

Office of the Chief Auditor Fiscal Year 2023 Annual Report

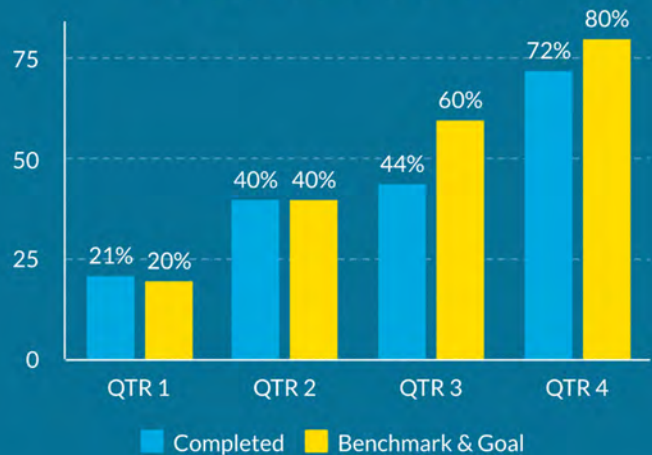
SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Audit Engagement Progress



■ Completed (72.22%) ■ In Progress (27.78%)

Audit Engagements Completed vs. Benchmark & Goal



By The Numbers

31

Recommendations
Issued

4.9

Customer
Satisfaction
Rating

85%

Engagements
Completed Under
Budget

83%

Auditor Utilization
Percentage

100%

Recommendations
Accepted By
Management



Fiscal Year 2023

ANNUAL REPORT

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Issue Date: September 11, 2023

OFFICE OF THE CHIEF AUDITOR

Table of Contents

Summary 1

Audit and Consulting Engagements 4

General Audit Activities..... 6

Administrative..... 10

Quality Assurance and Improvement Program 13

Appendix A - Fiscal Year 2023 Audit Plan 16

Appendix B - Status of OCA Recommendations 18

Appendix C - Performance Measures Historical Data..... 28

Appendix D - Disclosures..... 29

Summary

Executive Summary

The purpose of the Fiscal Year 2023 Annual Report is to provide information regarding the activities performed by the Office of the Chief Auditor (OCA) and to communicate required disclosures in conformance with The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*).

Fiscal Year 2023 was a very productive year for the OCA. Aside from the continued audit assurances, the OCA had several notable accomplishments in the year. In Fiscal Year 2023 we continued our partnership with the outside construction auditing firm Baker Tilly to provide assurances related to the New Terminal 1, provided Ethics training to over 97% of Authority staff, completed two outside peer reviews, and we issued our first data analytics audit on Rental Car Companies which examined over \$61 million in fees.

Performance Measures

For Fiscal Year 2023, six major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Table 1 below and are presented to the Audit Committee/Board quarterly unless noted otherwise.

Table 1: Status of Performance Measures as of June 30, 2023

#	Performance Measure	Goal	Actual	Benchmark
1	Conduct engagements that add value measured by: a) Customer Satisfaction Ratings from i. Audit Committee/Board (reported annually) ii. Executive Management (reported annually) iii. Auditee b) Number of Recommendations	4.0	i) 5.0 ii) 5.0 iii) 4.9	4.0
		30	31	30
2	Percentage of audit and consulting engagements completed.	80%	72%	80%
3	Percentage of recommendations accepted.	95%	100%	83%
4	Provide tools and training for staff measured by: a) Percentage of staff meeting CPE requirements (reported annually) b) Number of non-CPE training hours per staff (reported annually)	100%	100%	99%
		6	6.1	n/a
5	Percentage of staff time spent on audit and consulting engagements and general audit activities.	81%	83%	81%
6	Percentage of audit and consulting engagements completed within budget.	80%	85%	73%

Customer Satisfaction Rating

The OCA sends surveys to the following three customer categories:

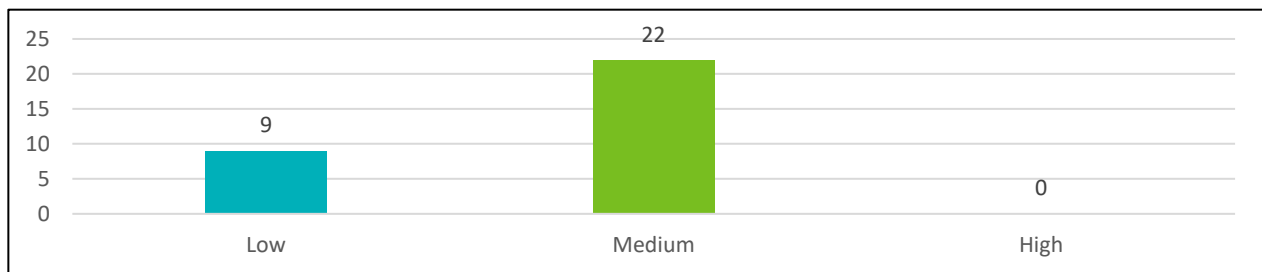
- Authority Board/Audit Committee
- Executive Management
- Auditee

Each survey contains multiple questions, and each response is utilized by the OCA to gauge the performance of audits and activities completed. The OCA gauges customer satisfaction based on scores received on the question, “How would you rate your level of satisfaction with the Office of the Chief Auditor?”. Annually, in the 4th Quarter, the Authority Board, Audit Committee, and the Authority’s Executive Management are surveyed. Following the completion of each audit (or consulting engagement) auditees are sent a “post-audit” survey questionnaire. Survey results from the auditees are presented quarterly to the Audit Committee and Board. The OCA tracks each customer category separately. For Fiscal Year 2023 aggregate category scores of 5.0, 5.0, and 4.9, respectively, were received, which exceeded the goal of 4.0 for each category.

Number of Recommendations

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. During the fiscal year, the OCA provided 31 recommendations to management to remediate a risk identified. Each of the recommendations are rated based on a qualitative value of risk, identified as Low, Medium, or High. A summary of the ratings is shown below in Table 2.

Table 2: Rating of Recommendations



Percentage of Audit and Consulting Engagements Completed

The OCA completed 11 audits and 2 consulting engagements for a total of 13 completed engagements. This represents 72%¹, of audit and consulting engagements on the Fiscal Year 2023 Audit Plan. For the status of all Fiscal Year 2023 Audit Plan activities on June 30, 2023, see Appendix A.

¹ The 72% is equal to 13 completed engagements divided by 18 (20 total audit and consulting engagements minus 2 that were approved to be completed in Fiscal Year 2024: 1.) Tenant Lease Administration & Management – FY 2023 Rental Car Companies, 2.) Turner-Flatiron Self Perform Work).

Percentage of Recommendations Accepted

This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. In Fiscal Year 2023, management accepted 100% of all audit recommendations.

Percentage of Staff that Meet Continuing Professional Education (CPE) Requirements

During the year, 100% of staff met their education requirements.

Number of Non-Continuing Professional Education Training Hours per Staff

The OCA provides non-CPE training to audit staff to emphasize or enhance skills on a particular topic. In Fiscal Year 2023 the OCA provided 6.1 hours of training per staff. Training included topics such as Recommendation Ratings, Quality Assurance and Improvements Programs, Quality Assurance Reviews, Construction, On Call Contract Auditing, and Ethics.

Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities

This measure tracks the time spent on audit and consulting engagements and general audit activities.² The OCAs goal is for staff to spend 81% of their working hours³ on audit engagements, consulting engagements, and general audit activities. For Fiscal Year 2023, the OCA spent 83% of time on audit and consulting engagements and on general audit activities, exceeding the goal established.

Percentage of Audit and Consulting Engagements Completed within Budgeted Time

This category monitors the efficiency of audit staff in performing audits and consulting engagements. Specifically, audit staff is responsible for the internally prepared budget hours assigned to each audit or consulting engagement. In Fiscal Year 2023, the OCA completed 85% of its projects within the budgeted time, exceeding the benchmark and the OCAs goal.

² Appendix A details all planned activities in these categories for Fiscal Year 2023.

³ Time Off (e.g., Holidays, Paid Time off) has been excluded from this calculation.

Audit and Consulting Engagements

The Fiscal Year 2023 Audit Plan had 20 total audit and consulting engagements that were to be initiated. Of these, two engagements were not anticipated to be completed in the fiscal year due to the reporting deadline requirements of the auditee and due to an engagement which was added later in the fiscal year. These two engagements are included in the Fiscal Year 2024 Audit Plan. This left 18 engagements for the OCA to complete.

During Fiscal Year 2023, the OCA initiated work on all 18 engagements and completed 13. This resulted in the OCA completing 72% of engagements, falling short of its 80% goal. The five remaining audits will carry over to the Fiscal Year 2024 Audit Plan for completion. An agenda item included in the September 11, 2023, Audit Committee meeting will add the audits to the Fiscal Year 2024 Audit Plan.

Below are highlights from the audits completed by the OCA during the fourth quarter of Fiscal Year 2023. Audits completed in the first three quarters were provided to the Audit Committee and Board in the OCAs quarterly activity reports. Also, when completed audit reports are distributed electronically by the OCA to specified recipients.

Tenant Lease Admin. & Management – FY 2022 Rental Car Companies:

Together with the Authority’s Business Intelligence Department, the OCA developed a continuous auditing program using data analytics to examine financial data received each month from 7 Car Rental Companies (CRCs). Continuous auditing enables the Authority to detect potential issues earlier through automated real time reporting on critical information. The objective of this audit was to determine if concession fees, Customer Facility Charges (CFCs) and Transportation Facility Charges (TFCs) were accurately paid in all material respects. In total over \$61million of concessions and CFCs/TFCs were collected by the Authority from these 7 CRC. The audit concluded that concession fees and CFCs/TFCs were materially accurate for 5 of the 7 CRCs. The 2 CRCs outside of the materiality range established have been included in the FY2024 Audit Plan for more comprehensive testing. The audit provided three recommendations, all of which were accepted by management.



Harbor Police Contract Management – Fiscal Year 2021 Costs: The objective of this audit was to determine if the Harbor Police Department costs for depreciation and transferred-in costs for fiscal year 2021 were accurate and allowed. The audit has been completed; however, was not issued as of September 1, 2023. This audit report references an “In-Progress” audit titled “Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs” and the OCA believes issuing them concurrently will aid in a reader’s understanding.

The conclusion and number of recommendations are not listed as the report has not been released. It is anticipated both reports will be issued in the Fall of 2023.

Construction Change Order Process: The objective of this audit was to determine if the Airport Design & Construction Change Order process is effective and efficient. The audit concluded that the process is effective with a robust review and approval process. The audit identified four recommendations to improve the efficiency of the process, which were all accepted by management.

New T1 Guaranteed Maximum Price Development Phase Direct Labor Billing: The objective of this audit was to determine if labor billed by Turner-Flatiron and consultants during the audit period complied with contract terms. The audit concluded that Turner-Flatiron and its consultants were generally compliant with the terms of the contract. However, we did identify small potential overcharges totaling \$7,821 and opportunities to improve the process. The audit provided five recommendations, which were all accepted by management. This audit was done in partnership with an on-call construction audit consultant Baker Tilly.

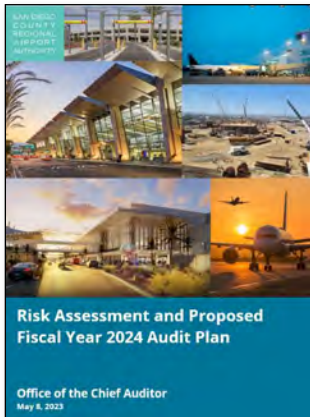
Grants Consulting: The objective of this engagement was to assist management in research and interpretation of federal requirements. The OCA provided assistance and appreciated the opportunity to collaborate with management. The OCA did not make any management decisions or perform any management functions during this engagement.

General Audit Activities

In addition to performing audit and consulting engagements, the OCA is involved in other general audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required⁴ to perform these activities or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* is presented below. See Appendix A for a listing of all General Audit Activities.

Risk Assessment and Audit Plan

The OCA is required to submit a risk-based internal Audit Plan to the Audit Committee annually. Performing the Fiscal Year 2024 Risk Assessment included obtaining input from the Board, Audit Committee, Authority Management, and staff. During Fiscal Year 2023, the OCA worked with Authority Management to identify and rank the likelihood and impact of a risk event occurring for each Key Work Activity within the Authority. The resulting Fiscal Year 2024 Audit Plan was then developed, based on the results of the Risk Assessment process and the discussions with key stakeholders. The Fiscal Year 2024 Risk Assessment and Audit Plan was submitted to the Audit Committee on May 8, 2023, and subsequently approved by the Board on June 1, 2023.



Construction Activities

Construction audit activities for Fiscal Year 2023 consisted of attending meetings regarding the New T1 Terminal & Roadway, the Airport Administration Building, the Airside Improvements, and other airport construction projects. Audits of the Construction Change Order Process, Terminals and Roadway Validation Phase Cost Controls, and New T1 Guaranteed Maximum Price Development Phase Direct Labor Billing, were completed as part of the Fiscal Year 2023 OCA Audit Plan. The Cost Controls and Direct Labor Billings audit were completed in partnership with Baker Tilly, the on-call construction audit consultant. Additionally, audits of the New Administration Building, Turner-Flatiron Insurance for the New T1, and Turner-Flatiron Self Perform Work were initiated and will be completed as part of the Fiscal Year 2024 OCA Audit Plan.

The OCA Construction Auditor continues to work closely with the Airport Design & Construction team to address any issues with the increase in personnel and with processes, as construction on the New T1 continues to expand. The OCA remains involved with any issues identified by Authority Management, provides assistance, and attends meetings specific to the aspects of the Authority's construction activities.

⁴ Requirements are dictated by the Charter for the Office of the Chief Auditor, Charter of the Audit Committee, or the International Standards for the Professional Practice of Internal Auditing.

Information Technology Meeting Attendance

Information technology's central role to Authority operations makes meeting attendance on this subject a vital activity for the Chief Auditor. The OCA has been involved in meetings focused on the audit related to the Authority's web facing sites and future initiatives. Additionally, the OCA participated in a two-day onsite visit by the Transportation Security Administration (TSA) to discuss cybersecurity.

Development of Data Analytics

As discussed in the Audits and Consulting Engagements section of this report, the OCA partnered with the Authority's Business Intelligence Department to develop a continuous auditing program using data analytics to examine financial data from Rental Car Companies. The OCA is building off the success of this audit to improve the process and decrease the level of effort needed to analyze the data received. The Tenant Lease Admin. & Management – FY 2022 Rental Car Companies audit had over 631 Megabytes and 176 million cells of data that needed to be analyzed.

The OCA is planning to use the efforts related to the Rental Car Company data analytics project to develop future audits.

Ethics Program Activities

The OCA manages the Authority's Ethics Program that includes a confidential Fraud, Waste, Abuse, and Ethics reporting hotline. During Fiscal Year 2023, there were 39 tips/reports received. These tips ultimately did not require any investigation by the OCA. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate.

The OCA also provides ethics-specific training every other year to Authority employees. During the fourth quarter of Fiscal Year 2023 training was scheduled and tracked through the Authority's Learning Management System (LMS). As of the mid-August 2023 over 97% of Authority employees have completed the training. A recorded training will be utilized to provide the training for the remaining employees.

A summary of the tips/reports received in Fiscal Year 2023 is shown in Table 3 below.

Table 3: Ethics Program Tips/Reports Received in Fiscal Year 2023

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)*	Response (email or phone to non-anonymous reports)
Category					
Human Resource, Diversity, and Workplace Respect	34	-	-	-	-
Environment, Health and Safety	4	-	-	-	-
Other	1	-	-	-	-
Total	39	-	-	-	-

*As required by the Charter for the Office of the Chief Auditor, any fraud or illegal acts that the Chief Auditor becomes aware of are communicated to the Chair of the Audit Committee, General Counsel, and the President/CEO.

Recommendation Follow-up

The OCA is mandated by its Charter to track the recommendations issued in audit reports and to report their implementation status to the Audit Committee on a periodic basis. The OCA tracks recommendations through regular inquiries made to the audited departments or to the owner of the specific recommendation(s). These inquiries allow the OCA to determine how many recommendations have been completed, as well as to obtain the status on progress being made to implement the recommendations.

During Fiscal Year 2023, the OCA issued 31 recommendations that were/are tracked for implementation along with any open recommendations issued during prior fiscal years. Appendix B contains a current status on recommendations *Completed* or *In Progress* as of the fourth quarter (Note, recommendations in confidential audit reports are not tracked publicly.) The Audit Committee is updated each quarter on the status of recommendations. The recommendations that have been remediated by management in prior quarters of Fiscal Year 2023 were presented to the Audit Committee on the following Committee Meeting dates: November 21, 2022, February 6, 2023, and May 8, 2023.

Table 4 below shows the number of recommendations that were *Completed* or *In Progress* as of the fourth quarter of Fiscal Year 2023, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, 3 were implemented within the initial timeframe identified when the recommendations were

issued. Of the In Progress recommendations, 16 recommendations were still within the initial timeframe identified for implementation. Additionally, 12 of the 21 In Progress recommendations were issued in the fourth quarter of Fiscal Year 2023.

In general, the OCA is satisfied with the progress that Authority departments are currently making with the implementation, as based upon our inquiries during the tracking process.

Table 4: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
Completed	3	-	2	5
In Progress	14	2	5	21

Quality Assurance and Improvement Program

The Institute of Internal Auditors’ (IIA) *Standards* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP). Comprehensive details are included under the *Quality Assurance and Improvement Program* section of this report.

Peer Review Participation

A QAIP requires that the OCA undergo an external Quality Assurance Review (QAR) at least every five years by a qualified, independent, assessor or assessment team from outside the organization to determine if the OCA conforms to the *Standards*. The Association of Local Government Auditors (ALGA) conducted the most recent external QAR in 2019. ALGA is a professional organization committed to improving government auditing and is comprised of audit groups from various government jurisdictions throughout the United States.

The 2019 QAR peer review performed by ALGA contains a reciprocal provision that requires the OCA to volunteer two audit staff to serve on future QAR peer reviews in other organizations within a five-year period. In Fiscal year 2023, the OCA completed two peer reviews for reciprocal agencies. Shane Ellis, Senior Auditor, completed a peer review of the greater Orlando Aviation Authority and Fred Bolger, Manager, Audit Services, completed a peer review of the County of San Luis Obispo.

Administrative

The activities that reside within the Administrative classification of the Fiscal Year 2023 Audit Plan include meeting attendance by the OCA, holiday and vacation time, and the fulfillment of Continuing Professional Education (CPE) requirements.

Qualifications and Training

Proficiency and due care for the OCA are the responsibility of the Chief Auditor. Cumulatively, the OCA has over 120 years of auditing experience. The OCA staff maintains 14 professional certifications. The types of professional certifications and number of staff with each certification are as follows:

- 5 - Certified Internal Auditors (CIA)
- 2 - Certified Public Accountants (CPA)
- 2 - Certified Construction Auditors (CCA)
- 1 - Certified Information Systems Auditor (CISA)
- 1 - Certified Government Auditing Professional (CGAP)
- 1 - Certification in Risk Management Assurance (CRMA)
- 1 - Chartered Global Management Accountant (CGMA)
- 1 - Certified Fraud Examiner (CFE)



Each of these certifications requires that the holder complete a specified number of hours of CPE. As noted above, all CPE requirements were met for all OCA staff during calendar year 2022.⁵

⁵ Professional organizations track Continuing Professional Education (CPE) either by calendar year or a fiscal year. The OCA verifies CPE compliance on a calendar year basis.

Audit Committee Support

During Fiscal Year 2023, the Audit Committee met four times for regularly scheduled meetings on the following dates:

- September 12, 2022
- November 21, 2022
- February 6, 2023
- May 8, 2023

Before each meeting of the Audit Committee the OCA coordinated all activities with the Committee Chair and the Board Services Department relating to agenda preparation and materials required.

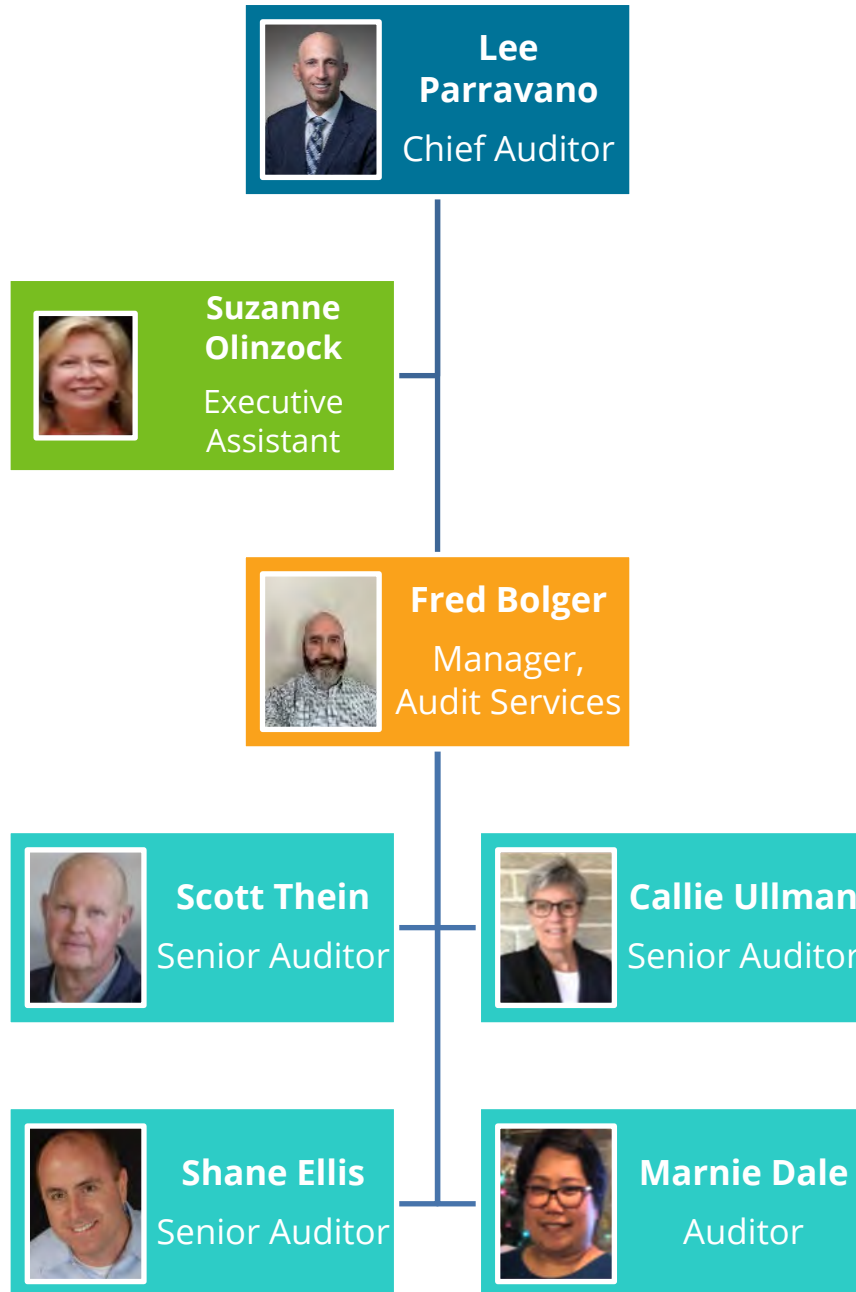
Outside Activities

In addition to the services provided to the San Diego County Regional Airport Authority, OCA staff are involved in various audit related organizations and activities in their personal time. As of June 30, 2023, OCA staff members served on the following community groups:

- Audit Committee Member for the San Diego Girl Scouts
- Board of Directors for the Association of Airport Internal Auditors
- Board of Directors for the University of Philippines Alumni Association - San Diego.

Organization Chart

As of June 30, 2023, the OCA organizational structure was as follows.



Quality Assurance and Improvement Program

Background

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*) require the OCA to maintain a Quality Assurance and Improvement Program that includes external assessments and internal (self) assessments.

- **External Assessment:** Known as a Quality Assessment Review (QAR), or peer review; must be conducted at least once every five years by an independent assessor or an assessment team from outside the organization that is qualified in the practice of internal auditing, as well as the quality assessment process. QAR results are required to be reported to the Board.
- **Internal Assessment:** Comprised of two interrelated parts, 1) ongoing monitoring, and 2) periodic self-assessments. The results of a periodic self-assessment and the level of conformance to the *Standards* must be reported to the Board at the completion of the self-assessment. The results of ongoing monitoring are required to be reported to the Board at least annually.

The *Standards* also contain other mandatory reporting requirements as documented in Appendix D.

External Assessment - Quality Assessment Review

The most recent external assessment of the OCA was performed by the Association of Local Government Auditors (ALGA) for the five-year period from July 1, 2013, through June 30, 2018. The peer review was performed in April 2019, with results presented to the Audit Committee during its May 13, 2019, meeting. The peer review determined that the OCA provides reasonable assurance of compliance with the *Standards*. This is the highest level of conformance an internal audit function can achieve. The next external assessment will be required for the five-year period ending June 30, 2023. The OCA has included an item on the

September 11, 2023 Audit Committee agenda to discuss the upcoming External Quality Assessment Review.



In a companion letter, the peer review team identified areas where the OCA excels and offered observations and suggestions to enhance the OCAs conformance with the *Standards*. The peer review team noted that the OCA has actively addressed and corrected the observations.

Internal Assessment – Self-Assessment & Ongoing Monitoring

In July and August of 2023, the OCA conducted a Self-Assessment and performed ongoing monitoring related to Fiscal Year 2023 operations, as required by the *Standards*. The results are provided below.

Scope and Objectives of Ongoing Monitoring

The objective of ongoing monitoring is to provide assurance that the processes in place, within the OCA, are working effectively to ensure that quality is derived on an audit-by-audit basis. The scope of this activity included an examination of the following:

- Performance Measures
- Engagement Planning and Supervision
- Work Paper Reviews and Sign-offs
- Feedback from Audit Clients
- General Audit Practices
- Standard Working Practices
- Audit Report Reviews
- Prior Recommendations

Results of Ongoing Monitoring

There are numerous processes in place to ensure that quality is consistently delivered on each audit engagement. There were no items identified within the OCA that would impact audit report quality.

Frequency, Objectives, and Scope of a Self-Assessment

The Standards require periodic Self-Assessments to be performed, and the results must be communicated to the Audit Committee and Board when completed. The last Self-Assessment was performed in 2019 in connection with the External Assessment performed by ALGA. The main objectives are to identify the quality of performance and opportunities for improvement. The focus is to determine conformance with the Institute of Internal Auditor's Code of Ethics and the *Standards*. The scope of this Self-Assessment includes all audit and consulting engagements completed from Fiscal Year 2019-2023.⁶ The IIA Implementation Guide states that performing a Self-Assessment shortly before an external assessment may help reduce the time and effort required. The next external assessment is expected to occur in Fiscal Year 2024.

Results of Self-Assessment

The Self-Assessment validated that the OCA continues to conform with the *International Standards for the Professional Practice of Internal Auditing (Standards)* and the Code of Ethics. The rating of the Self-Assessment was "Generally Conforms". The term "Generally Conforms" is the top rating, which means that the OCA has a charter, policies, and processes, and the execution and results of these are judged to be in conformance with the Standards. This Self-Assessment will be examined and validated by an external assessor in Fiscal Year 2024.

⁶ Consistent with the Association of Local Government Auditors Peer Review Guide, Fiscal Year 2023 engagements were selected as it reflects the most current processes.

QAIP Recommendations/Corrective Actions Plans Identified

As stated above, the QAIP did not identify any items that would impact audit report quality. However, the OCA did note the following items:

1. The Charter for the Office of the Chief Auditor should be updated to remove outdated process language. The process to report any potential ethical violations is included in Authority Code 2.16. The OCA recommends removing the process language from the Charter.

The proposed change will be included as part of the annual review of the Charter for the Office Of the Chief Auditor. This has been included as part of the September 2024 Audit Committee materials.

2. The OCA identified some potential process improvements that could be implemented to improve items such as communication and documentation.

The OCA is exploring implementing the potential process improvements.

Appendix A – Fiscal Year 2023 Audit Plan

#	Activity	Status as of 6/30/2023	Over/Under Budget	No. of Recs.
Audit				
1	Tenant Lease Admin. & Management – FY 2022 Rental Car Companies	Completed	Over	3
2	Terminals and Roadway Validation Phase Cost Controls	Completed	Under	-
3	Tenant Lease Admin. & Management – 2% Surcharge	Completed	Under	4
4	Tenant Lease Admin. & Management – FY 2023 Rental Car Companies ⁷	In Progress		
5	System Security –Web Facing Sites and Applications	Completed	Under	1
6	Harbor Police Contract Management – Fiscal Year 2021 Costs	Completed ⁸	Under	-
7	Contractor Monitoring – Administration Building	In Progress		
8	Employee Benefits – Payroll Deductions	In Progress		
9	Records Management – Official Records & Electronic Signatures	Completed	Under	-
10	Parking Management- Ace Parking Mngt. of Terminal 2 Parking Plaza	Completed	Over	10
11	Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs	In Progress		
12	Harbor Police Contract Management –True-Up Controls	Completed	Under	-
13	Tenant Lease Admin. & Management – Avis	Completed	Under	4
14	Accounts Payable – Paymode X	In Progress		
15	Construction Change Order Process	Completed	Under	4
16	Turner-Flatiron Insurance	In Progress		
17	Turner-Flatiron Self Perform Work ⁷	In Progress		
18	New T1 Guaranteed Maximum Price Development Phase Direct Labor Billing	Completed	Under	5
	Total			31
Consulting				
19	Grant, PFC & CFC Administration – Grants (2022)	Completed	Under	-
20	Grant, PFC & CFC Administration – Grants (2023)	Completed	Under	-
General Audit				
21	Risk Assessment & Audit Plan	Completed		
22	Construction Meeting Attendance & Coordination	Completed		
23	Information Technology Meeting Attendance	Completed		
24	Development of Data Analytics	Completed		
25	Ethics Program	Completed		
26	Recommendation Follow-up	Completed		
27	Quality Assurance & Improvement Program	Completed		
28	Peer Review Participation	Completed		

⁷ Audit engagement was not anticipated to be completed in Fiscal Year 2023 and was planned to be carried forward to Fiscal Year 2024.

⁸ Audit Engagement is completed. Will be released concurrently with Audit Report Titled “Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs”. This audit report references the audit “Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs” and the OCA believes issuing them concurrently will aid in a reader’s understanding. The number of recommendations is not listed since the report has not been released.

Appendix A – Fiscal Year 2023 Audit Plan (Continued)

#	Activity	Status as of 6/30/2023	Over/Under Budget	No. of Recs.
Administrative				
29	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	Completed		
30	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	Completed		

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
Completed						
21-30	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should develop and implement a methodology to review citation fine amounts periodically and adjust the amounts as appropriate.	9/30/2021	4/19/2023	The first citation benchmarking review was completed on 04/19/23. Subsequent citation reviews will occur annually in April.
22-22	Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: HUMAN RESOURCES	Low	The training hours contained in the Sustainability Report (or other public documents) should aggregate both internal and external trainings completed by employees. Additionally, management should determine if the new LMS365 will be used by HR to track both internal and external training completed by employees.	12/31/2022	6/30/2023	Employees now have the ability to log their external training into LMS 365/SAN University. Internal trainings are already captured in LMS365.
23-10	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Low	We recommend ACE develop and maintain a standard operating procedure document for the [parking] process.	6/30/2023	6/30/2023	All SOPs have been completed.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
Completed						
23-18	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Low	We recommend ACE develop a standard operating procedure to transfer their nightly inventory records of Out-of-State and Vanity plates onto an electronic file to allow ACE to easily search/access accurate information.	4/30/2023	4/30/2023	ACE developed the recommended standard operating procedure.
23-19	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Low	We recommend ACE develop a standard operating procedure to perform T2PP vehicle counts and document any adjustment to the SKIDATA counters.	6/30/2023	6/30/2023	ACE developed the recommended standard operating procedure.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
In Progress						
22-30	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION	High	We recommend that ADC notify the JV concerning the over-billing based on the actual payroll hours and determine the most appropriate method to receive the \$37,525 incorrectly billed to the Authority.	2/1/2023	10/1/2023	ADC and the JV have identified a portion that will be credited back to the Authority in the September pay application. ADC and the JV are working together to resolve the remaining issues.
22-33	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION	High	We recommend that ADC notify the JV of the \$4,814 overcharge for holiday and paid time-off for the JV staff and the \$12,917 overcharge for the consultants to determine the most appropriate method to receive the total incorrectly billed to the Authority.	2/1/2023	10/1/2023	ADC and the JV have identified a portion that will be credited back to the Authority in the September pay application. ADC and the JV are working together to resolve the remaining issues.
22-10	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority staff should cleanup E1 Plat Management and GIS Space Manager for mismatched or incorrect data and perform regular maintenance, review, and reconciliation of the data between E1 Plat Management and GIS Space Manager.	1/2/2023	9/30/2023	RGPD staff continues to work with ABRM vendor (Civix) on determining development work needed to integrate GIS with ABRM lease management modules. RGPD has updated concession lease plats to be consistent with GIS and E1.

Appendix B - Status of Recommendations

Fiscal Year 2023 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
In Progress						
22-11	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority Management should perform a physical inventory of plats throughout Terminal 2, and the New Terminal 1 when completed, to ensure that the reported attributes of space in the E1 Plat Management and GIS Space Manager reports reflect the physical space in the terminals. Any discrepancies should be timely corrected. Additionally, the written procedures referred to in Recommendation #22-8 should include a procedure for the periodic physical inventory of plats in Terminals 1 and 2.	12/1/2022	10/31/2023	ADC is the lead on physical inventory of plats. RGPD is currently transitioning to utilizing ABRM for contract management and aims to upload all relevant data by 10/31/23.
22-31	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend that ADC notify the JV concerning the underbilling based on the actual payroll register pay rates and determine the most appropriate method to address the \$1,750 that was not billed to the Authority.	2/1/2023	10/1/2023	JV will include this in the September pay application.
23-12	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend GT and ACE run SKIDATA on active mode, when the system upgrade/update is completed, to prevent the risk of system circumvention and possible loss of revenues.	7/31/2023	9/30/2023	(1) The audit recommendation to run the system on active mode requires the replacement of all entry and exit ALPR cameras and light kits to ensure image capture accuracy. (2) All the camera's were installed by 7/1/2023. (3) Pending the lighting kits that are on order, the system will be configured, and tested before running on active mode.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
In Progress						
23-16	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend that ACE develop a standard operating procedure to perform a nightly license plate inventory.	6/30/2024	9/30/2023	1. As stated in the audit report, Ace does not currently have a mobile LPR system to meet this requirement. 2. Ace will explore existing system technology capabilities to meet this recommendation. 3. Ace will also procure quotes for a mobile system to be used for periodic inventories. 4. Ace will also develop an SOP to perform a nightly license plate inventory with available technology solutions.
23-17	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend ACE develop a standard operating procedure to regularly perform a reconciliation of open tickets versus license plates of vehicles parked at T2PP and close out any tickets where an entry and a legitimate exit is found.	7/31/2023	9/30/2023	1. The SKIDATA/ALPR system is scheduled to run on active mode by September 30, 2023, which will minimize the number of open tickets in the system. Currently, the system is scheduled to purge open tickets at 184 days. 2. Ace will develop an SOP to conduct a license plate inventory of all vehicles in the T2PP and overflow lot before the system is switched to active mode. 3. Ace will develop an SOP to conduct periodic license plate inventory and reconcile to the system.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
In Progress						
23-20	Audit Report 22002 Issued: June 13, 2023 Title: Car Rental Companies - Fiscal Year 2022 Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Revenue Generation & Partnership Development (RG&PD) should evaluate the data provided by the OCA, and collaborate with the OCA, to determine if any other Agreement requirements should be included in the proposed audit scope for the two CRCs.	7/31/2023	7/31/2023	RG&PD has initiated the effort required to implement this recommendation.
23-23	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend that ADC, Procurement, and Finance work with the Information & Technology Services Department (I&TS) to identify what changes to E1 are feasible to improve the Change Order process.	12/1/2023	12/1/2023	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that: ADC has already begun meeting with various departments to attempt to improve the Change Order process in E-1.
23-24	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC ensure that the supporting documentation for all Change Orders includes justification for the Change Order.	9/1/2023	9/1/2023	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that: Providing justification for change orders is part of the ADC standard process and ADC will ensure that justifications are included as part of supporting documentation for all future change orders.

Appendix B - Status of Recommendations

Fiscal Year 2023 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
In Progress						
23-25	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC review the documentation supporting CIP Change Orders to verify the necessity of the Internal Form and the External Form to eliminate or revise the forms as determined necessary. Forms that have spaces for signature should be completed as designed.	1/31/2024	1/31/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that: ADC is completing a major update to change order processes and, as part of that process, is reviewing forms to determine their utility and necessity.
23-26	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC clarify the signatory approval levels within the ADC procedures when there are decreases to award amounts or both increases and decreases to award amounts combined into one Change Order.	1/31/2024	1/31/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that: ADC has incorporated the recommended clarification into the draft updated ADC procedures that will be published upon the completion of the ADC change order process update.
23-27	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should require the JV to specifically review all future payment applications for inappropriate billing of holiday or paid time-off hours prior to submission.	1/5/2024	1/5/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that: ADC will work with the JV to identify and implement a cost control process associated with the payment application process that addresses this concern.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
In Progress						
23-28	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend that ADC notify the JV of the overcharge of \$2,594 for holiday time for the JV staff. Additionally, we recommend ADC request all holiday policies, and other records as necessary, from each consultant listed above with the total of \$4,475 to determine if the Authority's approved labor billing rates already included holiday pay and are duplications. Reimbursement should be requested for duplicate costs.	1/5/2024	1/5/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that: ADC has notified the JV of overbilling for JV staff and is working to receive reimbursement from the JV. ADC will notify the JV to review potential overbilling identified for consultants against consultant payroll policies and will request reimbursement for the overbilling of those instances in which consultant's burden rate does include Holidays and PTO in the billing rates.
23-30	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC require the JV to specifically review all future payment applications for inappropriate billing of professional staff lacking Authority approved billing rates.	1/5/2024	1/5/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that: ADC is working with the JV to ensure consistent implementation of cost controls associated with the payment application process that addresses this concern.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
In Progress						
23-31	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should determine the most appropriate way to receive the overbilling of \$752 for the unapproved rates.	1/5/2024	1/5/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that: ADC has notified the JV for this overbilling and is working with the JV to receive reimbursement for overbilling.
23-15	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Low	We recommend GT continue to monitor the wayfinding and available space signage repair part supply issues and provide support to ACE as needed.	8/31/2023	9/30/2023	1. GT directed Ace to escalate this issue with SKIDATA and or Indect to resolve. 2. Ace contacted Indect directly for support to resolve existing wayfinding signage and system issues. 3. GT will monitor this issue each month until resolved.
23-21	Audit Report 22002 Issued: June 13, 2023 Title: Car Rental Companies - Fiscal Year 2022 Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	Revenue Generation & Partnership Development (RG&PD) should educate Avis, Budget, and Hertz on how to accurately report gross revenues, exclusions to concessionable revenue, concession fees, and CFCs/TFCs on the summary reports.	7/31/2023	7/31/2023	RG&PD has initiated the effort required to implement this recommendation.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
In Progress						
23-22	Audit Report 22002 Issued: June 13, 2023 Title: Car Rental Companies - Fiscal Year 2022 Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	Revenue Generation & Partnership Development (RG&PD) should take steps to ensure that all CRCs submit audited certified public accountant (CPA) reports by August 31 of each calendar year during the term of the Concession Agreement.	7/31/2023	7/31/2023	RG&PD has initiated the effort required to implement this recommendation.
23-29	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing Department: AIRPORT DESIGN & CONSTRUCTION	Low	We recommend that ADC consider charging the JV the audit costs in the amount of \$65,251.	1/5/2024	1/5/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that: ADC has begun working with Authority management to determine if the Authority will be requesting reimbursement of audit costs.

Appendix C – Performance Measures Historical Data

Performance Measure	Fiscal Year				
	2019	2020	2021	2022	2023
Customer satisfaction ratings from:					
i. Audit Committee/Board	i)	i) 5.0	i) 4.4	i) 4.8	i) 5.0
ii. Executive Management	ii)	ii) 4.5	ii) 4.3	ii) 5.0	ii) 5.0
iii. Auditee ⁹	iii) 4.6	iii) 4.6	iii) 4.6	iii) 4.4	iii) 4.9
Number of recommendations	35	37	33	37	31
Percentage of audit and consulting engagements completed annually	76%	81%	88%	75%	72%
Percentage of audit recommendations accepted	100%	100%	100%	100%	100%
Percentage of staff meeting educational requirements	100%	100%	100%	100%	100%
Number of non-CPE training hours per staff ¹⁰		6.1	6.1	6.1	6.1
Percentage of staff time spent on audit and consulting engagements and general audit activities ¹¹	71%	70%	71%	66%	83%
Percentage of audit and consulting engagements completed within budget	45%	59%	86%	89%	85%

⁹ This performance measure was added in Fiscal Year 2019. In Fiscal Year 2020 the OCA began sending surveys to the Audit Committee/Board and to Executive Management.

¹⁰ This performance measure was added in Fiscal Year 2020.

¹¹ Beginning in Fiscal Year 2023 Time Off (e.g., Holidays, Paid Time Off) are excluded from the calculation. Fiscal Years 2019-2022 included Time Off in the calculation. Percentage excludes the Chief Auditor's hours.

Appendix D – Disclosures

The following items are being disclosed in conformance with the *Standards*.

Purpose, Authority, & Responsibility

International Professional Practices Framework (IPPF) Standard 2060 requires the OCA to periodically report on the OCA's purpose, authority & responsibility. These are included in the Charter for the OCA and are listed below for reference.

Purpose

The purpose of the OCA is to provide independent objective assurance and consulting services designed to add value and improve the Authority's operations. The Mission of the OCA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The OCA helps the Authority accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Authority

The Chief Auditor is accountable to the Board of Directors under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement. The Chief Auditor will report directly to the Board through the Audit Committee and has unrestricted access to communicate and interact directly with the Audit Committee and Board, including private meetings without management present.

Responsibility

The responsibilities of the Office of the Chief Auditor are outlined in the Charter for the Office of the Chief Auditor. They include but are not limited to submitting risk-based Audit plan, communicating any fraud or illegal acts that could affect the Authority, ensuring engagements are executed and communicating the results to appropriate parties, following up on engagement findings and recommendations, and ensuring compliance with the *Standards*.

Organizational Independence

The OCA must confirm to the Board, at least annually, the organizational independence of the internal audit activity.

- ✓ The OCA reports directly to the Board through the Audit Committee, which provides the independence necessary for the OCA to adequately perform its function, separate from the Airport Authority organization.

Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed based on the International Professional Practices Framework (IPPF) Standard 1130.

- ✓ There were no audits or consulting engagements conducted during Fiscal Year 2023 that had any impairment of independence or objectivity in fact or appearance.

Disclosure of Nonconformance

Occasionally, circumstances require the completion of projects/engagements in a manner that is not consistent with the *Standards*. When this occurs, the OCA must disclose the non-conformance and the impact to senior management and the Board.

- ✓ During Fiscal Year 2023 there were no instances in which projects were performed in a manner that did not comply with the *Standards*.

Resolution of Management's Acceptance of Risks

Each audit engagement can potentially identify items that may pose risks to the Authority's operations. Some items may require management's attention, while others may be situations in which management decides to accept the risk associated with continuing the current practice. The OCA is required to disclose to senior management and the Board any situations in which it is believed Authority personnel has accepted a level of residual risk that may not adequately reduce/mitigate the risk of loss.

- ✓ There were no such instances related to risk during the 2023 Fiscal Year.

Use of Report

The information in this report is intended solely for the use of the San Diego County Regional Airport Authority's (SDCRAA) Audit Committee, Board, and management and is not intended to be, and should not be, used by anyone other than the specified parties.

This report has been authorized for distribution to the Audit Committee and as specified:

- Board Members
- President/Chief Executive Officer
- General Counsel
- Vice Presidents
- Director, Authority Clerk
- Director, Government Relations
- Assistants specified by Board Members and SDCRAA