 6 Probability: 4	We recommend that the Accounting Department work to strengthen internal controls or procedures for Policy oversight. This should include Approving Administrator ownership for reviewing and approving reimbursement requests. Management should consider implementing a procedure that removes Approving Administrator authority for those who are found to have multiple instances of providing approval for non-reimbursable items.	Accounting is currently working with the accounting business analyst to set up tracking in E-1.	In Process	Unknown
13-20	ACCOUNTING DEPARTMENT	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	10	Impact: 5 Probability: 5	To address the disallowable items documented in this Audit Report that are violations of Authority Policy, we recommend Accounting retroactively disallow the reimbursements and the employees be notified that they are required to reimburse the Authority for such amounts.	All items were discussed with the appropriate directors and managers. A reprimand letter will be drafted to the responsible parties, formally addressing the violations. The policy will also be revised to align with the Authority's Fitness Focus program. Additionally, a more robust shoe reimbursement process will be developed by Human Resources.	In Process	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 March 31, 2013	OCA's Assessment	Estimated Completion Date
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.	Forms and procedures are being updated to ensure that the right safety equipment are pre approved for purchase by both the department head as well as the Employee Safety Analyst. This is expected to be completed and approved by end of May 2013. While the findings of the Audit did not identify a purchase that was outside of an employee's entitlement under current practices, the findings did identify that procedures could be updated to strengthen our practices to ensure that the equipment purchased are calibrated to the identified need. Pre-approval will provide the appropriate guidance and approval.	In Process	May 1, 2013

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.

San Diego County Regional Airport Authority

Quarterly Audit Activities Report

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Fiscal Year 2013 Third Quarter Audit Activities Report and Report on Audit Recommendations Issued by the Office of the Chief Auditor

January 1, 2013, through March 31, 2013



Presentation Overview

3rd Quarter Report

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



Audit Activities

- Completed 8 Audits
 - Expenditure Contract: 1
 - Internal Process: 1
 - Revenue Contract: 6
- Fourteen (14) audits were in progress as of March 31, 2013
- Audit Results
 - Issued 11 Recommendations during the 3rd Quarter



Audits In Progress

Audit	Type of Audit	Status as of May 13, 2013
Advantage Performance Group LLC	Expense	Report Issued
AECOM Expenditures	Expense	Fieldwork
Aircraft Rescue & Fire Fighting (ARFF) Billing	Expense	Fieldwork
Avis Rent A Car Systems LLC	Revenue	Report Issued
COLAB Studio LLC	Expense	Draft Report
Emergency Medical Technician Paramedic Services	Expense	Report Issued
Energy Usage Performance	Internal	Fieldwork
GAT Airline Ground Support	Revenue	Report Issued
Merriwether Williams Insurance Services	Expense	Draft Report
Procurement Card Spending	Internal	Report Issued
Ricondo and Associates	Expense	Fieldwork
San Diego Unified Port District Billing	Expense	Fieldwork
The Hertz Corporation	Revenue	Draft Report
Wier Construction Corporation	Expense	Fieldwork



Recommendation Follow-up

Status as of March 31st:

Tracked	Completed	In Progress	Open	Not Accepted
18	3	13	2	0



FY13 Performance Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	60%
Percentage of the audit plan completed during 3 rd Quarter	60%	74%
Additional revenue/cost savings identified through audits	n/a	\$565,298
Percentage of staff time spent on audit activities	80%	82%
Percentage of audits completed within budgeted time	80%	89%
Implementation of Recommendations	90%	66%



Summary of Ethics Inquiries

	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>New Construction</i>	23	14	0	n/a	9
<i>Advertising</i>	9	7	0	n/a	2
Potential Misuse of Resources					
<i>Misuse of Time/Travel</i>	2	2	0	n/a	0
<i>Misuse of Position</i>	1	1	1	Yes (1)	0
Employee Opinion Survey/Anonymity	8	7	0	n/a	1
Acceptance of Gifts	1	0	1	Yes (2)	1
Customer Strategy Sessions ~ Funds	1	1	0	n/a	0
Non Ethics Related Concerns					
TSA Practices and Behavior	16	13	0	n/a	3
ATO Practices and Behavior	15	8	0	n/a	7
Aircraft Noise	10	10	0	n/a	0
Workplace Concerns					
Workplace Practices/Behavior	17	15	1	Yes (3)	2
Workplace Equitability	3	3	0	n/a	0

(1,3) Issue was investigated with no evidence of concern or violation found. Concerns were reported anonymously.

(2) Issue was investigated and concern was determined to not be a violation. Response was provided to individual who reported issue.

Questions

