



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT**

Item No.
16

Meeting Date: **SEPTEMBER 6, 2012**

**Fiscal Year 2012 – Annual Audit Activities Report and Audit Recommendations
from the Office of the Chief Auditor**

Recommendation:

The Audit Committee recommends that the Board receive the report.

Background/Justification:

The Charter of the Office of the Chief Auditor (OCA), as approved by the Board on October 2, 2003, established the roles, responsibilities, and working relationship of the Chief Auditor with the Audit Committee and Authority management.

The activities and accomplishments of the Office of the Chief Auditor during July 1, 2011, through June 30, 2012, are summarized in the attached Annual Report (Attachment A). Included in this report is the implementation status of all audit recommendations issued by the Office of the Chief Auditor during the fiscal year in execution of the FY12 Audit Plan.

The Fiscal Year 2012 Annual Report was presented to the Audit Committee during its August 20, 2012, meeting, and unanimously approved to be forwarded to the Board for information.

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

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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



ATTACHMENT A

**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
OFFICE OF THE CHIEF AUDITOR**

FISCAL YEAR 2012 ANNUAL REPORT

August 9, 2012

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

August 9, 2012

Fiscal Year 2012 Annual Report

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

Dear Mr. Smisek:

The Office of the Chief Auditor (OCA) presents our Annual Report for Fiscal Year 2012. The report details the audit and administrative activities of the Office, the resolution of past audit findings, and highlights the Fiscal Year 2013 Audit Plan.

Fiscal Year 2012 was another productive year for the OCA that included:

- Issuance of 32 audit reports
- Supervision of the ethics program
- Continued audit activities over construction

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 2012 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 2012 (see Appendix A) included 32 planned audits. Also within the FY2012 plan were seven (7) audits carried over from the FY2011 audit plan that were not completed during that fiscal year. Furthermore, during the 2012 fiscal year, two (2) unplanned audits were added to the audit schedule as "Special Requests" and one (1) audit was removed from the plan.

In total during FY12, the OCA issued 32 audit reports, including 13 during the fourth quarter. Additionally, the OCA had numerous audits that were nearing completion at the end of the 4th quarter, including three (3) that had been sent to the affected departments for review and comment. From the completed audit reports, we issued a total of 49 recommendations. (See Page 4, Status of Recommendations Issued in FY2012).

Table 1: Total Reports Issued by the Office of the Chief Auditor in Fiscal Year 2012

Quarter	Audits Issued	Recommendations Issued
1 st	9	16
2 nd	4	7
3 rd	6	10
4 th	13	16
Total	32	49

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

Business Process Audits

The OCA issued twelve (12) business process audits 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 of selected processes that may span multiple Authority functions. Significant projects within this category included our annual audit of the Procurement Card Program and a performance audit of the Authority's Information Technology function.

Expenditure Contract Audits

Included within this category are audits of consulting, service, and construction contracts. During FY2012 the OCA completed twelve (12) 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 numerous contracts utilized by Facilities Maintenance, the Terminal Development Program, and Facilities Development. Additionally, in the annual audit of the Port District's Billings for FY2010 we found overpayments of over \$163,000.

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 eight (8) 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 DTG Operations, Inc. dba Thrifty & Dollar and Nevada Lease and Rental, Inc. dba Payless Car Rental System, which identified underpayments of \$658,580 and \$335,226, respectively.

Special Request Audits

The OCA sets aside audit hours within each Annual Audit Plan in order to respond to special requests from both the Authority Board and from Management. Included in the totals stated in the three (3) categories above are two (2) special request audits that the OCA completed during the year. Of note, we completed an audit of Pacific Aircraft Maintenance, Inc. to ensure that the Authority was receiving proper rents, and we completed an audit of the Lifecycle of Contract at the Authority to identify areas for improved effectiveness and efficiency.

In Progress Audits

In Fiscal Year 2012, the OCA tried to maintain a steady pace of activity, but due to numerous circumstances, did not fully complete all planned audits for the year. Specifically, as of June 30, 2012, the following audits had been sent to the audited departments as Draft audit reports:

- Aircraft Rescue & Fire Fighting – FY 2011
- Sadler Electric Inc.
- Vehicle Fleet Management

Additionally, the following audits were in progress as of June 30, 2012:

- Aircraft Rescue & Fire Fighting – FY 2012
- Jones Payne Group
- Merriwether & Williams Insurance Group
- San Diego Port District Billing – FY 2012
- The Hertz Corporation

Each of the above audits should be completed within the 1st Quarter of Fiscal Year 2013.

Audit Follow-Up

The OCA tracks the number and the status of recommendations issued in audit reports. Tracking of recommendations was completed through monthly inquiries made to the audited departments or to the owners of specific recommendations. These inquiries allow the OCA to determine how many recommendations have been completed, as well as to obtain the status of the recommendations in progress. In FY 2012, the OCA issued a total of 49 recommendations, of which 20 are fully implemented. See Table 2 for an overview of recommendations issued by the OCA in FY 2012. For detailed descriptions of recommendations that were unresolved as of May 31, 2012, and for details of all recommendations completed in FY 2012, see Appendices B and C respectively.

Table 2: Status of Recommendations Issued in Fiscal Year 2012

Quarter	Recommendations				
	Issued	Completed ¹	In-Progress ²	Open ³	Not Accepted
1 st	16	6	10	0	0
2 nd	7	6	1	0	0
3 rd	10	4	6	0	0
4 th	16	4	5	6	1
Total	49	20	22	6	1

In addition to the recommendations issued in FY 2012, the OCA continued to track the status of recommendations issued in prior fiscal years. In total, the OCA tracked five (5) recommendations issued prior to this fiscal year and not fully completed as of June 30, 2011. As of June 30, 2012, two (2) of those recommendations have been implemented, two (2) were in process, and one (1) was not accepted by management.

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 FY 2012, which are described below. For FY 2013, the OCA will continue its activities in support of the Authority and the Board.

Training

The OCA complies with the continuing education requirements issued by The Institute of Internal Auditors and the U.S. General Accounting Office's "yellow book". These standards require that professional staff complete at least 80 hours of training every two years. During this fiscal year, staff attended annual conferences for the Association of Local Government Auditors and the Association of Airport Internal Auditors. Additionally, staff attended courses covering construction activity and internal controls.

Audit Committee Support

During FY 2012, the Audit Committee met six (6) times, which occurred on:

- August 5, 2011 (Special Meeting)
- August 29, 2011
- November 14, 2011
- February 6, 2012 (Joint Meeting with TDP Committee)
- March 26, 2012 (Special Meeting)
- May 7, 2012

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

Ethics Compliance Program

The OCA continues to maintain the Authority Ethics Hotline, receiving notifications via voicemail, email, and in person. For FY 2012 there were a total of 576 complaints. Notifications that indicate a potential violation of the Authority Code of Ethics are investigated by the OCA, and the resolution is noted in the Ethics Hotline Call Summary, which appears in Appendix E.

Performance Measures

Each fiscal year the OCA develops and tracks performance measures to gauge the progress and success of the office. For FY 2012, the OCA developed five (5) separate measures that could be used to evaluate OCA performance. Table 3 below outlines the OCA's performance against the selected measures.

Table 3: Status of Performance Measures as of June 30, 2012

Performance Measure	Goal	Progress as of June 30, 2012
Percentage of the audit plan completed annually	100%	80%
Additional revenue/cost savings identified through audits	\$30,000	\$1,113,856
Percentage of staff time spent on audit activities	80%	84%
Percentage of audits completed within budgeted time	80%	82%
Implementation of Recommendations ⁴	90%	41%

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

Percentage of the audit plan completed annually: This measure provides information on the number of audits accomplished of those planned for the year. For the year, the OCA completed 80% of the FY 2012 audit plan. Specifically, 32 out of 40 audits were completed. Additionally, there were three (3) draft audit reports that were awaiting review and comment from the audited departments. During the first month of the Fiscal Year 2013 two (2) FY 2012 audits were issued. If these reports are included in the completed audits total, progress on the FY 2012 audit plan is 88%. The OCA fell short of its goal for completing the audit plan due to carry over audits from FY 2011 and from issues concerning access to information for some expenditure contract audits.

Additional revenue/cost savings identified through audits: While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. More important is probably whether the amount of identified additional revenue and cost savings is realized by the Authority. While that total is also tracked and monitored by the OCA, it is highly dependent on circumstances outside the control of the OCA, and therefore, it does not make a good measure of the efficiency and effectiveness of the department. For the year, the OCA greatly exceeded the goal by identifying over \$1,113,000 in new revenue, as shown in Table 4 below. Appendix F provides an estimate of soft savings identified through audits and special reviews.

⁴ For the fiscal year, 23 of 28 open recommendations were implemented and one (1) was not accepted by management.

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

Audit Report Number	Title	Amount
12027	CONRAC Fund Review	\$9,390
12018	DTG Operations Inc. dba Thrifty & Dollar	\$658,580
12034	Emergency Medical Technician & Paramedic Services	<\$58,708>
12021	Lindbergh Parking	\$4,021
12020	Nevada Lease and Rental Inc. dba Payless Car Rental System	\$335,226
12033	Pacific Aircraft Maintenance	\$2,293
11031	San Diego Port District Billing – FY 2011	\$163,054
Total		\$1,113,856

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 FY 2012, the OCA was well over our 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 recognizes that budgets may need adjustment(s) as additional facts become known during an audit. In FY 2012, the OCA completed 82 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, 41% of the recommendations have been implemented, which is under our goal. However, as shown by Table 5, the percentage of recommendations completed greatly increases as time proceeds.

Table 5: Percentage of Recommendations Completed

Recommendation Origination	Recommendation				
	Tracked	Completed	Not Accepted	Outstanding	% Completed
Carryover	5	2	1	2	40%
1 st Quarter	16	6	0	10	38%
2 nd Quarter	7	6	0	1	86%
3 rd Quarter	10	4	0	6	40%
4 th Quarter	16	4	1	11	25%
Total	54	22	2	30	41%

Construction Audit Activities

For the Fiscal Year 2012, 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. The OCA initiated Task Authorization #3 in September 2011 to:

- Assist with clarification of findings detailed in the RWBC August 2011 Look Back Report,
- Evaluate the mitigation proposed by the Green Build team, and
- Assist with the related presentations made to the Terminal Development Program (TDP) and Audit Committees of the Board.

This task was completed with the presentation made to the joint meeting of the Audit and Terminal Development Program Committees on February 6, 2012.

RWBC was issued Task Authorization #4 in November 2011, which was for a funding compliance review of Green Build program costs. Task Authorization #4 is due to be completed in April 2013.

The OCA Construction Auditor worked on two of the projects during the fiscal year at the request of the Senior Program Manager of TDP:

- 1) A control review of the Guaranteed Maximum Price (GMP) payment application process was completed in September 2011. The internal control deficiencies noted in the review were addressed and corrective actions have been undertaken by the TDP staff.
- 2) A review of the GMP contingencies, allowances, exposure holds, and pending cost of work reserves, was begun in March 2012. Completion of this review is expected in September 2012.

Additional tasks undertaken by the OCA Construction Auditor are as follows:

- An audit of Contract 2 with Kiewit-Sundt, and the related GMP amendment was initiated.
- Assistance in the identification of grant and PFC requirements for costs incurred in the Green Build program was provided to the Financial Planning and Budget Department.
- Training in the use of data-mining software was provided to the TDP staff tasked with the review of the Joint Venture Contractor's employee's wages and timecards.

R.W. Block Consulting and the OCA Construction Auditor remain involved with issues identified by Green Build and Authority Management, giving assistance, and attending meetings specific to the aspects of the Authority's construction activity, including the presentation of a formal update to the Audit Committee and the Terminal Development Committee during all of their regularly scheduled meetings.

Fiscal Year 2013 Projection

The Audit Committee approved the FY 2013 Audit Plan during its May 7, 2012, meeting. Before commencing work on the FY 2013 Audit Plan (Appendix D), the OCA will complete the outstanding audits from FY 2012. Specifically, for the 1st Quarter of FY 2013, the OCA plans to complete the following audits:

- Agreements with Expenditure Limits Not to Exceed \$100,000
- Airlines & Others (Ogden Aviation)
- Aircraft Rescue & Fire Fighting – FY 2012
- AirProjects, Inc.
- Jones Payne Group
- Merriwether & Williams Insurance Group
- Sadler Electric
- San Diego Port District Billing – FY 2012
- The Hertz Corporation
- Vehicle Fleet Management

Throughout Fiscal Year 2013, the OCA will continue conducting audits from the audit plan, including any special requests that may be approved by the Audit Committee.

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Appendix A – Fiscal Year 2012 Audit Plan

**Office of the Chief Auditor
FY 2012 Audit Plan
Revised 2-6-12**

BUSINESS PROCESS AUDITS

Airport Lost and Found
Capital and Maintenance Project Selection and Planning
Passenger Baggage Delivery
Public Parking
Vehicle Fleet Management

EXPENSE CONTRACT AUDITS

HSS, Inc.
Jones Payne Group
Mactec Engineering and Consulting
Marsh Risk & Insurance Service
Pacific Rim Mechanical
Sadler Electric, Inc.
Slayton Mechanical Contractors Inc.
Strong Tower Construction dba Koch Corporation
William Nicholas Bodouva + Associates
WTS, Inc.

REVENUE CONTRACT AUDITS

Airline Revenues
DTG Operations Inc. dba Thrifty & Dollar
Host International Inc.
Lindbergh Parking
Nevada Lease and Rental Inc. dba Payless Car Rental System
Newport Beach Sales & Leasing Inc. dba Budget Rent A Car System
Smarte Carte
The Hertz Corporation

ANNUAL ONGOING AUDITS AND SUPPORT

AECOM Expenditures
Agreements with Expenditure Limits Not to Exceed \$100,000
Aircraft Rescue & Fire Fighting (ARFF) Billing
Board Member Expenditures
Consolidated Rental Car Facility (CONRAC) Fund
Emergency Medical Technician-Paramedic Services
Procurement Card Spending
San Diego Unified Port District Billing
Special Request Audits

Lifecycle of Contracts
Pacific Aircraft Maintenance, Inc.

ETHICS PROGRAM ACTIVITY

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, 2012. 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, 2012	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 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 trip fee process will be automated. The estimated date for implementing the automated system is October 1, 2012.	In Process	October 2012
12-25	AVIATION & COMMERCIAL BUSINESS DEPARTMENT (formerly Real Estate Management Department)	Audit Report #12020 dated February 16, 2012, Nevada Lease and Rentals, Inc.	19	Impact: 10 Probability: 9	Aviation & Commercial Business Department (ACB) should request Payless to recalculate concessionable revenue for the period July 1, 2001, to present, inclusive of "Other Revenue". Further, ACB should request that in future periods, Payless track and account for the distinct revenue categories within "Other Revenue".	Payless is disputing the finding and recommendation. To that end, Payless provided revenue numbers to support its contention. The OCA has requested data to support the new revenue numbers and Payless has, as yet, been unable to provide any new information.	In Process	Unknown
12-32	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #11031 dated February 22, 2012, San Diego Unified Port District Billings - FY10	18	Impact: 10 Probability: 8	We recommend that management request that the District switch their billing process from billing at the standard rate to billing the actual wages of the District employees that are providing the services on a monthly basis.	Accounting has taken this item for action. It has not been resolved, but conversations have occurred with the Port District.	In Process	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2012	OCA's Assessment	Estimated Completion Date
12-24	AVIATION & COMMERCIAL BUSINESS DEPARTMENT (formerly Real Estate Management Department)	Audit Report #12020 dated February 16, 2012, Nevada Lease and Rentals, Inc.	18	Impact: 10 Probability: 8	Aviation & Commercial Business Department (ACB) should initiate a request to Accounting to invoice Payless in the amount of \$335,226 for underpayment of concession fees.	Payless is disputing the finding and recommendation. To that end, Payless provided revenue numbers to support its contention. The OCA has requested data to support the new revenue numbers and Payless has, as yet, been unable to provide any new information.	In Process	Unknown
12-26	AVIATION & COMMERCIAL BUSINESS DEPARTMENT (formerly Real Estate Management Department)	Audit Report #12018 dated February 16, 2012, DTG Operations, Inc. (Dollar - Thrifty)	18	Impact: 10 Probability: 8	The Aviation & Commercial Business Department (ACB) should request the Accounting Department issue an invoice to Dollar and to Thrifty in the amounts \$453,252 and \$205,328 respectively.	DTG Operations, Inc. is disputing this recommendation. DTG has been in contact with AvCom and OCA staff to gain a better understanding of the recommendation.	In Process	Unknown
12-47	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12016 dated June 28, 2012, Slayton Mechanical Contractors, Inc.	17	Impact: 8 Probability: 9	Facilities Management Department (FMD) should strengthen their internal controls over their contract management process. Specifically, FMD should ensure that their process entails adequate assurance over the risk of contractors not adhering to Agreement terms. This includes pre-approval of subcontractors, and review and approval of invoices, to ensure that Agreement terms regarding required documentation are adhered to prior to authorization to pay. Additionally, FMD should strengthen their internal process for contract monitoring to include formalization of inspection records by staff overseeing the work performed by consultants. These inspection records should be used to facilitate the acceptance and approval of invoices and supporting documentation.	This recommendation was issued during the month so no follow-up has been performed.	Open	

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.

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Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2012	OCA's Assessment	Estimated Completion Date
11-09	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	17	Impact: 9 Probability: 8	Authority Management should continue to take all steps necessary, including petitioning the Office of the Mayor of the City of San Diego, to allow the Authority to present the request for a change to MTS rate setting policy to the PS&NS Committee. Obtaining approval from City Council for the full cost recovery trip fee on the taxicab meters is needed to ensure the taxicab drivers are no longer burdened with this cost and the taxicab operations at the Authority become self-sustaining. Once approval is received and the trip fee is added to the taximeter rate, the Authority should perform an annual true-up of the cost of taxicab operations. Any fees in excess of the cost of operations should be refunded to the taxicab drivers. If it is determined that the cost of operations exceeds the total of permit fees and trip fees, trip fees should be adjusted accordingly.	All airport taxicabs will have the trip fees placed on the meter as of July 31, 2012. Additionally, Finance plans to begin looking at doing a true-up on taxicab cost recovery when we go to 100% cost recovery (FY14).	Completed	July 2012
12-17	AVIATION & COMMERCIAL BUSINESS DEPARTMENT (formerly Real Estate Management Department)	Audit Report #12023 dated October 19, 2011, Host International	17	Impact: 8 Probability: 9	Aviation & Commercial Business Department (ACB) 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 is currently developing draft sales reports and report assessment tools by location for internal review. They plan on implementing those tools with the new program activation in December 2012.	In Process	December 2012

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2012	OCA's Assessment	Estimated Completion Date
12-05	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	16	Impact: 7 Probability: 9	The Approving Officials should be held accountable for their responsibility in reviewing and approving the purchases in the monthly reconciliation process. We recommend that Approving Officials who approve reconciliations with inadequate documentation, or questionable, prohibited, or restricted purchases be required to take remedial training from the Analyst and Accounting on the first instance of approving such a reconciliation. If this occurs more than once in one 12 month period, we recommend that the approving authority for P-Card purchases of the Approving Official be suspended. This would result in the suspension of all P-Cards authorized to that official or reassigning the Approving Official duties.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-07	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	16	Impact: 8 Probability: 8	P-Cardholders should be required to document the business purpose in all instances where the purpose would not be obvious to a third party.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2012	OCA's Assessment	Estimated Completion Date
12-11	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	16	Impact: 8 Probability: 8	<p>The User Guide and the corresponding E1 Process User Help Manual should be revised to provide clear instructions for the following:</p> <ul style="list-style-type: none"> • The vendor name per the US Bank P-Cardholder statement should be recorded in the Payment Remark field. • The item purchased and the business purpose should be recorded in the Explanation Remark field. • A separate entry should be made to correspond to each entry and dollar amount on the US Bank statement. This should correspond to the amounts on the supporting documentation attached. • The Approving Official should review the reconciliation to ensure that all of the required information is included in the reconciliation. • The P-Cardholder and the Approving Official should record the date they each sign the reconciliation. <p>The annual P-Card Program training should emphasize these requirements with a demonstration of how to properly complete a reconciliation.</p>	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2012	OCAs Assessment	Estimated Completion Date
12-29	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #11031 dated February 22, 2012, San Diego Unified Port District Billings - FY10	16	Impact: 8 Probability: 8	<p>We recommend OPS review the PSA, the Settlement, and the Addendum with General Counsel, to determine the appropriateness of the Addendum. If determination is made that the Addendum and the resulting reimbursement transaction were not in accordance with the parameters of the PSA and the Settlement, we recommend that the OPS notify District Staff to determine the most appropriate method for the Authority to receive reimbursement of the \$64,614 paid for the two vehicles.</p> <p>If determination is made that the Addendum and thus the reimbursement transaction were appropriate, we recommend OPS and the Accounting Department work together to ensure that complete supporting documentation is obtained before reimbursement is made for vehicles and related operation costs. This should include items such as: • Weekly submittal of documentation of the operations of each vehicle, including odometer readings and detail of each time the vehicle leaves SDIA property. • Weekly submittal of documentation of any maintenance performed on each vehicle. • Original receipts for any charges for vehicle operations, such as fuel and maintenance. • Personnel time reports with detailed calculation of labor, burden, and overhead charged for any vehicle operation services provided by a District department outside of HPD. • Bids from vendors should be submitted prior to approval of future purchases of vehicles.</p> <p>Vehicles purchased with Authority funds should be recorded as assets of the Authority and titled in the name of the Authority in addition to the District. These vehicles should be distinctly marked as property of the Authority and be easily identifiable from other HPD vehicles. The overhead rate calculation must reflect motive settlements only for vehicles used for airport services less amounts direct billed for Authority vehicles.</p>	The reimbursement for the vehicles purchased by the Port was provided for in a written agreement in accordance with the provisions of the PSA.	Recommendation not accepted by the department.	N/A
12-38	GROUND TRANSPORTATION DEPARTMENT	Audit Report #12001 dated April 25, 2012, Public Parking	15	Impact: 8 Probability: 7	Policies and procedures should be developed and instituted by Ground Transportation, the Planning and Operations division, and the Finance Division regarding all areas of public parking management.	No status has been provided.	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, 2012	OCA's Assessment	Estimated Completion Date
12-09	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	14	Impact: 6 Probability: 8	The monthly reconciliation is as important as following the P-Card purchases guidelines. The guidelines in the Manual should be revised so that the first late submission of a monthly reconciliation results in sending a Violation Letter to the cardholder, Approving Official/Director, and Division Vice-President. The second late reconciliation would then result in sending a second Violation Letter to the cardholder, Approving Official/Director, and Division Vice-President, with a copy to the CEO, and suspension of P-Card privileges.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-10	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	14	Impact: 6 Probability: 8	Controls surrounding the reconciliations should be strengthened so that more than one late submission of the monthly reconciliation in any twelve month period should be considered a violation.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-15	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	14	Impact: 7 Probability: 7	For improved internal control, we recommend that the supporting documentation and approval requirements of the Business Expense Reimbursement Policy should be used as an example to develop similar requirements for P-Card purchases to include within the Manual. The business purpose, detailed supporting documentation and proper approval levels should be included on all Authority expenditures, regardless of the method (expense reimbursement, P-Card transaction, or check request).	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-46	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12016 dated June 28, 2012, Slayton Mechanical Contractors, Inc.	13	Impact: 7 Probability: 6	Facilities Management should consider revising their internal controls over the review and acceptance of invoices to include a review of completion dates and liquidated damages, and subsequently issue invoices to contractors not in compliance with required completion dates.	This recommendation was issued during the month so no follow-up has been performed.	Open	

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, 2012	OCA's Assessment	Estimated Completion Date
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.	The Director of Facilities Management indicated that he disagreed with this recommendation. The OCA is awaiting confirmation that the President/CEO has been notified of the non-acceptance.	In Process	Unknown
12-08	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	13	Impact: 7 Probability: 6	The Manual should be revised to eliminate the exceptions from prohibited items as follows: 1. "A Vice-President can authorize any appropriate business expense for P- Cardholder where the Vice-President acts as the cardholder's Approving Official." This exception should be eliminated so that all P-Cardholders follow the same rules, and the controls surrounding prohibited items are enforced uniformly. 2. "Employee service awards, gifts and gift cards can be purchased through the Human Resources Dept." This should be in the restricted purchases as only allowable for specifically designated Human Resources Department employees. 3. "Gas & oil can be purchased by the Facilities Management Dept." This should be in the restricted purchases as only allowable for specifically designated Facilities Management Department employees. 4. "Non-repetitive minor on-site services or authorized emergency services can be obtained by Facilities Mgmt. Dept. provided they secure approval from the Risk Mgmt Dept. prior to the commencement of work. ..." This should be in the restricted purchases as only allowable for specifically designated Facilities Management Department employees. 5. "US Communities Maintenance and Hardware Supplies Contract ..." This should be in the restricted purchases as only allowable for specifically designated Facilities Management Department employees.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

00015

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, 2012	OCA's Assessment	Estimated Completion Date
12-14	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	13	Impact: 7 Probability: 6	The Analyst should ensure an audit of all monthly activity with a detailed review of all questionable expenditures is performed. The findings from the audit should be documented in a report with an analysis of the monthly trends of P-Card usage by P-Cardholder, dollar amount, merchant, and frequency, in addition to purchase limit changes and other analytical data.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-36	GROUND TRANSPORTATION DEPARTMENT	Audit Report #12021 dated April 18, 2012, Lindbergh Parking, Inc.	12	Impact: 5 Probability: 7	The Ground Transportation Department should request the Accounting Department send an invoice to LPI in the amount of \$4,021 for the overpayment of expenses related to vehicle leases.	Ground Transportation requested that LPI be billed for the overpayment.	Completed	
12-43	CORPORATE SERVICES DEPARTMENT	Audit Report #12010 dated June 19, 2012, MACTEC Engineering and Consulting, Inc.	12	Impact: 6 Probability: 6	We recommend that the Corporate Services Department revise the Record Retention Policy to ensure that complete records are available for future FAA audits and reviews.	Corporate Services sought the input of Finance and General Counsel staff to identify improvements within its retention schedule to ensure that FAA required documents would not be prematurely discarded.	Completed	
12-13	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	12	Impact: 6 Probability: 6	Procurement should perform an analysis of the P-Card purchases to determine, in both number of transactions and amount expended, the higher volume purchasers and purchases, and the most frequently used merchants. Based on this analysis, Procurement should work with the related departments, such as FMD and IT, to solicit bids from all potential merchants to ensure the Authority is obtaining the best prices for commodity purchases and the P-Cards are used, as directed, for low-dollar, non-routine purchases.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	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 June 30, 2012	OCA's Assessment	Estimated Completion Date
12-45	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12016 dated June 28, 2012, Slayton Mechanical Contractors, Inc.	11	Impact: 5 Probability: 6	Facilities Management should consider submitting a request that Accounting prepare and issue an invoice to Slayton in the amount of \$10,800 for uncollected liquidated damages.	This recommendation was issued during the month so no follow-up has been performed.	Open	
12-30	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #11031 dated February 22, 2012, San Diego Unified Port District Billings - FY10	11	Impact: 6 Probability: 5	We recommend that the Planning & Operations Department work with District Staff to determine the appropriate method for the Authority to receive reimbursement of the actual value received for the two surplus vehicles replaced. If the District does not have the actual salvage value received for the two vehicles with the supporting documentation of the salvage transactions, the District should provide the Authority documentation of the calculation of the average surplus value. If the calculation appears appropriate, the Authority should receive reimbursement of \$3,200 for the two vehicles. Although the Addendum indicates that the surplus value would only be credited for one vehicle, the District is using an average surplus value. Use of an average dictates that it be applied equally to the population, so credit should be applied for both vehicles.	Accounting has taken this item for action. It has not been resolved, but conversations have occurred with the Port District.	In Process	Unknown
12-48	LANDSIDE OPERATIONS DEPARTMENT	Audit Report #12024 dated June 28, 2012, Smarte Carte, Inc.	10	Impact: 4 Probability: 6	The Landside Operations Department should develop a comprehensive policy for Gold Card usage and management. This policy should encompass training on proper usage, signatory acknowledgement of proper usage, and disciplinary action for improper usage. Additionally, this policy needs to encompass management of Gold Card issuance records, and a review of actual usage reports monthly. Furthermore, Management should review the usage to determine what levels of monthly usage are appropriate to ensure that gratuitous luggage cart expenditures are not excessive.	This recommendation was issued during the month so no follow-up has been performed.	Open	

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Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2012	OCA's Assessment	Estimated Completion Date
12-49	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12022 dated June 29, 2012, BI-Annual Airline Revenue Audit	10	Impact: 5 Probability: 5	Aviation & Commercial Business Department (Acoma) staff should periodically review, on a sample basis, aircraft landings using the monthly Commercial Flight Operations Reports provided by the Airport Noise Mitigation department, to verify that airlines are accurately reporting the number of landings at SDIA. In addition, Acoma staff should recalculate landing fees due, on a monthly basis, using the landing data, to verify airlines are submitting accurate landing fees due the Authority.	This recommendation was issued during the month so no follow-up has been performed.	Open	
12-06	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	10	Impact: 5 Probability: 5	The Manual should be revised to include the payment of merchant invoices by P-Card and purchases that circumvent the procurement process as prohibited use of the P-Card. The annual P-Card training should be enhanced to provide explanations of these prohibited transactions.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-40	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12033 dated April 30, 2012, Pacific Aircraft Maintenance	7	Impact: 3 Probability: 4	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice Pacific for \$2,293 for underpayment of license fees. Additionally, Aviation and Commercial Business should inform Pacific that all revenue collected, including any attempt to recoup license fees through a fee on the airlines, must be included in gross revenue calculations, and failure to do so constitutes a violation of the Ground Handling Agreement terms.	AvCom notified Pacific Aircraft on June 4, 2012, of the audit findings and provided a template to use for all future reporting of monthly revenue. As of June 15, 2012, Pacific Aircraft has notified AvCom that they dispute the audit findings and will forward the report and associated documentation to their legal counsel.	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 June 30, 2012	OCA's Assessment	Estimated Completion Date
12-41	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12033 dated April 30, 2012, Pacific Aircraft Maintenance	7	Impact: 4 Probability: 3	The Aviation and Commercial Business Department should notify Pacific that they are required to provide itemization of gross income on a monthly basis, including service category, customer/client. Failure to do so should result in a breach of their Ground Handling Agreement and termination of such.	AvCom notified Pacific Aircraft on June 4, 2012, of the audit findings and provided a template to use for all future reporting of monthly revenue. As of June 15, 2012, Pacific Aircraft has notified AvCom that they dispute the audit findings and will forward the report and associated documentation to their legal counsel.	In Process	Unknown
12-42	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12033 dated April 30, 2012, Pacific Aircraft Maintenance	7	Impact: 4 Probability: 3	The Aviation and Commercial Business Department should notify Executive Air/Pacific that they are in violation of the Ground Handling Agreement with the Authority due to failure to maintain financial records, and should consider taking the required steps to terminate.	AvCom notified Pacific Aircraft on June 4, 2012, of the audit findings and provided a template to use for all future reporting of monthly revenue. As of June 15, 2012, Pacific Aircraft has notified AvCom that they dispute the audit findings and will forward the report and associated documentation to their legal counsel.	In Process	Unknown
12-44	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12027 dated June 19, 2012, Consolidated Rental Car Facility (CONRAC) Fund	7	Impact: 3 Probability: 4	Aviation and Commercial Business should seek to receive the additional \$9,390 in Customer Facility Charges (CFCs) from Budget.	This recommendation was issued during the month so no follow-up has been performed.	Open	

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Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2012	OCA's Assessment	Estimated Completion Date
12-39	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12033 dated April 30, 2012, Pacific Aircraft Maintenance	6	Impact: 3 Probability: 3	The Aviation and Commercial Business Department should prepare and execute an amendment to the Ground Handling Agreement between Executive Air Maintenance and the Authority in which the Ground Handling Agreement is assigned to Pacific Aircraft Maintenance, Inc. Alternatively, the Aviation and Commercial Business Department should terminate the Ground Handling Agreement with Executive Air Maintenance and, at their discretion, enter into a new Ground Handling Agreement with Pacific Aircraft Maintenance, Inc.	AvCom notified Pacific Aircraft on June 4, 2012, of the audit findings and provided a template to use for all future reporting of monthly revenue. As of June 15, 2012, Pacific Aircraft has notified AvCom that they dispute the audit findings and will forward the report and associated documentation to their legal counsel.	In Process	Unknown

000162

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 2012

The following report provides all recommendations that were completed during Fiscal Year 2012.

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
12-04	FACILITIES DEVELOPMENT DEPARTMENT	Audit Report #11028 dated July 25, 2011, AECOM Expense Review	18	Impact: 9 Probability: 9	The Authority should continue to perform a formal cost-benefit analysis related to the long-term staffing for the departments utilizing AECOM consultants, and consider replacing AECOM consultants with permanent Authority staff where justified. Additional consideration with regard to the allegiance of Authority staff and the value of retraining human intellect should be factored into the analysis.	Completed 9/30/11
11-21	AIRPORT PLANNING DEPARTMENT	Audit Report #11002 dated June 29, 2011, Airport Land Use Management Planning Process	17	Impact: 9 Probability: 8	Authority Management should develop a methodology to analyze decisions of whether to hire full-time staff or utilize consultants for long-term projects. The analysis should be based on total cost of the service and the length of time that the resource will be utilized, to determine the least expensive method for the Authority to obtain the needed talent for the proper time.	Completed 9/30/11
11-13	ENVIRONMENTAL AFFAIRS DEPARTMENT	Audit Report #11033 dated February 16, 2011, Zoological Society of San Diego	15	Impact: 8 Probability: 7	The Environmental Affairs Department with General Counsel's assistance, should identify the best method to attempt to recoup the calculated overpayment of \$38,554.	Not Accepted 9/30/11
12-01	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #11034 dated July 15, 2011, Commuter Terminal 2nd Floor Build-out	11	Impact: 6 Probability: 5	1. Before further utilizing the enhanced contract management process, FMD should develop a policy and or process that ensures that all Authority employee labor hours related to capital projects are recorded and reported to Accounting, and; 2. Accounting should ensure that all Authority employee direct labor and calculated burden costs for all capital projects completed through the enhanced contract management process (including Project #104105) are properly recorded and, where appropriate, capitalized.	Completed 9/30/11
12-16	PROCUREMENT DEPARTMENT	Audit Report #12015 dated September 29, 2011, WTS, Inc.	17	Impact: 8 Probability: 9	We recommend that the Procurement department revise their procedures for the maintenance of evaluation panel documentation. Documentation should include the individual scores or rankings given by each evaluation panel member within the summary matrix utilized for final summary score tabulation.	Completed 10/31/11

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
12-12	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	9	Impact: 4 Probability: 5	The Analyst should recalculate the quarterly incentive rebate to verify the amount paid by the bank. Any discrepancies should be immediately investigated and resolved with the bank.	Completed 11/30/11
12-19	PROCUREMENT DEPARTMENT	Audit Report #12009 dated November 29, 2011, William Nicholas Bodouva + Associates	17	Impact: 9 Probability: 8	The Procurement Department should review the Procurement documentation of all previous FDD contracts to ensure all available files are properly maintained in accordance with Authority Records Retention Policy.	Completed 12/31/11
12-20	PROCUREMENT DEPARTMENT	Audit Report #12009 dated November 29, 2011, William Nicholas Bodouva + Associates	13	Impact: 5 Probability: 8	Procurement should revise standard contract language to require actual receipts for meal and hotel reimbursements and additionally stipulate not to exceed General Services Administration (GSA) per diem rates.	Completed 12/31/11
12-02	INFORMATION TECHNOLOGY DEPARTMENT	Audit Report #11003 dated July 20, 2011, Information Technology Performance	10	Impact: 6 Probability: 4	We recommend that Information Technology (IT) management develop a comprehensive performance management system to include regular tracking of progress toward goals. Additionally, we recommend that IT management review goals, objectives, and performance measures to determine if further refinement of these reassures would provide management a more proactive reflection of the adequacy of system and network controls.	Completed 12/31/11
12-03	INFORMATION TECHNOLOGY DEPARTMENT	Audit Report #11003 dated July 20, 2011, Information Technology Performance	8	Impact: 4 Probability: 4	The Information Technology (IT) Department should revise and update their Policy and Procedures Manual to accurately reflect the current IT system infrastructure. Additionally, IT Management should ensure that IT Procedures are added to the manual providing guidance for: a) Procedures enhancing the pre-approval process for P-Card purchases; b) Protection of confidential information from both external and internal intrusion attempts; c) Additional measures for management of non-installed assets within the possession of the IT Department; d) Active utilization of capabilities of network asset tracking systems to reconcile end-user installed assets on a quarterly basis; and e) Annual reviews and updates of the manual, including revision control documentation.	Completed 12/31/11

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
12-21	LANDSIDE OPERATIONS	Audit Report #12004 dated December 15, 2011, Airport Lost and Found	11	Impact: 5 Probability: 6	While the location where this inventory (cash, medications, identification, and credit cards) is located has access limited to only authorized personnel, it would be best practice to take the additional security measure of keeping sensitive inventory, such as cash, medications, identifications, and credit cards, in a locked facility at all times.	Completed 1/31/12
12-23	LANDSIDE OPERATIONS	Audit Report #12004 dated December 15, 2011, Airport Lost and Found	8	Impact: 4 Probability: 4	Management should work with the union to facilitate maintaining the ATO Primary Custodian employee positions on a permanent basis to the Lost and Found assignment due to a labor union agreement. This could result in a continuing knowledge drain from the operation.	Completed 2/29/12
12-22	LANDSIDE OPERATIONS	Audit Report #12004 dated December 15, 2011, Airport Lost and Found	12	Impact: 6 Probability: 6	Authority Management should work with the Information Technology Department to determine an effective and efficient manner of cleaning computer hard drives prior to providing computers to the auctioneer.	Completed 2/29/12
12-27	AVIATION & COMMERCIAL BUSINESS DEPARTMENT (formerly Real Estate Management Department)	Audit Report #12018 dated February 16, 2012, DTG Operations, Inc. (Dollar - Thrifty)	19	Impact: 10 Probability: 9	REM should notify DTG that they are not compliant with the requirements set forth in Section 4(b) of the Agreement. Specifically, DTG is not obtaining non-airport customer's initials immediately adjacent to the non-airport clause as stated on the rental contract, nor are they currently excluding customers with addresses further than 10 miles from the airport from Non-Airport customers.	Completed 3/31/12
12-28	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #11031 dated February 22, 2012, San Diego Unified Port District Billings - FY10	16	Impact: 8 Probability: 8	We recommend that the Planning & Operations Department (OPS) notify District Staff concerning the Fiscal Year 2010 over-billing for HPD services and determine the most appropriate method for the Authority to receive the \$163,054 owed to the Authority.	Completed 4/30/12

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
12-33	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12008 dated March 21, 2012, Pacific Rim Mechanical, Inc.	11	Impact: 5 Probability: 6	We recommend that Facilities Management Department receive bids for future "On-Call" projects based on the technician hours extended by the contract rates, plus the cost of materials, plus the contract markup. Further, the invoices for completed "On-Call" projects should be in compliance with the contract by following the contract rates and the appropriate materials mark-up.	Completed 4/30/12
12-34	AVIATION OPERATIONS & PUBLIC SAFETY DEPARTMENT	Audit Report #12034 dated April 5, 2012, Emergency Medical Technician-Paramedic Services	11	Impact: 6 Probability: 5	The Aviation Operations & Public Safety Department should request that the City add as a City credit \$19,569 (\$58,708/3) to the City's EMT-P service invoices for the next three (3) months.	Completed 4/30/12
12-18	AVIATION & COMMERCIAL BUSINESS DEPARTMENT (formerly Real Estate Management Department)	Audit Report #12023 dated October 19, 2011, Host International	9	Impact: 4 Probability: 5	Aviation & Commercial Business Department (ACB) should obtain new price lists from every concessionaire at least on an annual basis. Further, ACB should more frequently compare the concessionaire price listings to items being sold, and document this activity to verify concessionaires are using only approved prices.	Completed 4/30/12
12-31	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #11031 dated February 22, 2012, San Diego Unified Port District Billings - FY10	16	Impact: 8 Probability: 8	We recommend that the Planning & Operations Department ensure that supporting documentation for all expenses billed by the District is attached prior to submitting the invoice to Accounting for payment.	Completed 4/30/12
12-37	GROUND TRANSPORTATION DEPARTMENT	Audit Report #12021 dated April 18, 2012, Lindbergh Parking, Inc.	13	Impact: 6 Probability: 7	The Ground Transportation Department should ensure that all material changes, including salary changes, and inventive fee structures and calculations to parking Agreements, are memorialized with an Amendment.	Completed 5/31/12

000167

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
12-35	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12003R dated April 18, 2012, Capital and Maintenance Project Selection and Planning	15	Impact: 7 Probability: 8	Facilities Management Department should work with the Facilities Development Department on-site experts to develop formal processes for their project set-up, budget, management, change order, and close-out of capitalized projects. Additionally, FMD should implement the same reporting standards utilized by FDD in monthly status reports to the Capital Improvement Committee. To mitigate risks to the Authority, FMD processes should mirror FDD processes for all CIP projects.	Not Accepted by Management 5/31/12
11-09	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	17	Impact: 9 Probability: 8	Authority Management should continue to take all steps necessary, including petitioning the Office of the Mayor of the City of San Diego, to allow the Authority to present the request for a change to MTS rate setting policy to the PS&NS Committee. Obtaining approval from City Council for the full cost recovery trip fee on the taxicab meters is needed to ensure the taxicab drivers are no longer burdened with this cost and the taxicab operations at the Authority become self-sustaining. Once approval is received and the trip fee is added to the taximeter rate, the Authority should perform an annual true-up of the cost of taxicab operations. Any fees in excess of the cost of operations should be refunded to the taxicab drivers. If it is determined that the cost of operations exceeds the total of permit fees and trip fees, trip fees should be adjusted accordingly.	Completed 6/30/12

000168

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
12-29	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #11031 dated February 22, 2012, San Diego Unified Port District Billings - FY10	16	Impact: 8 Probability: 8	<p>We recommend OPS review the PSA, the Settlement, and the Addendum with General Counsel, to determine the appropriateness of the Addendum. If determination is made that the Addendum and the resulting reimbursement transaction were not in accordance with the parameters of the PSA and the Settlement, we recommend that the OPS notify District Staff to determine the most appropriate method for the Authority to receive reimbursement of the \$64,614 paid for the two vehicles.</p> <p>If determination is made that the Addendum and thus the reimbursement transaction were appropriate, we recommend OPS and the Accounting Department work together to ensure that complete supporting documentation is obtained before reimbursement is made for vehicles and related operation costs. This should include items such as:</p> <ul style="list-style-type: none"> • Weekly submittal of documentation of the operations of each vehicle, including odometer readings and detail of each time the vehicle leaves SDIA property. • Weekly submittal of documentation of any maintenance performed on each vehicle. • Original receipts for any charges for vehicle operations, such as fuel and maintenance. • Personnel time reports with detailed calculation of labor, burden, and overhead charged for any vehicle operation services provided by a District department outside of HPD. • Bids from vendors should be submitted prior to approval of future purchases of vehicles. <p>Vehicles purchased with Authority funds should be recorded as assets of the Authority and titled in the name of the Authority in addition to the District. These vehicles should be distinctly marked as property of the Authority and be easily identifiable from other HPD vehicles. The overhead rate calculation must reflect motive settlements only for vehicles used for airport services less amounts direct billed for Authority vehicles.</p>	Recommendation not accepted by the department. 6/30/12
12-36	GROUND TRANSPORTATION DEPARTMENT	Audit Report #12021 dated April 18, 2012, Lindbergh Parking, Inc.	12	Impact: 5 Probability: 7	The Ground Transportation Department should request the Accounting Department send an invoice to LPI in the amount of \$4,021 for the overpayment of expenses related to vehicle leases.	Completed 6/30/12
12-43	CORPORATE SERVICES DEPARTMENT	Audit Report #12010 dated June 19, 2012, MACTEC Engineering and Consulting, Inc.	12	Impact: 6 Probability: 6	We recommend that the Corporate Services Department revise the Record Retention Policy to ensure that complete records are available for future FAA audits and reviews.	Completed 6/30/12

Appendix D – Fiscal Year 2013 Audit Plan

Office of the Chief Auditor
FY 2013 Audit Plan

BUSINESS PROCESS AUDITS		
1	Energy Usage Performance	300
2	Organizational Performance Measures	300
3	Business Continuity Management	200
4	Budget Management and Analysis	250
5	Business and Travel Expenses	300
	TOTAL BUSINESS PROCESS AUDIT HOURS	<u>1,350</u> 15.6%
EXPENSE CONTRACT AUDITS		
6	David Brush Consulting	150
7	Advantage Performance Group LLC	150
8	Nolte Associates Inc.	150
9	S&L Specialty Contracting, Inc.	150
10	Wier Construction Corporation	150
11	Accurate Engineering ICS, Inc.	150
12	Bruel & Kjeear EMS	150
13	COLAB Studio LLC (Green Build Art)	150
14	Ricondo and Associates	150
15	AirProjects Inc.	150
16	JRM Consultants & Investigations Company	150
	TOTAL EXPENSE CONTRACT AUDIT HOURS	<u>1,650</u> 19.1%
REVENUE CONTRACT AUDITS		
17	Avis Rent A Car Systems LLC	250
18	Enterprise Rent A Car Company of Los Angeles	250
19	Fox Rent A Car	250
20	JCDecaux, Inc.	250
21	Airlines & Others (Ogden Aviation)	250
22	Gate Gourmet Inc	200
23	LPI - Closeout	200
24	Host International Inc. - Closeout	250
25	GAT Airline Ground Support Inc.	150
	TOTAL REVENUE AUDIT HOURS	<u>2,050</u> 23.7%
ANNUAL ONGOING AUDITS AND SUPPORT		
26	Airport Rescue & Firefighters (ARFF)	100
27	Board Member Expenditures	50
28	CONRAC Fund Review	150
29	Procurement Card Spending	150
30	AECOM Expenditures	150
31	Audit Sample of Contracts & Expenditures for Agreements <\$100,000	100
32	Emergency Medical Technician & Paramedic Services	80
33	San Diego Unified Port District Billing	250
	ANNUAL ONGOING AUDIT AND SUPPORT HOURS	<u>1,030</u>
34	Special Request Audits	812
	TOTAL ANNUAL ONGOING AUDIT AND SUPPORT HOURS	<u>1,842</u> 21.3%
35	ETHICS PROGRAM ACTIVITY	400 4.6%
36	CONSTRUCTION AUDIT AND MONITORING ACTIVITY	<u>1,340</u> 15.5%
	TOTAL HOURS	<u>8,632</u> 100.0%
	AVAILABLE AUDIT HOURS FROM OFFICE STAFF	<u>8,632</u>
	DIFFERENCE	<u>0</u>

Appendix E – Ethics Compliance Program

Ethics Hotline Call Summary
Fiscal Year 2012

	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>	101	61	0	n/a	40
<i>Advertising</i>	72	48	0	n/a	24
<i>Strategic Engagement</i>	3	2	0	n/a	1
<i>Contractor Overpayment</i>	3	3	1	Yes (1)	0
Potential Misuse of Resources					
<i>Misuse of Time/Travel</i>	11	4	2	Yes (2)(3)	7
<i>Misuse of Resources</i>	2	0	1	Yes (4)	2
Potential Policy Violation					
<i>Procurement Policy</i>	1	0	1	Yes(5)	1
<i>Receipt of Gifts</i>	9	0	0	n/a	9
<i>Conflict of Interest</i>	2	0	1	Yes (6)	2
<i>Misuse of Position/Taxi Cab Trip Fee</i>	1	0	1	Yes (7)	1
Non Ethics Related Concerns					
<i>Aircraft Noise</i>	71	42	0	n/a	29
<i>TSA Practices and Behavior</i>	55	15	0	n/a	40
<i>ATO Practices and Behavior</i>	21	12	0	n/a	9
<i>Aircraft Curfew Violation</i>	2	0	0	n/a	2
Workplace Concerns					
<i>Lack of Pay Increases</i>	58	31	0	n/a	27
<i>Workplace Practices/Behavior</i>	45	23	0	n/a	22
<i>United Way</i>	44	24	0	n/a	20
<i>Workplace Equitability</i>	32	19	0	n/a	13
<i>Holiday Parties/Lunches</i>	27	17	0	n/a	10
<i>Performance Appraisal Issues</i>	12	12	0	n/a	0
<i>Staff Retreats</i>	4	3	0	n/a	1

(1) Allegation involves potential overbilling by a contractor. Invoices and supporting documentation including timesheets and security badge scans were reviewed and no violation was noted.

(2) Allegation involves potential misuse of Authority time by Contractor. Supporting documentation reviewed and no violations found.

(3) Allegation involves potential misuse of funds during travel due to excessive incurred costs. It is a general concern, not specific or detailed. Travel and Business Reimbursement is a scheduled FY 2013 audit and this issue will be reviewed during the audit.

(4) Allegation involves potential misuse of Authority parking spot. Issue was investigated and resolved.

(5) Allegation of potential conflict during Procurement process. Contract at issue was pulled and Procurement process re-started.

(6) Allegation of potential conflict of interest. Issue investigated, no Code of Ethics violation found. However, management issue noted and information for management decision provided to Thella Bowens, CEO.

(7) Allegation of misuse of position/power regarding Taxi Cab Trip Fee. Issue investigated and no Ethics violation found.

Appendix F – Soft Savings Estimate

**Office of the Chief Auditor
Soft Savings Estimate for Fiscal Year 2012**

Audit	Type	Savings	Comments	Status
#11028 & #12029 AECOM Expense Review	Annual	\$1,720,060	Opportunity to reduce the cost of services provided by AECOM, as the Authority pays a significant higher amount for long-term AECOM consultants than for permanent, fully burdened, Authority employees doing similar work or having the same job title.	FDD is implementing a costs benefit analysis process to periodically determine the feasibility of adding Authority permanent employees versus contracting with consultants.
#11034 Commuter Terminal 2nd Floor Build-Out	One-Time	\$278,284	Facilities Management and Information Technology employee labor costs, and related burden, in support of the Commuter Terminal 2nd Floor Build-Out were expensed rather than capitalized to the project. While this is a one-time cost savings for this project, potential annual budget reduction could be realized.	Accounting is working with FMD and other departments to ensure allocation of costs.
#12009 William Nicholas Bodouva & Associates	Annual	\$135,275	Vendor per diem reimbursement rates should not exceed GSA rate. We noted that this would have saved \$1,546 for this one contract. Using an estimate of 175 vendors at any one time, with approximately 50% being reimbursed for per diem meals, we estimate a soft savings of \$135,275 (approximately 175 vendors X \$1,546 X approximately 50% with reimbursements = \$135,275).	Management has implemented this savings measure.

Appendix F – Soft Savings Estimate Cont.

Audit	Type	Savings	Comments	Status
#11031 San Diego Unified Port District Billing - FY10	Annual	\$100,144	OCA recommended that management requests that the District switch their billing process from billing at the standard rate to billing the actual wages of the District employees. OCA selected a sample of HPD officers' time reports and compared the amount billed using the standard billing rates to the amount the officers were actually paid for the selected pay period. Of the twenty-four officers pay periods selected, the amount paid by the Authority was more than the actual wages paid by \$7,822. The resulted in an annual saving for the District's billing of \$100,144. We also determined the standard rates paid appear to be greater than or on the high end of the rate ranges per the District's published Salary Ordinances.	Management is evaluating this recommendation.
Total Soft Savings		<u>\$2,233,763</u>		

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