



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

**Item No.
6**

Meeting Date: JUNE 7, 2012

Subject:

Fiscal Year 2012 Third Quarter Audit Activities Report, and Report on Audit Recommendations Issued by the Office of the Chief Auditor

Recommendation:

The Audit Committee recommends that the Board accept the report.

Background/Justification:

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

The FY12 Third Quarter Report (Attachment A), summarizes the activities and accomplishments of the OCA from January 1, 2012, through March 30, 2012.

During the Third Quarter, the Office of the Chief Auditor completed six (6) audits and issued ten (10) recommendations. The implementation status of each recommendation issued is detailed in Appendix D of the Third Quarter Report.

The FY12 Third Quarter Report was presented to the Audit Committee during its May 7, 2012, meeting.

Fiscal Impact:

None

Authority Strategies:

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

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

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Environmental Review:

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

Equal Opportunity Program:

Not applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR



ATTACHMENT A

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

FY12 THIRD QUARTER REPORT

April 26, 2012

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

April 26, 2012

FY12 Third Quarter Report

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

Dear Mr. Smisek:

As requested by the Audit Committee, we present our Fiscal Year 2012 Third Quarter Report. The report details the audit and the administrative activities of the Office of the Chief Auditor (OCA) during the third quarter of FY12, and includes the resolutions of past audit findings and information regarding the future plans of the OCA.

The Third Quarter Report will be presented at the next Audit Committee meeting, scheduled for May 7, 2012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark A. Burchyett".

Mark A. Burchyett
Chief Auditor

Audit Results

During the third quarter, the OCA continued to work on audits contained within the FY12 audit plan as authorized by the Audit Committee. In total, during the third quarter, the OCA completed six (6) audits. For the month of March, we issued two (2) audit reports, for which audit snapshots are located in Appendix A. From those audit reports we issued one (1) recommendation, bringing the total recommendations issued during the third quarter to ten (10). The completed audits are listed in Figure 1 below and the status of recommendations is presented on Page 3.

Figure 1: Audits Completed During the Third Quarter of Fiscal Year 2012

Audit	Report No.	Date	Type of Audit
Newport Beach Sales & Leasing, Inc. (Budget)	12019	1/18/2012	Revenue Contract
Nevada Lease and Rentals, Inc. (Payless)	12020	2/16/2012	Revenue Contract
DTG Operations, Inc. (Dollar & Thrifty)	12018	2/16/2012	Revenue Contract
San Diego Unified Port District Billings - FY10	11031	2/22/2012	Expense Contract
Lifecycle of Contracts	12031	3/20/2012	Internal Process
Pacific Rim Mechanical, Inc.	12008	3/21/2012	Expense Contract

In addition to the completed audits, the Office of the Chief Auditor had eleven (11) audits in progress as of March 31, 2012, as shown in Figure 2 below:

Figure 2: Audits In-Progress as of March 31, 2012

Audit	Type of Audit
AECOM Expense Review	Expense Contract
Aircraft Rescue & Fire Fighting (ARFF) - 2012	Expense Contract
Mactec Engineering and Consulting	Expense Contract
Marsh Risk & Insurance Services	Expense Contract
Merriwether & Williams Insurance	Expense Contract
Pacific Aircraft Maintenance	Revenue Contract
Procurement Card Spending	Internal Process
Public Parking	Internal Process
San Diego Unified Port District Billing - 2012	Expense Contract
The Hertz Corporation	Revenue Contract

Additionally, the Office of the Chief Auditor had 4 draft audit reports that were issued to Authority Departments for review and comment as shown in Figure 3 below:

Figure 3: Draft Audit Reports Issued as of March 31, 2012

Audit	Type of Audit
Aircraft Rescue & Fire Fighting (ARFF) - 2011	Expense Contract
Capital and Maintenance Project Selection and Planning	Internal Process
Emergency Medical Technician & Paramedic Services	Expense Contract
Lindbergh Parking, Inc.	Internal Process

Recommendation Follow-Up

To ensure that audit issues are addressed in a timely manner, the OCA tracks the status of its recommendations on an on-going basis. For the last month in the quarter, the OCA tracked the implementation status of 25 recommendations that were issued during FY12, or were outstanding as of June 30, 2011. As shown by Figure 4 below, one (1) of the recommendations have been completed or implemented, while 24 remain outstanding.

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

Figure 4: Status of Recommendations as of March 31, 2012

Recommendations:				
Tracked	Completed	In Progress	Open	Not Accepted
25	1	23	1	0

In tracking recommendations the OCA uses the following designations:

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

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

Non-Audit Activities

Along with the audit activities detailed above, the OCA continues its involvement in several non-audit projects and activities. Specifically, during the third quarter of FY12 the OCA was involved in the following:

- **Audit Committee:** The Audit Committee met on February 6, 2012, in a joint meeting with the Terminal Development Program Committee. At that meeting the Committee received a detailed presentation on the progress of its construction audit activities. Additionally, the Committee received a standard OCA quarterly activity report. The next meeting is scheduled May 7, 2012.
- **Construction Audit Activity:** Task Authorization #4 was developed and refined for the OCA's construction auditing consultant. It will focus on ensuring controls and compliance over the funding for TDP activity. Additionally, the OCA was tasked with reviewing the contingencies and allowances process in the GMP agreements and reviewing AECOM expenses in Green Build.
- **Ethic Compliance Program:** The OCA continues to man the Authority hotline system including e-mail and voicemail.

Performance Measures

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for FY12, along with their current status, are detailed below in Figure 5.

Figure 5: Status of Performance Measures as of March 31, 2012

Performance Measure	Goal	Progress as of March 31, 2012
Percentage of the audit plan completed annually	100%	48%
Additional revenue/cost savings identified through audits	\$30,000	\$1,156,850
Percentage of staff time spent on audit activities	80% ¹	82%
Percentage of audits completed within budgeted time	80%	81%
Implementation of Recommendations	90%	38%

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 48% of the plan and an additional 25% of the audit plan is currently in-progress. Additionally, 10% of the plan had audit reports issued in their draft form. We also have established quarterly goals for the completion of our audit plan. For the third quarter, we had a completion goal of 74% of the audit plan. We fell well short of our quarterly goal as the result of unforeseen delays in transitioning from draft reports to finalized reports. This is mostly due to the significance of the audit findings contained within the audit reports resulting in the reports receiving additional scrutiny from all involved parties.

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. Mostly due to significant underpayments by rental car companies that were identified through our audits the OCA has far exceeded this annual goal as detailed in figure 6 below:

Audit	Report No.	Revenue Identified
DTG Operations Inc dba Thrifty & Dollar	12018	\$ 658,580
Nevada Lease and Rental Inc dba Payless Car Rental System	12020	\$ 335,226
San Diego Unified Port District Billing - 2011	11031	\$ 163,054
Total		\$1,156,850

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

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 slightly over its current goal of 80%.

Percentage of audits completed within budgeted time: This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it recognizes that budgets may need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA has completed 81% of its projects within the budgeted amount of time, which was above the goal.

Implementation of Recommendations: This goal measures the value that the OCA is providing to the Authority by measuring how audit recommendations have impacted the Authority. For the fiscal year, 15 of 40 recommendations were implemented. Additionally, one (1) recommendation was not accepted by management. While the percentage of implemented recommendations appears under our goal, we are actually well on track to achieve the goal, because we aim to have 90% of our recommendations implemented within the year.

Going Forward

During the third quarter of FY12 the OCA has targeted 19 audits in progress for completion. The 19 include numerous audits that are very near issuance as of this report date, including the four (4) that were in draft form. The completion of these audits will result in the accomplishment of 95% of the FY12 audit plan. Figure 5 identifies the audits scheduled for completion in the fourth quarter.

Figure 5: Audits Scheduled for Completion in the Fourth Quarter of Fiscal Year 2012

Audit	Type of Audit
AECOM Expense Review	Expense Contract
Aircraft Rescue & Fire Fighting (ARFF) - 2011	Expense Contract
Bi-Annual Audit of Airline Revenues	Revenue Contract
Capital and Maintenance Project Selection and Planning	Internal Contract
CONRAC Fund Review	Internal Contract
Emergency Medical Technician & Paramedic Services	Expense Contract
Jones Payne Group	Expense Contract
Lindbergh Parking, Inc.	Revenue Contract
Mactec Engineering and Consulting	Expense Contract
Marsh Risk & Insurance Service	Expense Contract
Merriwether & Williams Insurance	Expense Contract
Pacific Aircraft Maintenance	Revenue Contract
Procurement Card Spending	Internal Contract
Public Parking	Internal Contract
Sadler Electric, Inc.	Expense Contract
Slayton Mechanical Contractors Inc.	Expense Contract
Smarte Carte Inc.	Revenue Contract
The Hertz Corporation	Revenue Contract
Vehicle Fleet Management	Internal Contract

Lifecycle of Contracts

Report Number 12031, March 2012

Background

The Lifecycle of Contracts performance audit was added as a revision to the Fiscal Year 2012 Audit Plan at the August 29, 2011, Audit Committee Meeting. The objective of the audit was to review the lifecycle of the contracting process in order to identify opportunities for improvement as related to the effectiveness and efficiency of the process.

San Diego County Regional Airport Authority (Authority) procurement and contracting function is controlled by:

- Policy 5.01, Procurement of Service and Consulting Agreements and the Purchase of Supplies, Materials and Equipment;
- Policy 5.02, Procurement of Contracts for Public Projects; and
- Policy 5.03, Request for Proposals and Request for Qualification.

Summary of Performance Observations

In general, audit work found that there are some areas of the contracting lifecycle process that are operating effectively and efficiently. However, the audit identified nine (9) observations that would help alleviate some of the overarching matters impacting the organization identified during the review.

The observations fall into the following three broad categories: Organization, Communication, and Accountability.

Organization

- Improve Clarification of Contracting Roles and Responsibilities
- Dedicate Procurement Staff to Specific Departments
- Implement Defined Process for Contract Question Resolution
- Consider Alternative Contracting Process Small Dollar/Routine Contracts

Communication

- Develop Standard "How To" Procedure Guides for Contracting Process
- Improve Training of Process Changes
- Improve Collaboration at the Beginning of the Contracting Process

Accountability

- Improve Tracking of Contract Process
- Conduct Post Contracting Process Evaluation Survey

Pacific-Rim Mechanical, Inc.
Report Number 12008, February 2012

Background

The Facility Maintenance Department (FMD) at the Authority is responsible for the maintenance and improvements to the Heating, Ventilation and Air Conditioning (HVAC) systems at the Authority. FMD sought out an HVAC contractor with firms with expertise in HVAC maintenance and improvements using the Authority's RFP process and selected Pacific-Rim. Pacific-Rim was awarded a contract for HVAC services limited to 2,931,916 over the life of the contract which ends in February of 2014.

Our Review of Pacific-Rim found that:

- Some jobs are not billed correctly to the Authority.

Pacific-Rim performs monthly maintenance on the Authority's HVAC systems according to a defined maintenance schedule in the contract for a fixed monthly fee of \$61,950.50. The balance of the work for Pacific-Rim at the Authority is specific tasks assigned by FMD as required. For these assigned tasks, the contract defines a specific hourly rate and materials mark-up to be charged by Pacific-Rim

As of the audit, the Authority has paid a total of \$670,450 to Pacific-Rim as a result of this contract.

Finding #1: "On Call" Jobs are Not Billed According to Contract

The audit reviewed the process to assign "On-Call" projects to Pacific Rim, which are then billed to and paid by the Authority. The contract contains a listing of specific hourly rates by contract year and by technician level that are to be paid for On-Call projects. The contract states that materials used in these tasks are to be billed at cost plus a 15% mark-up. However, audit work determined that FMD receives bids for desired "On-Call" work as well as invoices for completed "On-Call" work through "Lump Sums".

Recommendation: We recommend that FMD receive bids for future "On-Call" projects based on the technician hours extended by the contract rates, plus the cost of materials, plus the contract markup. Further, the invoices for completed "On-Call" projects should be in compliance with the contract by following the contract rates and the appropriate materials mark-up.

Recommendation Status: Open

Office of the Chief Auditor
Soft Savings Estimate for FY 2012

Audit	Audit #	Type	Savings	Comments
AECOM Expense Review	11028	Annual	\$1,720,060	Opportunity to reduce the cost of services provided by AECOM, as the Authority pays a significant higher amount for long-term AECOM consultants than for permanent, fully burdened, Authority employees doing similar work or having the same job title.
Commuter Terminal 2 Floor Build-Out	11034	One-Time	\$278,284	Facilities Management and Information Technology employee labor costs, and related burden, in support of the Commuter Terminal 2nd Floor Build-Out were expensed rather than capitalized to the project. While this is a one-time cost savings for this project, potential annual budget reduction could be realized.
William Nicholas Bodouva & Associates	12009	Annual	\$135,275	Vendor per diem reimbursement rates should not exceed GSA rate. We noted that this would have saved \$1,546 for this one contract. Using an estimate of 175 vendors at any one time, with approximately 50% being reimbursed for per diem meals, we estimate a soft savings of \$135,275 (approximately 175 vendors X \$1,546 X approximately 50% with reimbursements = \$135,275).
San Diego Unified Port District Bill FY10	11031	Annual	\$100,144	OCA recommended that management requests that the District switch their billing process from billing at the standard rate to billing the actual wages of the District employees. OCA selected a sample of HPD officers' time reports and compared the amount billed using the standard billing rates to the amount the officers were actually paid for the selected pay period. Of the twenty-four officers pay periods selected, the amount paid by the Authority was more than the actual wages paid by \$7,822. The resulted in an annual saving for the District's billing of \$100,144. We also determined the standard rates paid appear to be greater than or on the high end of the rate ranges per the District's published Salary Ordinances.
Total Soft Savings			\$2,233,763	

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Ethics Hotline Call Summary
January - March, 2012

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
Code of Ethics Concerns					
Potential Misuse of Public Funds					
<i>New Construction</i>	28	17	0	n/a	11
<i>Advertising</i>	16	10	0	n/a	6
<i>Strategic Engagement</i>	3	2	0	n/a	1
Potential Misuse of Resources					
<i>Misuse of Time/Travel</i>	4	1	1	No(1)	3
Non Ethics Related Concerns					
Aircraft Noise	23	15	0	n/a	8
TSA Practices and Behavior	12	5	0	n/a	7
ATO Practices and Behavior	3	3	0	n/a	0
Aircraft Curfew Violation	2	0	0	n/a	2
Workplace Concerns					
Lack of Pay Increases	17	11	0	n/a	6
Workplace Practices/Behavior	12	7	0	n/a	5
Holiday Parties/Lunches	8	6	0	n/a	2
United Way	6	2	0	n/a	4
Workplace Equitability	4	1	0	n/a	3

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

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Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
11-10	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	20	Impact: 10 Probability: 10	To ensure the accurate recording of all ground transportation activities at SDIA, the Ground Transportation Department should upgrade or replace the AVI system. Once the AVI system is updated or replaced, the trip fee payment process should be automated. The AVI system data would be uploaded daily to a website accessible to the taxicab operators to allow them to track and download the trip data per taxicab. Monthly, the Ground Transportation Department would lump sum bill the activity to the taxicab companies. This would eliminate an unnecessary risk of misappropriation of Authority assets and the reliance on LPI employees to properly record and account for the collections.	After further evaluation, it appears that in light of the actions taken by MTS regarding the trip fees, it is appropriate to proceed to automate the trip fee collection process.	In Process	Unknown
12-25	REAL ESTATE MANAGEMENT DEPARTMENT	Audit Report #12020 dated February 16, 2012, Nevada Lease and Rentals, Inc.	19	Impact: 10 Probability: 9	Real Estate Management (REM) should request Payless to recalculate concessionable revenue for the period July 1, 2001, to present, inclusive of "Other Revenue". Further, REM should request that in future periods, Payless track and account for the distinct revenue categories within "Other Revenue".	Payless met with OCA and Aviation & Commercial Business staff to discuss and dispute the findings. Payless indicated that it could provide information to show that it properly classified some of the revenue. To date, no information has been provided.	In Process	Unknown
12-27	REAL ESTATE MANAGEMENT DEPARTMENT	Audit Report #12018 dated February 16, 2012, DTG Operations, Inc. (Dollar - Thrifty)	19	Impact: 10 Probability: 9	REM should notify DTG that they are not compliant with the requirements set forth in Section 4(b) of the Agreement. Specifically, DTG is not obtaining non-airport customer's initials immediately adjacent to the non-airport clause as stated on the rental contract, nor are they currently excluding customers with addresses further than 10 miles from the airport from Non-Airport customers.	Payless was notified of the requirement by OCA and Aviation & Commercial Business staff.	Completed	

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

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Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
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.	Because this recommendation was issued at the end of February no follow-up was performed for March.	In Process	Unknown
12-24	REAL ESTATE MANAGEMENT DEPARTMENT	Audit Report #12020 dated February 16, 2012, Nevada Lease and Rentals, Inc.	18	Impact: 10 Probability: 8	Real Estate Management should initiate a request to Accounting to invoice Payless in the amount of \$335,226 for underpayment of concession fees.	Payless met with OCA and Aviation & Commercial Business staff to discuss and dispute the findings. Payless indicated that it could provide information to show that it properly classified some of the revenue. To date, no information has been provided.	In Process	Unknown
12-26	REAL ESTATE MANAGEMENT DEPARTMENT	Audit Report #12018 dated February 16, 2012, DTG Operations, Inc. (Dollar - Thrifty)	18	Impact: 10 Probability: 8	The Real Estate Management Department (REM) should request the Accounting Department issue an invoice to Dollar and to Thrifty in the amounts \$453,252 and \$205,328 respectively.	DTG Operations, Inc. is disputing this recommendation.	In Process	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
11-09	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	17	Impact: 9 Probability: 8	<p>Authority Management should continue to take all steps necessary, including petitioning the Office of the Mayor of the City of San Diego, to allow the Authority to present the request for a change to MTS rate setting policy to the PS&NS Committee. Obtaining approval from City Council for the full cost recovery trip fee on the taxicab meters is needed to ensure the taxicab drivers are no longer burdened with this cost and the taxicab operations at the Authority become self-sustaining.</p> <p>Once approval is received and the trip fee is added to the taximeter rate, the Authority should perform an annual true-up of the cost of taxicab operations. Any fees in excess of the cost of operations should be refunded to the taxicab drivers. If it is determined that the cost of operations exceeds the total of permit fees and trip fees, trip fees should be adjusted accordingly.</p>	MTS responded to the Authority's letter with a request for indemnity from the Authority if MTS were to proceed with an increase to the Airport taxi cab rates. General Counsel is generating a response.	In Process	Unknown
12-17	REAL ESTATE MANAGEMENT DEPARTMENT	Audit Report #12023 dated October 19, 2011, Host International	17	Impact: 8 Probability: 9	Real Estate Management (REM) 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, REM 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.	No status report was received from REM.	In Process	Unknown

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

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Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
12-05	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	16	Impact: 7 Probability: 9	The Approving Officials should be held accountable for their responsibility in reviewing and approving the purchases in the monthly reconciliation process. We recommend that Approving Officials who approve reconciliations with inadequate documentation, or questionable, prohibited, or restricted purchases be required to take remedial training from the Analyst and Accounting on the first instance of approving such a reconciliation. If this occurs more than once in one 12 month period, we recommend that the approving authority for P-Card purchases of the Approving Official be suspended. This would result in the suspension of all P-Cards authorized to that official or reassigning the Approving Official duties.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-07	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	16	Impact: 8 Probability: 8	P-Cardholders should be required to document the business purpose in all instances where the purpose would not be obvious to a third party.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
12-11	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	16	Impact: 8 Probability: 8	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"> • The vendor name per the US Bank P-Cardholder statement should be recorded in the Payment Remark field. • The item purchased and the business purpose should be recorded in the Explanation Remark field. • A separate entry should be made to correspond to each entry and dollar amount on the US Bank statement. This should correspond to the amounts on the supporting documentation attached. • The Approving Official should review the reconciliation to ensure that all of the required information is included in the reconciliation. • The P-Cardholder and the Approving Official should record the date they each sign the reconciliation. The annual P-Card Program training should emphasize these requirements with a demonstration of how to properly complete a reconciliation. 	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-28	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #11031 dated February 22, 2012, San Diego Unified Port District Billings - FY10	16	Impact: 8 Probability: 8	We recommend that the Planning & Operations Department (OPS) notify District Staff concerning the Fiscal Year 2010 over-billing for HPD services and determine the most appropriate method for the Authority to receive the \$163,054 owed to the Authority.	Because this recommendation was issued at the end of February no follow-up was performed for March.	In Process	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
12-29	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #11031 dated February 22, 2012, San Diego Unified Port District Billings - FY10	16	Impact: 8 Probability: 8	We recommend OPS review the PSA, the Settlement, and the Addendum with General Counsel, to determine the appropriateness of the Addendum. If determination is made that the Addendum and the resulting reimbursement transaction were not in accordance with the parameters of the PSA and the Settlement, we recommend that the OPS notify District Staff to determine the most appropriate method for the Authority to receive reimbursement of the \$64,814 paid for the two vehicles. If determination is made that the Addendum and thus the reimbursement transaction were appropriate, we recommend OPS and the Accounting Department work together to ensure that complete supporting documentation is obtained before reimbursement is made for vehicles and related operation costs. This should include items such as: • Weekly submittal of documentation of the operations of each vehicle, including odometer readings and detail of each time the vehicle leaves SDIA property. • Weekly submittal of documentation of any maintenance performed on each vehicle. • Original receipts for any charges for vehicle operations, such as fuel and maintenance. • Personnel time reports with detailed calculation of labor, burden, and overhead charged for any vehicle operation services provided by a District department outside of HPD. • Bids from vendors should be submitted prior to approval of future purchases of vehicles. Vehicles purchased with Authority funds should be recorded as assets of the Authority and titled in the name of the Authority in addition to the District. These vehicles should be distinctly marked as property of the Authority and be easily identifiable from other HPD vehicles. The overhead rate calculation must reflect motive settlements only for vehicles used for airport services less amounts	Because this recommendation was issued at the end of February no follow-up was performed for March.	In Process	Unknown
12-31	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #11031 dated February 22, 2012, San Diego Unified Port District Billings - FY10	16	Impact: 8 Probability: 8	We recommend that the Planning & Operations Department ensure that supporting documentation for all expenses billed by the District is attached prior to submitting the invoice to Accounting for payment.	Because this recommendation was issued at the end of February no follow-up was performed for March.	In Process	Unknown

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

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Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
12-09	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	14	Impact: 6 Probability: 8	The monthly reconciliation is as important as following the P-Card purchases guidelines. The guidelines in the Manual should be revised so that the first late submission of a monthly reconciliation results in sending a Violation Letter to the cardholder, Approving Official/Director, and Division Vice-President. The second late reconciliation would then result in sending a second Violation Letter to the cardholder, Approving Official/Director, and Division Vice-President, with a copy to the CEO, and suspension of P-Card privileges.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-10	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	14	Impact: 6 Probability: 8	Controls surrounding the reconciliations should be strengthened so that more than one late submission of the monthly reconciliation in any twelve month period should be considered a violation.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-15	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	14	Impact: 7 Probability: 7	For improved internal control, we recommend that the supporting documentation and approval requirements of the Business Expense Reimbursement Policy should be used as an example to develop similar requirements for P-Card purchases to include within the Manual. The business purpose, detailed supporting documentation and proper approval levels should be included on all Authority expenditures, regardless of the method (expense reimbursement, P-Card transaction, or check request).	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
11-02	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #11014 dated December 1, 2010, Abhe & Svoboda, Inc.	13	Impact: 7 Probability: 6	Authority Management should ensure that any allowance for additional services included in an agreement should be directly related to the services provided in the agreement.	The Director of Facilities Management indicated that he disagreed with this recommendation. The OCA is awaiting confirmation that the President/CEO has been notified of the non-acceptance.	In Process	Unknown
12-08	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	13	Impact: 7 Probability: 6	The Manual should be revised to eliminate the exceptions from prohibited items as follows: 1. "A Vice-President can authorize any appropriate business expense for P- Cardholder where the Vice-President acts as the cardholder's Approving Official." This exception should be eliminated so that all P-Cardholders follow the same rules, and the controls surrounding prohibited items are enforced uniformly. 2. "Employee service awards, gifts and gift cards can be purchased through the Human Resources Dept." This should be in the restricted purchases as only allowable for specifically designated Human Resources Department employees. 3. "Gas & oil can be purchased by the Facilities Management Dept." This should be in the restricted purchases as only allowable for specifically designated Facilities Management Department employees. 4. "Non-repetitive minor on-site services or authorized emergency services can be obtained by Facilities Mgmt. Dept. provided they secure approval from the Risk Mgmt Dept. prior to the commencement of work. ..." This should be in the restricted purchases as only allowable for specifically designated Facilities Management Department employees. 5. "US Communities Maintenance and Hardware Supplies Contract ..." This should be in the restricted purchases as only allowable for specifically designated Facilities Management Department employees.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
12-14	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	13	Impact: 7 Probablilty: 6	The Analyst should ensure an audit of all monthly activity with a detailed review of all questionable expenditures is performed. The findings from the audit should be documented in a report with an analysis of the monthly trends of P-Card usage by P-Cardholder, dollar amount, merchant, and frequency, in addition to purchase limit changes and other analytical data.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-13	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	12	Impact: 6 Probablilty: 6	Procurement should perform an analysis of the P-Card purchases to determine, in both number of transactions and amount expended, the higher volume purchasers and purchases, and the most frequently used merchants. Based on this analysis, Procurement should work with the related departments, such as FMD and IT, to solicit bids from all potential merchants to ensure the Authority is obtaining the best prices for commodity purchases and the P-Cards are used, as directed, for low-dollar, non-routine purchases.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown

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Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
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.	Because this recommendation was issued at the end of February no follow-up was performed for March.	In Process	Unknown
12-06	PROCUREMENT DEPARTMENT	Audit Report #11027 dated September 7, 2011, Procurement Card Program	10	Impact: 5 Probability: 5	The Manual should be revised to include the payment of merchant invoices by P-Card and purchases that circumvent the procurement process as prohibited use of the P-Card. The annual P-Card training should be enhanced to provide explanations of these prohibited transactions.	The Procurement, Accounting, Chief Auditor, and General Counsel Departments are forming a working group to completely revise P-Card policy. That revision should address this recommendation.	In Process	Unknown
12-18	REAL ESTATE MANAGEMENT DEPARTMENT	Audit Report #12023 dated October 19, 2011, Host International	9	Impact: 4 Probability: 5	Real Estate Management (REM) should obtain new price lists from every concessionaire at least on an annual basis. Further, REM should more frequently compare the concessionaire price listings to items being sold, and document this activity to verify concessionaires are using only approved prices.	No status report was received from REM.	In Process	Unknown

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Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of March 31, 2012	OCA's Assessment	Estimated Completion Date
12-33	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12008 dated March 21, 2012, Pacific Rim Mechanical, Inc.		Impact: Probability:	We recommend that Facilities Management Department receive bids for future "On-Call" projects based on the technician hours extended by the contract rates, plus the cost of materials, plus the contract markup. Further, the invoices for completed "On-Call" projects should be in compliance with the contract by following the contract rates and the appropriate materials mark-up.	Because this recommendation was issued at the end of March no follow-up was performed.	Open	

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