

Revised 12/7/12



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT

Item No.
9

Meeting Date: **DECEMBER 13, 2012**

Subject:

Quarterly Audit Activities Report – Fiscal Year 2013 First Quarter, and Report on Audit Recommendations Issued by the Office of the Chief Auditor

Recommendation:

The Audit Committee recommends that the Board receive the information.

Background/Justification:

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

The attached FY13 First Quarter Report (Attachment A), hereby filed by the Chief Auditor, summarizes the activities and accomplishments of his office from July 1, 2012, through September 30, 2012.

During the First Quarter, the Office of the Chief Auditor completed eight (8) audits of the Fiscal Year 2013 Audit Plan and issued nine (9) recommendations. The implementation status of audit recommendations issued by the Office of the Chief Auditor is detailed in Appendix C of the report.

On November 19, 2012, the Audit Committee was provided a detailed presentation of the First Quarter Report by the Chief Auditor. Thereafter, the Committee voted unanimously to forward the report to the Board for information.

Fiscal Impact:

None

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Authority Strategies:

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

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

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

Equal Opportunity Program:

Not applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
OFFICE OF THE CHIEF AUDITOR

FY13 FIRST QUARTER REPORT

November 8, 2012

000206



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

November 8, 2012

FY13 First Quarter Report

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

Dear Mr. Smisek:

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

The First Quarter Report will be presented at the next Audit Committee meeting, scheduled for November 19, 2012.

Respectfully submitted,



Mark A. Burchyett
Chief Auditor

Audit Results

During the first quarter, the OCA continued to work on audits contained within the FY13 audit plan as authorized by the Audit Committee. In total, during the first quarter, the OCA completed eleven (11) audits. For the month of September, we issued three (3) audit reports, for which audit snapshots are located in Appendix A. From those audit reports we did not issue any recommendations, leaving the total recommendations issued during the first quarter at nine (9). 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 First Quarter of Fiscal Year 2013

Audit	Report No.	Date	Type of Audit
Sadler Electric, Inc.	12013	7/9/2012	Expense Contract
Vehicle Fleet Management	12005	7/19/2012	Internal Process
Agreements with Expenditure Limits Not to Exceed \$100,000	13031	7/23/2012	Internal Process
San Diego Unified Port District Billings - FY11	12032	8/14/2012	Expense Contract
The Jones Payne Group, Inc.	12007	8/20/2012	Expense Contract
Organizational Performance Measures	13002	8/28/2012	Internal Process
AirProjects Inc.	13015	8/31/2012	Expense Contract
Board Member Business Expenses	13027	8/31/2012	Internal Process
Airlines and Others	13021	9/12/2012	Revenue Contract
S&L Specialty Contracting Inc.	13009	9/26/2012	Expense Contract
Business Continuity Management	13003	9/27/2012	Internal Process

In addition to the completed audits, the Office of the Chief Auditor had twelve (12) audits in progress as of September 30, 2012, as shown in Figure 2 below:

Figure 2: Audits In-Progress as of September 30, 2012

Audit	Type of Audit
Accurate Engineering ICS, Inc.	Expense Contract
Aircraft Rescue & Fire Fighting (ARFF) – 2011	Expense Contract
Avis Rent A Car Systems LLC	Revenue Contract
Bruel & Kjar EMS	Expense Contract
Budget Management and Analysis	Internal Process
Business and Travel Expenses	Internal Process
David Brush Consulting	Expense Contract
Enterprise Rent A Car Company of Los Angeles	Revenue Contract
Fox Rent A Car	Revenue Contract
LPI – Closeout Audit	Revenue Contract
Merriwhether Williams Insurance Services	Expense Contract
The Hertz Corporation	Revenue Contract

Recommendation Follow-Up

To ensure that audit issues are addressed in a timely manner, the OCA tracks the status of its recommendations on an on-going basis. For the last month in the quarter, the OCA tracked the implementation status of 23 recommendations that were issued during FY13, or were outstanding as of June 30, 2012. As shown by Figure 3 below, six (6) of the recommendations have been completed or implemented, while 17 remain outstanding.

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

Figure 3: Status of Recommendations as of September 31, 2012

Recommendations:				
Tracked	Completed	In Progress	Open	Not Accepted
23	6	17	0	0

In tracking recommendations the OCA uses the following designations:

- **Completed:** This designation is used for recommendations that the OCA has determined to be adequately implemented or for recommendations where alternate action 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 first quarter of FY13 the OCA was involved in the following:

Audit Committee:

The Audit Committee met on August 20, 2012. At that meeting the Committee received an update on the Construction Audit Activity. Additionally, the Committee received a standard OCA annual activity report. The next meeting is scheduled for November 19, 2012.

Construction Audit Activity:

For the first quarter of Fiscal Year 2013, the OCA continued its Construction Audit activity separate from its Annual Audit Plan. To this end R. W. Block Consulting, Inc. (RWBC) continued to provide assistance and expertise to the OCA. RWBC was issued Task Authorization #4 in November 2011, which is being utilized for a funding compliance review of Green Build program costs. Task Authorization #4 is due to be completed in April 2013.

The OCA Construction Auditor is continuing to work on a review of the GMP contingencies, allowances, exposure holds, and pending cost of work reserves that was begun in March 2012. This project initiated at the request of the Senior Program Manager of TDP. Completion of this review is expected in December 2012.

The OCA Construction Auditor continues to work on an audit of Contract 2 with Kiewit-Sundt, and the related GMP amendment. Additionally, the OCA Construction Auditor has initiated a monthly coordination meeting of the parties involved in the Rental Car Center (RCC) project. The OCA is acting solely as a coordinator to facilitate effective communication between the TDP/RCC, Airport Planning, Aviation & Commercial Business, Facilities Development, Financial Planning and Budget, and Accounting Departments.

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

Ethic Compliance Program:

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

Performance Measures

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

Figure 4: Status of Performance Measures as of September 30, 2012

Performance Measure	Goal	Progress as of September 30, 2012
Percentage of the audit plan completed annually	100%	28%
Additional revenue/cost savings identified through audits	n/a	\$10,296
Percentage of staff time spent on audit activities	80% ¹	86%
Percentage of audits completed within budgeted time	80%	91%
Implementation of Recommendations	90%	55%

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 28% of the plan and an additional 30% of the audit plan is currently in-progress. We also have established quarterly goals for the completion of our audit plan. For the first quarter, we had a completion goal 24% of the audit plan. We exceeded this goal and should be able to surpass our second quarter goal of completing 59% by December 31, 2012.

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. During the first quarter we identified \$10,296², which puts the OCA on target to meet its goal for the year.

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

Percentage of audits completed within budgeted time: This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it recognizes that budgets may need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA has completed 91% of its projects within the budgeted amount of time, which was above the goal.

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.

² The \$10,296 was identified as an overpayment of consulting fees.

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 38 recommendations were implemented. While the percentage of implemented recommendations appears under our goal, we are on track to achieve the goal, because we aim to have 90% of our recommendations implemented within the year.

Going Forward

During the second quarter of FY13 the OCA has targeted 13 audits in progress for completion. The completion of these audits will result in the accomplishment of 59% of the FY13 audit plan. Figure 5 identifies the audits scheduled for completion in the second quarter.

Figure 5: Audits Scheduled for Completion in the Second Quarter of Fiscal Year 2013

Audit	Type of Audit
Accurate Engineering ICS, Inc.	Expense Contract
Aircraft Rescue & Fire Fighting (ARFF) – 2011	Expense Contract
Avis Rent A Car Systems LLC	Revenue Contract
Bruel & Kjeear EMS	Expense Contract
Budget Management and Analysis	Internal Process
Budget RAC – Closeout Audit	Revenue Contract
Business and Travel Expenses	Internal Process
David Brush Consulting	Expense Contract
Enterprise Rent A Car Company of Los Angeles	Revenue Contract
Fox Rent A Car	Revenue Contract
LPI – Closeout Audit	Revenue Contract
Merriwether Williams Insurance Services	Expense Contract
The Hertz Corporation	Revenue Contract

Airlines and Others

Report Number 13021, September 2012

Background

Airlines and Others manages the fuel system operations at the San Diego International Airport (SDIA) under a 20 year Lease Agreement (Agreement) with a term of October 1, 1996, to October 31, 2016. The actual administration of the fuel system operation is sub-contracted by Allied Aviation Services, Inc. (Allied). Allied is responsible for ensuring the proper calculation of payments related to both "Exempt" and "Non-exempt" airline fueling distributions. Fuel dispensed to airlines that operate at SDIA and have not signed an AOA with the Authority is deemed non-exempt and is subject to a flowage fee of \$.05 per gallon. Additionally, per the Agreement, Airlines and Others is subject to the following monthly charges:

- Capital Recovery Charges of \$118,951
- Property Lease Charges of \$57,790, increasing to \$63,124 effective November 1, 2011
- Rent Adjustment Recovery Charges of \$8,301

For the audit period July 1, 2010, to June 30, 2012, Allied, on behalf of Airlines and Others, paid a total of \$ 4,793,325 to the Authority.

The objective of this audit was to ensure that the Authority received the proper amount of revenue from Allied for Capital Recovery & Property Lease Charges as well as Non-Exempt fuel disbursement fees during the audit period.

Audit Results: No Reportable Findings

Audit work determined that monthly invoices for fuel system operations capital recovery and property lease charges and non-exempt fuel flowage fees paid by Allied on behalf of Airlines and Others were, in general, accurate and reliable during the audit period. In addition, a review of the internal controls used by Allied Aviation indicates that they are adequately tracking the fuel disbursements.

S&L Specialty Contracting, Inc.

Report Number 13009, September 2012

Background

The Quieter Home Program (QHP) is an FAA funded program that provides sound attenuation services to residential homes located in close proximity to SDIA. The program uses sound mapping to determine buildings experiencing the highest decibels of aircraft noise which generally coincides with their closeness to the airport. This mapping results in "rings" of homes which establishes priority for homes to undergo sound attenuation. S&L Specialty Contracting, Inc. (S&L) is a contractor to QHP providing construction services to support the sound attenuation.

During our audit period of January 1, 2007, thru June 30, 2012, twenty three (23) agreements were in effect between the Authority and S&L to provide the construction services for sound attenuation of residences. Under the terms of the agreements, S&L is paid a per-unit

compensation based upon a detailed bid specification of the cost-per-unit for materials, labor, and permits. Additional contingency amounts are included within the awards for special permits, QHP logo uniforms for staff to wear, and general unforeseen expenses. The Authority compensated S&L \$29,175,271 for construction services rendered and expenses incurred during the audit period.

The objective of the audit was to review the selection, management, and monitoring of the Koch agreements to ensure compliance with the Authority's policies and procedures. Additionally, we determined whether adequate internal controls were established and functioning to safeguard the Authority and ensure proper accounting of Authority funds.

Audit Results: No Reportable Findings

Audit work performed showed that the Authority followed proper policies and procedures when selecting and awarding the twenty-three (23) agreements that were in effect during our audit period to S&L. Invoices submitted by S&L contained proper approval prior to payment, and individual unit reimbursement amounts complied with all terms of the agreements. Additionally, the audit determined that QHP practices to monitor the agreements incorporate proper internal controls to ensure that the construction services provided to the Authority, and the expenses incurred during the delivery of those services, adhere to the specifications within the agreements between the Authority and S&L.

Business Continuity Management
Report Number 13003, September 2012

Background

The Authority's Business Continuity Plan (BCP) was written and is maintained by the Business Planning Department by applying known external standards and best practice guidelines. The BCP was developed to ensure a correct and timely response, recovery, and business resumption in the event of an emergency at San Diego International Airport (SDIA). The BCP's primary objectives include:

- Risk Evaluation
- Business Impact Analysis
- Development of Strategies for Business Continuation
- Authority Emergency Response
- Drafting and Implementation of the BCP
- Increasing organizational awareness and training
- Maintaining, updating, and testing the BCP

In maintaining the BCP the Business Planning Department is tasked with the annual review and revision of the BCP to reflect changing conditions at SDIA. The BCP requires annual testing to ensure that all participants understand their duties in an actual emergency and to revise plans as a result of lessons learned during testing. Finally, the Business Planning Department is required to provide information to all Authority staff to be aware of the BCP in the event of an emergency.

The IT Disaster Recovery Plan (DRP) requires review and revision and should be tested and staff be trained on its implementation. The IT situation changes frequently due to the addition and deletion of software, changes in the Authority's network structure, and the constant accumulation of electronic records. For these reasons, the IT DRP requires more frequent revision, testing, and staff training than the annual revision, testing, and training for BCP.

Audit Results: No Reportable Findings

Our review of the Authority's BCP and related IT DRP shows that the Business Planning department and IT review and revise their plans as scheduled. Further, the BCP is tested annually and the IT DRP more frequently. For both plans, staff is trained on the implementation of the plans. Business Planning also provides BCP content included in the training received by all Authority staff.

	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>	15	12	0	n/a	3
<i>Advertising</i>	10	8	0	n/a	2
Potential Misuse of Resources					
<i>Misuse of Time/Travel</i>	5	4	1	Yes (1)	1
Customer Strategy Sessions ~ Funds	7	6	0	n/a	1
Non Ethics Related Concerns					
Aircraft Noise	17	15	0	n/a	2
TSA Practices and Behavior	14	13	0	n/a	1
ATO Practices and Behavior	9	7	0	n/a	2
Workplace Concerns					
United Way	17	17	0	n/a	0
Workplace Equitability	12	11	0	n/a	1
Workplace Practices/Behavior	10	9	0	n/a	1
Review Process	8	8	0	n/a	0

(1) Concern will be addressed during Business and Travel Expense Audit

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of Q1 September 30, 2012	OCA's Assessment	Estimated Completion Date
11-10	GROUND TRANSPORTATION DEPARTMENT	Audit Report #11032 dated February 4, 2011, Taxicab Cost Recovery Program	20	Impact: 10 Probability: 10	To ensure the accurate recording of all ground transportation activities at SDIA, the Ground Transportation Department should upgrade or replace the AVI system. Once the AVI system is updated or replaced, the trip fee payment process should be automated. The AVI system data would be uploaded daily to a website accessible to the taxicab operators to allow them to track and download the trip data per taxicab. Monthly, the Ground Transportation Department would lump sum bill the activity to the taxicab companies. This would eliminate an unnecessary risk of misappropriation of Authority assets and the reliance on LPI employees to properly record and account for the collections.	Staff recently completed a study/review of the current taxi/shuttle hold lot location and determined it is cost prohibitive to relocate. We are now proceeding to finalize the automation system specifications for the current location and expect to complete the work March 30, 2013.	In Process	March 30, 2013
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".	Payless is disputing the finding and recommendation. To that end, Payless provided revenue numbers to support its contention. Audit staff is working with Tenant to reconcile differences between Audit findings and information provided by Tenant.	In Process	Unknown
12-32	AVIATION OPERATIONS & PUBLIC SAFETY	Audit Report #11031 dated February 22, 2012, San Diego Unified Port District Billings - FY10	18	Impact: 10 Probability: 8	We recommend that management request that the District switch their billing process from billing at the standard rate to billing the actual wages of the District employees that are providing the services on a monthly basis.	Due to the workload for the District to bill an actual rate, Accounting agreed that annually, they would meet with the Port's finance staff to review in detail how they calculated the new blended rates.	In Process: Once the OCA is notified that the President/CEO is aware of this recommendation's non-acceptance we will close it out.	November 2012
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.	Payless is disputing the finding and recommendation. To that end, Payless provided revenue numbers to support its contention. The OCA has requested data to support the new revenue numbers and Payless has, as yet, been unable to provide any new information	In Process	Unknown

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 Q1 September 30, 2012	OCA's Assessment	Estimated Completion Date
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.	DTG Operations, Inc. is disputing this recommendation. DTG has been in contact with AvCom and OCA staff to gain a better understanding of the recommendation and reconciliation of the Audit findings.	In Process	Unknown
12-47	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12016 dated June 28, 2012, Slayton Mechanical Contractors, Inc.	17	Impact: 8 Probability: 9	Facilities Management Department (FMD) should strengthen their internal controls over their contract management process. Specifically, FMD should ensure that their process entails adequate assurance over the risk of contractors not adhering to Agreement terms. This includes pre-approval of subcontractors, and review and approval of invoices, to ensure that Agreement terms regarding required documentation are adhered to prior to authorization to pay. Additionally, FMD should strengthen their internal process for contract monitoring to include formalization of inspection records by staff overseeing the work performed by consultants. These inspection records should be used to facilitate the acceptance and approval of invoices and supporting documentation.	No response or update was received from the Department.		
12-17	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12023 dated October 19, 2011, Host International	17	Impact: 8 Probability: 9	Aviation & Commercial Business Department (AvCom) should develop and document a comprehensive and efficient monitoring program that specifically targets concessionaire revenue and sales activity prior to implementation of the new Concession Development Program. In addition, ACB should verify the accuracy of financial data provided by concessionaires, prior to input into the E1 financial system by the Accounting Department, and then in turn, verify that the E1 data is congruent with the concessionaire's monthly reports.	AvCom is continuing to develop tools to support an increased level of oversight of concessions sales data in conjunction with the new program activation in December 2012.	In Process	December 2012

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of Q1 September 30, 2012	OCA's Assessment	Estimated Completion Date
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.	Due to the workload for the District to bill an actual rate, Accounting agreed that annually, they would meet with the Port's finance staff to review in detail how they calculated the new blended rates.	In Process: Once the OCA is notified that the President/CEO is aware of this recommendation's non-acceptance we will close it out.	November 2012
13-07	AVIATION SECURITY & PUBLIC SAFETY DEPARTMENT	Audit Report #12032 dated August 14, 2012, San Diego Unified Port District Billings - Fiscal Year 2011	16	Impact: 8 Probability: 8	We recommend that the Aviation Security & Public Safety Department notify District staff concerning the over-billing for the use of vehicles and NPE charges and determine the most appropriate method for the Authority to receive the \$100,789 incorrectly billed to the Authority.	The FY2011 SLA identifies an estimated amount of \$116,800 that the Authority agreed to reimburse the Port for Motive Equipment Costs. Authority Managements feels that the \$100,789 billed by the District to the Authority is appropriate.	In Process	Unknown
12-38	GROUND TRANSPORTATION DEPARTMENT	Audit Report #12001 dated April 25, 2012, Public Parking	15	Impact: 8 Probability: 7	Policies and procedures should be developed and instituted by Ground Transportation, the Planning and Operations division, and the Finance Division regarding all areas of public parking management.	Policies and procedures are 25% completed and will be 100% complete in March 2013.	In Process	March 2013

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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 Q1 September 30, 2012	OCA's Assessment	Estimated Completion Date
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.	A "blanket" approach to any form of fleet mgmt. is impractical since the use of vehicles at the airport varies by dept. Accepted Fleet Management practices are a combination of factors, which focus on the operational needs of the organization, as well as vehicle type and function. This eliminates a "one size fits all" approach to control and usage of the fleet. For example the use of large vans, for multi-passenger transport, dictates a different set of operational rules than a vehicle used to patrol the airside of the airport. We agree that each user dept. that has control over authority vehicles should institute controls that meet their operational needs, while ensuring only Authority authorized drivers have access to vehicles. A standardized set of check-out procedures for "poor" vehicles is currently available and can be modified to meet the needs of each dept. The procedure published in the Authority's Administrative Resource Guide outlines current requirements. A centralized process for vehicle fleet mgmt. already exists to manage the Authority's vehicle inventory. Although an updated automated system would assist in the existing process, it is not considered critical to the Authority's ability to properly manage the current fleet of vehicles.	Completed: Alternate steps implemented by Authority to mitigate risk.	N/A
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 on October 30, 2012, check #57149.	Completed	N/A

000221

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 Q1 September 30, 2012	OCA's Assessment	Estimated Completion Date
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.	FMD already reviews completion dates related to all task authorizations. The specific language of the contracts states; "Liquidated damages shall not be assessed when the delay is due to excusable causes beyond the control of and without the fault or negligence of teh Contractor, including acts of the Authority." The process used by FMD does not merely focus on the dates but also determines the circumstances surrounding the delay. This process is considered appropriate.	Completed	N/A
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: Once the OCA is notified that the President/CEO is aware of this recommendation's non-acceptance we will close it out.	Unknown
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.	AvCom has recognized the sometimes lengthy lead time needed to execute extensions. As such, AvCom will allow for more time in the future for extension notifications to be processed.	Completed	N/A

000222

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 Q1 September 30, 2012	OCA's Assessment	Estimated Completion Date
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.	It is already normal for FMD to report when a contractor defaults on any portion of an agreement. In the case of Sadler Electric, no official notification was received by FMD regarding the dissolution of the company. Once the insolvency had been verified notification was made to Risk Management. In addition a memo to file is prepared for future reference within the contract.	In Process	Unknown
13-03	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12005 dated July 19, 2012, Vehicle Fleet Management	12	Impact: 6 Probability: 6	Management should work with FMD and with the departments that have vehicles assigned to them in order to develop a centralized system of vehicle reservation and check-out. This system should consolidate all passenger vehicles into a single fleet in which authorized users may check-out a vehicle upon availability. Additionally, the system should require annual review of vehicle utilization, and provide recommendations for vehicle surplus and/or acquisition as needed to fulfill Authority needs.	A centralized check-out system would be ineffective due to the widely dispersed nature of airport operations. There are no less than four distinct locations "pools" of Authority vehicles. These "pools" have differing operational missions and dictate the need for a variety of vehicles. As an example: FDD and TDP require vehicles that are appropriate to a construction site. However, these two business units are not located in a close enough proximity to take advantage of a consolidated fleet. The same applies to Quieter Home Program which more appropriately requires a station wagon/sedan type of vehicle to fulfill their operational needs. These cannot be shared for administrative uses due to their remote location from the remaining portions of the Authority.	In Process: Once the OCA is notified that the President/CEO is aware of this recommendation's non-acceptance we will close it out.	Unknown

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of Q1 September 30, 2012	OCA's Assessment	Estimated Completion Date
12-45	FACILITIES MANAGEMENT DEPARTMENT	Audit Report #12016 dated June 28, 2012, Slayton Mechanical Contractors, Inc.	11	Impact: 5 Probability: 6	Facilities Management should consider submitting a request that Accounting prepare and issue an invoice to Slayton in the amount of \$10,800 for uncollected liquidated damages.	The specific language of the contract states: "Liquidated damages shall not be assessed when the delay is due to excusable causes beyond the control of and without the fault or negligence of the Contractor, including acts of the Authority. The instances stated were evaluated by FMD at teh time of the incidence and determined to be beyond the control of the contractor. No invoice will be issued.	In Process: Once the OCA is notified that the President/CEO is aware of this recommendation's non-acceptance we will close it out.	Unknown
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.	One vehicle was purchased by the Port and not the Authority and the other vehicle has not been sold. The Port will notify Accounting when it is sold and will provide an annual listing of vehicles to identify when vehicles are sold.	Completed	N/A

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of Q1 September 30, 2012	OCA's Assessment	Estimated Completion Date
12-49	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12022 dated June 29, 2012, Bi-Annual Airline Revenue Audit	10	Impact: 5 Probability: 5	Aviation & Commercial Business Department (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.	AvCom has met with Airport Noise Mitigation (ANM) staff and reviewed the Commercial Flight Operations Reports. The reports appear to provide data sufficient for a high level review of landing fees due the Authority, but not for use for reconciling airline accounts or billing purposes. AvCom is working with ANM to become more knowledgeable about the level of data available in raw form from ANM's systems to determine if other processes could be developed for such purposes.	Completed	N/A
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.	AvCom indicated that it was willing to invoice for any overpayment. To date we have not received notification or evidence that AirProjects was billed.	In Process	Unknown
12-40	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12033 dated April 30, 2012, Pacific Aircraft Maintenance	7	Impact: 3 Probability: 4	The Aviation and Commercial Business Department should initiate a request to Accounting to invoice Pacific for \$2,293 for underpayment of license fees. Additionally, Aviation and Commercial Business should inform Pacific that all revenue collected, including any attempt to recoup license fees through a fee on the airlines, must be included in gross revenue calculations, and failure to do so constitutes a violation of the Ground Handling Agreement terms.	AvCom is in the process of billing Pacific for the underpayment.	In Process	Unknown
12-42	AVIATION & COMMERCIAL BUSINESS DEPARTMENT	Audit Report #12033 dated April 30, 2012, Pacific Aircraft Maintenance	7	Impact: 4 Probability: 3	The Aviation and Commercial Business Department should notify Executive Air/Pacific that they are in violation of the Ground Handling Agreement with the Authority due to failure to maintain financial records, and should consider taking the required steps to terminate.	AvCom notified Pacific Aircraft at the time that the conclusion of the audit.	Completed	N/A