



Association of Local Government Auditors

April 26, 2019

Mr. Lee Parravano, Chief Auditor
Office of the Chief Auditor
San Diego County Regional Airport Authority
2722 Truxton Road, Box 100
San Diego, CA 92106

Dear Mr. Parravano,

We have completed a peer review of the San Diego County Regional Airport Authority Office of the Chief Auditor (Office) for the period July 1, 2013 through June 30, 2018 and issued our report dated April 26, 2019. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your Office excels:

- The Office is staffed with highly qualified professionals holding a variety of certifications and licenses which increase the value of their work product.
- The Office has revised their procedures, charters, and practices to more fully align with *The International Standards for the Professional Practice of Internal Auditing*.
- The Office has developed a Risk and Controls Assessment Matrix by engagement to ensure audit program steps are directly linked to audit objectives.

We offer the following observations and suggestions to enhance your organization's demonstrated conformance to *International Standards for the Professional Practice of Internal Auditing (the Standards)*:

Observation:

The chief auditor did not confirm to the board, at least annually, the Office's organizational independence of the internal audit activity.

IIA Standard 1110 – *Organizational Independence* states, "...The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity."



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Suggestion:

We recommend the chief auditor confirm to the board annually, the organizational independence of the internal audit activity.

Observation:

The chief auditor did not develop and maintain a quality assurance and improvement program that included internal assessments.

IIA Standard 1300 – *Quality Assurance and Improvement Program* states, “The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.”

In addition, IIA Standard 1310 - *Requirements of the Quality Assurance and Improvement Program* and 1311 – *Internal Assessments* state, “The quality assurance and improvement program must include both internal and external assessments.”
“Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.”

Suggestion:

We recommend the Office develop and perform periodic self-assessments to evaluate conformance with *the Standards*.

Observation:

In reviewing continuing professional education (CPE) we found one auditor could not provide evidence of CPE for four of the five years of the peer review period.

IIA Standard 1230 – *Continuing Professional Development* states, “Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.”

Suggestion:

We recommend the Office ensure all professional staff attend and maintain evidence of continuing professional education.



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Observation:

We found four of seven engagements reviewed did not indicate the time period audited (scope).

IIA Standard 2410 – *Criteria for Communicating* states, “Communications must include the engagement’s objectives, scope, and results.”

Suggestion:

We recommend the Office include the time period audited in all engagements.

We would like to acknowledge that the Office has actively addressed and corrected the observations noted above. We extend our thanks to you and your staff we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Paula Ward, CPA
Consultant

Matt McMahon, Internal Auditor
Washoe County School District



April 26, 2019

Paula Ward, CPA
Matt McMahan
Association of Local Government Auditors
Peer Review Team Members

Dear Ms. Ward and Mr. McMahan:

Subject: Quality Assessment Review and Response to the Peer Review Companion Letter
Dated April 26, 2019

Thank you for conducting a review of the San Diego County Regional Airport Authority's Office of the Chief Auditor (OCA) internal quality control system. We are pleased that the Association of Local Government Auditors has once again issued an opinion that the OCAs internal quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with the *Standards* for assurance and consulting engagements for the review period July 1, 2013, through June 30, 2018. This determination is the highest level of compliance the OCA can achieve.

We have also received your letter of observations with suggestions for strengthening the OCAs internal quality control system. The OCA has reviewed the observations and the suggestions offered, and provides our response below.

Observation #1: The chief auditor did not confirm to the board, at least annually, the Office's organizational independence of the internal audit activity.

IIA Standard 1110 – *Organizational Independence* states, "...The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity."

Suggestion #1: We recommend the chief auditor confirm to the board annually, the organizational independence of the internal audit activity.

OCA Response to Suggestion #1: Agree

As acknowledged in the letter containing observations and suggestions, the OCA addressed and corrected this item. Included within the September 10, 2018, Audit Committee meeting materials was the OCAs Fiscal Year 2018 Annual Activities Report. The Fiscal Year 2018 Annual Activities Report contained all required disclosures including the Organizational Independence statement.

Observation #2: The chief auditor did not develop and maintain a quality assurance and improvement program that included internal assessments.

IIA Standard 1300 – *Quality Assurance and Improvement Program* states, "The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity."

In addition, IIA Standard 1310 - Requirements of the Quality Assurance and Improvement Program and 1311 – Internal Assessments state, “The quality assurance and improvement program must include both internal and external assessments.” “Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.”

Suggestion #2: We recommend the Office develop and perform periodic self-assessments to evaluate conformance with *the Standards*.

OCA Response to Suggestion #2: Agree

As acknowledged in the letter containing observations and suggestions, the OCA addressed and corrected this item. In August 2018, the OCA completed an examination of all aspects of its internal audit activities. The results of the examination were included in the September 10, 2018, Audit Committee meeting materials. The proposed Audit Plan for Fiscal Year 2020 includes an allocation of hours to further develop and maintain our quality assurance and improvement program.

Observation #3: In reviewing continuing professional education (CPE) we found one auditor could not provide evidence of CPE for four of the five years of the peer review period.

IIA Standard 1230 – Continuing Professional Development states, “Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.”

Suggestion #3: We recommend the Office ensure all professional staff attend and maintain evidence of continuing professional education.

OCA Response to Suggestion #3: Agree

As acknowledged in the letter containing observations and suggestions, the OCA addressed and corrected this item. For calendar year 2018, the OCA tracked all CPE completed by staff and compared it to the individual’s license, and to the OCAs policy requirement(s). All staff met the CPE requirements for calendar year 2018. Additionally, the OCA now requires all CPE certificates earned by staff to be saved in a central file system.

Observation #4: We found four of seven engagements reviewed did not indicate the time period audited (scope).

IIA Standard 2410 – Criteria for Communicating states, “Communications must include the engagement’s objectives, scope, and results.”

Suggestion #4: We recommend the Office include the time period audited in all engagements.

OCA Response to Suggestion #4: Agree

As acknowledged in the letter containing observations and suggestions, the OCA addressed and corrected this item. The OCA revised its audit report format in 2018. Every audit report issued by the OCA now includes an appendix containing the audit's objective, scope, methodology, the Institute of Internal Auditors' Standards compliance statement, and any inherent limitations.

The OCA expresses our sincere appreciation to the peer review team for their thoroughness, professionalism, and suggestions. We also appreciate the recognition provided by the peer review team for areas where the OCA excels. Thank you, again, for providing this valuable service to this office and to the San Diego County Regional Airport Authority.

Sincerely,



Lee Parravano
Chief Auditor

LP/sro