

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
Chairman

Greg Cox
Jim Desmond
Mark Kersey
Paul Robinson
Michael Schumacher
Mary Sessom
Mark B. West

AUDIT COMMITTEE and SPECIAL BOARD MEETING *

Ex-Officio Board Members

Cory Binns
Col. Jason Woodworth

President / CEO

Kimberly J. Becker

AGENDA

Monday, February 12, 2018
10:00 A.M.

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

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

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

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

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

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

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

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Hollingworth, Robinson (Chair), Sessom (Vice Chair), Tartre,
Van Sambeek, West

NON-AGENDA PUBLIC COMMENT:

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

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

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 20, 2017, special meeting.

2. FISCAL YEAR 2018 SECOND QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

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

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

3. CONSTRUCTION AUDIT REPORT:

RECOMMENDATION: Information item only.

Presented by: Callie Ullman, Senior Auditor

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

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

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

Additional Meeting Information

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

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

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

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

UPCOMING MEETING SCHEDULE

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
May 14	Monday	10:00 a.m.	Regular	Board Room
September 10	Monday	10:00 a.m.	Regular	Board Room
November 5	Monday	10:00 a.m.	Regular	Board Room

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MEETING
MINUTES
MONDAY NOVEMBER 20, 2017
BOARD ROOM

CALL TO ORDER: Chair Robinson called the Audit Committee Meeting to order at 10:00 a.m., on Monday, November 20, 2017, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Committee Member Tartre led the Pledge of Allegiance.

ROLL CALL:

Present: Committee Members: Hollingworth, Robinson (Chair), Schumacher, Sessom, Tartre

Absent: Committee Members: Gleason, Van Sambeek

Also Present: Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel; Tony R. Russell, Director, Corporate and Information Governance/ Authority Clerk; Linda Gehlken, Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT: None.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the September 11, 2017, regular meeting.

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

2. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2017, REPORTS: A) AUDITED FINANCIAL STATEMENTS, B) SINGLE AUDIT REPORTS, C) PASSENGER FACILITY CHARGE COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) LETTER TO THE BOARD:

David Coleman, CPA, Director, BKD, LLP provided a presentation on the Annual Audit – Year Ended June 30, 2017 which included 2017 Highlights, Assets and Deferred Outflows Composition Trends, Liabilities and Deferred Inflows

Composition Trends, Total Revenues and Capital Contributions Composition for the Year Ended June 30, 2017, Total Revenues and Capital Contributions Trends, Expense Composition for the Year Ended June 30, 2017, Expense Trends, and Other Relevant Trends.

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

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

3. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2017:

Kathy Kiefer, Senior Director, Finance and Asset Management, provided an overview of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2017.

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

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

4. FISCAL YEAR 2018 FIRST QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor and Fred Bolger, Manager, Audit Services provided a presentation on the Fiscal Year 2018 First Quarter Activities Report and Audit Recommendations which included Audit Activities, Audits in Progress as of September 30, 2017, Recommendation Follow-Up, Fiscal Year 2018 Measure Outcomes, and Summary of Ethics Inquiries.

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

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

5. REVISION TO THE FISCAL YEAR 2018 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Fred Bolger, Manager, Audit Services, provided an overview of the revision to the Fiscal Year 2018 Audit Plan of the Office of the Chief Auditor.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for approval.

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

NON-AGENDA PUBLIC COMMENT: None

COMMITTEE MEMBER COMMENTS: Chair Robinson announced that a search for a new Chief Auditor has begun due to the upcoming retirement of Mark Burchyett.

ADJOURNMENT: The meeting was adjourned at 10:25 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS ____ DAY OF FEBRUARY, 2018.

MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:

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

STAFF REPORT

Meeting Date: **FEBRUARY 12, 2018**

Subject:

Fiscal Year 2018 Second Quarter Activities Report and Audit Recommendations Issued by the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

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

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

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

The attached Fiscal Year 2018 Second Quarter Activity Report (Attachment A) summarizes the undertakings and accomplishments of the Chief Auditor's office from October 1, 2017, through December 31, 2017.

During the second quarter, the Office of the Chief Auditor completed six (6) audits of the Fiscal Year 2018 Audit Plan and issued one (1) recommendation. Appendix B of the activity report provides the status of audit recommendations awaiting implementation that were issued by the Office of the Chief Auditor.

A presentation on the Second Quarter activities of the Office of the Chief Auditor will be provided during a meeting of the Audit Committee on February 12, 2018.

Fiscal Impact:

None

Authority Strategies:

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

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

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

Application of Inclusionary Policies:

Not applicable

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

FISCAL YEAR 2018 SECOND QUARTER REPORT



February 2, 2018

Fiscal Year 2018 Second Quarter Report

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

Dear Mr. Robinson:

The Office of the Chief Auditor (OCA) presents our Fiscal Year 2018 Second Quarter Report. The report details both the audit and administrative activities of the OCA during the second quarter of Fiscal Year 2018, resolution of past audit findings, and information regarding the future plans of the OCA.

The Second Quarter Report will be presented at the next Audit Committee meeting scheduled for February 12, 2018.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mark A. Burchyett". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark A. Burchyett
Chief Auditor

Audit Results

During the second quarter, the OCA continued work, as authorized by the Audit Committee, on audits contained within the Fiscal Year 2018 Audit Plan. In total, during the second quarter the OCA issued six (6) audit reports. The audit reports included one (1) recommendation for management that dealt with an underpayment of concession fees and rents. The completed audits for the second quarter are listed in Figure 1 below.

Figure 1: Audits Completed During the Second Quarter of Fiscal Year 2018

Audit	Report No.	Date	Type of Audit
Smarte Carte, Inc.	18021	10/23/2017	Revenue Contract
Sign Age Identity Systems, Inc.	18014	11/28/2017	Expense Contract
PGC-PCI San Diego, LLC	18025	11/28/2017	Revenue Contract
Green Motion SAN, LLC	18037	12/11/2017	Revenue Contract
Advantage Opco, LLC d/b/a Advantage Rent A Car	18018	12/14/2017	Revenue Contract
Stellar Partners, Inc.	18023	12/19/2017	Revenue Contract

In addition to the completed audits, the Office of the Chief Auditor had ten (10) audits in progress as of December 31, 2017, as shown in Figure 2 below. Of the ten audits in progress, at the end of the quarter three (3) draft audit reports were being developed or had been forwarded to the affected department for review and comment at the close of the quarter.

Figure 2: Audits In-Progress as of December 31, 2017

Audit	Type of Audit
Aircraft Rescue and Fire Fighting (ARFF) Billing – FY 2017	Expense Contract
Biennial Airline Landing Fees	Revenue Contract
Business and Travel Expense	Internal Process
Chula Vista Electric Company	Expense Contract
Emergency Medical Technician-Paramedic Services	Expense Contract
San Diego Unified Port District Billing	Expense Contract
Signature Flight Support	Revenue Contract
Swinerton Builders	Expense Contract
The Hertz Corporation	Revenue Contract
Vehicle Fleet Management	Internal Process

Recommendation Follow-Up

To ensure that audit issues are addressed in a timely manner, the Office of the Chief Auditor tracks the status of its recommendations on an on-going basis. For the second quarter, the OCA tracked the implementation status of seven (7) recommendations that were issued during Fiscal Year 2018, or were outstanding as of June 30, 2017. As shown in Figure 3 below, four (4) of the recommendations have been completed or implemented while three (3) remain outstanding. See Appendix B for a complete listing of all outstanding recommendations and their status.

Figure 3: Status of Recommendations as of December 31, 2017

Recommendations:				
Tracked	Completed	In Progress	Open	Not Accepted
7	4	3	0	0

In tracking recommendations the OCA uses the following designations:

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

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

Figure 4: Status of Recommendations with Estimated Implementation Timeframe

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

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

Non-Audit Activities

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

Audit Committee Meetings:

The Audit Committee met on November 20, 2017. During that meeting, the Committee received the Fiscal Year 2017 audited financial statements, single audit report, Passenger Facility Charge compliance report, and Customer Facility Charge compliance report from BKD, LLP. Additionally, the Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR) was presented by Finance and the OCA presented its Fiscal Year 2018 First Quarter Activities Report. The next Audit Committee meeting is February 12, 2018.

Construction Audit Activity:

Construction Audit activity for the second quarter of 2018 consisted of the completion of the closeout audit of the Green Build. The OCA Construction Auditor remains involved with issues identified by the Airport Design and Construction team, Facilities Development team, and Authority Management, providing assistance and attending meetings specific to the aspects of the Authority's construction activity.

Ethics Compliance Program:

The OCA continues to run the Authority's Ethics Compliance reporting hotline. A summary of notifications received during the second quarter is available in Appendix A.

Performance Measures

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for Fiscal Year 2018, along with their current status, are detailed below in Figure 5.

Figure 5: Status of Performance Measures as of December 31, 2017

Performance Measure	Goal	Progress as of December 31, 2017
Percentage of the audit plan completed annually	100%	40%
Additional revenue/cost savings identified through audits	n/a	\$41,279
Percentage of staff time spent on audit activities	80% ¹	80%
Percentage of audits completed within budgeted time	80%	81%
Implementation of Recommendations	90%	79%

Percentage of the audit plan completed annually: This measure provides information on what has been accomplished regarding the planned audit projects for the year. To date the OCA has completed 40% of the plan and an additional 25% of the audit plan is currently in-progress. We also have established quarterly goals for the completion of our audit plan. For the second quarter, we had a completion goal of 54% of the audit plan.

Additional revenue/cost savings identified: While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. Through the second quarter of Fiscal Year 2018 we have identified \$41,279 in additional revenue, as noted in Figure 6 below:

Figure 6: Revenue and Cost savings Identified in Fiscal Year 2018

Audit	Revenue Identified	Revenue Collected
Mission Yogurt, Inc.	\$29,204	\$29,204
BW-Budget-SDA, LLC	9,243	9,243
Green Motion SAN, LLC	3,886	0
Paradies San Diego, LLC	<1,054>	<1,054>
Total	\$41,279	\$37,393

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 meeting its current goal of 80%.

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

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 is on target, completing 81% of its projects within the budgeted time.

Implementation of Recommendations: This goal measures the value that the OCA is providing to the Authority by measuring how audit recommendations have impacted the Authority. For the second quarter, eleven (11) of fourteen (14) recommendations were implemented. While the percentage of implemented recommendations is under our goal, we are on track to achieve the goal, with an aim to have 90% of our recommendations implemented within the year.

Going Forward

For completion during the third quarter of Fiscal Year 2018, the OCA has targeted all of the audits currently in progress and four (4) additional audits. The completion of these audits will result in the accomplishment of 75% of the Fiscal Year 2018 Audit Plan. Figure 7 identifies the audits scheduled for completion in the second quarter.

Figure 7: Audits Scheduled for Completion in the Third Quarter of Fiscal Year 2018

Audit	Type of Audit
Aircraft Rescue and Fire Fighting (ARFF) Billing – FY 2017	Expense Contract
Biennial Airline Landing Fees	Revenue Contract
Business and Travel Expense	Internal Process
Chula Vista Electric Company	Expense Contract
Emergency Medical Technician-Paramedic Services	Expense Contract
EZ Rent A Car	Revenue Contract
GAT Airline Ground Support Inc.	Revenue Contract
Hudson Group-CV-Epicure-Martinez San Diego (RP 2)	Revenue Contract
Leigh Fisher & Associates	Expense Contract
San Diego Unified Port District Billing	Expense Contract
Signature Flight Support	Revenue Contract
Swinerton Builders	Expense Contract
The Hertz Corporation	Revenue Contract
Vehicle Fleet Management	Internal Process

Ethics Hotline

October 1, 2017 – December 31, 2017

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
General Workplace Concerns					
Workplace Equitability	1	0	0	n/a	1
Workplace Practices/Behavior	4	3	0	n/a	1

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of December 31, 2017	OCAs Assessment	Estimated Completion Date
17-11	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17027, dated February 7, 2017, Spa Didacus, Inc.	15	Impact: 7 Probability: 8	The Business and Financial Management Department should develop a control to ensure that the completed Certification of Capital Investment, the related depreciation schedule, and proper supporting documentation, are received from every concessionaire as required by the Lease.	Business and Financial Management is in the process of finalizing a process with the Facilities Development Department.	In Progress	March 2018
18-08	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 18027, dated Sept. 12, 2017, Mission Yogurt, Inc. (FSP 4)	12	Impact: 6 Probability: 6	The Business and Financial Management Department should request that the Accounting Department issue an invoice to Mission Yogurt for the amount of \$29,204 for the underpayment of percentage rent.	Full payment was received.	Completed	N/A
16-08	PROCUREMENT DEPARTMENT/AUTHORITY MANAGEMENT	Audit Report 16001, dated June 21, 2016, Contract Management	11	Impact: 6 Probability: 5	Authority Management should ensure that a complete formal contract management procedure manual is in place in all departments to ensure compliance with Board policies, consistent practices, and proper internal controls. Manuals should be reviewed and updated as needed, on a regular basis, preferably at least every two years.	The structure and format of the draft manual is being updated so that it is consistent with the new intranet and internal documentation format to be rolled out by TCC in February 2018. The manual and links will be published after the transition has taken place.	In Progress	Third Quarter FY18
17-10	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 17017, dated November 17, 2016, Avis Budget Car Rental, LLC	11	Impact: 6 Probability: 5	We recommend that the Business and Financial Management Department develop a process to ensure that the Use & Occupancy Permit fixed rent is adjusted every July 1 of each calendar year using the Consumer Price Index, and determine if the underpayment of \$1,475 should be collected retroactively.	Processes were developed and are currently in place.	Completed	N/A

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

Rec. No.	Department Name	Audit Report Description	Risk Score	Risk	Recommendation	Status as of December 31, 2017	OCA's Assessment	Estimated Completion Date
18-02	INFORMATION & TECHNOLOGY SERVICES DEPARTMENT	Audit Report 17001, dated July 27, 2017, Telecommunications Services and Billing	10	Impact: 6 Probability: 4	We recommend that the Information & Technology Services (I&TS) Department document the applicable procedures for operating and modifying the AT&T services at the Authority and to document the procedures surrounding mobile devices. I&TS should consider maintaining a manual of these procedures that would be understandable for I&TS staff who are unfamiliar with these systems to operate them and to preserve the telecommunications functions.	All procedures are documented, and the I&TS staff are following the new procedures for AT&T and mobile devices. Operating procedures are documented and available for staff in ECMS.	Completed	N/A
18-07	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 18016, dated September 1, 2017, BW-Budget-SDA, LLC	8	Impact: 5 Probability: 3	We recommend that the Business and Financial Management Department issue an invoice to Budget in the amount of \$9,243 for the net underpayment of concession and Customer Facility Charge fees.	Full payment was received.	Completed	N/A
18-09	BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT	Audit Report 18037, dated December 11, 2017, Green Motion SAN, LLC	7	Impact: 4 Probability: 3	We recommend that the Business & Financial Management Department request that the Accounting Department issue an invoice to Green Motion SAN, LLC in the amount of \$3,886 for the net underpayment of concession fees and rents.	An invoice was issued with a due date of February 2018.	In Progress	February 2018

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.



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

Fiscal Year 2018
Second Quarter Audit Activities Report
and Audit Recommendations Issued by the
Office of the Chief Auditor

October 1, 2017, through December 31, 2017

Audit Committee Meeting
February 12, 2018

Presentation Overview

2nd Quarter Report

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

Audit Activities

- **Completed 6 audits during the 2nd Quarter**
 - **Business Process: 0**
 - **Expenditure Contract: 1**
 - **Revenue Contract: 5**
- **Ten (10) additional audits were in progress as of December 31, 2017**
- **Audit Results**
 - **Issued 1 Recommendation during the 2nd Quarter**

Audits in Progress as of December 31, 2017

Audit	Type of Audit	Status as of February 12, 2018
Aircraft Rescue and Fire Fighting (ARFF) Billing – FY 2017	Expense	Draft Report
Biennial Airline Landing Feeds	Revenue	Field Work
Business and Travel Expense	Internal Process	Field Work
Chula Vista Electric Company	Expense	Draft Report
Emergency Medical Technician – Paramedic Services	Expense	Field Work
San Diego Unified Port District Billing	Expense	Field Work
Signature Flight Support	Revenue	Draft Report
Swinerton Builders	Expense	Field Work
The Hertz Corporation	Revenue	Draft Report
Vehicle Fleet Management	Internal Process	Field Work

Recommendation Follow-Up

Status as of December 31st:

Tracked	Completed	In Progress	Open	Not Accepted
7	4	3	0	0

Status of Recommendations with Estimated Implementation Timeframe

Estimated Completion Timeframe	Completed Within Estimated	Completed Outside Estimated	Outstanding	Total
Zero to 6 Months	1	0	2	3
6 Months to 1 Year	1	2	0	3
Over 1 Year	0	0	1	1
Total	2	2	3	7

Fiscal Year 2018 Measure Outcomes

Performance Measure	Goal	Progress
Percentage of the audit plan completed annually	100%	40%
Additional revenue/cost savings identified through audits	n/a	\$41,279
Percentage of staff time spent on audit activities	80%	80%
Percentage of audits completed within budgeted time	80%	81%
Implementation of Recommendations	90%	79%

Summary of Ethics Inquiries

October 31, 2017, through December 31, 2017

	Number of Reports Received	Number Received Anonymously	Details Support Potential Code Violation (Ethics or Workplace)	Investigation of Concern	Response (email or phone to non-anonymous reports)
General Workplace Concerns					
Workplace Equitability	1	0	0	n/a	1
Workplace Practices/Behavior	4	3	0	n/a	1

QUESTIONS?

Construction Audit Report

February 12, 2018



Green Build Projects

Final Completion Date of Projects

- 05/12/2015 Baggage Handling System
- 01/28/2016 Landside Improvements
- 02/16/2016 Airside Expansion
- 05/27/2016 Terminal 2 West Expansion



Green Build Audit Activities

Roy W. Block Consulting

- Diagnostic Review
- TSA & AIP Funding Compliance
- Lookback Review
- Cost Allocation Analysis
- Funding Compliance Exposure Review



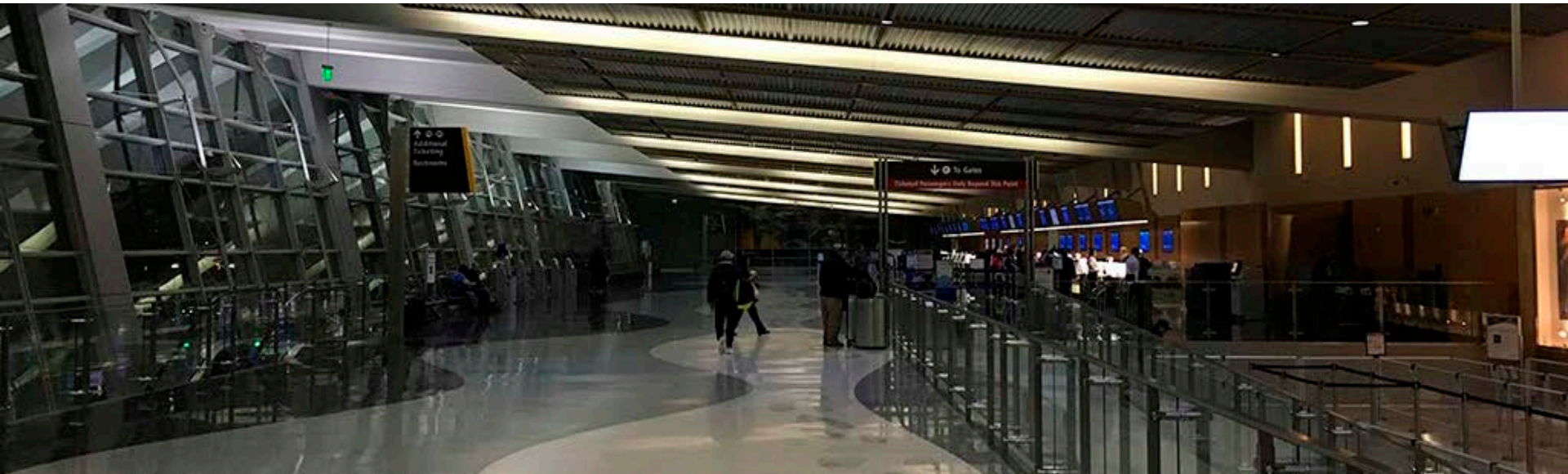
Green Build Audit Activities

Office of the Chief Auditor

- Contracting Process Audit
- Change Order Process Audit
- AECOM Project Management/Construction Management Audits
- GMP Payment Application Process Review
- Contingencies and Allowances Review
- David Brush Consulting Audit
- BHS Cost Reimbursement Eligibility Review
- Attic Stock Review
- Payment Application Review

Green Build Close Out Review

- Punch Lists
- Amendments & Change Orders
- Contingency and Allowance Usage
- Lien waivers
- Final Payments – Shared Savings Calculations



Team Effort

TDP/ADC

Finance

OCA



Questions?

