

**HILLSBOROUGH COUNTY
AVIATION AUTHORITY**

Tampa International Airport
2012 Master Plan Capital Projects

Prior Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

Authority Members and Chief Executive Officer

During the period October 2017 through April 2019, Joseph Lopano served as Chief Executive Officer and the following individuals served as Hillsborough County Aviation Authority members:

Robert I. Watkins, Chairman
Gary W. Harrod, Vice Chairman
Bob Buckhorn
Victor D. Crist through November 19, 2018
Arthur F. Diehl, III
Lesley Miller, Jr. from November 20, 2018

The team leader was Jeffrey M. Brizendine, CPA, and the audit was supervised by Derek H. Noonan, CPA.

Please address inquiries regarding this report to Michael J. Gomez, CPA, Audit Manager, by e-mail at mikegomez@aud.state.fl.us or by telephone at (850) 412-2881.

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**HILLSBOROUGH COUNTY AVIATION AUTHORITY
TAMPA INTERNATIONAL AIRPORT
2012 MASTER PLAN CAPITAL PROJECTS
Prior Audit Follow-Up**

SUMMARY

This operational audit of the Hillsborough County Aviation Authority (Authority) Tampa International Airport 2012 Master Plan capital projects focused on the progress that the Authority had made, or was in the process of making, in addressing the findings and recommendations in our operational audit report No. 2018-080. Our audit disclosed that the Authority had corrected 8 findings (Findings 2, 3, 4, 6, 8, 9, 10, 12), partially corrected 3 findings (Findings 1, 5, and 11) and did not correct Finding 7.

BACKGROUND

The Hillsborough County Aviation Authority (Authority) was created in 1945 as an independent special district.¹ The Authority manages airport facilities and grants airport concessions to further the development of commerce and tourism in or affecting the Tampa Bay area and the State.

The Authority is composed of five members, which include the Mayor of the City of Tampa; one member of the Hillsborough County Board of County Commissioners (BCC), who is selected by the BCC; and three members who are appointed by the Governor for 4-year terms. Whenever a new member is appointed by the Governor, the Authority elects the Chairman, Vice Chairman, Secretary, Treasurer, Assistant Secretary, and Assistant Treasurer. The Authority employs a Chief Executive Officer who is responsible for the day-to-day administration, management, and operation of the Authority in accordance with policies established by the members. As of June 2019, the Authority employed 650 individuals.

FINDINGS AND RECOMMENDATIONS

Finding 1: Selection of Professional Services

Previously Reported

The Authority did not document, nor did Authority policies and procedures require, justification for deviations from Technical Evaluation Committee (TEC) rankings of respondents to requests for professional service proposals and qualifications. In addition, written instructions explaining how to apply predetermined criteria when rating respondents were not available for TEC member use.

We recommended that Authority policies and procedures governing the procurement of professional services be revised to require documented justification for Authority deviations from TEC rankings. In addition, we recommended that the Authority ensure that TEC members are provided written instructions

¹ Hillsborough County Aviation Authority Act, Chapter 23339-825, 1945 Laws of Florida, was superseded by Chapter 2003-370, Laws of Florida, which was superseded by Chapter 2012-234, Laws of Florida (enabling Act).

that explain how to apply criteria when rating request for proposals (RFP) and request for qualification (RFQ) respondents.

Results of Follow-Up Procedures

The Authority partially corrected this finding. Our examination of Authority records disclosed that, as of August 2019, the Authority had not revised any policies governing the procurement of professional services. According to Authority management, Authority policies allow the Board to deviate from TEC rankings, within the criteria of the specific solicitation, with meeting minutes and recordings documenting the decision-making process.

We also found that TEC member guidelines were revised to require TEC members to base their evaluations on criteria and methodologies contained in the RFPs and RFQs and to include more thorough criteria descriptions in the RFPs and RFQs. The guidelines, however, did not require written instructions to the TEC members explaining how to apply respondent rating criteria. For example, a criterion related to the selection of a design-build contractor for a 2012 Master Plan project awarded in June 2018 was titled “location and approach.” Regarding location, the RFQ requested the addresses of the key and support staff during the design phase, and anticipated addresses during the construction phase of the project. However, TEC members were not provided any written guidance explaining how the locations of key and support staff should be evaluated and ranked. Policies requiring documented justification for Authority deviations from TEC rankings and written instructions to the TEC members for rating respondents would enhance the transparency of the procurement process and demonstrate the Authority’s commitment to the fair, equitable, and economical procurement of services.

To determine whether the Authority complied with State law, Authority policies and procedures, and good business practices, we examined Authority records supporting the selection of the six professional service contractors awarded contracts associated with the 2012 Master Plan Capital Projects (2012 Plan) during the period October 2017 through April 2019. The contracts awarded to two of the six contractors totaled \$91.3 million and the amounts of the contracts awarded to the remaining four contractors were to be determined based upon future services rendered pursuant to fee schedules established in the contracts.

Our examination disclosed that the Authority awarded the contracts to the contractors who were ranked highest by the TEC. However, although the RFPs or RFQs included thorough evaluation criteria descriptions for ranking respondents, the Authority did not provide to the TEC members written instructions explaining how to apply the criteria when rating RFP and RFQ respondents. Such instructions would provide additional assurance that TEC members consistently and appropriately applied the criteria.

Recommendation: We continue to recommend that Authority policies and procedures governing the procurement of professional services be revised to require documented justification for Authority deviations from TEC rankings. In addition, we continue to recommend that the Authority provide TEC members written instructions explaining how to apply criteria when rating RFP and RFQ respondents.

Finding 2: Artwork Expenditures

Previously Reported

The Authority established an Art Program budget of \$3.5 million; however, Authority records did not demonstrate the legal authority for, or necessity of, the Art Program. In addition, the Art Program policy² did not prescribe a reasonable and systematic methodology for determining the amount of Authority funds to be expended for artwork.

We recommended that the Authority revise its Art Program policy to:

- Specify the provisions of the Hillsborough County Aviation Authority Act³ or other law supporting the establishment of the Art Program.
- Specify how the Art Program promotes procuring artwork in the most economical way possible commensurate with acceptable quality.
- Prescribe a reasonable and systematic methodology for determining the amount, either in dollars or as a percentage of project costs, of Authority funds to be expended for artwork.

Results of Follow-Up Procedures

The Authority corrected this finding. Our examination of Authority records and discussions with Authority personnel disclosed that in September 2018 the Authority revised its Art Program policy to:

- Specify that the Hillsborough County Aviation Authority Act provides the Authority with the powers to employ or contract with technical and professional experts to exercise powers granted by the Act, fulfilling the purposes of the Act, and doing all things necessary for the promotion of the Authority's business and general welfare.
- Require artwork to be procured in accordance with the Authority's procurement policies and procedures to ensure that artwork is procured in the most economical manner commensurate with acceptable quality.
- Authorize up to 2 percent of the amount of construction costs within the Authority's capital improvement program to be used for public-facing artwork projects.

In May 2019, the Authority initiated a second invitation to artists for the commissioning of nine art pieces ranging from \$100,000 to \$520,000 each, not to exceed a total of \$3.1 million. Of this amount, \$1.4 million was included in the original Phase 1 project art budget of \$3.5 million, which was 1 percent of the \$350 million of the budgeted 2012 Plan Phase 1 construction projects accessible to the public. The remaining balance of \$1.7 million was budgeted as 1 percent of the \$174 million of budgeted construction costs of the public-facing 2012 Plan Phase 2 projects in accordance with the Authority's Art Program policy.

² Aviation Authority Policy P106 – *Public Art Committee*.

³ Chapter 2012-234, Laws of Florida.

Finding 3: Contract Change Order Policy

Previously Reported

Authority policies⁴ required that contract change orders cumulatively exceeding a specified threshold be presented for Authority approval; however, the policies did not prohibit the inclusion of change orders for owner-direct purchases (ODPs) of construction materials when calculating the amount of cumulative change orders. As the inclusion of ODP change orders reduces the cumulative change order amount, there is an increased risk for other change orders to cumulatively exceed the threshold without Authority approval.

We recommended that Authority personnel monitor implementation of the policy revision to ensure that change orders for ODPs of construction materials are excluded from the cumulative change order balance used to determine those change orders requiring Authority approval.

Results of Follow-Up Procedures

The Authority corrected this finding. We noted in our audit report No. 2018-080 that, subsequent to our inquiry, the Authority approved a policy revision in October 2017 that clarified that the execution of ODP change orders will not modify the cumulative total of contract changes. Our examination of Authority records and discussions with Authority personnel disclosed one change order for ODPs related to the 2012 Plan during the period October 2017 to April 2019 that reduced the contract amount by \$9.6 million. We found that the change order was appropriately excluded from the cumulative change order balance in accordance with the policy revision.

Finding 4: Disbursement Processing

Previously Reported

The Authority did not always process invoices for payment of construction costs within the time frames specified by State law.

We recommended that the Authority take appropriate actions to improve the timeliness of invoice and payment request processing to ensure payments are made in compliance with the time frames specified by State law.⁵

Results of Follow-Up Procedures

The Authority corrected this finding. Our examination of Authority records and discussion with Authority personnel disclosed that, in May 2018, the Authority updated its procedures to require compliance with the statutory prompt payment requirements. Additionally, as of August 2018, the Authority's Finance Department is responsible for monitoring the timeliness of invoice payments.

To determine whether the Authority made prompt construction payments relating to the 2012 Plan, we selected for examination 35 payments totaling \$2.3 million from the population of 612 payments totaling

⁴ Aviation Authority Policy P410 – *Procurement*.

⁵ Chapter 218, Part VII, Florida Statutes.

\$40.1 million during the period October 2017 through April 2019. We found that the selected payments complied with the time frames specified by State law.

Finding 5: Monitoring of Subcontractors

Previously Reported

The Authority needed to enhance procedures for verifying that subcontractors are properly licensed and selected using a competitive process and that subcontractor bid awards, contract amounts, and related payments agree.

We recommended that the Authority enhance its policies and procedures to include verification that:

- Subcontractors are appropriately licensed before they commence work on Authority facilities and maintain documentation of such verification in Authority records.
- Construction management entities (CME) selected subcontractors using a competitive selection process and subcontractor bid awards, contract amounts, and related payments agree. Such policies and procedures should require Authority personnel to attend subcontractor bid openings and document comparisons of the subcontractor bid awards, contract amounts, and related payments.

Results of Follow-Up Procedures

The Authority partially corrected this finding. Our discussions with Authority personnel disclosed that, in February 2018, the Authority revised the design-build standard contract to require design-build contractors to provide the Authority with applicable subcontractor licenses before the Authority pays the design-build contractors. Our examination of Authority records and discussions with Authority personnel disclosed that, during the period October 2017 through June 2019, the Authority initiated three 2012 Plan construction projects including:

- Two design-build (DB) projects with guaranteed maximum price (GMP) contracts. The DB contractor selected the three subcontractors for the projects after the GMP contract was entered.
- A design-bid-build (DBB) project. The DBB contractor selected the four subcontractors for the project before the DBB contractor submitted a bid proposal to the Authority.

Authority personnel indicated that they chose to obtain subcontractor licenses subsequent to the DB and DBB contractors' selection of subcontractors, but prior to payments to subcontractors, so that the responsibility for subcontractor license verification did not shift from the DB and DBB contractors to the Authority. To determine whether the seven subcontractors were appropriately licensed before they commenced work on the three 2012 Plan projects, we requested for examination Authority records supporting the subcontractor licenses. One subcontractor had commenced work on Authority facilities and the DB contractor had obtained and provided to the Authority, before commencement of work and payment, evidence that the subcontractor was appropriately licensed. Although the DB and DBB contractors awarded subcontracts to six other subcontractors, as of August 2019, the six subcontractors had not commenced work on the Authority projects and the DB and DBB contractors had not provided the subcontractors' license information to the Authority.

To ensure that subcontractor bid awards, subcontract amounts, and related payments agree, the Authority revised the 2012 Plan construction payment application review processes and checklists to require that requests for subcontractor payments be compared to subcontractor contracts, including change orders, to verify that they matched. In addition, Authority Planning and Development personnel obtain subcontractor bid tabulations identifying the bid awards and compare the bid award amounts to the GMP schedule of values (SOV). Our examination of Authority construction payment records for the only subcontractor who had been paid as of July 2019 disclosed that Authority personnel documented reconciliations of the construction bills applicable to subcontractor work to the underlying subcontractor bid awards, subcontract amounts, change orders, and the GMP SOV before the payments were made.

The Authority also revised the CME standard contract to require CMEs to submit to the Authority the competitive selection plan to be used for subcontractor selection. The plan is to include the dates of subcontractor pre-bid meetings, bid submittal dates, and dates to meet with the Authority to review subcontractor bids. However, Authority policies were not amended to require Authority personnel to attend bid openings.

Our examination of Authority records for the two DB projects disclosed that Authority personnel did not attend the bid openings and only acknowledged subcontractor selections after the CME had awarded the subcontracts. In response to our inquiries, Authority management asserted that, since the DB firms are responsible for subcontractor selection, it is unnecessary for Authority personnel to attend subcontractor bid openings. Notwithstanding this response, absent Authority policies and procedures requiring verification that CMEs used a competitive process for selecting subcontractors after Authority construction projects are awarded, there is an increased risk that the Authority may not fully realize all potential cost savings.

Recommendation: We recommend that the Authority continue efforts to document assurance that subcontractors are appropriately licensed before they commence work on Authority facilities. In addition, Authority policies and procedures should be revised to require Authority personnel attend subcontractor bid openings to verify the competitive selection of subcontractors selected for Authority construction projects.

Finding 6: Unallowed Grant Expenditures

Previously Reported

Authority procedures need enhancement to ensure that only capital project expenditures meeting the Florida Department of Transportation (FDOT) Aviation Grants Program⁶ eligibility guidelines are submitted for reimbursement.

We recommended that the Authority revise its procedures to ensure that only expenditures meeting the eligibility guidelines of the Aviation Grants Program are submitted to the FDOT for reimbursement.

Results of Follow-Up Procedures

The Authority corrected this finding. Our examination of Authority records and discussions with Authority personnel disclosed that, during November 2017 and January 2018, Authority personnel and

⁶ Aviation Development Grants (Catalog of State Financial Assistance No. 55.004).

the Authority 2012 Plan contracted invoice payment processor received grant reimbursement policies and procedures training.

During the period May 2018 through June 2019, the Authority submitted four grant reimbursement requests to the FDOT for expenditures totaling \$16 million. The FDOT, pursuant to the grant agreement 50-percent reimbursement requirement, reimbursed \$8 million to the Authority. We examined Authority records supporting 30 selected invoices totaling \$8.4 million included in those requests and determined that the expenditures met the Aviation Grants Program eligibility guidelines.

Finding 7: Salary Adjustments

Previously Reported

Authority records did not demonstrate why proposed salary adjustments for executive team members were not openly discussed at a public Authority meeting or clearly demonstrate the advantages of withholding salary adjustment information from public discussion. In addition, Authority members were not provided certain information pertinent to the salary adjustments, and the usefulness of a consultant report as a basis for the salary adjustments was limited.

We recommended that the Authority ensure that future executive team member salary adjustments are:

- Openly discussed at public Authority meetings or records are maintained to clearly demonstrate the advantages of withholding salary adjustment information from public discussion.
- Based on thorough and complete analysis of salary data obtained from industry-specific sources.

Results of Follow-Up Procedures

The Authority had not corrected this finding. Our examination of Authority records and discussion with Authority personnel indicated that, as of August 2019, the Authority had not discussed any policy revisions for executive team salary adjustments at any public Authority meetings. In response to our inquiry, Authority personnel indicated that the enabling Act⁷ provides for Authority approval of the personnel count and salary ranges during the annual budget process. The Act also authorizes the Chief Executive Officer to establish positions, duties, and a pay plan for personnel within those salary ranges and does not require such salary adjustments to be discussed at a public meeting. Notwithstanding, open discussion of salary adjustments at public meetings enhances transparency, demonstrates the Authority's consideration of the appropriateness of the salary adjustments, and allows for public discussion regarding the reasonableness of any such adjustments.

In January 2019, the Chief Executive Officer made salary adjustment increases ranging from \$14,037 to \$19,779, or 5 percent to 7 percent, of the salaries for three executive team members without any discussions about the salary adjustments at a public Authority meeting. In response to our request, Authority records were provided that indicated that Authority personnel based the adjustments on an in-house salary analysis comparing Authority job titles and functions with those of positions with similar job titles (for example, senior vice-president) Authority personnel believed were comparable at other public agencies and airports. Notwithstanding, the salary adjustment analysis was limited to three local

⁷ Chapter 2012-234, Laws of Florida.

governments, three State universities, and the Dallas/Fort Worth International Airport. In addition, the local governments and State universities do not engage in airport operations and the Dallas/Fort Worth International Airport is much busier than the Tampa Bay International Airport.⁸ Consequently, Authority records did not demonstrate why the seven selected entities were comparable or useful for salary analysis purposes. Salary data from organizations that are not substantially similar to the Authority limits the usefulness of the data in determining the reasonableness of Authority salaries.

Recommendation: To enhance transparency, we continue to recommend that the Authority either openly discuss future executive team member salary adjustments at public meetings or maintain records that clearly demonstrate the advantages of withholding salary adjustment information from public discussion. We also continue to recommend that such salary adjustments be based upon a thorough and complete analysis of salary data obtained from industry-specific sources.

Follow-Up to Management's Response

Management indicated in its written response that the Authority's enabling act provides that the CEO "shall establish positions, duties, and a pay plan...for personnel" and that public agencies do not commonly discuss individual staff salaries in governing board meetings. Notwithstanding this response, Authority records did not demonstrate the advantage for not openly discussing executive team member salary adjustments at public meetings. Such discussions enhance transparency, demonstrate the Authority's consideration of the appropriateness of the salary adjustments, and allow public discussion regarding the reasonableness of any such adjustments.

In addition, Management believes that the seven entities selected for the salary analysis are comparable and useful due to their similar job titles, similar scopes of responsibility, and the fact that they were based in the same job market or industry. However, the seven entities in the salary analysis are neither comparable nor useful as the local governments and State universities do not engage in airport operations, and the Dallas/Fort Worth International Airport is much busier than the Tampa Bay International Airport. As such, we continue to recommend that salary adjustments be based upon a thorough and complete analysis of salary data obtained from comparable industry-specific sources, such as other airports with similar levels of activity.

Finding 8: Budget Preparation and Adoption

Previously Reported

Authority-approved budgets for the 2015-16 and 2016-17 fiscal years included projected operating revenues and expenditures; however, contrary to State law,⁹ the budgets did not include the balances brought forward from the respective prior fiscal years.

We recommended that the Authority ensure that future budgets include all balances brought forward from prior fiscal years as required by State law.

⁸ According to the Federal Aviation Authority Air Carrier Activity Information System, for the 2017 calendar year Dallas/Fort Worth International Airport had 31.8 million enplanements (passenger boardings), and Tampa International Airport had 9.5 million passenger enplanements.

⁹ Section 189.016(3), Florida Statutes.

Results of Follow-Up Procedures

The Authority corrected this finding. Our examination of Authority records disclosed that the 2017-18 fiscal year-end balances totaling \$53.6 million were brought forward and added to the \$11.7 million 2018-19 fiscal year expected increase to reserves, less the \$2.1 million debt service required contribution to the operating reserve, resulting in total budgeted reserves in the 2018-19 fiscal year beginning budget of \$63.2 million.

Finding 9: Capital Development Program Budget

Previously Reported

The Authority-approved 2016-17 fiscal year budget and amendments thereto did not include the estimated expenditures to be incurred, or the amount appropriated, for each project during the current fiscal year as required by State law and recommended by Government Finance Officers Association (GFOA) best practices.

We recommended that the Authority ensure that the annual budget includes, for each project, the amount appropriated for the capital project expenditures expected to be incurred in the budget fiscal year as required by the enabling Act¹⁰ and recommended by GFOA best practices.¹¹

Results of Follow-Up Procedures

The Authority corrected this finding. Our examination disclosed that the Authority's 2018-19 fiscal year budget included, for each project, the amount appropriated for the capital project expenditures expected to be incurred in the 2018-19 budget fiscal year. The capital project expenditures expected to be incurred in the 2018-19 budget fiscal year totaled \$159.2 million.

Finding 10: Budget Amendments

Previously Reported

Contrary to State law,¹² the Authority did not post a budget amendment to the 2016-17 fiscal year budget on its Web site for two new projects with projected costs totaling \$132.4 million. In addition, Authority procedures were not consistent with State law as the procedures allowed budget amendments to be posted to the Web site within 30 days after adoption, instead of within 5 days after adoption, and did not require amendments to remain on the Web site for at least 2 years.

We recommended that the Authority continue efforts to ensure budget amendments are posted on the Authority Web site within 5 days after adoption. The Authority should also require and ensure that future budget amendments remain on the Authority Web site for at least 2 years as required by State law.

¹⁰ Chapter 2012-234, Section 6.(1)(e), Laws of Florida.

¹¹ GFOA Best Practice, *Incorporating the Capital Budget into the Budget Document* (January 2016).

¹² Section 189.016(7), Florida Statutes.

Results of Follow-Up Procedures

The Authority corrected this finding. We noted in our audit report No. 2018-080 that, subsequent to our inquiry, Authority personnel revised procedures in August 2017 to require that budget amendments be posted to the Web site within 5 days after adoption. Our examination of Authority records disclosed that, on April 5, 2018, the Authority approved two budget amendments totaling \$9.7 million¹³ and posted the amendments to the Authority's Web site. As of August 2019, the Authority had retained those amendments on the Web site in accordance with State law.

Finding 11: Audit Committee

Previously Reported

The Authority's audit committee policy¹⁴ could be enhanced to require each audit committee member to possess or obtain a basic understanding of governmental financial reporting and auditing; the committee have access to the services of at least one financial expert; the committee be composed of at least three members, rather than two members; and the committee present annually to the Authority a written report on how the committee discharged its duties and met its responsibilities.

We recommended that the Authority revise the audit committee policy to incorporate GFOA best practices.¹⁵

Results of Follow-Up Procedures

The Authority partially corrected this finding. Our examination of Authority records disclosed that, in November 2019, the Authority revised the audit committee policy to add a third member from the Authority Board of Directors. However, as of that date, the policy did not incorporate other essential GFOA best practices. Specifically, the policy did not require each audit committee member to possess or obtain a basic understanding of governmental financial reporting and auditing or require the audit committee to have access to the services of at least one financial expert, either a committee member or an outside party engaged by the committee. Additionally, the policy did not require the audit committee to present annually to the Authority a written report on how the committee discharged its duties and met its responsibilities.

Recommendation: We continue to recommend that the Authority audit committee policy be enhanced to require audit committee members to possess or obtain a basic understanding of governmental financial reporting and auditing or have access to the services of at least one financial expert, and that the committee present annually to the Authority a written report on how the committee discharged its duties and met its responsibilities.

Follow-Up to Management's Response

Management indicated in its written response that, after careful consideration, the audit committee members agreed that the audit committee policy did not need to be revised. Notwithstanding, as GFOA best practices contribute to improved government management and aim to promote and facilitate positive

¹³ Resolution Nos. 2018-39 and 2018-41.

¹⁴ Aviation Authority Policy P104 – *Audit Committee*.

¹⁵ GFOA Best Practice, *Audit Committees* (October 2018).

change, we continue to recommend that the Authority audit committee policy be enhanced to incorporate the essential audit committee best practices identified by the GFOA.

Finding 12: Access Controls

Previously Reported

A consultant engaged by the Authority determined that, during a project to expand the Authority's enterprise resource planning system (ERP Project), a lack of information technology (IT) security controls existed on servers within the ERP Project test environment. Because certain ERP security features were not enabled within the ERP Project test environment, the consultant could not provide a full and complete accountability analysis of the contracted firm employees' user activity within the ERP Project test environment. In addition, one contracted firm employee was given significantly more access than other contracted firm employees, including access to the Authority network outside the ERP Project test environment. Authority records did not evidence whether this employee had unauthorized access to certain protected or sensitive information.

We recommended that the Authority continue its efforts to ensure the appropriateness of access privileges assigned to Authority and contracted firm employees to prevent unauthorized access to Authority data and IT resources. In addition, we recommended that the Authority document, of record, whether the above-noted contracted firm employee had unauthorized access to any protected¹⁶ or sensitive¹⁷ information.

Results of Follow-Up Procedures

The Authority corrected this finding. Our discussions with Authority IT Department personnel disclosed that IT users must first logon to the Authority network before logging on to the Authority's ERP Project applications, including the production and test environments. IT Department personnel also indicated that the Authority's protected and sensitive information is only maintained in the ERP Project production environment and that IT Department controls restrict contractors to the ERP Project test environment. Our examination of Authority records for the period December 2017 through July 2019 disclosed that the IT Department monitors IT resource access privileges to detect unauthorized access, and the records did not disclose any inappropriate access.

In July 2017, the IT Department documented a review of IT user access privileges for the contracted firm employee with unauthorized network access disclosed in our audit report No. 2018-080 and determined that the employee only had access to the network accounts necessary to perform contracted job duties and to the ERP Project test environment. Consequently, the contracted firm employee did not have access to the Authority's protected and sensitive information.

¹⁶ Protected information includes any information exempted from public inspection by law. For example, employee social security information is exempted from public inspection by Section 119.071(4)(a)1., Florida Statutes, and bank account, debit, charge, and credit card numbers are exempted from public inspection by Section 119.071(5)(b), Florida Statutes.

¹⁷ Sensitive information may include, for example, employee personal home addresses or telephone numbers not explicitly exempted from public inspection by law.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the Hillsborough County Aviation Authority (Authority) and issued our report No. 2018-080 in December 2017. Pursuant to Section 11.45(2)(j), Florida Statutes, the objective of this audit was to perform, no later than 18 months after the release of that report, appropriate follow-up procedures to determine the Authority's progress in addressing the findings and recommendations contained within report No. 2018-080.

We conducted this follow-up audit from May 2019 through August 2019 in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the follow-up audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the follow-up audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our follow-up audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the audit period of October 2017 through April 2019, and selected Authority actions taken prior and subsequent thereto. Our audit included the examination of pertinent Authority records and transactions, inquiry of Authority personnel, observation of procedures in practice, and additional follow-up procedures as appropriate. Unless otherwise indicated in this report, records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

Specifically, we:

- Reviewed applicable laws, bond covenants, contracts, grant agreements, and Authority policies and procedures, and interviewed Authority personnel to gain an understanding of the Authority's processes related to the scope of the audit.
- Reviewed reports issued by the Authority's Internal Audit Division and contracted consultants during the audit period related to the 2012 Plan. We also evaluated the Authority's progress in resolving findings from those audit reports related to the scope of the audit.
- Examined Authority meeting minutes for the period October 2017 through April 2019, and selected actions taken prior and subsequent thereto, to determine the propriety and sufficiency of actions taken related to the scope of the audit.
- Examined Authority records supporting the six professional service contractors associated with the 2012 Plan during the audit period to determine whether they were selected in accordance with State law, Authority policies and procedures, and good business practices.
- Examined revisions to the Authority's Art Program policy and determined whether the Authority complied with the revised policy for the second phase of artwork projects related to the 2012 Plan.
- Examined Authority records, including the \$9.6 million change order for owner-direct purchases (ODP) related to the 2012 Plan occurring during the audit period, to determine whether the ODP change order amount was appropriately excluded from the cumulative change order balance in accordance with the Authority's revised policy.
- Examined Authority records supporting 35 selected payments totaling \$2.3 million from the population of 612 payments totaling \$40.1 million during the audit period to determine whether the payments were within the time frames established by Chapter 218, Part VII, Florida Statutes (Local Government Prompt Payment Act).
- Examined Authority records to evaluate the process for selecting the seven subcontractors who would provide services for the 2012 Plan construction projects during the audit period and whether those subcontractors were properly licensed.
- To determine whether requests submitted to the Florida Department of Transportation for reimbursement during the period May 2018 through June 2019 for expenditures totaling \$16 million met the Aviation Grants Program eligibility guidelines, examined Authority records supporting 30 selected invoices totaling \$8.4 million included in those requests.
- Inquired of Authority management and reviewed Authority minutes for discussions of salary adjustments to selected Authority personnel and evaluated any such pay increases to determine whether resultant compensation was based on a thorough and complete analysis of salary data obtained from industry-specific sources.
- Examined the Authority's adopted budget for the 2018-19 fiscal year, and budget amendments for the 2017-18 and 2018-19 fiscal years, to determine compliance with Section 189.016, Florida Statutes; Chapter 2012-234, Laws of Florida (the Authority's enabling Act); and Authority policies and procedures.
- Reviewed the Authority's Audit Committee policy to determine if it had been revised to incorporate GFOA best practices.
- Evaluated Authority efforts to ensure the appropriateness of access privileges granted to Authority and contracted firm employees to prevent unauthorized access to Authority data and information technology resources. Also, we evaluated the adequacy of Authority's follow-up procedures to determine whether the contracted firm employee had unauthorized access to any protected or sensitive information.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.

- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large, stylized initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Peter O. Knight Airport
Plant City Airport
Tampa Executive Airport



February 20, 2020

Hillsborough County
Aviation Authority
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Sherrill F. Norman
Auditor General
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Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Enclosed is our response to the January 22, 2020, preliminary and tentative audit findings and recommendations made as the result of your operational audit of the Hillsborough County Aviation Authority, Prior Audit Follow-Up.

I would like to thank you for the opportunity to respond to the preliminary and tentative audit findings for inclusion in the final report.

Per your request, this response is being submitted electronically. If you have any questions, please contact our Director of Internal Audit, Laura Tatem, at 813-870-8774.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary W. Harrod".

Gary W. Harrod
Chairman, Board of Directors
Hillsborough County Aviation Authority

c: HCAA Board of Directors
Joseph Lopano, Chief Executive Officer

Joseph W. Lopano, Chief Executive Officer | Gary W. Harrod, Chairman | Robert I. Watkins, Vice Chairman
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Peter O. Knight Airport
Plant City Airport
Tampa Executive Airport

February 20, 2019

Tampa International Airport's Responses to the Florida Auditor General Preliminary and Tentative Audit Findings

The Authority management appreciates the Auditor General's comprehensive and thorough review of the progress made in addressing the findings and recommendations from the original audit performed in 2017. The Authority is committed to openness and transparency and operating to the highest standards of fiscal responsibility.

Finding 1: Selection of Professional Services

Recommendation: We continue to recommend that Authority policies and procedures governing the procurement of professional services be revised to require documented justification for Authority deviations from TEC rankings. In addition, we continue to recommend that the Authority provide TEC members written instructions explaining how to apply criteria when rating RFP and RFQ respondents

Response: *Authority Management's Technical Evaluation Committees currently follow best practices for rating RFP and RFQ respondents, as evidenced by the Authority's attainment of the highest possible accreditation from the National Institute of Government Procurement. Final selections by the Authority allow for deviations from TEC rankings, within the criteria of the specific solicitation, with meeting minutes and recordings documenting the decision-making process. As noted by the Auditor General, TEC member guidelines were revised subsequent to the original audit report and the RFPs and RFQs tested during the follow-up audit included thorough evaluation criteria descriptions for ranking respondents. In an effort to further enhance the process outlined in Standard Procedure S410.04, we have added language to describe the requirement for all new TEC members to attend a review of the solicitation process and Standard Procedure S410.04; to observe another TEC session prior to their participation, when possible; and to attend a pre-evaluation meeting with the Procurement Agent and the other TEC members prior to the receipt of responses to review the evaluation process, schedule, and criteria. These are all practices that have been in place for several years, but were not fully detailed in the Standard Procedure. Additionally, the Procurement Department has made a concerted effort to review the evaluation criteria in each solicitation for completeness to ensure the requirements of each criteria are adequately described.*

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Finding 2: Artwork Expenditures

Response: The Authority agrees this finding has been corrected.

Finding 3: Contract Change Order Policy

Response: The Authority agrees this finding has been corrected.

Finding 4: Disbursement Processing

Response: The Authority agrees this finding has been corrected.

Finding 5: Monitoring of Subcontractors

Recommendation: We recommend that the Authority continue efforts to document assurance that subcontractors are appropriately licensed before they commence work on Authority facilities. In addition, Authority policies and procedures should be revised to require Authority personnel attend subcontractor bid openings to verify the competitive selection of subcontractors selected for Authority construction projects.

Response: We will continue to document that subcontractors are appropriately licensed.

As confirmed with several of our Design Builders, "subcontractor bid openings" are not the norm. Much of the bidding process is done electronically in various software applications. As recognized by the Auditor General, Management has increased its oversight and involvement in the subcontractor selection process by revising contracts to require submittal of the DB competitive selection plan and the elements to be included. Additionally, Authority personnel attend various pre-bid meetings, receive the bid tabulation sheets, and review the Notice of Intent to Award letters prior to the subcontractor selection. This gives Management the opportunity to review and provide feedback if there are any concerns. Further, we have created CD-18 MP Design-Build Subcontractor Procurement Process to formalize the process that is currently followed. We feel this process provides adequate oversight to verify the validity of the competitive selection process.

Finding 6: Unallowed Grant Expenditures

Response: The Authority agrees this finding has been corrected.

Finding 7: Salary Adjustments

Recommendation: To enhance transparency, we continue to recommend that the Authority either openly discuss future executive team member salary adjustments at public meetings or maintain records that clearly demonstrate the advantages of withholding salary adjustment information from public discussion. We also continue to recommend that such salary adjustments be based upon a thorough and complete analysis of salary data obtained from industry-specific sources.

Response: *The Authority's Enabling Act provides that the CEO "shall establish positions, duties, and a pay plan...for personnel." The Authority Board evaluates and establishes the CEO salary in its public meetings; however, it is not common practice at public agencies to discuss other individual staff salaries in governing board meetings. The Authority Board reviews and approves headcount and salary ranges each year as part of the annual Operating Budget process. The Auditor General's recommendation to openly discuss salary adjustment at public Authority meetings is not based on any statute or guidance. The CEO determines compensation based on a number of factors, and market data is a key part of benchmarking the external market. We believe the seven entities selected for the salary analysis reviewed by the AG are comparable and useful due to their similar job titles, similar scopes of responsibility, and the fact that they were based in the same job market and/or industry.*

Finding 8: Budget Preparation and Adoption

Response: *The Authority agrees this finding has been corrected.*

Finding 9: Capital Development Program Budget

Response: *The Authority agrees this finding has been corrected.*

Finding 10: Budget Amendments

Response: *The Authority agrees this finding has been corrected.*

Finding 11: Audit Committee

Recommendation: We continue to recommend that the Authority audit committee policy be enhanced to require audit committee members to possess or obtain a basic understanding of governmental financial reporting and auditing or have access to the services of at least one financial expert, and that the committee present annually to the Authority a written report on how the committee discharged its duties and met its responsibilities.

Response: *The Auditor General recommendation was discussed in detail during the August 27, 2018 Audit Committee Meeting. After careful independent consideration by the Audit Committee Members, they agreed that the audit committee policy did not need to be revised. As noted by the AG, a third member was added to the Audit Committee in November 2019.*

Finding 12: Access Controls

Response: *The Authority agrees this finding has been corrected.*
