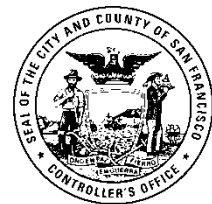


### **AIRPORT COMMISSION:**

**Asiana Airlines Paid All Landing Fees Due but Incurred \$12,846 in Late Charges for 2010 Through 2012**



*February 12 , 2014*

**OFFICE OF THE CONTROLLER  
CITY SERVICES AUDITOR**

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Charter Appendix F grants CSA broad authority to:

- Report on the level and effectiveness of San Francisco's public services and benchmark the City to other public agencies and jurisdictions.
- Conduct financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operate a whistleblower hotline and website and investigate reports of waste, fraud, and abuse of city resources.
- Ensure the financial integrity and improve the overall performance and efficiency of city government.

CSA may conduct financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

CSA conducts its audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office (GAO). These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

For questions about the report, please contact Director of City Audits Tonia Lediju at [Tonia.Lediju@sfgov.org](mailto:Tonia.Lediju@sfgov.org) or 415-554-5393 or CSA at 415-554-7469.

CSA Audit Team: Winnie Woo, Associate Auditor

Audit Consultants: Macias Gini & O'Connell LLP (MGO)



**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
**Controller**

**Monique Zmuda**  
**Deputy Controller**

February 12, 2014

San Francisco Airport Commission  
San Francisco International Airport  
P.O. Box 8097  
San Francisco, CA 94128-8097

John L. Martin, Airport Director  
San Francisco International Airport  
P.O. Box 8097  
San Francisco, CA 94128-8097

Dear Commission President, Commissioners, and Mr. Martin:

The City and County of San Francisco's Airport Commission (Airport) coordinates with the Office of the Controller's City Services Auditor Division (CSA) to conduct periodic compliance audits of Airport tenants and airlines. CSA engaged Macias Gini & O'Connell LLP (MGO) to audit airlines that do business with the Airport to ensure that they comply with the landing fee provisions of their agreements.

CSA presents the attached report for the compliance audit of Asiana Airlines prepared by MGO.

**Reporting Period:** July 1, 2010, through June 30, 2012

**Landing Fees Paid:** \$2,062,721

**Results:**

Asiana Airlines correctly reported 1,016 revenue aircraft landings and correctly paid the landing fees due to the Airport. However, Asiana made multiple late payments resulting in late fee assessments of \$12,846. Prior to April 1, 2012, the Airport did not seek late fees as a standard practice but the Airport has since implemented procedures to assess service charges of 1.5 percent per month for late payments of rent, operating fees and other billable services. The Airport assessed and collected from Asiana late fees of \$570.09 for April to June 2012.

The responses of Asiana Airlines and the Airport are attached to this report.

CSA appreciates the assistance and cooperation of Airport and airline staff during the audit. For questions about the report, please contact me at [Tonia.Lediju@sfgov.org](mailto:Tonia.Lediju@sfgov.org) or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

Tonia Lediju  
Director of City Audits

Attachment

cc: Mayor  
Board of Supervisors  
Budget Analyst  
Citizens Audit Review Board  
City Attorney  
Civil Grand Jury  
Public Library

**CITY AND COUNTY OF SAN FRANCISCO  
OFFICE OF THE CONTROLLER**

**PERFORMANCE AUDIT REPORT  
Asiana Airlines**

July 1, 2010 through June 30, 2012



**Certified Public Accountants.**

## Performance Audit Report

Macias Gini & O'Connell LLP (MGO) presents its report concerning the performance audit of Asiana Airlines (Asiana) as follows:

### *Background*

Asiana operates under lease and use agreement (agreement) with the Airport Commission of the City and County of San Francisco (Commission) to use the landing field facilities at the San Francisco International Airport (SFO) for its air transportation business. During the audit period, Asiana operated under two agreements: 1) agreement No. L99-0318 entered into on October 1, 1999 and expired on June 30, 2011 and 2) agreement No. L10-0079 entered into on July 1, 2011, which expires on June 30, 2021. The agreements require Asiana to submit to the Airport Department (Airport) a monthly report showing its actual revenue aircraft landings by type of aircraft and other landing data necessary to calculate the landing fees.

The Airport charges Asiana a landing fee based on the maximum landing weight of aircraft making revenue landings at the SFO. For every 1,000 pounds of aircraft landed, the Commission sets a fee that it may change annually.

<u>For the Period</u>	<u>Landing Fee Rate</u>
July 1, 2010 through June 30, 2011	\$3.59
July 1, 2011 through June 30, 2012	\$3.79
Reporting Period(s):	July 1, 2010 through June 30, 2012
Lease and Use Agreement(s):	No. L99-0318
	No. L10-0079

### *Objective and scope*

The purpose of this performance audit was to obtain reasonable assurance that Asiana complied with the reporting, payment and other landing fee related provisions of its agreement with the Commission. Based upon the provisions of the City and County of San Francisco contract number PSC# 4042-11/12 dated March 1, 2013, between MGO and the City and County of San Francisco, and per Appendix A therein, the objectives of our performance audit were to: verify that landing fees for the audit period were reported to the Airport in accordance with the agreement provisions, and that such amounts agree with the underlying accounting records; identify and report the amount and cause of any significant error (over or under) in reporting, together with the impact on fees payable to the Airport; and identify and report any recommendations to improve record keeping and reporting processes of Asiana relative to its ability to comply with lease provisions; and identify and report any recommendations to improve the Airport's compliance with significant agreement terms and management activities.

### *Methodology*

To meet the objectives of our performance audit, we performed the following procedures: reviewed the applicable terms of the agreement and the adequacy of Asiana's procedures for collecting, recording, summarizing and reporting its revenue aircraft landings; selected and tested samples of daily and monthly landings; recalculated monthly landing fees due; and verified the timeliness of reporting landing fees to the Airport.

### *Audit results*

Based on the results of our performance audit for the period from July 1, 2010 through June 30, 2012, Asiana correctly reported 1,016 revenue aircraft landings and paid \$2,062,721 in landing fees to the Airport in accordance with its agreement. Those amounts agreed to the underlying records.

The table below shows Asiana Airline's reported total revenue aircraft landings and landing fees paid to the Airport.

#### **Revenue Aircraft Landings and Fees Paid July 1, 2010 through June 30, 2012**

<b>For the Period</b>	<b>Number of Landings</b>	<b>Landing Fees Paid</b>
July 1, 2010 through June 30, 2011	519	\$ 1,093,974
July 1, 2011 through June 30, 2012	497	968,747
<b>Total</b>	<b>1,016</b>	<b>\$ 2,062,721</b>

### *Finding 2013-1 - Late Payment*

During our review of the landing fees paid for the period of July 1, 2010 to June 30, 2012, we noted that for Asiana, 18 out of the 24 months reviewed had payments that were late.

Per lease and use agreement No. L10-0079 dated March 1, 2010; Section 401 Reports and Payments, subsection C(ii) Monthly Activity Reports; Payment of Landing and Other Fees "...Airline shall calculate such Landing Fees incurred during said month and shall pay such amount on behalf of itself and its Affiliate Airlines within fifteen (15) days after the end of each calendar month" and Section 406 Payment Details "Any amounts not paid when due shall be subject to a service charge equal to the lessor of the rate of one and one half percent (1.5%) per month and the maximum rate permitted by law." Similar provisions were noted in lease and use agreement No. L99-0318.

We recalculated the late fee assessment for the period of July 1, 2010 to June 30, 2012 to be \$12,846. However, we did note that the Airport implemented a policy to not seek late fees prior to April 1, 2012 and did appropriately assess and collect late fees of \$570.09 from the period of April 1, 2012 to June 30, 2012.

### *Recommendation*

We recommend that the Airport continue to monitor procedures to ensure proper assessment and collection of late fees in accordance with its lease agreements and policy.

\*\*\*\*\*

We conducted this performance audit in accordance with the provisions of our contract, as outlined in the objective and scope section above, and in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 section of this report.

This report is intended solely for the information and use of Asiana, the Commission and the City and County of San Francisco, and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Gini & Connell LLP*

Walnut Creek, California

February 6, 2014



**ASIANA AIRLINES**

San Francisco Airport Office  
P.O.Box 250310  
San Francisco Int'l Airport  
San Francisco, CA 94544-0310

(650)877-3010 Phone  
(650)877-3014 Fax  
<http://flyasiana.com>  
Reservation : 1-800-227-4262

December 22, 2013

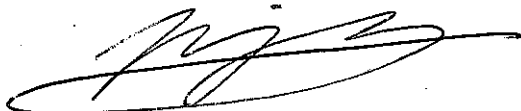
Ms. Tonia Lediju  
Director of City Audits  
City Services Auditor Division  
Office of the Controller  
City and County of San Francisco

Reference: Performance Audit Report – Asiana Airlines

Dear Ms. Lediju

We are acknowledging the findings and recommendations included in the report for the period July 1, 2010 through June 30, 2012.

Truly yours,



Jong Gon Park  
Station Manager  
SFO station



San Francisco International Airport

February 4, 2014

Ms. Tonia Lediju  
Director of Audits  
Office of the Controller  
City Services Auditor Division  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place, Room 477  
San Francisco, CA 94102

Subject: Performance Audit of Asiana Airlines

Dear Ms. Lediju:

Attached is the completed Audit Recommendation and Response Form regarding the performance audit of Asiana Airlines.

If you have any questions, please feel free to call us at (650) 821-2850 (Wallace) or (650) 821-4526 (Gary).

Very truly yours,

  
Wallace Tang, CPA, CGMA  
Airport Controller

  
Gary Franzella  
Associate Deputy Airport Director  
Aviation and Parking Management

Attachment

cc: John L. Martin  
Tryg McCoy  
Leo Fermin  
Winnie Woo – CSA  
Eugene Ma – MGO  
Dan Ravina

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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AIRPORT DIRECTOR

## AIRPORT COMMISSION: PERFORMANCE AUDIT OF ASIANA AIRLINES

For each recommendation, indicate whether you concur, do not concur, or partially concur with the recommendation. If you concur with the recommendation, please indicate the expected implementation date and your implementation plan. If you do not concur or partially concur, please provide an explanation and an alternate plan of action to address the identified issue.

### AUDIT RECOMMENDATION AND RESPONSE

Recommendation	Responsible Agency	Response
1. We recommend the Airport continue to monitor procedures to ensure proper assessment and collection of late fees in accordance with its lease agreements and policy.	San Francisco International Airport	A new procedure was established effective April 1, 2012 whereby a service charge of 1.5% per month is automatically charged for late payments of rent, operating fees and other billable services. Property managers are notified through the Airport's Accounting Department regarding any late payments on a monthly basis.

Name: Wallace Tang, CPA, CGMA

Title/Organization: Airport Controller

Telephone Number: (650) 821-2850

Signature:  Date FEB 04 2014

Name: Gary Franzella

Title/Organization: Associate Deputy Airport Director  
Aviation and Parking Management

Telephone Number: (650) 821-4526

Signature:  Date 2-4-14