

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
Chairman

Greg Cox
Jim Desmond
Robert H. Gleason
Jim Janney
Mark Kersey
Paul Robinson
Michael Schumacher
Mary Sessom

Ex-Officio Board Members

Laurie Berman
Eraina Ortega
Col. Jason Woodworth

President / CEO

Thella F. Bowens

AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Monday February 13, 2017
10:00 A.M.

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

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

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

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

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

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

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

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

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

NON-AGENDA PUBLIC COMMENT:

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

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

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the December 5, 2016, special meeting.

2. FISCAL YEAR 2017 SECOND QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

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

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

3. CONSTRUCTION AUDIT STATUS REPORT:

RECOMMENDATION: Information item only.

Presented by: Callie Ullman, Senior Auditor

4. ETHICS PROGRAM UPDATE:

RECOMMENDATION: Information item only.

Presented by: Callie Ullman, Senior Auditor

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

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

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

Additional Meeting Information

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

For your convenience, the agenda is also available to you on our website at www.san.org.

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

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

UPCOMING MEETING SCHEDULE

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
May 15, 2017	Monday	10:00 a.m.	Regular	Board Room
September 11, 2017	Monday	10:00 a.m.	Regular	Board Room
November 20, 2017	Monday	10:00 a.m.	Regular	Board Room

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE MEETING
MINUTES
MONDAY DECEMBER 5, 2016
ORVILLE AND WILBUR WRIGHT CONFERENCE ROOM

CALL TO ORDER: Chair Robinson called the Special Audit Committee Meeting to order at 10:33 a.m., on Monday, December 5, 2016, in the Orville and Wilbur Wright Conference Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101 due to a medical emergency in the Board Room.

PLEDGE OF ALLEGIANCE:

ROLL CALL:

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

 Board Members: Boling

Absent: Committee Members: Sessom

Also Present: Thella F. Bowens, President/CEO; Amy Gonzalez, General Counsel;
 Tony Russell, Director, Corporate and Information Governance/
 Authority Clerk; Ariel Levy-Mayer, Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT:

KAMRAN HAMIDI, SAN DIEGO, spoke regarding the taxis investment in credit card machines as required by the Metropolitan Transit System (MTS) Code.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the September 6, 2016, regular meeting.

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

2. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2016, REPORTS:
A) AUDITED FINANCIAL STATEMENTS, B) SINGLE AUDIT REPORTS, C)
PASSENGER FACILITY CHARGE COMPLIANCE REPORT, D) CUSTOMER
FACILITY CHARGE COMPLIANCE REPORT, AND E) LETTER TO THE
BOARD:

David Coleman, CPA, Director, BKD, LLP provided a presentation on the Annual Audit – Year Ended June 30, 2016 which included 2016 Highlights, Assets and Deferred Outflows Composition Trends, Liabilities and Deferred Inflows Composition Trend, Total Revenues and Capital Contributions Composition for the Year Ended June 30, 2016, Total Revenues and Capital Contributions Trends, Expense Composition for the Year Ended June 30, 2016, Expense Trends, and Other Relevant Trends.

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

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

Board Member Gleason left the meeting at 10:48 a.m.

3. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2016:

Kathy Kiefer, Senior Director, Finance and Asset Management provided an overview of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2016.

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

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

4. FISCAL YEAR 2017 FIRST QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Fred Bolger, Manager, Audit Services provided a presentation on the Fiscal Year 2017 First Quarter Activities Report and Audit Recommendations which included Audit Activities, Audits in Progress as of November 21, 2016, Recommendation Follow-Up, Fiscal Year 2017 Measure Outcomes, and Summary of Ethics Inquiries.

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

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

NON-AGENDA PUBLIC COMMENT: None.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting was adjourned at 10:56 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY THIS 13th DAY OF FEBRUARY, 2017.

MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:

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

STAFF REPORT

Meeting Date: **FEBRUARY 13, 2017**

Subject:

**Fiscal Year 2017 Second Quarter Activities Report and Audit Recommendations
Issued by the Office of the Chief Auditor**

Recommendation:

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

Background/Justification:

The Charter for the Office of the Chief Auditor was approved by the San Diego County Regional Airport Authority Board on October 2, 2003, Resolution No. 2003-062, establishing the roles, responsibilities, and working relationship of the Chief Auditor with the Audit Committee and with Authority management.

The Charter for the Office of the Chief Auditor was subsequently revised by the Authority Board on July 8, 2004, Resolution No. 2004-0060; March 4, 2010, Resolution No. 2010-0022R; and September 4, 2014, Resolution No. 2014-0089. Revisions intended to further clarify the roles of the Chief Auditor in conformance with the Charter of the Audit Committee on matters of the Authority's external auditor's annual financial statements audit and to reflect current operational practices performed by the Chief Auditor's department.

The Charter directs the Office of the Chief Auditor to periodically communicate to the Audit Committee with respect to management's systems of control, audit findings, management's responses, and including any steps adopted to resolve a noted issue.

The attached Fiscal Year 2017 Second Quarter Activity Report (Attachment A) summarizes the undertakings and accomplishments of the Chief Auditor's office from October 1, 2016, through December 31, 2016.

During the second quarter, the Office of the Chief Auditor completed five (5) audits of the Fiscal Year 2017 Audit Plan and issued five (5) recommendations. Appendix B of the activity report provides the status of audit recommendations awaiting implementation that were issued by the Office of the Chief Auditor.

A presentation on the Second Quarter activities of the Office of the Chief Auditor will be provided during a meeting of the Audit Committee on February 13, 2017.

Fiscal Impact:

None

Authority Strategies:

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

☐ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

Environmental Review:

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

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

Application of Inclusionary Policies:

Not applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

FISCAL YEAR 2017 SECOND QUARTER REPORT



February 3, 2017

Fiscal Year 2017 Second Quarter Report

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

Dear Mr. Robinson:

The Office of the Chief Auditor (OCA) presents our Fiscal Year 2017 Second Quarter Report. The report details both the audit and administrative activities of the OCA during the second quarter of Fiscal Year 2017, the resolutions of past audit findings, and information regarding the future plans of the OCA.

The Second Quarter Report will be presented at the next Audit Committee meeting scheduled for February 13, 2017.

Respectfully submitted,

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

Mark A. Burchyett
Chief Auditor

Audit Results

During the second quarter, the OCA began work, as authorized by the Audit Committee, on audits contained within the Fiscal Year 2017 Audit Plan. In total, during the second quarter, the OCA issued five (5) audit reports. The audit reports issued during the quarter included five (5) recommendations for management, which dealt with areas that could be improved upon regarding the management of contractors and underpayment from a rental car operator. The completed audits for the first quarter are listed in Figure 1 below.

Figure 1: Audits Completed During the Second Quarter of Fiscal Year 2017

Audit	Report No.	Date	Type of Audit
SP Plus Corporation	17008	10/14/2016	Expense Contract
Orion Construction Corporation	17007	11/16/2016	Expense Contract
Avis Budget Car Rental, LLC	17017	11/17/2016	Revenue Contract
The Jones Payne Group, Inc.	17010	11/28/2016	Expense Contract
Airport Lost and Found	17004	11/29/2016	Internal Process

In addition to the completed audits, the Office of the Chief Auditor had ten (10) audits in progress as of December 31, 2016, as shown in Figure 2 below. Of the 10 audits, at the end of the quarter, two (2) draft audit reports were being developed or had been forwarded to the affected departments for review and comment.

Figure 2: Audits In-Progress as of December 31, 2016

Audit	Type of Audit
Aircraft Rescue and Fire Fighting (ARRF)	Expense Contract
Airlines & Others (Ogden Aviation)	Revenue Contract
Austin/Sundt	Expense Contract
Enterprise Rent A Car Company (Enterprise, Alamo, National)	Revenue Contract
Fox Rent A Car	Revenue Contract
JC Decaux, Inc.	Revenue Contract
Process Control - Airport Development & Construction	Internal Process
San Diego Unified Port District Billing - FY16	Expense Contract
Spa Didacus Inc. (RP 5)	Revenue Contract
The Hertz Corporation	Revenue Contract

Recommendation Follow-Up

To ensure that audit issues are addressed in a timely manner, the OCA tracks the status of its recommendations on an on-going basis. For the quarter, the OCA tracked the implementation status of 19 recommendations that were issued during Fiscal Year 2017, or were outstanding as of June 30, 2016. As shown in Figure 3 below, ten (10) of the recommendations have been completed or implemented while nine (9) remain outstanding.

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

Figure 3: Status of Recommendations as of December 31, 2016

Recommendations:				
Tracked	Completed	In Progress	Open	Not Accepted
19	10	9	0	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 is taken that adequately addresses the risk identified.
- **In Progress:** These recommendations have been partially addressed or partial corrective action has been taken. If adequate progress is not being made, it will be noted as such.
- **Open:** This category of recommendations have not yet been addressed. Usually, this designation is used when there has not been adequate time between report issuance and recommendation follow-up.
- **Not Accepted:** This designation is used for recommendations that an auditee does not accept; and, therefore, will not implement. This category can represent a failing on the part of the OCA, as all recommendations should be workable and acceptable to the affected departments.

In Fiscal Year 2016, we began to identify and measure an expected completion timeframe for each recommendation. Figure 4 below shows the status of recommendations issued along with our estimated implementation timeframe.

Figure 4: Status of Recommendations with Estimated Implementation Timeframe

Estimated Completion Timeframe	Completed Within Estimate	Completed Outside Estimate	Outstanding	Total
Zero to 6 Months	7	0	2	9
6 Months to 1 Year	2	0	5	7
Over 1 Year	1	0	2	3
Total	10	0	9	19

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

Non-Audit Activities

Along with the audit activities detailed above, the Office of the Chief Auditor continues its involvement in several non-audit projects and activities. Specifically, the OCA was involved in the following:

Audit Committee:

The OCA served as liaison to ensure that all agenda item reports, attachments, and presentations, were properly submitted for the Audit Committee meeting held on December 5, 2016. During that meeting, the Committee received the Fiscal Year Ended June 30, 2016, external audit reports, the Comprehensive Annual Financial Report (CAFR), and the OCA presented its Fiscal Year 2017 First Quarter Activities Report. The next Audit Committee meeting is scheduled for February 13, 2017.

Construction Audit Activity:

During the second quarter of Fiscal Year 2017, the OCA continued its Construction Audit activity independent of the Annual Audit Plan. The OCA Construction Auditor is also performing the audit of *Process Control – Airport Development & Construction Department* (ADC) as part of the Fiscal Year 2017 OCA Annual Audit Plan. Working closely with the ADC staff to review their procedures and the controls surrounding their processes is beneficial to both the OCA and the ADC team.

Construction Audit activity for the second quarter of 2017 consisted of the continuation of the closeout audit of the Green Build. The review of the payments for the terminal GMP with the Turner-PCL-Flatiron Joint Venture are in process and the remaining audit of closeout activities for the Kiewit/Sundt Joint Venture contract and the Turner-PCL-Flatiron Joint Venture contracts are ongoing.

Through attendance at the Capital Improvement Committee meetings, Development Program meetings, Parking Plaza Stakeholders meetings, and other construction planning related meetings; and, working closely with members of the Accounting and the Business & Financial Management Departments, the OCA Construction Auditor continues to provide assistance in ensuring that the Authority is meeting compliance requirements for ongoing and planned projects. Additionally, the OCA Construction Auditor remains involved with issues identified by the Airport Design and Construction team, Facilities Development team, and Authority Management, providing assistance and attending meetings specific to the aspects of the Authority's construction activity.

Ethics Compliance Program:

During the quarter, there was little activity through the Ethics Hotline and the Ethics Violation Form available on-line. A new ethics training program has been developed and is currently in the process of being presented to all Authority departments. A summary of the Ethics Program Hotline activities for the period October 1, 2016, through December 31, 2016, is provided in Appendix A.

Training:

During the second quarter, OCA staff members attended the National Association of Construction Auditors (NACA) Project Control Symposium, the Institute of Internal Auditors (IIA) seminar for internal auditing, and numerous self-paced and internet-based training courses, including Cost Principals for Government, How to Apply Analytical Procedures in Auditing, and How to Identify Technological Threats.

Performance Measures

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for Fiscal Year 2017, along with their current status, are detailed below in Figure 5.

Figure 5: Status of Performance Measures as of December 31, 2016

Performance Measure	Goal	Progress as of December 31, 2016
Percentage of the audit plan completed annually	100%	40%
Additional revenue/cost savings identified through audits	n/a	\$126,497
Percentage of staff time spent on audit activities	80% ¹	81%
Percentage of audits completed within budgeted time	80%	82%
Implementation of Recommendations	90%	53%

Percentage of the audit plan completed annually: This measure provides information on what has been accomplished regarding the planned audit projects for the year. To date the OCA has completed 40% of the plan and an additional 25% of the audit plan is currently in-progress. We also have established quarterly goals for the completion of our audit plan. For the second quarter, we had a completion goal of 59% of the audit plan.

Additional revenue/cost savings identified: While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. During the second quarter of Fiscal Year 2017 we identified \$126,497 in additional revenue, as noted in Figure 6 below:

Figure 6: Revenue and Cost savings Identified in FY 2017

Audit	Revenue Identified	Revenue Collected
Avis Budget Car Rental, LLC	\$86,905	\$0
Duty Free Americas	\$39,592	\$0
Total	\$126,497	\$0

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

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

need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA is just over its goal, completing 82% of its projects within the budgeted time.

Implementation of Recommendations: This goal measures the value that the OCA is providing to the Authority by measuring how audit recommendations have impacted the Authority. For the fiscal year, 10 of 19 recommendations were implemented. While the percentage of implemented recommendations is under our goal, we are on track to achieve the goal, with an aim to have 90% of our recommendations implemented within the year. Additionally, there have been no recommendations issued this fiscal year that have exceeded our estimated completion time.

Going Forward

For completion during the third quarter of Fiscal Year 2017, the OCA has targeted all of the audits currently in progress and three (3) additional audits. The completion of these audits will result in the accomplishment of 73% of the Fiscal Year 2017 Audit Plan. Figure 7 identifies the audits scheduled for completion in the third quarter.

Figure 7: Audits Scheduled for Completion in the Third Quarter of Fiscal Year 2017

Audit	Type of Audit
Ace Parking	Revenue Contract
Aircraft Rescue and Fire Fighting (ARRF)	Expense Contract
Airlines & Others (Ogden Aviation)	Revenue Contract
Austin/Sundt	Expense Contract
Emergency Medical Technician & Paramedic Services	Expense Contract
Enterprise Rent A Car Company (Enterprise, Alamo, National)	Revenue Contract
Fox Rent A Car	Revenue Contract
Gate Gourmet	Revenue Contract
JC Decaux, Inc.	Revenue Contract
Process Control - Airport Development & Construction	Internal Process
San Diego Unified Port District Billing - FY16	Expense Contract
Spa Didacus Inc. (RP 5)	Revenue Contract
The Hertz Corporation	Revenue Contract

Ethics Hotline

October 1, 2016 – December 31, 2016

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
General Workplace Concerns					
Workplace Practices/Behavior	2	1	2	2	1

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of December 31, 2016	OCA's Assessment	Estimated Completion Date																																
16-07	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16020, dated June 14, 2016, Midway Rent A Car, Inc.	18	Impact: 9 Probability: 9	The Business and Financial Management Department should request that the Accounting Department issue an invoice to Midway in the amount of \$435,783, for the underpayment of license fees due to the reclassification of non-airport revenue to airport revenue.	Discussions with Midway have continued. Midway and Business and Financial Management are schedule to meet again on February 8, 2017.	In Progress	3rd Quarter FY17																																
16-04	INFORMATION & TECHNOLOGY SERVICES DEPARTMENT	Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation	17	Impact: 9 Probability: 8	Information & Technology Services Department should implement a proactive and systematic program for evaluating and monitoring compliance to IT cybersecurity policies.	The statement of work to implement the NIST Cyber Security Framework has been completed.	In Progress	October 2017																																
15-31	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16018, dated December 23, 2015, DTG Operations, Inc., dba Thrifty and Dollar	14	Impact: 7 Probability: 7	<div>Business and Financial Management should request that Accounting generate an invoice to DTG in the amount of \$35,847, as detailed below:</div> <table><tr><td></td><td>Dollar</td><td>Thrifty</td><td>Total</td></tr><tr><td>Finding 1</td><td></td><td></td><td></td></tr><tr><td>License Fees</td><td><\$12,383></td><td><\$4,449></td><td><\$16,832></td></tr><tr><td>Finding 2</td><td></td><td></td><td></td></tr><tr><td>CFC</td><td><2,052></td><td>18,011</td><td>15,959</td></tr><tr><td>Finding 3</td><td></td><td></td><td></td></tr><tr><td>Non-Airport</td><td><u>27,476</u></td><td><u>9,244</u></td><td><u>36,720</u></td></tr><tr><td>Total</td><td>\$13,041</td><td>\$22,806</td><td>\$35,847</td></tr></table>		Dollar	Thrifty	Total	Finding 1				License Fees	<\$12,383>	<\$4,449>	<\$16,832>	Finding 2				CFC	<2,052>	18,011	15,959	Finding 3				Non-Airport	<u>27,476</u>	<u>9,244</u>	<u>36,720</u>	Total	\$13,041	\$22,806	\$35,847	An agreement has been reached on the amount owed. Business and Financial Management will provide billing instructions to Accounting pending a final memo from the OCA.	In Progress	3rd Quarter FY17
	Dollar	Thrifty	Total																																					
Finding 1																																								
License Fees	<\$12,383>	<\$4,449>	<\$16,832>																																					
Finding 2																																								
CFC	<2,052>	18,011	15,959																																					
Finding 3																																								
Non-Airport	<u>27,476</u>	<u>9,244</u>	<u>36,720</u>																																					
Total	\$13,041	\$22,806	\$35,847																																					
16-03	INFORMATION & TECHNOLOGY SERVICES DEPARTMENT	Audit Report 16005, dated February 29, 2016, Information Technology Monitoring and Evaluation	12	Impact: 6 Probability: 6	Information & Technology Services Department should take immediate measures to identify and protect data and systems by implementing comprehensive IT Cybersecurity policy.	The ITS Cybersecurity Policy has been completed. We are working with an consultant that will assist with the development of the supporting procedures and processes.	Completed	N/A																																

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of December 31, 2016	OCA's Assessment	Estimated Completion Date
15-29	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16030, dated December 8, 2015, NewZoom, Inc. dba ZoomSystems	11	Impact: 5 Probability: 6	Monitoring of requirements of each concessionaire lease agreement needs to be strengthened and well documented. Differences in processes used by concessionaires should be analyzed for adequacy to determine if they provide the outcome that the Authority is actually seeking. The pricing and product processes used by ZoomSystems appear to be reasonable and ones that can be easily monitored by the Authority, but the lease should be changed to reflect the processes used.	Negotiations and a final agreement with Zoom have been reached. Final executable documents are being processed.	In Progress	3rd Quarter FY17
16-08	PROCUREMENT DEPARTMENT/ AUTHORITY MANAGEMENT	Audit Report 16001, dated June 21, 2016, Contract Management	11	Impact: 6 Probability: 5	Authority Management should ensure that a complete formal contract management procedure manual is in place in all departments to ensure compliance with Board policies, consistent practices, and proper internal controls. Manuals should be reviewed and updated as needed, on a regular basis, preferably at least every two years.			
16-05	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 16004, dated March 30, 2016, Grant & Non-Airline Revenue Management	9	Impact: 5 Probability: 4	The Business and Financial Management Department (BFM) should expand and enhance documentation pertaining to the grant management program. In addition, the current grant manual should be updated and reviewed and formal training should be conducted periodically, to ensure consistent knowledge of procedures and regulations and to provide guidance for employee(s), including required documents needed by the employee(s) to complete their job duties, as well as the assignment of responsibility for tasks and actions.	A training session was conducted in October. Additional sessions are ongoing. Grants management documentation is being expanded to include grant assurances and obligations (such as Title VI). Evaluation and tracking tools are being created.	In Progress	3rd Quarter FY17
17-01	ACCOUNTING DEPARTMENT	Audit Report 15004, dated July 11, 2016, Business and Travel Expenses	9	Impact: 5 Probability: 4	The Accounting Department should continue with their current review activities, but, consider reminding employees of the need for President/CEO approval of in-town meals with contractors, proper use of P-cards when holding hotel room reservations, and of the requirement for submitting reimbursement of unused travel advances.	The recommendation is being integrated in the required FY17 Annual Employee Business and Travel Expense training.	In Progress	3rd Quarter FY17

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of December 31, 2016	OCA's Assessment	Estimated Completion Date
17-06	GROUND TRANSPORTATION DEPARTMENT	Audit Report 17008, dated October 14, 2016, SP Plus Corporation	9	Impact: 5 Probability: 4	Ground Transportation (GT) should request that the Accounting Department bill SP Plus \$3,204 for reimbursement of administrative fees not allowed by the contract. Additionally, GT should take steps to ensure that disallowed fees and expenses are not included in future payments to SP Plus.	At the time of the audit Ground Transportation stated that SP Plus will cease applying a 3% administrative fee to pass through invoices with the exception of the 15% fee that is allowed in the contract for gate system repairs and maintenance. SP Plus will account for all administrative fees that have been billed year to date and credit that amount on the September invoice. SP Plus will work with Ground Transportation to include language in a pending contract amendment to expand the allowed reimbursable expenses to include charter services, emergency facility repairs, and other anticipated and reasonable expenses.	Completed	N/A
17-07	GROUND TRANSPORTATION DEPARTMENT	Audit Report 17008, dated October 14, 2016, SP Plus Corporation	8	Impact: 5 Probability: 3	For future Additional Services requests, Ground Transportation should require SP Plus to provide a detailed work-plan with a not-to-exceed budget for review and approval by the Authority. In addition, Ground Transportation should ensure that a Notice to Proceed is issued to SP Plus before any additional services are performed or provided.	At the time of the audit Ground Transportation stated that SP Plus will work with Ground Transportation to identify the need for a detailed work-plan, its appropriate content and format and budget. A detailed work plan and a not-to-exceed budget will be submitted to the Authority for approval before a written NTP is issued.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of December 31, 2016	OCA's Assessment	Estimated Completion Date
17-08	GROUND TRANSPORTATION DEPARTMENT	Audit Report 17008, dated October 14, 2016, SP Plus Corporation		Impact: Probability:	Ground Transportation should ensure that their contract management and monitoring procedures include a requirement to review and confirm that the monthly odometer readings are accurate by matching the prior month-ending odometer readings to the current month-starting odometer readings. To further check the accuracy of the odometer readings, Ground Transportation should randomly, on a monthly or quarterly basis, check and note the actual end of the month-ending odometer readings of the shuttle vehicles to ascertain the accuracy of the readings submitted by SP Plus. In addition to this, Ground Transportation should also require SP Plus to include in their invoices the deadhead miles per shuttle vehicle to properly account for the difference between elapsed miles, or the total miles less in-service miles.	At the time of the audit Ground Transportation stated that the decision was made to equip the entire fleet (El Dorados and Gilligs) with new, programmable, hub-odometers. The use of programmable hub-odometers allows the new odometer to be installed with the existing mileage programmed resulting in more consistent and understandable mileage readings. This changeover will eliminate future mileage discrepancies.	Completed	N/A
17-09	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17017, dated November 17, 2016, Avis Budget Car Rental, LLC		Impact: Probability:	In order to address the above issues, we recommend that the Business and Financial Management Department request that the Accounting Department issue an invoice to Avis in the amount of \$85,430 for the net underpayment of concession fees.	Avis is providing documentation for consideration as they believe the \$85,430 finding may be inadvertently misstated. Avis has confirmed, moving forward any potential discrepancies noted within the Audit have been corrected.	In Progress	3rd Quarter FY17
17-10	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17017, dated November 17, 2016, Avis Budget Car Rental, LLC		Impact: Probability:	We recommend that the Business and Financial Management Department develop a process to ensure that the Use & Occupancy Permit fixed rent is adjusted every July 1 of each calendar year using the Consumer Price Index, and determine if the underpayment of \$1,475 should be collected retroactively.	Business and Financial Management is working with IT to improve the process and management of critical dates.	In Progress	4th Quarter FY17



Fiscal Year 2017
Second Quarter Activities Report
and Audit Recommendations
Issued by the Office of the Chief Auditor

October 1, 2016, through December 31, 2016

Audit Committee Meeting
February 13, 2017

Presentation Overview

2nd Quarter Report

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

Audit Activities

- **Completed 5 Audits**
 - Internal Process: 1
 - Expenditure Contract: 3
 - Revenue Contract: 1
- **Ten (10) audits were in progress as of December 31, 2016**
- **Audit Results**
 - Issued 5 Recommendations during the 2nd Quarter

Audits in Progress as of December 31, 2016

Audit	Type of Audit	Status as of February 13, 2017
Aircraft Rescue and Fire Fighting (ARRF)	Expense	Draft Report
Airlines & Others (Ogden Aviation)	Revenue	Report Issued
Austin/Sundt	Revenue	Draft Report
Enterprise Rent A Car Company (Enterprise, Alamo, National)	Revenue	Report Issued
Fox Rent A Car	Expense	Fieldwork
JC Decaux, Inc.	Revenue	Draft Report
Process Control – Airport Development & Construction	Internal	Fieldwork
San Diego Unified Port District Billing - FY16	Expense	Fieldwork
Spa Didacus Inc. (RP5)	Revenue	Report Issued
The Hertz Corporation	Revenue	Fieldwork

Recommendation Follow-Up

Status as of December 31st :

Tracked	Completed	In Progress	Open	Not Accepted
19	10	9	0	0

Fiscal Year 2017 Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	40%
Percentage of the audit plan completed during 1 st Quarter	50%	40%
Additional revenue/cost savings identified through audits	n/a	\$126,497
Percentage of staff time spent on audit activities	80%	81%
Percentage of audits completed within budgeted time	80%	82%
Implementation of Recommendations	90%	53%

Summary of Ethics Inquiries

October 1, 2016, through December 31, 2016

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
General Workplace Concerns					
Workplace Practices/Behavior	2	1	2	2	1

QUESTIONS?

CONSTRUCTION AUDIT STATUS REPORT

February 13, 2017



On-Going Green Build Audit Activities

Green Build
Closeout
Activities



On-Going RCC Audit Activities

- Planning for close out audit in conjunction with the 2017 AOC Audit Plan Contract Audit of Austin/Sundt



On-Going General Construction Audit Activities

- Attendance at construction meetings





RENTAL CAR CENTER

Questions?



ETHICS PROGRAM UPDATE

February 13, 2017

Ethics Awareness



Ethics Program

- New Ethics Training Program Developed
- Training for Eight Departments Completed
- Year to date: Four Ethics Reports, Three Required Follow-up