



STATUS UPDATE ON PLANS TO ENHANCE INTERNAL CONTROLS

Prepared by: The Office of Finance
Internal Controls & Compliance Division
Status Through: January 7, 2013



Progress Update

- Implemented control enhancements in the following areas:
 - Oracle System Access and Configuration
 - Accrual Processes
 - Credit Balances in Accounts Receivable
 - Documentation of Accounting Analysis and Conclusions
 - Terminated User Access Process
 - Review of Investment Purchases and Sales
 - Clearing Account Reconciliations
 - Reconciliation of Preauthorized ACH Payments
 - Review of Produced Invoices
 - Bad Debt Allowance Policy
 - Restricted Cash and Investments
 - Calculation and Review of Treasury Related Documents
 - Reconciliation of Net Assets by Classification per Reporting Standards
 - Controls Related to Pensions

- All remaining control enhancements are on track for implementation prior to completion of the 2012 year-end financial statement audit.

Controls Enhancement Dashboard

Action Item	Targeted Completion	% Complete*	Status	
1. Procedures over the Accounting, Monitoring, and Reporting of Capital Assets, including CIP, Capitalized Interest Costs, and Depreciation Should be Enhanced	Feb 2013**	75%	On Track	●
2. Oracle Sensitive Access Restrictions and Segregation of Duties Issues	Dec 2012	100%	Completed	✓
3. Procedures Surrounding the Accrual Estimation Process and Review Should be Enhanced	Dec 2012	100%	Completed	✓
4. Review of Credit Balances in Accounts Receivable Should be Enhanced	Nov 2012	100%	Completed	✓
5. Documentation on Accounting Analysis and Conclusions Should be Enhanced	Oct 2012	100%	Completed	✓
6. Reconciliation Performance and Review Should be Adequately Evidenced	Feb 2013**	80%	On Track	●
7. Terminated User Access Process Should be Enhanced	Sept 2012	100%	Completed	✓
8. Review of Investment Purchases/Sales Should be Enhanced	Oct 2012	100%	Completed	✓
9. Controls Over Accounting, Monitoring, Reporting of Inventory Activity Should be Enhanced	Feb 2013**	80%	On Track	●
10. The Understanding and Use of Clearing Accounts Should be Improved	Dec 2012**	100%	Completed	✓
11. Improvements to Configuration of Oracle System Should be Implemented	Dec 2012	100%	Completed	✓
12. The Reconciliation of Preauthorized ACH Payments Should be Enhanced	Sept 2012	100%	Completed	✓
13. The Review of Produced Invoices Should be Improved Prior to Production/Issuance	Nov 2012	100%	Completed	✓
14. Review Sufficiency of the Bad Debt Allowance Policy	Sept 2012	100%	Completed	✓
15. Review of Calculation of Restricted Cash & Investments Should be Enhanced	Oct 2012	100%	Completed	✓
16. Calculation and Review of Treasury Related Documents Should be Enhanced	Oct 2012	100%	Completed	✓
17. Preparation and Review of CAFR and Supporting Schedules Should be Enhanced	Apr 2013	75%	On Track	●
18. Perform Regular Reconciliation of Net Assets by Classification per Reporting Standards	Sept 2012	100%	Completed	✓
19. Enhance Review of Controls Related to Pensions	Aug 2012	100%	Completed	✓

* Estimate only based on perceived complexities, anticipated man-hours, and information available to-date. ** Revised Date.

INFORMATION PAPER FOR THE
AUDIT-LEGAL COMMITTEE
STATUS UPDATE ON PLANS TO ENHANCE INTERNAL CONTROLS
JANUARY 2013

PURPOSE

To provide a status update on the progress of enhancing and/or implementing identified internal controls.

BACKGROUND

The Airports Authority has been working to enhance and/or implement 19 specific internal control areas that were identified in mid-2012. To ensure complete and timely resolution, the Office of Finance developed detailed project plans with key milestones, target dates, and Responsible Offices. On a bi-weekly basis, Vice Presidents of the Responsible Offices have met to review status and determine appropriate course of action. The Internal Controls and Compliance Division within the Office of Finance has been independently verifying enhancements and implementations as they occur.

DISCUSSION

To date, 15 of the 19 controls have been fully addressed. The following actions have been taken:

- Oracle sensitive access restrictions and segregation of duties issues have been resolved;
- Procedures surrounding the accrual estimation process and review have been enhanced;
- Review of credit balances in accounts receivable has been enhanced;
- Documentation on accounting analysis and conclusion has been enhanced;
- Terminated user access process has been enhanced;
- Review of investment purchases and sales has been enhanced;
- The understanding and use of clearing accounts has been improved;
- Suggested improvements to the configuration of the Oracle system have been considered and addressed;
- Reconciliation of pre-authorized ACH payments has been enhanced;
- Review of produced invoices prior to production and issuance has been improved;
- The sufficiency of the bad debt allowance policy has been reviewed;

- The review over the calculation of restricted cash and investments has been enhanced;
- The calculation and review of Treasury-related documents has been enhanced;
- Regular reconciliation of net assets by classification per reporting standards is being performed; and
- Review of controls related to pensions has been enhanced.

In addition, significant progress has been made in the following areas:

- Reinstated quarterly capitalization meetings and provided cross-Department training for Oracle projects;
- Validated that the Oracle system calculates depreciation expense completely and accurately;
- Developed a comprehensive policy over the accounting, monitoring, and reporting of capital assets, including construction in progress, capitalized interest costs, and depreciation;
- Developed and implemented a new account reconciliation policy, for which the vast majority of financial account reconciliations have been brought current;
- Migrated bulk inventory data, which was historically tracked on a subsidiary system outside of Oracle, into the general ledger system; and
- Conducted year-end physical inventory counts at both Airports.

Completion of remaining open items will occur concurrently with delivery of the year-end audit and Comprehensive Annual Financial Report, which is anticipated by April 30, 2013.

CONCLUSION

Significant progress has been made to enhance/implement internal controls during 2012; however, it is important to note that these enhancements were not in effect for the full year. Accordingly, the 2012 financial audit could potentially identify recommendations which may have already been addressed by management.

Prepared by:

Office of Finance

January 2013