



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

Item No.  
**3**

Meeting Date: **AUGUST 19, 2013**

**Subject:**

**Fiscal Year 2013 – Annual Audit Activities Report from the Office of the Chief Auditor, and Audit Recommendations from the Office of the Chief Auditor for Review**

**Recommendation:**

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

**Background/Justification:**

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

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

In accordance with the Charter of the Office of the Chief Auditor, the Fiscal Year 2013 Annual Report is submitted to the Audit Committee by the Office of the Chief Auditor (see Attachment A). The Annual Report provides an account of activities and accomplishments for the fiscal year and features details on all recommendations issued and their implementation status during the course of Fiscal Year 2013.

**Fiscal Impact:**

None

**Authority Strategies:**

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

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

**Environmental Review:**

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

**Equal Opportunity Program:**

Not applicable

**Prepared by:**

MARK A BURCHYETT  
CHIEF AUDITOR



SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY  
OFFICE OF THE CHIEF AUDITOR

FISCAL YEAR 2013 ANNUAL REPORT



# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

August 8, 2013

Fiscal Year 2013 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 2013. The report details the audit and administrative activities of the Office, the resolution of past audit findings, and highlights the Fiscal Year 2014 Audit Plan.

Fiscal Year 2013 was another productive year for the OCA that included:

- Issuance of 34 audit reports
- Supervision of the Ethics Program
- Continued audit activities on the construction of the Green Build

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

Respectfully submitted,

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

Mark A. Burchyett  
Chief Auditor

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## Audit Activities

The Office of the Chief Auditor's (OCA) Fiscal Year 2013 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 2013 (see Appendix A) included 33 planned audits. Also within the Fiscal Year 2013 plan were seven (7) audits carried over from the Fiscal Year 2012 audit plan that were not completed during that fiscal year. Furthermore, during the 2013 fiscal year, two (2) unplanned audits were added to the audit schedule as "Special Requests".

In total during FY13, the OCA issued final 34 audit reports, including nine (9) during the fourth quarter. Additionally, the OCA had numerous audits that were nearing completion at the end of the 4th quarter, including five (5) draft audit reports that had been sent to the affected departments for review and comment. From the completed audit reports, we issued a total of 31 recommendations. (See Page 5, Table 3: Status of Recommendations Issued in FY2013).

*Table 1: Total Reports Issued by the Office of the Chief Auditor in Fiscal Year 2013*

Quarter	Audits Issued	Recommendations Issued
1 <sup>st</sup>	11	9
2 <sup>nd</sup>	6	4
3 <sup>rd</sup>	8	11
4 <sup>th</sup>	9	7
<b>Total</b>	<b>34</b>	<b>31</b>

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

### Business Process Audits

The OCA issued nine (9) 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 selected processes or projects that may span multiple Authority functions. Significant projects within this category included our annual audit of the Procurement Card Program, a performance audit of Budget Management and Analysis, and a review of the Business and Travel Expenses.

### Expenditure Contract Audits

Included within this category are audits of consulting, service, and construction contracts. During Fiscal Year 2013 the OCA completed 16 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 Aircraft Rescue & Fire Fighting Expense Billings for FY 2010 we found overpayments of over \$368,000.

### **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 nine (9) 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 Fox Rent A Car, which identified underpayments of \$415,534

### **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 close-out audits of Triad International Maintenance Corporation and Budget RAC, which changed ownership, but did not cease SAN operations.

### **In Progress Audits**

In Fiscal Year 2013, the OCA tried to maintain a steady pace of activity, yet did not fully complete all planned audits for the year. Specifically, as of June 30, 2013, the following audits had been sent to the audited departments as Draft audit reports:

- AECOM Expense Review
- Aircraft Rescue & Fire Fighting Expense Billings - FY 2011 and FY 2012
- Energy Usage Performance
- Merriwether & Williams Insurance Group
- The Hertz Corporation

Additionally, the following audits were in progress as of June 30, 2013:

- San Diego Unified Port District Billing – FY 2012
- Gate Gourmet
- Nolte Associates, Inc.

Each of the above audits should be completed within the 1<sup>st</sup> Quarter of Fiscal Year 2014.

## 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 2013, the OCA issued a total of 31 recommendations, of which 19 are fully implemented. See Table 2 for an overview of recommendations issued by the OCA in FY 2013. For detailed descriptions of recommendations that were unresolved as of June 30, 2013, and for details of all recommendations completed in FY 2013, see Appendices B and C respectively.

*Table 2: Status of Recommendations Issued in Fiscal Year 2013*

Quarter	Recommendations				
	Issued	Completed <sup>1</sup>	In-Progress <sup>2</sup>	Open <sup>3</sup>	Not Accepted
1 <sup>st</sup>	9	8	0	0	1
2 <sup>nd</sup>	4	2	2	0	0
3 <sup>rd</sup>	11	8	3	0	0
4 <sup>th</sup>	7	1	2	4	0
<b>Total</b>	<b>31</b>	<b>19</b>	<b>7</b>	<b>4</b>	<b>1</b>

In addition to the recommendations issued in FY 2013, the OCA continued to track the status of recommendations issued in prior fiscal years. In total, the OCA tracked 30 recommendations issued prior to this fiscal year and not fully completed as of June 30, 2012. As of June 30, 2013, 26 of those recommendations have been implemented, two (2) were in process, and two (2) were not accepted by management.

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

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

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



## *Non-Audit Activities*

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The OCA had numerous non-audit activities during Fiscal Year 2013, which are described below. For Fiscal Year 2014, the OCA will continue its activities in support of the Authority and the Board.

### **Training**

The OCA complies with the continuing education requirements (CPE) issued by The Institute of Internal Auditors' "red book" and the U.S. General Accounting Office's "yellow book". During the fiscal year staff completed numerous training courses including:

- Institute of Internal Auditors (IIA) Local Chapter Government Auditor Seminar (3 attendees)
- Association of Airport Internal Auditors (AAIA) Annual Conference (3 attendees)
- Association of Certified Fraud Examiners (ACFE) Annual Conference
- Construction Audit Best Practices Workshop
- A New Service Model: Auditor Roles in Government Performance Measurement

Additionally, staff completed or attended webinars and self-study courses in order to meet their minimum CPE requirements.

### **Professional Certifications**

During the fiscal year, two senior auditors obtained the Certified Internal Auditor designation from the IIA. Currently, all professional audit staff in the Department now have that designation, which is obtained by meeting training and experience requirements and passing a certification examination.

### **Audit Committee Support**

During Fiscal Year 2013, the Audit Committee met four (4) times, which occurred on:

- August 20, 2012
- November 19, 2012
- February 4, 2013
- May 13, 2013

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

### **Ethics Compliance Program**

The OCA administers the Authority Ethics Program receiving notifications via the confidential hotline, email, and in person. Notifications that indicate a potential violation of the Authority Code of Ethics are investigated by the OCA. A summary of issues reported and their resolution are noted in the Ethics Call Summary, Appendix E.

## Performance Measures

Each fiscal year the OCA develops and tracks performance measures to gauge the progress and success of the office. For Fiscal Year 2013, the OCA developed five (5) separate measures that could be used to evaluate OCA performance. Table 3 below outlines the OCAs performance against the selected measures.

*Table 3: Status of Performance Measures as of June 30, 2013*

Performance Measure	Goal	Progress as of June 30, 2013
Percentage of the audit plan completed annually	100%	81%
Additional revenue/cost savings identified through audits	\$30,000	\$628,835
Percentage of staff time spent on audit activities	80%	91%
Percentage of audits completed within budgeted time	80%	82%
Implementation of Recommendations	90%	74%

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 81% of the Fiscal Year 2013 audit plan. Specifically, 34 out of 42 audits were finalized as issued audit reports. Additionally, there were five (5) draft audit reports that were awaiting review and comment from the audited departments. If these reports are included in the completed audits total, progress on the Fiscal Year 2013 audit plan is 93%. The OCA fell short of its goal for completing the audit plan due to carry over audits from Fiscal Year 2012 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 \$628,000 in new revenue, as shown in Table 4 below. Appendix F provides an estimate of soft savings identified through audits and special reviews.

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

Audit Report Number	Title	Amount Identified	Amount Collected/ Paid
13019	Fox Rent A Car	\$415,534	\$ --
11024	Aircraft Rescue & Fire Fighting Expense Billings - FY10	382,962	--
13035	Triad International Maintenance Corporation (TIMCO)	70,072	70,072
13025	GAT Airline Ground Support Services, Inc.	51,901	--
13018	Enterprise Holdings, Inc.	22,404	22,404
13032	Emergency Medical Technician-Paramedic Services	11,636	11,636
13015	AirProjects, Inc.	10,296	10,296
13034	Newport Beach Sales & Leasing, Inc.	<48,029>	<48,029>
12032	San Diego Unified Port District Billings - FY11	<287,941>	<287,941>
<b>Total</b>		<b>\$628,835</b>	<b>&lt;\$221,562&gt;</b>

**Percentage of staff time spent on audit activities:** This measure helps ensure that the OCA spends an adequate amount of time on audit activities rather than administrative activities. For Fiscal Year 2013, the OCA was 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 does recognize that budgets may need adjustment(s) as additional facts become known during an audit. In Fiscal Year 2013, 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, 74% 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	30	26	2	2	87%
1 <sup>st</sup> Quarter	9	8	1	0	89%
2 <sup>nd</sup> Quarter	4	2	0	2	50%
3 <sup>rd</sup> Quarter	11	8	0	3	73%
4 <sup>th</sup> Quarter	7	1	0	6	14%
<b>Total</b>	<b>61</b>	<b>45</b>	<b>3</b>	<b>13</b>	<b>74%</b>

## *Construction Audit Activities*

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For the Fiscal Year 2013, the OCA continued its Construction Audit activity separate from its Annual Audit Plan. To this end R. W. Block Consulting, Inc. (RWBC) continued to provide assistance and expertise to the OCA. The OCA initiated Task Authorization #4 in November 2011 to perform a funding compliance review. The use of funds from Passenger Facility Charges, the Federal Aviation Authority's Airport Improvement Program grants, and the Transportation Security Administration American Recovery and Reinvestment Act Airport Checked Baggage Inspection System grant demand compliance requirements beyond those contained in the construction contracts. This review was to test compliance with the eligibility requirements, assurances, and specific requirements of each funding source, in addition to the Office of Management and Budget Circular A-87, Cost Principles for State and Local and Indian Tribal Governments, US Code Title 49 – Transportation, and other federal rules and regulations.

Fieldwork for this task was completed with the delivery of a draft report on May 10, 2013. The OCA Construction Auditor assisted in this review and is following-up with Authority Management on the risks identified and the recommendations made in the report.

The OCA Construction Auditor worked on the following projects during the fiscal year:

- 1) A review of the Guaranteed Maximum Price (GMP) contingencies, allowances, exposure holds, and pending cost of work reserves, and
- 2) A review of Contract 2 with Kiewit-Sundt and the related GMP amendment.

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

### *Fiscal Year 2014 Projection*

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The Audit Committee approved the Fiscal Year 2014 Audit Plan during its May 13, 2013, meeting. Before commencing work on the Fiscal Year 2014 Audit Plan (Appendix D), the OCA will complete the outstanding audits from Fiscal Year 2013. Specifically, for the 1st Quarter of Fiscal Year 2014, the OCA plans to complete the following audits:

- AECOM Expenditures
- Agreements with Expenditure Limits Not to Exceed \$100,000
- Aircraft Rescue & Fire Fighting Expense Billings - FY11 and FY12
- AMEC Environmental and Infrastructure Inc.
- Board Member Expenditures
- Energy Usage Performance
- Gate Gourmet
- Merriwether & Williams Insurance Group
- Nolte Associates Inc.
- San Diego Unified Port District Billing – FY12
- SOLPAC Construction Inc.
- The Hertz Corporation

Throughout Fiscal Year 2014, the OCA will continue conducting audits from the audit plan, including any special requests that may be approved by the Audit Committee.

## Appendix A – Fiscal Year 2013 Audit Plan

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### OFFICE OF THE CHIEF AUDITOR Fiscal Year 2013 Audit Plan

#### **BUSINESS PROCESS AUDITS**

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- 1 Energy Usage Performance
- 2 Organizational Performance Measures
- 3 Business Continuity Management
- 4 Budget Management and Analysis
- 5 Business and Travel Expenses

#### **EXPENSE CONTRACT AUDITS**

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- 6 David Brush Consulting
- 7 Advantage Performance Group LLC
- 8 Nolte Associates Inc.
- 9 S&L Specialty Contracting, Inc.
- 10 Wier Construction Corporation
- 11 Accurate Engineering ICS, Inc.
- 12 Bruel & Kjaar EMS
- 13 COLAB Studio LLC (Green Build Art)
- 14 Ricondo and Associates
- 15 AirProjects Inc.
- 16 JRM Consultants & Investigations Company

#### **REVENUE CONTRACT AUDITS**

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- 17 Avis Rent A Car Systems LLC
- 18 Enterprise Rent A Car Company of Los Angeles
- 19 Fox Rent A Car
- 20 JCDecaux, Inc.
- 21 Airlines & Others (Ogden Aviation)
- 22 Gate Gourmet Inc.
- 23 LPI - Closeout
- 24 Host International Inc. - Closeout
- 25 GAT Airline Ground Support Inc.

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

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

#### **Special Request Audits**

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*Newport Beach Sales & Leasing Inc. dba Budget Rent A Car Systems*  
*Triad International Maintenance Corporation*

#### **ETHICS PROGRAM ACTIVITY**

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

## *Appendix B – Status of OCA Recommendations*

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The following recommendation implementation report contains the status of recommendations from OCA audits that remained unresolved as of June 30, 2013. 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, 2013	OCA's Assessment	Estimated Completion Date
11-10	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	20	Impact: 10 Probability: 10	To ensure the accurate recording of all ground transportation activities at SDIA, the Ground Transportation Department should upgrade or replace the Automated Vehicle Identification (AVI) system. Once the AVI system is updated or replaced, the trip fee payment process should be automated. The AVI system data would be uploaded daily to a website accessible to the taxicab operators to allow them to track and download the trip data per taxicab. Monthly, the Ground Transportation Department would lump sum bill the activity to the taxicab companies. This would eliminate an unnecessary risk of misappropriation of Authority assets and the reliance on LPI employees to properly record and account for the collections.	The capital expenditure for the Automated Vehicle Identification (AVI) and the automated trip coupon was approved at the June Board Meeting. As such, we are moving forward to define the technical requirements and to initiate a Request for Proposal.	In Progress	June 1, 2014
13-14	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13019 dated January 9, 2013, Fox Rent A Car	18	Impact: 10 Probability: 8	In order to address the concerns regarding under-reported gross revenue, we recommend that Aviation & Commercial Business (AvCom) request that the Accounting Department invoice Fox in the amount of \$268,169 for underpayment of license fees.	Pending a response from Fox. Fox was notified on July 24, 2013, that it must respond and submit supporting documentation no later than August 2, 2013.	In Progress	September 1, 2013
13-12	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #11024 dated December 5, 2012, Aircraft Rescue & Fire Fighting Expense Billings - FY 2010	17	Impact: 10 Probability: 7	We recommend that the Airside Operations Department (OPS) notify the City concerning the Fiscal Year 2010 over-billing for ARFF services and determine the most appropriate method for the Authority to receive the additional \$222,823 owed to the Authority.	In February, Accounting billed the City the \$222,823 for the over-billing. A copy of the audit report was presented to the City for their review. At this time the amount is still outstanding.	In Progress	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, 2013	OCA's Assessment	Estimated Completion Date
13-11	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #11024 dated December 5, 2012, Aircraft Rescue & Fire Fighting Expense Billings - FY 2010	16	Impact: 9 Probability: 7	We recommend that the Airside Operations Department (OPS) notify the City concerning the Fiscal Year 2010 over-billing for overhead costs and determine the most appropriate method for the Authority to receive the \$160,139 owed to the Authority.	In February Accounting billed the City the \$163,139 for the over-billing of overhead costs. A copy of the audit report was presented to the City for their review. At this time the amount is still outstanding.	In Progress	Unknown
12-38	GROUND TRANSPORTATION DEPARTMENT	Audit Report #12001 dated April 25, 2012, Public Parking	15	Impact: 8 Probability: 7	Policies and procedures should be developed and instituted by Ground Transportation, the Planning and Operations division, and the Finance Division regarding all areas of public parking management.	Development of the policies and procedures are underway.	In Progress	December 1, 2013

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2013	OCA's Assessment	Estimated Completion Date
13-13	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #11024 dated December 5, 2012, Aircraft Rescue & Fire Fighting Expense Billings - FY 2010	15	Impact: 8 Probability: 7	We recommend that the Airside Operations Department (OPS) review the invoice monthly, using the Excel spreadsheet support provided by the City, to calculate the totals of all pay types and fringe benefit types to ensure that the Authority is not billed for types that are included in the labor load or are unsupported by documentation of the service provided. Travel, training, and supply expenses should be totaled on the Excel sheets and verified to the supporting documentation for each charge. Additionally, the City should be required to provide a summary of the firefighters drill training when an invoice with training-related expenses is submitted. The summary should indicate the firefighter for which expenses are being submitted, and for each firefighter: the dates of the training, the expenses included in the current invoice, the expenses previously submitted for payment, and the estimate of outstanding expenses. OPS should maintain a record of the certificates of training received for each firefighter to ensure the training expense payments are supported by proof of training course completion.	This recommendation was superseded by a recommendation contained within Audit Report #13026 - Aircraft Rescue & Fire Fighting Expense Billings - FY11 and FY12	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2013	OCA's Assessment	Estimated Completion Date
13-15	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13019 dated January 9, 2013, Fox Rent A Car	15	Impact: 7 Probability: 8	In order to address the under-reported unique rental transactions, we recommend that Aviation & Commercial Business (AvCom) request that the Accounting Department invoice Fox in the amount of \$147,365 for underpayment of Customer Facility Charges (CFCs).	Fox continues to feel the findings may be in error. Fox has provided limited additional information regarding the audit findings. Fox has been instructed to provide its final written position regarding its desired conclusion of the Audit for the Authority Staff to evaluate by August 2, 2013.	In Progress	September 1, 2013
13-28	MARKETING AND PUBLIC RELATIONS DEPARTMENT	Audit Report #13013 dated June 27, 2013, COLAB Studio, LLC	14	Impact: 6 Probability: 8	The Art Program Manager should improve internal controls for contract management, including, but not limited to: --Maintaining contract deliverable records, e.g., notices to proceed, approval of submissions, adherence to required timelines, and other contract requirements. --Formalizing requirements for review of payment application requests by all stakeholders and/or subject matter experts, prior to authorization to pay.	This recommendation was issued during the month so no follow-up was performed.	Open	Unknown
13-23	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13035 dated March 7, 2013, Triad International Maintenance Corporation (TIMCO)	13	Impact: 6 Probability: 7	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice TIMCO for \$64,684 for underpayment of license fees due the underreporting of revenue from United and SkyWest.	AvCom invoiced, and TRIAD paid the full amount owed.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2013	OCA's Assessment	Estimated Completion Date
13-25	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13025 dated April 23, 2013, GAT Airline Ground Support Services, Inc.	13	Impact: 6 Probability: 7	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice GAT for \$42,737 for underpayment of license fees due to underreporting of revenue from July 2007 through April 2008.	GAT acknowledges it owes the amount determined in the audit to be under paid, but requests it be reduced. GAT indicates a request for a reduction will be submitted no later than August 2, 2013.	In Progress	Unknown
13-26	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13025 dated April 23, 2013, GAT Airline Ground Support Services, Inc.	13	Impact: 5 Probability: 7	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice GAT for \$9,164 for underpayment of license fees due to revenue adjustments identified by GAT for the length of the audit period.	GAT acknowledges it owes the amount determined in the audit to be under paid, but requests it be reduced. GAT indicates a request for a reduction will be submitted no later than August 2, 2013.	In Progress	Unknown
13-24	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13035 dated March 7, 2013, Triad International Maintenance Corporation (TIMCO)	12	Impact: 5 Probability: 7	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice TIMCO for \$5,388 for underpayment of license fees due to the failure to include revenue from AccuFleet for the length of the audit period.	AvCom invoiced, and TIMCO paid the full amount owed.	Completed	N/A
13-29	MARKETING AND PUBLIC RELATIONS DEPARTMENT	Audit Report #13013 dated June 27, 2013, COLAB Studio, LLC	12	Impact: 5 Probability: 7	Unless adequate evidence supporting and detailing an unforeseen and unavoidable increased cost in the delivery of Phase 9 can be provided to the Authority, the Amendment to the Agreement should be voided. Additionally, Management should consider creating internal controls to require supporting evidence should future requests for increased compensation payable be made.	This recommendation was issued during the month so no follow-up was performed.	Open	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2013	OCA's Assessment	Estimated Completion Date
13-18	ACCOUNTING DEPARTMENT	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	10	Impact: 6 Probability: 4	We recommend that the Accounting Department work to strengthen internal controls or procedures for Policy oversight. This should include Approving Administrator ownership for reviewing and approving reimbursement requests. Management should consider implementing a procedure that removes Approving Administrator authority for those who are found to have multiple instances of providing approval for non-reimbursable items.	Accounting worked with the accounting business analyst to set up tracking in E1.	Completed	N/A
13-20	ACCOUNTING DEPARTMENT	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	10	Impact: 5 Probability: 5	To address the disallowable items documented in this Audit Report that are violations of Authority Policy, we recommend Accounting retroactively disallow the reimbursements and the employees be notified that they are required to reimburse the Authority for such amounts.	All items were discussed with the appropriate directors and managers. The policy will also be revised to align with the Authority's Fitness Focus program. Additionally, a more robust shoe reimbursement process will be developed by Human Resources.	Completed	N/A
13-27	AVIATION OPERATIONS & PUBLIC SAFETY DEPARTMENT	Audit Report #13032R dated May 8, 2013, Emergency Medical Technician-Paramedic Services	10	Impact: 5 Probability: 5	The Aviation Operations & Public Safety Department should request the City to add as an Authority credit \$3,879 (\$11,636/3) to the City's EMT-P service invoices for the next three (3) months.	The Authority received the credit in its April, May, and June bills.	Completed	N/A
13-30	MARKETING AND PUBLIC RELATIONS DEPARTMENT	Audit Report #13013 dated June 27, 2013, COLAB Studio, LLC	10	Impact: 5 Probability: 5	In order to mitigate the potential for a copyright infringement case being initiated by the copyright holder, the Authority should seek either copyright permission, or documentation that such permission is not required, for any images utilized in artwork that is subject to copyright protection.	This recommendation was issued during the month so no follow-up was performed.	Open	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of June 30, 2013	OCA's Assessment	Estimated Completion Date
13-19	HUMAN RESOURCES DEPARTMENT	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	9	Impact: 5 Probability: 4	We recommend that the Human Resources Department (HR) strengthen their policy for obtaining safety shoes, to either disallow purchases from vendors other than those on-site, or require all reimbursement requests for safety shoes to be reviewed and approved by HR.	The forms have been updated and HR is in the final approval process.	In Progress	August 2013
13-31	MARKETING AND PUBLIC RELATIONS DEPARTMENT	Audit Report #13013 dated June 27, 2013, COLAB Studio, LLC	9	Impact: 4 Probability: 5	When external evaluation panel members are utilized during the selection of contractors, we recommend that a procedure be implemented that requires the manager of the program or contract prepare a memo to file, to be maintained with the Procurement file, detailing the specifics of how the external panel members were selected.	This recommendation was issued during the month so no follow-up was performed.	Open	Unknown

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

### *Appendix C – Recommendations Completed in Fiscal Year 2013*

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The following report provides all recommendations that were completed during Fiscal Year 2013.



Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
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.	Completed 8/31/12
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.	Completed 8/31/12
12-11	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	16	Impact: 8 Probability: 8	The User Guide and the corresponding E1 Process User Help Manual should be revised to provide clear instructions for the following: <ul style="list-style-type: none"> <li>• The vendor name per the US Bank P-Cardholder statement should be recorded in the Payment Remark field.</li> <li>• The item purchased and the business purpose should be recorded in the Explanation Remark field.</li> <li>• 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.</li> <li>• The Approving Official should review the reconciliation to ensure that all of the required information is included in the reconciliation.</li> <li>• The P-Cardholder and the Approving Official should record the date they each sign the reconciliation.</li> </ul> The annual P-Card Program training should emphasize these requirements with a demonstration of how to properly complete a reconciliation.	Completed 8/31/12
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.	Completed 8/31/12
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.	Completed 8/31/12

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
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).	Completed 8/31/12
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.	Completed 8/31/12
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.	Completed 8/31/12
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.	Completed 8/31/12

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
13-04	TERMINAL DEVELOPMENT PROGRAM MANAGEMENT	Audit Report #12005 dated July 19, 2012, Vehicle Fleet Management	11	Impact: 6 Probability: 5	TDP Management must immediately implement procedures to ensure that only authorized drivers are provided the opportunity to drive Authority vehicles. Additionally, TDP Management should designate one individual to be responsible for the vehicle check-out, including maintaining the keys in a secure lock box, and checking the vehicles in and out, including dates, times, and mileage.	Completed 8/31/12
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.	Completed 8/31/12
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.	Completed 8/31/12
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.	Completed 8/31/12
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.	Completed 8/31/12
13-02	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12005 dated July 19, 2012, Vehicle Fleet Management	14	Impact: 8 Probability: 6	To mitigate the risks associated with procedures for vehicle usage varying by department, management should implement uniform vehicle fleet usage procedures. These procedures should include standard vehicle check-out procedures, to include assurance that any employee requesting a vehicle is an authorized driver. Ideally, the procedures should include a centralized vehicle database that would integrate with the SANFleet driver program to automate the authorized driver assurance, maximize the fleet usage and mileage reporting, automate the maintenance schedules, and ensure that the Authority fleet is the proper size for actual usage.	Completed 9/30/12

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
13-06	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report #12032 dated August 14, 2012, San Diego Unified Port District Billings - Fiscal Year 2011	14	Impact: 7 Probability: 7	We recommend that the Aviation Security & Public Safety Department notify District staff concerning the Fiscal Year 2011 under-billing for HPD services and determine the most appropriate method for the Authority to remit the additional \$388,730 owed to the District.	Completed 9/30/12
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.	Completed 9/30/12
13-09	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13015 dated August 31, 2012, AirProjects, Inc.	13	Impact: 7 Probability: 6	Aviation & Commercial Business (AvCom) should strengthen their internal controls over their contract management process. Specifically, AvCom should ensure that any options to extend an agreement should be done so in advance to avoid making payments to a consultant for services rendered without an executed agreement. In addition, AvCom should request that the consultant provide all timesheets with any future invoices submitted for payment.	Completed 9/30/12
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.	Completed 9/30/12
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 (AvCom) 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, AvCom 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.	Completed 9/30/12
12-42	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12033 dated April 30, 2012, Pacific Aircraft Maintenance	7	Impact: 4 Probability: 3	The Aviation & 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.	Completed 9/30/12

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
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.	Completed 11/30/12
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.	Completed 11/30/12
13-05	AUTHORITY MANAGEMENT	Audit Report #12032 dated August 14, 2012, San Diego Unified Port District Billings - Fiscal Year 2011	16	Impact: 8 Probability: 8	We recommend that Authority Management notify the District that they must provide the actual labor expenses incurred as required by the PSA.	Completed 11/30/12
13-01	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12013 dated July 9, 2012, Sadler Electric, Inc.	12	Impact: 5 Probability: 7	Facilities Maintenance Department should take steps to ensure that certain Authority departments are immediately notified after a contractor has closed for business, filed for bankruptcy, or is no longer providing services to the Authority.	Completed 11/30/12
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.	Completed 11/30/12
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 (AvCom) should request Payless to recalculate concessionable revenue for the period July 1, 2001, to present, inclusive of "Other Revenue". Further, AvCom should request that in future periods, Payless track and account for the distinct revenue categories within "Other Revenue".	Completed 12/31/12

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
12-24	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12020 dated February 16, 2012, Nevada Lease and Rentals, Inc.	18	Impact: 10 Probability: 8	Aviation & Commercial Business Department (AvCom) should initiate a request to Accounting to invoice Payless in the amount of \$335,226 for underpayment of concession fees.	Completed 12/31/12
12-26	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12018 dated February 16, 2012, DTG Operations, Inc.	18	Impact: 10 Probability: 8	The Aviation & Commercial Business Department (AvCom) should request the Accounting Department issue an invoice to Dollar and to Thrifty in the amounts \$453,252 and \$205,328 respectively.	Completed 12/31/12
13-10	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13018 dated November 14, 2012, Enterprise Holdings, Inc.	11	Impact: 5 Probability: 6	The Aviation & Commercial Business Department should request the Accounting Department issue an invoice to Enterprise Holdings, Inc. in the amount of \$22,404.	Completed 12/31/12
13-08	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13015 dated August 31, 2012, AirProjects, Inc.	10	Impact: 5 Probability: 5	Aviation & Commercial Business should submit a request to the Accounting Department to prepare and issue an invoice to AirProjects in the amount of \$10,296 for the overpayment of consulting fees charged.	Completed 12/31/12
12-17	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12023 dated October 19, 2011, Host International	17	Impact: 8 Probability: 9	Aviation & Commercial Business Department (AvCom) should develop and document a comprehensive and efficient monitoring program that specifically targets concessionaire revenue and sales activity prior to implementation of the new Concession Development Program. In addition, ACB should verify the accuracy of financial data provided by concessionaires, prior to input into the E1 financial system by the Accounting Department, and then in turn, verify that the E1 data is congruent with the concessionaire's monthly reports.	Completed 3/30/13
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.	Completed 3/30/13
13-21	LANDSIDE OPERATIONS AND FACILITIES MANAGEMENT DEPARTMENTS	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	13	Impact: 6 Probability: 7	Management of the Landside Operations and the Facilities Management Departments (FMD) should work to develop a procedure for the processing of meal reimbursement requests to ensure that the requests meet Memorandum of Understanding (MOU) requirements.	Completed 3/30/13
13-16	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13034 dated January 15, 2013, Newport Beach Sales & Leasing Inc.	12	Impact: 6 Probability: 6	Aviation & Commercial Business should request that the Accounting Department issue a credit to Newport in the amount of \$56,645 for the overpayment of license fees.	Completed 3/30/13

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
13-17	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13034 dated January 15, 2013, Newport Beach Sales & Leasing Inc.	11	Impact: 6 Probability: 5	Aviation & Commercial Business should request that the Accounting Department issue an invoice to Newport in the amount of \$8,616 for the underpayment of Consolidated Facility Charges.	Completed 3/30/13
13-22	LANDSIDE OPERATIONS AND FACILITIES MANAGEMENT DEPARTMENTS	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	11	Impact: 5 Probability: 6	Employees who received meal reimbursement that did not satisfy the requirements of the Memorandum of Understanding (MOU) should be asked to reimburse the Authority for those amounts.	Completed 3/30/13
13-13	AIRSIDE OPERATIONS DEPARTMENT	Audit Report #11024 dated December 5, 2012, Aircraft Rescue & Fire Fighting Expense Billings - FY 2010	15	Impact: 8 Probability: 7	We recommend that the Airside Operations Department (OPS) review the invoice monthly, using the Excel spreadsheet support provided by the City, to calculate the totals of all pay types and fringe benefit types to ensure that the Authority is not billed for types that are included in the labor load or are unsupported by documentation of the service provided. Travel, training, and supply expenses should be totaled on the Excel sheets and verified to the supporting documentation for each charge. Additionally, the City should be required to provide a summary of the firefighters drill training when an invoice with training-related expenses is submitted. The summary should indicate the firefighter for which expenses are being submitted, and for each firefighter: the dates of the training, the expenses included in the current invoice, the expenses previously submitted for payment, and the estimate of outstanding expenses. OPS should maintain a record of the certificates of training received for each firefighter to ensure the training expense payments are supported by proof of training course completion.	Completed 6/30/13
13-23	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13035 dated March 7, 2013, Triad International Maintenance Corporation (TIMCO)	13	Impact: 6 Probability: 7	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice TIMCO for \$64,684 for underpayment of license fees due the underreporting of revenue from United and SkyWest.	Completed 6/30/13
13-24	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #13035 dated March 7, 2013, Triad International Maintenance Corporation (TIMCO)	12	Impact: 5 Probability: 7	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice TIMCO for \$5,388 for underpayment of license fees due to the failure to include revenue from AccuFleet for the length of the audit period.	Completed 6/30/13



Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Date Completed
13-18	ACCOUNTING DEPARTMENT	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	10	Impact: 6 Probability: 4	We recommend that the Accounting Department work to strengthen internal controls or procedures for Policy oversight. This should include Approving Administrator ownership for reviewing and approving reimbursement requests. Management should consider implementing a procedure that removes Approving Administrator authority for those who are found to have multiple instances of providing approval for non-reimbursable items.	Completed 6/30/13
13-20	ACCOUNTING DEPARTMENT	Audit Report #13005 dated February 28, 2013, Business and Travel Expenses	10	Impact: 5 Probability: 5	To address the disallowable items documented in this Audit Report that are violations of Authority Policy, we recommend Accounting retroactively disallow the reimbursements and the employees be notified that they are required to reimburse the Authority for such amounts.	Completed 6/30/13
13-27	AVIATION OPERATIONS & PUBLIC SAFETY DEPARTMENT	Audit Report #13032R dated May 8, 2013, Emergency Medical Technician-Paramedic Services	10	Impact: 5 Probability: 5	The Aviation Operations & Public Safety Department should request the City to add as an Authority credit \$3,879 (\$11,636/3) to the City's EMT-P service invoices for the next three (3) months.	Completed 6/30/13



## Appendix D – Fiscal Year 2014 Audit Plan

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

## Appendix E – Ethics Compliance Program

### Ethics Hotline Summary Fiscal Year 2013

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
<b>Code of Ethics Concerns</b>					
Potential Misuse of Public Funds					
<i>New Construction</i>	73	46	0	n/a	27
<i>Advertising</i>	38	30	0	n/a	8
<i>Conflict of Interest Involving Contracts</i>	2	1	1	Yes (a)	1
Potential Misuse of Resources					
<i>Conflict of Interest /Misuse of Position</i>	10	9	1	Yes (b)	1
<i>Misuse of Time/Travel</i>	1	0	1	Yes (g)	1
<i>Misuse of Position</i>	1	1	1	Yes (d)	0
Employee Opinion Survey/Anonymity	14	12	0	n/a	2
Acceptance of Gifts	8	7	0	n/a	1
Retaliation	2	0	1	Yes (e)	2
Customer Strategy Sessions ~ Funds	1	0	1	Yes (h)	1
<b>Non Ethics Related Concerns</b>					
ATO Practices and Behavior	58	35	0	n/a	23
TSA Practices and Behavior	52	41	0	n/a	11
Aircraft Noise	42	39	0	n/a	3
Concession Choices	11	11	0	n/a	0
<b>Workplace Concerns</b>					
Workplace Practices/Behavior	56	43	3	Yes (c,f,i)	13
United Way	51	36	0	n/a	15
Workplace Equitability	31	26	0	n/a	5
Review Process	8	8	0	n/a	0
Departmental Holiday Lunches	7	6	0	n/a	1

(a) Issue was investigated and report provided to General Counsel. Management resolved concern.

(b) Concern addressed in Business and Travel Expense Audit. No violation found.

(c) Issue was investigated and no violation was found.

(d, f) Issue was investigated with no evidence of concern or violation noted. Issue was reported anonymously.

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

(g, h, i) Issue was reported at the end of FY 2013, and is currently being investigated.

## Appendix F – Soft Savings Estimate

### Office of the Chief Auditor Soft Savings Estimate for Fiscal Year 2013

Audit	Type	Savings	Comments	Status
Report #12005 Vehicle Fleet Management Issued July 19, 2012	Annual	\$126,102	Current practice is to provide vehicle to individual departments. A review of the usage mileage for passenger vehicles compared to what the Authority would reimburse an employee for mileage on a personal vehicle, indicated that reducing and/or consolidating the vehicle fleet would provide significant costs savings. Annual cost for vehicles was estimated at \$140,382 and cost of reimbursement was \$14,280.	Management rejected this recommendation stating that the operational nature and physical size of the airport does not lend itself to a standard Fleet Management model, and a pure financial analysis does not take into account the diversity of the Authority's mission.
Report #13005 Business and Travel Expenses Issued February 28, 2013	Annual	\$30,770	We recommended that management should consider only allowing reimbursement for meals up to the GSA approved rate. We estimated that this could save 18% of on meal reimbursement.	Management is evaluating this observation, but there are no plans at this time to change the Authority meals reimbursement policy.
Report #13007 Advantage Performance Group, Inc. Issued April 30, 2013	Ongoing	\$93,827	Realize cost savings on reimbursements to contractors by reimbursing contractors as close to GSA rates as possible. Alternatives would be to reimburse for meals and lodging up to GSA rate maximums when contractors have access to government discounts, and establish a negotiated rate with local hotels for contractors.  We estimated cost savings by assuming that 25% of contracts include travel reimbursement expenses, travel expenses amount to 5% of the contract expense, and a 10% cost savings.  (FY13 Contract Exp. \$75,061,282*25%)*5%*10%	Management is evaluating this observation, but there are no plans or actions that have been taken to date.
Total Soft Savings		\$250,699		

# San Diego County Regional Airport Authority

## Fiscal Year 2013 Annual Audit Activities Report from the Office of the Chief Auditor

July 1, 2012, through June 30, 2013

Audit Committee Meeting  
August 19, 2013



# Presentation Overview

## FY13 Annual Report

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



# Audit Activities

- Completed 34 Audits
  - Revenue Contract Audits: 9
  - Expenditure Contract Audits: 16
  - Business Process Audits: 9
- Audits in Progress
  - Eight (8) audits were in progress as of June 30, 2013, with five (5) of these in Draft form awaiting management response.
- Audit Results
  - Issued 31 Recommendations
  - Identified additional revenue or cost savings of \$628,835





# Audits In Progress

Audit	Type of Audit	Status as of August 19, 2013
AECOM	Expenditure	Report Issued
Aircraft Rescue & Fire Fighting (ARFF) 2012	Expenditure	Report Issued
Energy Usage Performance	Business Process	Report Issued
Merriwether & Williams Insurance Services	Expenditure	Draft Report
The Hertz Corporation	Expenditure	Draft Report
San Diego Unified Port District Billing – 2012	Expenditure	Draft Report
Gate Gourmet	Revenue	Report Issued
Nolte Associates, Inc.	Expenditure	Draft Report



# Recommendation Follow-up

Status of Recommendations Issued in FY13:

Quarter	Recommendations				
	Issued	Completed	In-Progress	Open	Not Accepted
Carryover	30	26	2	0	2
1 <sup>st</sup>	9	8	0	0	1
2 <sup>nd</sup>	4	2	2	0	0
3 <sup>rd</sup>	11	8	3	0	0
4 <sup>th</sup>	7	1	2	4	0
<b>Total</b>	<b>61</b>	<b>45</b>	<b>9</b>	<b>4</b>	<b>3</b>
<b>Total 2013</b>	<b>31</b>	<b>19</b>	<b>7</b>	<b>4</b>	<b>1</b>





# FY13 Performance Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	81% <sup>1</sup>
Additional revenue/cost savings identified through audits	\$30,000	\$628,835
Percentage of staff time spent on audit activities	80%	91%
Percentage of audits completed within budgeted time	80%	82%
Implementation of Recommendations	90%	74%

<sup>1</sup> If draft reports issued are included, total progress would be 93%.

# Non-Audit Activities and On-Going Activities

- Training
  - Continued compliance with the Institute of Internal Auditors (IIA) and Yellow Book (Government Auditing Standards)
- Committee Support
  - Supported four (4) Audit Committee meetings
- Ethics Compliance Program
  - 466 complaints were registered in Fiscal Year 2013
- Construction Audit Program
  - Remain involved with the TDP and the North Side Development Program, providing assistance on issues identified by management, attending meetings specific to the aspects of the Authority's construction activity, and providing updates to Authority Board and Committees.



# Questions

