

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
Chairman

Greg Cox
Jim Desmond
Mark Kersey
Robert T. Lloyd
Paul Robinson
Johanna Schiavoni
Michael Schumacher
Mark B. West

AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Monday May 13, 2019
10:00 A.M.

San Diego International Airport
SDCRAA Administration Building -- Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

Ex-Officio Board Members

Cory Binns
Col. Charles B. Dockery
Jacqueline Wong-Hernandez

President / CEO

Kimberly J. Becker

This Agenda contains a brief general description of each item to be considered. If comments are made to the Board without prior notice, or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

Staff Reports and documentation relating to each item of business on the Agenda are on file in Board Services and are available for public inspection.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

***NOTE:** This Committee Meeting also is noticed as a Special Meeting of the Board (1) to foster communication among Board members in compliance with the Brown Act; and (2) to preserve the advisory function of the Committee.

Board members who are not members of this Committee may attend and participate in Committee discussions. Since sometimes more than a quorum of the Board may be in attendance, to comply with the Brown Act, this Committee meeting also is noticed as a Special Meeting of the Board.

To preserve the proper function of the Committee, only members officially assigned to this Committee are entitled to vote on any item before the Committee. This Committee only has the power to review items and make recommendations to the Board. Accordingly, this Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Hollingworth, Lloyd, Robinson (Chair), Schiavoni, Tartre (Vice Chair), Van Sambeek, West

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Committee. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Committee.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 11, 2019, regular meeting and March 25, 2019, special meeting.

2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDITS FOR THE FISCAL YEAR ENDED JUNE 30, 2019:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information.

Presented by: Kathy Kiefer, Senior Director, Finance & Asset Management, and David Coleman, Partner, BKD, LLP

3. RESULTS FROM THE QUALITY ASSESSMENT REVIEW OF THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information.

Presented by: Lee Parravano, Chief Auditor, and Paula Ward, CPA

4. FISCAL YEAR 2019 THIRD QUARTER ACTIVITY REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information.

Presented by: Fred Bolger, Manager, Audit Services

5. REVISION TO THE FISCAL YEAR 2019 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee accept the revised audit plan and forward it to the Board with a recommendation for approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***

Presented by: Lee Parravano, Chief Auditor

6. FISCAL YEAR 2020 RISK ASSESSMENT AND PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed audit plan and forward it to the Board with a recommendation for approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***

Presented by: Lee Parravano, Chief Auditor

7. FISCAL YEAR 2020 PROPOSED BUDGET OF THE CHIEF AUDITOR AND FISCAL YEAR 2021 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2020 Budget process with a recommendation for approval.

Presented by: Lee Parravano, Chief Auditor

CLOSED SESSION:

8. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

(Government Code Section 54957)

Title: Chief Auditor

REPORT ON CLOSED SESSION:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at www.san.org.

For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the Administration Building. Bring your ticket to the third floor receptionist for validation.

You may also reach the SDCRAA Building by using public transit via the San Diego Metropolitan Transit System, Route 992. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MEETING
MINUTES
MONDAY, FEBRUARY 11, 2019
BOARD ROOM

CALL TO ORDER: Chair Robinson called the Audit Committee Meeting to order at 10:04 a.m., on Monday, February 11, 2019, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Committee Member Tartre led the Pledge of Allegiance.

ROLL CALL:

Present: Committee Members: Robinson (Chair), Schiavoni, Tartre, West

Absent: Committee Members: Hollingworth, Lloyd, Van Sambeek

Also Present: Kimberly Becker, President/CEO; Amy Gonzalez, General Counsel; Linda Gehlken, Assistant Authority Clerk I; Martha Morales, Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT: None.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 5, 2018 regular meeting, and the November 5, 2018, special meeting.

ACTION: Moved by Committee Member Tartre and seconded by Board Member West to approve staff's recommendation. Motion carried unanimously, noting Board Member Lloyd and Committee Members Hollingworth and Van Sambeek as ABSENT.

2. FISCAL YEAR 2019 SECOND QUARTER AUDIT ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, reported that completion of the Fiscal Year 2019 Audit Plan is still not where staff would like it to be. He reported that the two primary reasons were, under-staffing in the department until mid-January, and the need to divert audit hours for administrative activities; such as, the revising of both the Audit Committee and the Office of the Chief Auditor (OCA) Charters, the revision of the OCA Policies and Procedures Manual, and the Quality Assurance

Review (QAR) preparation. He stated that the Audit Plan goal should be more attainable by the end of the Fiscal Year.

Fred Bolger, Manager, Audit Services, provided a presentation on the Fiscal Year 2019 Second Quarter Activities Report and Audit Recommendations Issued by the Office of the Chief Auditor that included Audit Activities, Audits in Progress as of December 31, 2018, Recommendation Follow Up, Status of Recommendations with Estimated Implementation Timeframe, Fiscal Year 2019 Performance Measures, and Summary of Ethics Inquiries.

Committee Member Tartre requested providing a footnote in the Performance Measure table noting a weighted average percent of the Audit Plan completed. He also requested parceling out the percentage of audits that are not complex vs. the ones that are and utilizing those figures when calculating the audits that are not completed within budgeted time.

Board Member West requested that the additional footnoted disclosures be added to the Second Quarter Activities Report before it is forwarded to the Board.

Committee Member Tartre suggested that by providing additional details in the Customer Satisfaction Performance Measure information, this would add depth in meaning and increase usefulness.

In response to Committee Member Tartre's request for further clarification regarding issuing a Notice of Default to concessionaires for non-compliance with reporting requirements stipulated in their contract, Lee Parravano, Chief Auditor, stated that, should it be needed, the current penalty amount of \$500 is an inadequate consequence for non-compliance. He stated that he has reached out to General Counsel to evaluate how to incorporate equitable accountability in this area and that additional analysis is needed.

In response to Committee Member Tartre's inquiry regarding the planned handling of the Customer Facility Charges (CFCs) collected by Nevada Lease and Rentals, Inc., dba Payless Car Rental Systems (Audit Report No. 18017), totaling over \$112,000 during the audit period of January 2014 to January 2016, Amy Gonzalez, General Counsel, stated that since the Authority never took possession of the CFCs, the expectation will be for Payless to return the funds to their customers.

Eric Podnieks, Program Manager, Revenue Management, stated that a verification from Payless will be requested to confirm the funds are appropriately refunded.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance, and provide, if necessary, direction to staff on audit recommendations.

ACTION: Moved by Board Member West and seconded by Committee Member Tartre to approve staff's recommendation as amended. Motion carried unanimously, noting Board Member Lloyd and Committee Members Hollingworth and Van Sambeek as ABSENT.

CLOSED SESSION: The Committee recessed into Closed Session at 10:35 a.m. to discuss Item 3.

3. THREAT TO PUBLIC SERVICES OR FACILITIES:

Consultation with: Clint Welch, Director Aviation Security and Public Safety; Jessica Bishop, Director Information Technology Services; John Thomes, Cyber Security Specialist

REPORT ON CLOSED SESSION: The Committee adjourned out of Closed Session at 11:35 a.m. There was no reportable action.

NON-AGENDA PUBLIC COMMENT: None

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT: The meeting adjourned at 11:35 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 13TH DAY OF MAY, 2019.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

LINDA GEHLKEN
ASSISTANT AUTHORITY CLERK I

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE MEETING
MINUTES
MONDAY, MARCH 25, 2019
BOARD ROOM

CALL TO ORDER: Chair Robinson called the Special Audit Committee Meeting to order at 8:31 a.m., on Monday, March 25, 2019, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Chair Robinson led the Pledge of Allegiance.

ROLL CALL:

Present: Committee Members: Lloyd, Robinson (Chair), Schiavoni, Van Sambeek, West

Absent: Committee Members: Hollingworth, Tartre

Also Present: Angela Shafer-Payne, Vice President/COO; Amy Gonzalez, General Counsel; Tony R. Russell, Director, Board Services/Authority Clerk; Martha Morales, Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT: None.

NEW BUSINESS:

1. PROCESS AND SELECTION OF THE EXTERNAL AUDITOR:

Kathy Kiefer, Director, Finance and Asset Management, provided a presentation on the Process and Selection of the External Auditor that included Audit Services RFP Timeline, Evaluation Panel, Audit Service Proposals Received, Evaluation Criteria, In-person Interview, Final Evaluation Results, Information on BKD, LLP, and Fiscal Year-ending June 30, 2019 Audit Schedule.

In response to Board Member Schiavoni regarding whether the Audit Committee should or will be requested to consider rotating the firms' lead partner, as BKD would be awarded consecutively, Ms. Kiefer stated that it is at the discretion of the Audit Committee, and that the current partner is willing to accommodate such a rotation, and the recommendations from the committee.

Committee Member Van Sambeek requested that an item be added to a future agenda to discuss whether the lead partner should be rotated.

RECOMMENDATION: Staff recommends that the Audit Committee forward to the Board its nomination of BKD, LLP as the external auditor with the recommendation to award an agreement for an amount not to exceed Nine Hundred Fifty Thousand

Dollars (\$950,000) for a three-year term with an option for two (2) one-year extensions, which may be exercised at the sole discretion of the Authority's President/CEO.

ACTION: Moved by Committee Member Van Sambeek and seconded by Board Member Schiavoni to approve staff's recommendation. Motion carried unanimously.

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT: The meeting adjourned at 8:42 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 13TH DAY OF MAY, 2019.

FRED BOLGER
MANAGER, AUDIT SERVICES

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

AUDIT COMMITTEE

Meeting Date: **MAY 13, 2019**

Subject:

Required Communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year Ended June 30, 2019

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board for information.

Background/Justification:

On March 25, 2019, staff presented a recommendation to the Audit Committee to enter in to an agreement with BKD, LLP, for Financial Audit Services. The Audit Committee recommended that the Board adopt a resolution approving and authorizing the President/CEO to execute an agreement with BKD, LLP.

The Board adopted Resolution No. 2019-0035 during its April 4, 2019, Board Meeting, approving and authorizing the President/CEO to execute an agreement with BKD, LLP, for an amount not to exceed \$950,000 for a three year term with an option for two (2) one year extensions, which may be exercised at the discretion of the Authority.

The Charter of the Audit Committee, and as specified in the Statement on Auditing Standards (SAS) 114, requires that the Authority's external auditor communicate for review and approval by the Audit Committee its planned scope and timing for conducting the audit of the Authority's financial statements; and to communicate an annual report on independence, a report on its quality control program and peer review, and other responsibilities under generally accepted auditing standards.

As required, the lead engagement partner from BKD, LLP, will give a presentation during the May 13, 2019, Audit Committee Meeting on matters pertaining to the scope, timeline, planning, and revisions to professional standards effecting the Fiscal Year Ended June 30, 2019, Financial and Compliance Audit. In addition, a copy of the BKD's most recent Peer Review Letter is provided, as Attachment A, per the Audit Committee's request at the November 5, 2018, meeting.

Fiscal Impact:

Adequate funding for the agreement with BKD, LLP, for performing the Authority's financial audit services is included in the Proposed Fiscal Year 2020 Budget and Fiscal Year 2021 Conceptual Budget within the Services-Auditing line item. Expenses that will impact budget years not yet adopted by the Board will be included in future year budget requests.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Prepared by:

KATHY KIEFER
SENIOR DIRECTOR
FINANCE, ACCOUNTING AND AIRLINE RELATIONS



8550 United Plaza Blvd., Ste. 1001 – Baton Rouge, LA 70809
225-922-4600 Phone – 225-922-4611 Fax – pncpa.com

Postlethwaite & Netterville and Associates, L.L.C.

Report on the Firm's System of Quality Control

To the Partners of
BKD, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB inspection in effect for the year ended May 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, an audit of carrying broker-dealers, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As part of our peer review, we considered reviews by regulatory entities as communicated to the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB inspection in effect for the year ended May 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. BKD, LLP has received a peer review rating of *pass*.

A handwritten signature in black ink that reads 'Postlethwaite & Netterville' in a cursive script.

Baton Rouge, Louisiana
October 6, 2017

Required Communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year Ended June 30, 2019

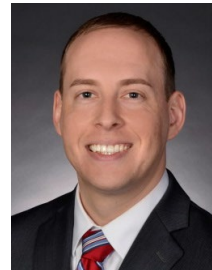


Presented By: David M. Coleman, Partner
May 13, 2019



Engagement Team

- ▲ David Coleman, CPA, Engagement Partner
- ▲ Richard Wittgren, CPA, Concurring Review Partner
- ▲ Amy Shreck, CPA, Lease Standard Industry Resource
- ▲ Andrew Sherwood, CPA, Manager
- ▲ Josh Findlay, CPA, Senior Associate II
- ▲ Katie Crenshaw, Associate



Overview

- ▲ Our audit will be conducted in accordance with the following guidelines:
 - Auditing standards generally accepted in the United States of America
 - *Government Auditing Standards*
 - Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
 - *Passenger Facility Charge Audit Guide for Public Agencies*
 - California Government Code 50474.21
 - We will also issue a management letter including our required communications to the Audit Committee

Planned Scope

- ▲ The following are considered as having a higher risk of material misstatement due to error or fraud:
 - Management override of controls
 - Revenue recognition
 - Investment classification
 - Federal Awards Program

Planned Timing

- ▲ **Week of June 17th** - Planning, interim fieldwork and risk assessment
- ▲ **Week beginning August 19th** - Final audit fieldwork, including Single Audit, Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) testing
- ▲ **Week of September 2nd** - Exit conference with management to review draft financial statements and other required communications
- ▲ **September 13, 2019** - Drafts of deliverable available for review by management
- ▲ **Week of September 9, 2019** – Concurring partner review to be performed
- ▲ **October 4, 2019** - Release final deliverables
- ▲ **November 4, 2019** - Presentation of financial statements, our required communications and other deliverables to the Audit Committee

Approach to Planning

- ▲ Planning and Risk Assessment – Our procedures include:
 - Obtaining an understanding of the internal control environment
 - Obtaining an understanding of changes to the Authority's operations for the year, including new revenue streams and activities
 - Examining Authority Board and Audit Committee minutes and highlighting any ordinances, resolutions, laws and compliance regulations to be reviewed

Approach to Planning *(continued)*

- ▲ Planning and Risk Assessment – Our procedures include (continued):
 - Completing our preliminary analytical review procedures
 - Developing applicable audit programs to address significant audit areas and the specific risks identified during our risk assessment procedures

Revisions to Professional Standards

- ▲ GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – planned early implementation in 2019
- ▲ GASB Statement No. 87, *Leases* – effective for 2021
 - Due to the complexity and scope of changes we plan on assisting as needed in preparation to implement

Consideration of Errors or Fraud

- ▲ Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*
 - Fraud interviews will be held with key members of the Airport Authority through this requirement

Consideration of Errors or Fraud *(continued)*

- ▲ Our audit approach includes:
 - Engagement Team Brainstorming
 - Inquiries of management and others:
 - ▶ Audit Committee Chair
 - ▶ President/CEO
 - ▶ Chief Internal Auditor
 - ▶ General Counsel
 - ▶ Chief Financial Officer
 - ▶ Chief Development Officer

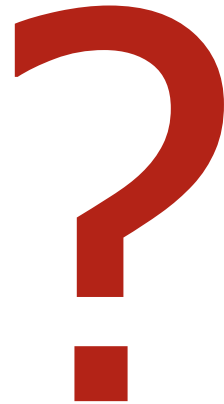
Consideration of Errors or Fraud *(continued)*

- Inquiries of management and others *(continued)*:
 - ▶ Others as deemed appropriate in the following areas:
 - Accounting
 - Finance
 - Grants Management & Compliance
 - Procurement
 - Airport Development
 - Information Technology
 - Human Resources

Contacts

- ▲ It is our understanding that the appropriate people within the Authority's governance structure with whom to communicate are:
 - Lee Parravano, Chief Internal Auditor
 - Paul Robinson, Audit Committee Chair
 - April Boling, Board Chair
- ▲ If you need to contact us:
 - David Coleman, Partner – 469.341.0785
dcoleman@bkd.com
 - Andrew Sherwood, Manager– 469.341.0844
asherwood@bkd.com

Questions



AUDIT COMMITTEE

Meeting Date: **MAY 13, 2019**

Subject:

Results from the Quality Assessment Review of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board for information.

Background/Justification:

The Office of the Chief Auditor (OCA) provides independent objective assurance for the San Diego County Regional Airport Authority (Authority) through a disciplined evaluation of the Authority's operations and its use of resources and assets.

The Board approved Charter of the Audit Committee states that Committee oversight responsibilities include ensuring that the OCA is upholding conformance to the International Standards for the Professional Practice of Internal Auditing (*Standards*). To obtain reasonable assurance, the Audit Committee is to confirm that external quality assurance reviews of the OCA are performed, and to monitor any resulting recommendations.

The *Standards* require that a qualified independent reviewer, or review team, from outside the organization conduct a Quality Assessment Review (QAR) of an organization's internal audit function once every five years. An external quality assessment evaluates the internal audit function for conformance with the *Standards*, conformance with the Code of Ethics, and the efficiency and effectiveness of the internal audit activity.

The OCA is required to maintain a quality assurance and improvement program that includes an evaluation of the OCAs conformance with the *Standards*. The OCAs quality assurance and improvement program also requires a QAR.

Two previous external QARs have been performed. The first review covered the period from the OCAs inception in 2003 through June 30, 2008, and the second covered the period July 1, 2009, through June 30, 2013. A resulting opinion following both external quality assessments was that the OCA is providing reasonable assurance of compliance with the *Standards*.

Obtaining an external QAR with an opinion of "reasonable assurance" of conformance with the *Standards* allows the OCA to state activities are conducted "in accordance with the *International Standards for the Professional Practice of Internal Auditing*". This is the highest level of conformance an internal audit function can achieve.

Page 2 of 2

The QAR for the period July 1, 2013, thru June 30, 2018, was due. Therefore, during the November 5, 2018, meeting of the Audit Committee, the Committee considered the selection of an external assessor, and unanimously recommended that the Association of Local Government Auditors (ALGA) perform the required QAR.

In April 2019, an external QAR was completed through the ALGA peer review program and consisted of two team members, Paula Ward and Matt McMahon.

Results of the QAR for the period July 1, 2013, through June 30, 2018, determined that the OCA is providing reasonable assurance of compliance with the *Standards*. This is the highest level of conformance an internal audit function can achieve. The QAR opinion is provided as Attachment A. In a companion letter, the review team identified areas where the OCA excels and offered observations and suggestions to enhance the OCAs conformance with the *Standards*. The companion letter is provided as Attachment B. The OCAs response to the QAR is provided as Attachment C.

Fiscal Impact:

Estimated cost is \$5,000 and will be incurred on the line item for professional services in the OCA 2019 Fiscal Year Budget. The QAR costs are expenses for the peer review team, including but not limited to hotel, airfare, local transportation, and meal per diem.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR



External Quality Control Review

of the
San Diego County Regional Airport Authority
Office of the Chief Auditor

Conducted in accordance with guidelines of the
Association of Local Government Auditors
for the period July 1, 2013 through June 30, 2018



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 for the period July 1, 2013 through June 30, 2018. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide for Assessing Conformance with International Standards for the Professional Practice of Internal Auditing* by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of conformance with the *International Standards for the Professional Practice of Internal Auditing (the Standards)* issued by the Institute of Internal Auditors as part of their *Professional Practices Framework*. Due to variances in individual performance and judgment, conformance does not imply adherence to *the Standards* in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the San Diego County Regional Airport Authority Office of the Chief Auditor's 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.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Paula Ward, CPA
Consultant

Matt McMahon, Internal Auditor
Washoe County School District



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."



Association of Local Government Auditors

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.



Association of Local Government Auditors

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



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

Results from the Quality
Assessment Review (QAR) of
the Office of the Chief
Auditor

Audit Committee Meeting

May 13, 2019

Purpose of a QAR



QAR Requirement



Requirement:

Must be conducted at least every 5 years by a qualified independent assessment team.

QAR Team



Paula Ward

Matt McMahon

29 years of Experience

10+ Peer Reviews
Completed

QAR Testing Timeline

March 2019

- OCA Documents Sent to QAR Team

April 2019

- QAR On-Site Testing

April 26, 2019

- QAR Results Issued

QAR Results



The Association of Local Government Auditors

Awards this

Certificate of Compliance

to

***San Diego County Regional Airport Authority Office of
the Chief Auditor***

Recognizing that the organization's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with the *International Standards for the Professional Practice of Internal Auditing* for assurance and consulting engagements during the period July 1, 2013, through June 30, 2018.

Paul Geib

Paul Geib
ALGA Peer Review Committee Chair

Kristine Adams-Wannberg

Kristine Adams-Wannberg
ALGA President

QAR Strengths Identified

1

The OCA is staffed with highly qualified professionals holding a variety of certifications and licenses that increase the value of their work.

2

The OCA has revised their Procedures Manual, Charter, and practices to more fully align with the *Standards*.

3

The OCA has developed a Risk and Control Matrix for each audit engagement to ensure that audit program steps are directly linked to audit objectives.

QAR Observations

1

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

2

The chief auditor did not develop and maintain a Quality Assurance and Improvement Program that included internal assessments.

3

In reviewing Continuing Professional Education (CPE) records, we found one auditor could not provide evidence of CPE for four of the five years of the peer review period.

4

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

QAR Other Comments



“We would like to acknowledge that the Office has actively addressed and corrected the observations noted above.”

Questions?

AUDIT COMMITTEE

Meeting Date: **MAY 13, 2019**

Subject:

**Fiscal Year 2019 Third Quarter Activity Report and Audit Recommendations
Issued by the Office of the Chief Auditor**

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board for information.

Background/Justification:

The Charter for the Office of the Chief Auditor (OCA), as approved by the San Diego County Regional Airport Authority Board, establishes the roles, responsibilities, and working relationship of the Chief Auditor with the Audit Committee and with Authority management. The Charter directs the OCA to periodically communicate to the Audit Committee on its activities, which includes audits completed, audit findings, and management's response addressing steps taken to resolve a noted issue.

The attached Fiscal Year 2019 Third Quarter Activity Report (Attachment A) summarizes the undertakings and accomplishments of the OCAs office from January 1, 2019, through March 31, 2019.

During the third quarter, the OCA completed seven (7) audits and issued fourteen (14) recommendations. Appendix D of the report provides the implementation status of audit recommendations that are outstanding.

A presentation by the OCA on its third quarter activities will be provided during a meeting of the Audit Committee on May 13, 2019.

Fiscal Impact:

No impact.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not applicable

Prepared by:

FRED BOLGER
MANAGER, AUDIT SERVICES

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

OFFICE OF THE CHIEF AUDITOR
Fiscal Year 2019 Third Quarter Activity Report

Issue Date: May 3, 2019

Audit Activities

Completed

During the third quarter, the Office of the Chief Auditor (OCA) issued a total of seven (7) audit reports, as described below.

Granite Construction Company: This expenditure contract audit examined the agreements with Granite Construction Company to enhance concrete/asphalt surfaces at the San Diego County Regional Airport Authority (Authority). The audit found that the procurement and payments surrounding the agreements were in compliance with Authority Policies and were appropriate. Additionally, adequate internal controls and monitoring were found to be in place and functioning properly. No issues were noted.

Tuition Reimbursement Program: This planned process audit was terminated prior to completion due to our determination that the Tuition Reimbursement Program presents minimal probability of finding any significant items that would be useful to management or to the Audit Committee and the Board.

San Diego Unified Port District Harbor Police Billings – FY2017: This expenditure contract audit determined that payments made to the San Diego Unified Port District (Port) during the audit period were made in accordance with the applicable agreements and they reflected the actual expenses incurred by the Port to provide those services. We also evaluated the internal controls over the review and approval process and tested compliance to the required minimum Harbor Police Department (HPD) staffing levels. We found that the actual expenditures billed by the Port generally complied with the requirements. However, we determined that the Port's reconciliation overstated the amount due for HPD expenses by \$162,739, and that minimum staffing hours were not met during the audit period. Four (4) recommendations were issued.

Ace Parking Management, Inc. - Expenditures: This expense contract audit examined the Parking Management and the Shuttle Services agreements between the Authority and Ace Parking Management, Inc. (Ace), and also examined the Authority's Parking Card Program administered by the Ground Transportation Department (GT). This audit is highlighted in Appendix C¹.

Concession Cost Recovery Program (CRP): This process audit analyzed the Concession Cost Recovery Program (CRP) processes, procedures, and financial data to determine if management is properly monitoring and managing the CRP. We found that trash removal service fees are not included in the CRP, Common Area Maintenance fees charged to concessionaires are not sufficient to recover expenses, and that management does not complete annual reconciliations of concessionaire payments to CRP expenses and does not have a formal evaluation process in place to identify new or changing expenses under the CRP. Three (3) recommendations were issued.

JCDecaux Airport, Inc.: This revenue contract audit evaluated whether gross advertising revenue and any related expenditures reported by JCDecaux for the audit period were accurately reported, and if concession fees and rents due were calculated and paid in accordance with terms of the agreements. The report concluded that sales were accurately reported and concession fees were accurately paid based on those sales. However, we also determined that the monitoring of JCDecaux throughout the audit period was insufficient in the verification of monthly sales to the related contracts, review of the rates used in the contracts, and verification of the advertisements on display in the terminals. Two (2) recommendations were issued.

¹ Each quarter we will highlight a significant audit completed during the quarter.

NewZoom, Inc. dba ZoomSystems: This revenue contract audit assessed the accuracy of the sales generated by ZoomSystems during the audit period to determine if the revenue received by the Authority was aligned with the terms of the lease. Additionally, we evaluated the internal controls in place to monitor the concessionaire. The audit determined that the concessionaire accurately reported sales and paid the related concession fees. However, we found that the monitoring of the lease requirements was insufficient. The insufficient monitoring areas noted were the documentation and verification of the capital investment in the mid-term refurbishment, and the certified annual reports of gross receipts and amounts paid to the Authority. One (1) recommendation was issued.

In Progress

At the close of the third quarter there were a total of 18 audits or activities *In Progress*, representing 47% of the Fiscal Year 2019 Audit Plan. Of those, three (3) were in the reporting/review stage, twelve (12) were in the fieldwork stage or are ongoing activities that occur throughout the year, and three (3) were in the planning or preliminary survey stage.

Construction Audit Activity for the third quarter of 2019 consisted of attending meetings regarding the Federal Inspection Service project, the airport support facilities, the Airport Development Program, and other airport construction projects. The Construction Auditor remains involved with issues identified by the Airport Design and Construction team and Authority Management, providing assistance and attending meetings specific to the aspects of the Authority's construction activity.

The OCA continues to run the Authority's Ethics Program and reporting hotline. During the third quarter of Fiscal Year 2019, one (1) report was received, which was not a potential code violation. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate. A summary of the tip(s)/report(s) received during the third quarter of Fiscal Year 2019 is available in Appendix B. Additionally, during the third quarter, the Ethics Officer developed a new training presentation to deliver to Authority employees during the fourth quarter.

See Appendix A for a complete detailed list of our Fiscal Year 2019 Audit Plan progress.

Administrative Activities

Budget and Expenses

The Chief Auditor Department expenses totaled \$854,554 through the end of the third quarter, which represents 66% of the Fiscal Year 2019 budget. No unexpected or large outlays occurred within the department during the quarter, and we expect to remain on budget through the fiscal year end.

Training

Staff continues to obtain CPE credits as required by their various certifications. During the third quarter, staff attended training on data analytics to identify areas to utilize our Authority data analysis software within audits. In addition, staff attended a County financial management symposium that included a panel of audit experts that offered best practices for examining one's organization.

Procedural/Supervisory

Two Audit Committee Meetings took place during the third quarter for which the OCA provided coordination with the Authority's Board Services Department.

Additionally, at the start of the third quarter our second Audit Intern came on board, was trained, and is being mentored; resulting in the OCA being fully staffed for the first time this fiscal year.

Risk Assessment

The OCA has completed the bulk of its risk assessment process for development of the Fiscal Year 2020 Audit Plan. The Chief Auditor and the Audit Manager met with the directors of all Authority departments to discuss their department's key work activities, and then compiled and examined this information to identify high-risk areas that can be audited. The proposed Fiscal Year 2020 Audit Plan will be presented to the Audit Committee during its May 13, 2019, meeting.

Recommendation Follow Up

The OCA tracks the status of its recommendations on an on-going basis in order to determine the progress of their implementation. The tracked recommendations are categorized, as shown in Figure 1 below, along with descriptions of each designation. See Appendix D for a detailed list of each recommendation and its status.

Figure 1: Status of Recommendations as of March 31, 2019

Completed	In Progress	Not Accepted	Tracked
4	23	0	27

Completed: This designation is used for recommendations that the OCA has determined to be adequately implemented or for recommendations where alternate action is taken that adequately addresses the risk identified. For the quarter, four (4) of the 27 recommendations were completed. Of the completed recommendations, three (3) or 75% were completed within the initial timeframe identified when the recommendations were issued.

In Progress: These recommendations have been partially addressed or partial corrective action has been taken. This category also includes recommendations issued when there has not been adequate time between report issuance and recommendation follow-up. If adequate progress is not being made, it will be noted as such.

Not Accepted: This designation is used for recommendations that an auditee does not accept; and, therefore, will not implement. This category can represent a failing on the part of the OCA, as all recommendations should be workable and acceptable to the affected departments.

The status of recommendations that were Completed or In Progress during the third quarter, along with the estimated implementation timeframe based on issue date of the audit report, is shown below.

Figure 2: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
In Progress	17	3	3	23
Completed	0	0	0	4

The non-completion of the In Progress recommendations should not have a material adverse effect on the Authority, and adequate progress is being made with all of the tracked recommendations.

Performance Measures

The OCA develops performance measures each fiscal year and tracks them to gauge the progress and success of the office. For Fiscal Year 2019 six (6) separate measures were developed to evaluate performance. The OCAs performance against the selected measures is displayed in Figure 3 below.

Figure 3: Status of Performance Measures as of March 31, 2019

Performance Measure	Goal	Progress as of March 31, 2019
Percentage of the Audit Plan completed	60% (80% by Year End)	39% ²
Additional revenue/cost savings identified	n/a	\$2,706,310
Percentage of staff time spent on audit activities	70%	65%
Percentage of audits completed within budget	80%	33% ³
Recommendations accepted by management	95%	100%
Customer satisfaction rating	4.0	4.6

Each performance measure is detailed below along with supplemented explanation.

Percentage of the Audit Plan completed annually: As of the third quarter, the OCA completed 39% of the Fiscal Year 2019 Audit Plan. Specifically, 15 out of 38⁴ audits were finalized as issued audit reports or closed out. Additionally, three (3) audits were in the report writing process at March 31, 2019.

Additional revenue/cost savings identified through audit activities: While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audit activities. To date, for Fiscal Year 2019, the OCA identified \$2,706,310 in revenue or cost savings as shown in Figure 4.

Percentage of staff time spent on audit activities: This measure helps ensure that the OCA spends an adequate amount of time on audit activities rather than administrative activities. As of the third quarter of Fiscal Year 2019, the OCA spent 65% of staff time on audit activities, under our goal of 70%. A portion of this time was due to preparing for the department’s Quality Assessment Review and to conducting the risk assessment.

² The 39% represents the percentage of audit reports issued as of March 31, 2019, from the total projects within the FY19 Audit Plan (15/38=39%). However, an alternative method for calculating the percentage of the Audit Plan completed, using total hours expended and total audit hours budgeted to complete the Audit Plan, results in a completion percentage of 61% through March 31, 2019. Specifically, the OCA expended 6,055 hours through March 31, 2019, on audit projects, and estimates 9,917 total audit hours will be needed to complete the FY19 Audit Plan (6,055/9,917=61%). This alternate methodology takes into consideration audits in progress, but not yet completed.

³ Through the third quarter 10 of 15 audits were completed over budget. Of the 10 audits that were over budget, 6 contained multiple findings; 2 contained observations to strengthen the Authority’s internal controls, and 1 was slightly over budget (11 hours or less than 8%). Only 1 of the over budget audits significantly exceeded its budget without identifying issues or encountering unforeseen complexities.

⁴ Three factors determine the size of our audit population; annually, we add 1) planned audits/activities contained within the current year’s Audit Plan, 2) any carry over audits/activities from the previous year, and 3) any special request audits approved by the Audit Committee.

Figure 4: Revenue Identified as of March 31, 2019

Audit	Revenue/Savings Identified	Revenue/Savings Collected
Nevada Lease and Rentals, Inc. dba Payless Car Rental System	\$198,036	\$500
San Diego Unified Port District Harbor Police Billings - FY17	162,739	--
Signature Flight Support	69,541	69,541
Pneuma Enterprises, Inc., dba Travcar Car Rental	38,177	38,177
Ace Parking Management, Inc. - Expenditures	5,477	--
Audit Report Sub-total	\$473,970	\$108,218
Other Work Activity	2,232,340 ⁵	--
Total	\$2,706,310	\$108,218

Percentage of audits completed within budgeted time: This category monitors how efficient audit staff is in performing their audits. Every audit has an internally prepared budget that the audit staff is held accountable to uphold. However, we recognize that budgets may need adjustment(s), as additional facts become known during an audit activity. In Fiscal Year 2019, the OCA completed 5 out of 15 projects under budget, bringing our percentage to 33% (5 out of 15). The majority of audits that exceeded their budgets were the result of specific complexities within the audits and difficulties in obtaining certain audit data and information.

Acceptance of Audit Recommendations: This category helps to evaluate the quality of the findings and recommendations that were issued by the OCA, and to ensure that we have received management buy-in to anything we recommend. For the year, all recommendations have been accepted by management.

Customer Satisfaction: At the conclusion of every audit we provide a survey to the audited Authority department to determine their satisfaction with the audit process and the audit team. While an audit could be contentious, we expect that value can still be observed by the audited entity. In that regard, our goal for customer satisfaction is 4.0, on a 1 to 5 scale (with 1 being very dissatisfied and 5 being very satisfied). To date we have achieved a score of 4.6.

⁵ The OCA provided advice and insight to Authority management regarding the Authority's defined benefit Plan administered by San Diego City Employees' Retirement System (SDCERS) that resulted in a Plan amendment. This information was summarized in a letter to the Audit Committee dated February 7, 2019. The estimated savings of \$2,232,340 is the calculated present value of future cash flows of \$5,900,000, using a discount rate of 5% over the next 43 years.

Appendix A - Fiscal Year 2019 Audit Plan Progress

#	Audit / Activity	Type
Completed		
1	Haley and Aldrich, Inc. ¹	Expense Contract
2	Signature Flight Support ¹	Revenue Contract
3	Procurement Card Program ¹	Annual Ongoing and Support
4	Turner - PCL Joint Venture	Expense Contract
5	Nevada Lease and Rental Inc. dba Payless Car Rental System ¹	Revenue Contract
6	M.W. Vasquez Construction Company, Inc. dba Vasquez Construction Company	Expense Contract
7	Asset Management ¹	Business Process
8	Pneuma Enterprises Inc. dba TravCar	Revenue Contract
9	Granite Construction Company	Expense Contract
10	Tuition Reimbursement Program	Business Process
11	San Diego Unified Port District Billing - Fiscal Year 2017 ¹	Annual Ongoing and Support
12	Concession Cost Recovery ¹	Business Process
13	Ace Parking Management, Inc. ¹	Expense Contract
14	JCDecaux, Inc.	Revenue Contract
15	New Zoom Inc. dba ZoomSystems (RP 6)	Revenue Contract
In Progress		
16	Fordyce Construction, Inc.	Expense Contract
17	Ueberall International LLC	Expense Contract
18	Ricondo and Associates	Expense Contract
19	Leigh Fisher & Associates ¹	Expense Contract
20	Fox Rent A Car	Revenue Contract
21	Rental Car Center Fund Review - 2018 ¹	Annual Ongoing and Support
22	Rental Car Center Fund Review - 2019	Annual Ongoing and Support
23	Capital and Maintenance Project Selection and Planning	Business Process
24	Art Program	Business Process
25	Construction Audit and Monitoring Activity	Annual Ongoing and Support
26	Emergency Medical Technician - Paramedic Services ¹	Annual Ongoing and Support
27	Ethics Program	Annual Ongoing and Support
28	Small Business Development ¹	Business Process
29	Transportation Network Company Reviews and Assistance	Annual Ongoing and Support
30	Ace Parking	Revenue Contract
31	Enterprise Rent A Car Company (Enterprise, Alamo, National)	Revenue Contract
32	Avis Rent A Car Systems LLC (Avis, Zip Car)	Revenue Contract
33	Automated License Plate Recognition (ALPR) System - Ace	Annual Ongoing and Support
Not Started		
34	Aircraft Rescue and Fire Fighting (ARRF)	Annual Ongoing and Support
35	San Diego Unified Port District Billing - Fiscal Year 2018	Annual Ongoing and Support
36	Information Technology Acquisition and Implementation	Business Process
37	Other Post-Employment Benefits (OPEB)	Business Process
38	Owner-Controlled Insurance Program (OCIP) Management	Business Process

¹ Carried over from the Fiscal Year 2018 Audit Plan

Appendix B - Ethics Program Activities

	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)
Non Ethics Related Concerns					
Security Issue	1	0	0	0	0

Legend:

Number of Tips / Reports Received: The total number of tips or reports received by the Ethics Officer through the confidential hotline, direct phone line, e-mail, inter-office mail, or direct contact.

Preliminary Investigation Required: The number of tips or reports that required a preliminary investigation by the Ethics Officer.

Full Investigation Initiated: Following a preliminary investigation, the Ethics Officer determined that the tip necessitated a full investigation. As a result, the tip/report received was forwarded to the Ethics Committee for a determination on how to proceed.

Investigation Results Supported Coded Violation: Based on an investigation, these are the tips/reports that were found to have been a Code violation.

Response: This column represents the number of times the Ethics Officer responded back to the original non-anonymous tipper/reporter.

Appendix C - Audit Highlight

Ace Parking Management, Inc. – Expenditures for Parking Management and Airport Shuttle Services Agreements, and Ground Transportation’s Administration of the Parking Card Program Report Number #18010, March 2019

Background

This audit examined the Parking Management and the Shuttle Services agreements between the San Diego County Regional Airport Authority (Authority) and Ace Parking Management, Inc. (Ace), and examined the Authority’s Parking Card Program (Program) administered by the Ground Transportation Department (GT). Ace provides parking management services at San Diego International Airport (SDIA) under an agreement for Parking Management Services, and Ace provides on-airport courtesy shuttle services at SDIA under an agreement for Airport Shuttle Services. The Parking Card Program (Program) is a system created to provide courtesy parking cards to eligible individuals to be used in the execution of official business, and entitles them to free parking in some or all SDIA parking lots.

Audit Results

Our audit determined that the total payments made to Ace Parking Management, Inc. for the parking management services and the shuttle service operations at San Diego International Airport were within the total contract amounts. Additionally, we found that procurement policies and procedures regarding agreement amendments were properly followed. However, we found a lack of adequate or properly functioning internal controls regarding the GT review and approval of Ace expenses. This resulted in the reimbursement of some non-allowable expenses. Additionally, we found that the management of the Parking Card Program lacked a documented and consistent management process.

Recommendations

Based on this audit there were four (4) recommendations, summarized as follows:

- GT should strengthen its contract management and invoice review processes.
- GT should consider reviewing the expenses submitted by Ace for reimbursement during the audit period January 1, 2016, through December 31, 2017, to verify that expenses submitted for reimbursement are allowable per the agreements.
- GT should request Ace to provide the reports required by the Shuttle Agreement and review that these reports contain the pertinent information required. GT should also strengthen their mechanism for tracking any or all agreement requirements.
- GT should review Authority Policy 9.30 governing the Parking Card Program and create and document a department management process that complies with the administration requirements of the Policy.

Appendix D - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019
Completed					
19-13	Audit Report 19016 Issued: Dec. 26, 2018 Title: Pneuma Enterprises, Inc., dba Travcar Car Rental Department: REVENUE MANAGEMENT	High	The Revenue Management Department should take all appropriate steps to recover damages and other amounts owed based upon the following: - Pneuma failed to comply with Article 6.2.1 of the Concession Agreement; - Pneuma operated after termination of the Concession Agreement without authorization; and, - It is unknown if Pneuma has emitted all required payments to the Authority for the audit period.	1/31/2019	All required payments per the settlement agreement between the Authority and Pneuma have been received.
19-10	Audit Report 18017 Issued: Dec. 14, 2018 Title: Nevada Lease and Rentals, Inc. dba Payless Car Rental System Department: REVENUE MANAGEMENT	Low	The Revenue Management Department should notify Nevada that non-airport customers should be refunded CFCs in the amount of \$112,354 during the period from January 1, 2014, to January 19, 2016.	5/31/2019	Nevada Lease and Rental was notified.
19-11	Audit Report 18017 Issued: Dec. 14, 2018 Title: Nevada Lease and Rentals, Inc. dba Payless Car Rental System Department: REVENUE MANAGEMENT	Low	The Revenue Management Department should request that the Accounting Department issue an invoice to Nevada in the amount of \$500 for not timely submitting the annual report.	5/31/2019	Late fee was assessed and paid by Nevada.

Fiscal Year 2019 Third Quarter Activity Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019
Completed					
19-12	Audit Report 18017 Issued: Dec. 14, 2018 Title: Nevada Lease and Rentals, Inc. dba Payless Car Rental System Department: REVENUE MANAGEMENT	Low	The Revenue Management Department should issue a Notice of Default to Nevada for non-compliance of Section 4.2.2 - Submittal of an Annual Report.	5/31/2019	Nevada has submitted an Annual Report and no Notice of Default is required.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019	OCA's Assessment	Revised Estimated Completion Date
In Progress							
18-10	Audit Report 18013 Issued: February 28, 2018 Title: Chula Vista Electric Company Department: FACILITIES MANAGEMENT	Medium	Facilities Management Department (FMD) should request that the Accounting Department bill Chula Vista Electric Company (CVEC) \$42,510 for reimbursement of expenses not allowed by the contract. Additionally, FMD should take steps to ensure that disallowed fees and expenses are not included in future payments to CVEC.	6/30/2018	President/CEO has approved for General Counsel to proceed with final settlement.	In Progress	4th Quarter FY19
18-12	Audit Report 18013 Issued: February 28, 2018 Title: Chula Vista Electric Company Department: FACILITIES MANAGEMENT	Medium	Facilities Management Department (FMD) should request that Chula Vista Electric Company (CVEC) provide supporting documentation for the \$416,556 in expenses billed and paid. When these documents are provided, FMD should review and verify that the expenses are justified.	7/31/2018	President/CEO has approved for General Counsel to proceed with final settlement.	In Progress	4th Quarter FY19
19-02	Audit Report 18020 Issued: July 30, 2018 Title: Signature Flight Support Department: BUSINESS AND FINANCIAL MANAGEMENT	Medium	Business Management should work with Signature Management to ensure that the future Gateway Program investments are made in accordance with the Lease, or amend the Lease as needed.	3/31/2019	Signature Flight Support (SFS) and Airport staff have agreed to a solution whereby SFS will remedy the situation. SFS is in contact with the Urban Corps of San Diego for the beautification of Sassafras Gateway. SFS is coordinating the permitting and applicable work right-of-ways to carry out the work. The actual work completion date is anticipated for this summer.	In Progress	9/30/2019

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019	OCA's Assessment	Revised Estimated Completion Date
In Progress							
19-04	Audit Report 19012 Issued: Nov. 27, 2018 Title: Turner-PCL, A Joint Venture Department: AIRPORT DESIGN AND CONSTRUCTION	Medium	Airport Design and Construction should ensure that procedures are in place to verify that contractors obtain Disadvantaged Business Enterprise (DBE) certifications for all DBE subcontractors prior to their start of work.	6/1/2019	ADC is compiling information on current processes in preparation for a meeting with Small Business Development, to collaboratively finalize the development of our plan and address the recommendations of the referenced audit. We are tracking the conclusion of this effort to align with the original completion date of 6/1/19.	In Progress	6/1/2019
19-05	Audit Report 19012 Issued: Nov. 27, 2018 Title: Turner-PCL, A Joint Venture Department: AIRPORT DESIGN AND CONSTRUCTION	Medium	Airport Design and Construction should ensure that all Small Business Enterprises (SBE) reported as working on the Federal Inspection Services (FIS) project meet the definition of a small business per Authority policy.	6/1/2019	ADC is compiling information on current processes in preparation for a meeting with Small Business Development, to collaboratively finalize the development of our plan and address the recommendations of the referenced audit. We are tracking the conclusion of this effort to align with the original completion date of 6/1/19.	In Progress	6/1/2019
19-06	Audit Report 19012 Issued: Nov. 27, 2018 Title: Turner-PCL, A Joint Venture Department: AIRPORT DESIGN AND CONSTRUCTION	Medium	Airport Design and Construction should ensure that Turner-PCL provides accurate reporting of amounts paid in the "Small-DBE Tracker" report, supported by documentation of the amounts reported in their financial system, and a reconciliation to the amounts paid per the schedule of values.	6/1/2019	ADC is compiling information on current processes in preparation for a meeting with Small Business Development, to collaboratively finalize the development of our plan and address the recommendations of the referenced audit. We are tracking the conclusion of this effort to align with the original completion date of 6/1/19.	In Progress	6/1/2019

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019	OCA's Assessment	Revised Estimated Completion Date
In Progress							
19-07	Audit Report 18017 Issued: Dec. 14, 2018 Title: Nevada Lease and Rentals, Inc. dba Payless Car Rental System Department: REVENUE MANAGEMENT	Medium	The Revenue Management Department should request that the Accounting Department issue an invoice to Nevada in the amount of \$78,063 for the net underpayment of concession fees.	5/31/2019	Negotiating with Nevada Lease and Rentals, and under discussion with Legal.	In Progress	5/31/2019
19-08	Audit Report 18017 Issued: Dec. 14, 2018 Title: Nevada Lease and Rentals, Inc. dba Payless Car Rental System Department: REVENUE MANAGEMENT	Medium	The Revenue Management Department should consider charging Nevada interest for the underpayment of concession fees and for the full cost of the audit in the amount of \$31,052 and \$56,050, respectively.	5/31/2019	Currently under discussion with Legal regarding this recommendation.	In Progress	5/31/2019
19-14	Audit Report 19038 Issued: Feb. 26, 2019 Title: San Diego Unified Port District Harbor Police Billings - FY2017 Department: AVIATION SECURITY AND PUBLIC SAFETY (AVSEC) and ACCOUNTING DEPARTMENT	Medium	We recommend that AVSEC and the Accounting Department notify Port staff concerning the Fiscal Year 2017 under-billing for HPD services and determine the most appropriate method for the Authority to remit the additional \$770,326 owed to the Port. In addition, AVSEC and Accounting should request that the Port provide frequent updates on any notable expense variance on all actual and estimated billings that may/will affect the Authority's share of HPD costs, to avoid significant year-end adjustments.	6/30/2019	Accounting is in the process of working with the Port.	In Progress	June 2019

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019	OCA's Assessment	Revised Estimated Completion Date
In Progress							
19-15	Audit Report 19038 Issued: Feb. 26, 2019 Title: San Diego Unified Port District Harbor Police Billings - FY2017 Department: AVIATION SECURITY AND PUBLIC SAFETY (AVSEC) and ACCOUNTING DEPARTMENT	Medium	We recommend that AVSEC and the Accounting Department require the Port to provide detailed supporting documents pertaining to all direct and indirect costs associated to the Airport and to create and maintain a tracking mechanism for HPD costs billed to the Authority, to ensure that all expenses billed are in compliance with the agreements and are related to HPD services provided to the Airport.	6/30/2019	Accounting is in the process of working with the Port.	In Progress	June 2019
19-16	Audit Report 19038 Issued: Feb. 26, 2019 Title: San Diego Unified Port District Harbor Police Billings - FY2017 Department: AVIATION SECURITY AND PUBLIC SAFETY (AVSEC)	Medium	We recommend that Authority Management, together with the Port, review and decide on the criteria and process of the classification of Workers' Compensation claims by considering the location, type of loss, and the labor hours the employee worked. In addition, Authority Management should request the Port to provide the Authority with a list of claims that include their pertinent information and their corresponding classification, as soon as the claims are reported by HPD Officers/staff, for the Authority to have a better understanding of the nature of the claims and how they should be classified.	6/30/2019	The Risk Management team will set up a meeting within the next month, with its counterparts at the Port, to agree upon reporting requirements and report deadlines.	In Progress	6/30/2019

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019	OCA's Assessment	Revised Estimated Completion Date
In Progress							
19-18	Audit Report 18010R Issued: March 11, 2019 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Agreements, and Ground Transportation's Administration of the Parking Card Program Department: GROUND TRANSPORTATION DEPARTMENT (GT)	Medium	We recommend that GT strengthen its agreement management and invoice review process to ensure that only allowable expenses under the Parking Management and the Shuttle Agreements are paid.	3/29/2019	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	In Progress	3/29/2019
19-19	Audit Report 18010R Issued: March 11, 2019 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Agreements, and Ground Transportation's Administration of the Parking Card Program Department: GROUND TRANSPORTATION DEPARTMENT (GT)	Medium	We recommended that GT consider reviewing the expenses submitted by Ace for reimbursement during the audit period January 1, 2016, to December 31, 2017, in order to verify that all expenses submitted for reimbursement are allowable per the agreements and have the appropriate supporting documentation. GT should consider the level of effort, cost of the review, and the monetary value of any potential disallowed expenses. GT should request Ace to refund any disallowed expenses as a result of the review.	6/30/2019	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	In Progress	6/30/2019

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019	OCA's Assessment	Revised Estimated Completion Date
In Progress							
19-21	Audit Report 18010R Issued: March 11, 2019 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Agreements, and Ground Transportation's Administration of the Parking Card Program Department: GROUND TRANSPORTATION DEPARTMENT (GT)	Medium	We recommend that GT review Authority Policy 9.30 that governs the Parking Card Program and create a department management process that complies with the administration requirements of the Policy. In addition, Authority Management should also review the Policy; specifically, the requirements and eligibility for stakeholders to obtain a Courtesy Card. Management's policy review should consider: a) that the Authority does not have the mechanism to distinguish between official business or personal travel and that individuals travelling on official business are able to be reimbursed for parking expenses through their organization, and b) the annual cost of the Courtesy Cards.	4/30/2019	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	In Progress	4/30/2019
19-22	Audit Report 18002 Issued: March 8, 2019 Title: Concession Cost Recovery Program Department: REVENUE GENERATION & MANAGEMENT DEPARTMENT (RGM)	Medium	RGM should determine an equitable percentage split of the monthly trash removal service fees between concessionaire and Authority generated trash, in order to charge concessionaires their portion of the monthly trash removal service fees under the Cost Recovery Program.	10/31/2019	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	In Progress	10/31/2019
19-23	Audit Report 18002 Issued: March 8, 2019 Title: Concession Cost Recovery Program Department: REVENUE GENERATION & MANAGEMENT DEPARTMENT (RGM)	Medium	RGM should obtain work order data from Facilities Management Department, on a monthly basis, in order to accurately charge Common Area Maintenance (CAM) service fees to the concessionaires operating in the food court areas.	10/31/2019	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	In Progress	10/31/2019

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019	OCA's Assessment	Revised Estimated Completion Date
In Progress							
19-24	Audit Report 18002 Issued: March 8, 2019 Title: Concession Cost Recovery Program Department: REVENUE GENERATION & MANAGEMENT DEPARTMENT (RGM)	Medium	RGM should conduct annual reconciliations of each cost center to ensure that all cost recovery expenses under the Cost Recovery Program are recovered. As part of that reconciliation, RGM should develop and document a formal evaluation process to identify new or changing expenses.	10/31/2019	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	In Progress	10/31/2019
19-25	Audit Report 19018 Issued: March 22, 2019 Title: JCDecaux Airport, Inc. Department: REVENUE GENERATION & BUSINESS DEVELOPMENT DEPARTMENT	Medium	Revenue Generation & Business Development should develop a procedure for maintaining the advertising contracts with the related ad copy submitted by the advertising concessionaire. These documents should be used to verify both the advertisements that are running in the terminal during the contract periods and the sales reported monthly by the concessionaire.	3/1/2019	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	In Progress	3/1/2019
19-26	Audit Report 19018 Issued: March 22, 2019 Title: JCDecaux Airport, Inc. Department: REVENUE GENERATION & BUSINESS DEVELOPMENT DEPARTMENT	Medium	Revenue Generation & Business Development should require the concessionaire to submit the Rate Cards, as required by the Concession Agreement, and compare the rates charged on the advertising contracts submitted to the current Rate Card on file for reasonableness.	12/1/2018	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	In Progress	12/1/2018

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019	OCA's Assessment	Revised Estimated Completion Date
In Progress							
19-27	Audit Report 19019 Issued: March 27, 2019 Title: NewZoom, Inc. dba ZoomSystems Department: REVENUE GENERATION & BUSINESS DEVELOPMENT DEPARTMENT	Medium	Internal controls over the monitoring of the requirements of the Lease agreement needs to be strengthened, and the penalties for failure to follow the requirements of the Lease should be assessed to ensure continued compliance by the concessionaire.	6/30/2019	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	In Progress	6/30/2019
19-09	Audit Report 18017 Issued: Dec. 14, 2018 Title: Nevada Lease and Rentals, Inc. dba Payless Car Rental System Department: REVENUE MANAGEMENT	Low	The Revenue Management Department should request that the Accounting Department issue an invoice to Nevada in the amount of \$32,371 for the underpayment of CFCs during the audit period.	5/31/2019	Nevada Lease and Rental has agreed to pay the CFC amount.	In Progress	5/31/2019
19-17	Audit Report 19038 Issued: Feb. 26, 2019 Title: San Diego Unified Port District Harbor Police Billings - FY2017 Department: AVIATION SECURITY AND PUBLIC SAFETY (AVSEC)	Low	We recommend that Authority Management enhance the tracking of actual Airport worked hours by HPD Officers, using available resources to verify that the actual hours worked meet the minimum staffing hours per the SLA; that the hours reported by the Port are accurate; and, to ensure that all shifts are manned.	7/1/2019	Accounting is in the process of working with the Port.	In Progress	June 2019

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2019	OCA's Assessment	Revised Estimated Completion Date
In Progress							
19-20	Audit Report 18010R Issued: March 11, 2019 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Agreements, and Ground Transportation's Administration of the Parking Card Program Department: GROUND TRANSPORTATION DEPARTMENT (GT)	Low	We recommend that GT request Ace to provide the reports required by the Shuttle Agreement, and review that these reports contain the pertinent information required. GT should also strengthen their mechanism for tracking any or all agreement requirements.	3/29/2019	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	In Progress	3/29/2019



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

**Fiscal Year 2019
Third Quarter Activity Report
and Audit Recommendations Issued by the
Office of the Chief Auditor**

January 1, 2019, through March 31, 2019

**Audit Committee Meeting
May 13, 2019**

Fiscal Year 2019 Performance Measures

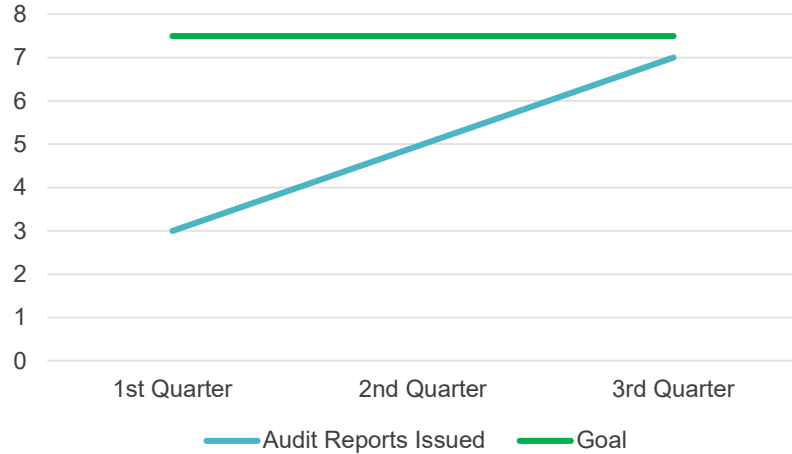
Performance Measure	Goal	Progress
Percentage of the Audit Plan completed	60%	39%
Additional revenue/cost savings identified	n/a	\$2,706,310
Percentage of staff time spent on audit activities	70%	65%
Percentage of audits completed within budgeted time	80%	33%
Recommendations Accepted by Management	95%	100%
Customer Satisfaction	4.0	4.6

Audit Plan Completion - Projects

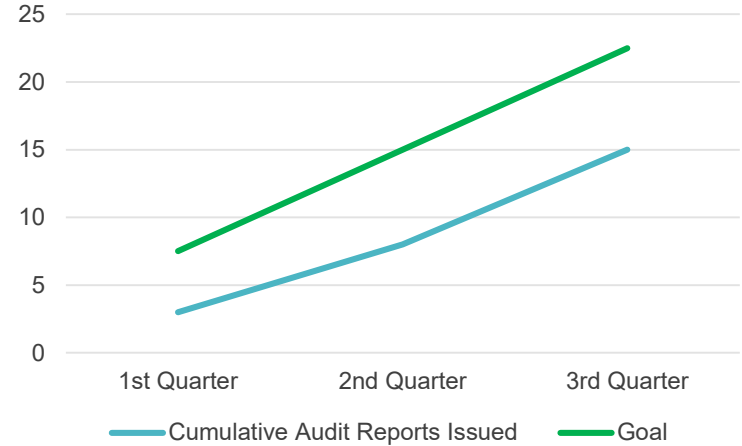
Audits Completed: 39%		
1st Quarter	2nd Quarter	3rd Quarter
Haley & Aldrich, Inc.	Turner-PCL, a Joint Venture	Granite Construction Company
Signature Flight Support	Nevada Lease and Rentals, Inc., dba Payless Car Rental System	Tuition Reimbursement Program
Procurement Card Program	M.W. Vasquez Construction Company Inc., dba Vasquez Construction Company	San Diego Unified Port District Harbor Police Billings - FY 2017
	Fixed Asset Management	Ace Parking Management, Inc. – Expenditures
	Pneuma Entreprises, Inc. dba Travcar Car Rental	Concession Cost Recovery Program (CRP)
		JCDecaux Airport, Inc.
		NewZoom, Inc. dba ZoomSystems

Audit Plan Completion - Projects

Quarterly Goal



Cumulative Goal

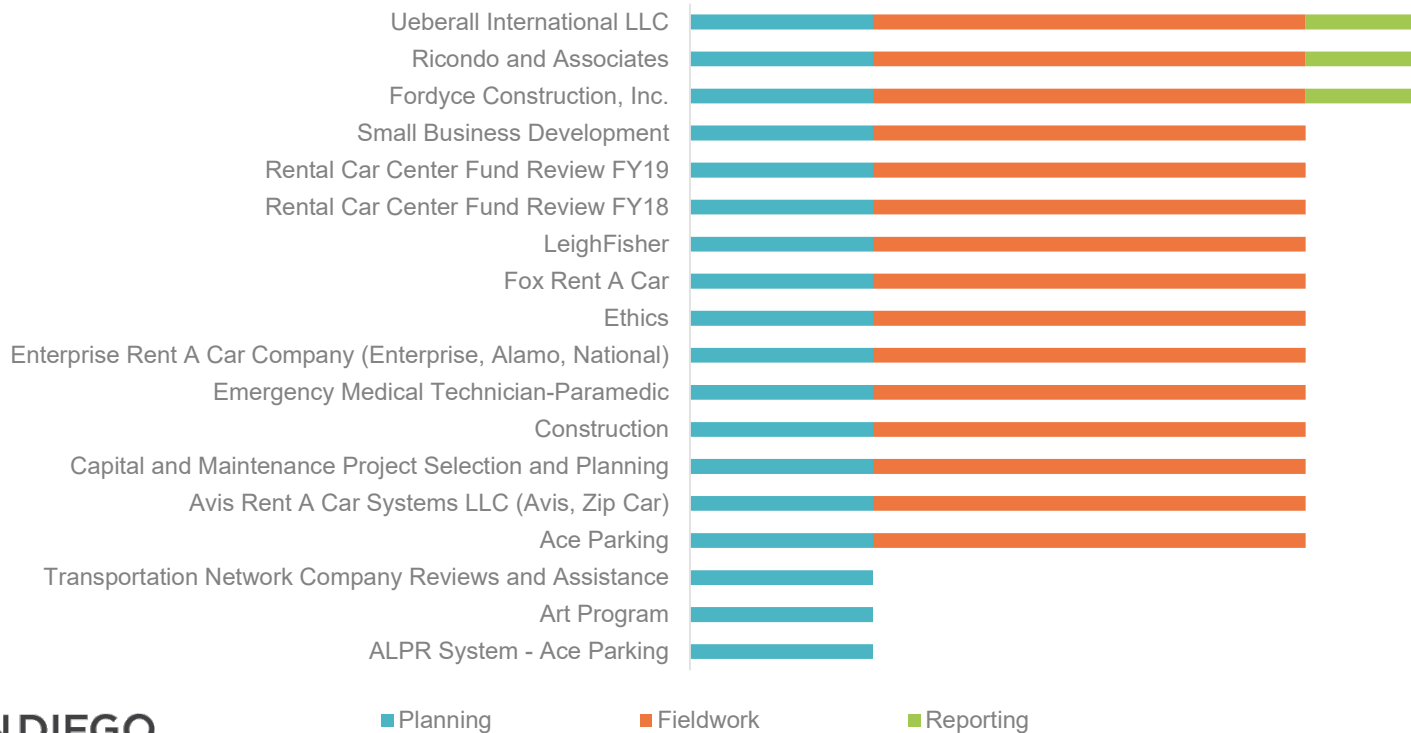


Audit Plan Completion - Projects

Audit Activities In Progress at the End of 3 rd Quarter	
Ace Parking	Fordyce Construction, Inc.
ALPR System - Ace Parking	Fox Rent A Car
Art Program	LeighFisher
Avis Rent A Car Systems LLC (Avis, Zip Car)	Rental Car Center Fund Review FY18
Capital and Maintenance Project Selection and Planning	Rental Car Center Fund Review FY19
Construction	Ricondo and Associates
Emergency Medical Technician-Paramedic	Small Business Development
Enterprise Rent A Car Company (Enterprise, Alamo, National)	Transportation Network Company Reviews and Assistance
Ethics	Ueberall International LLC

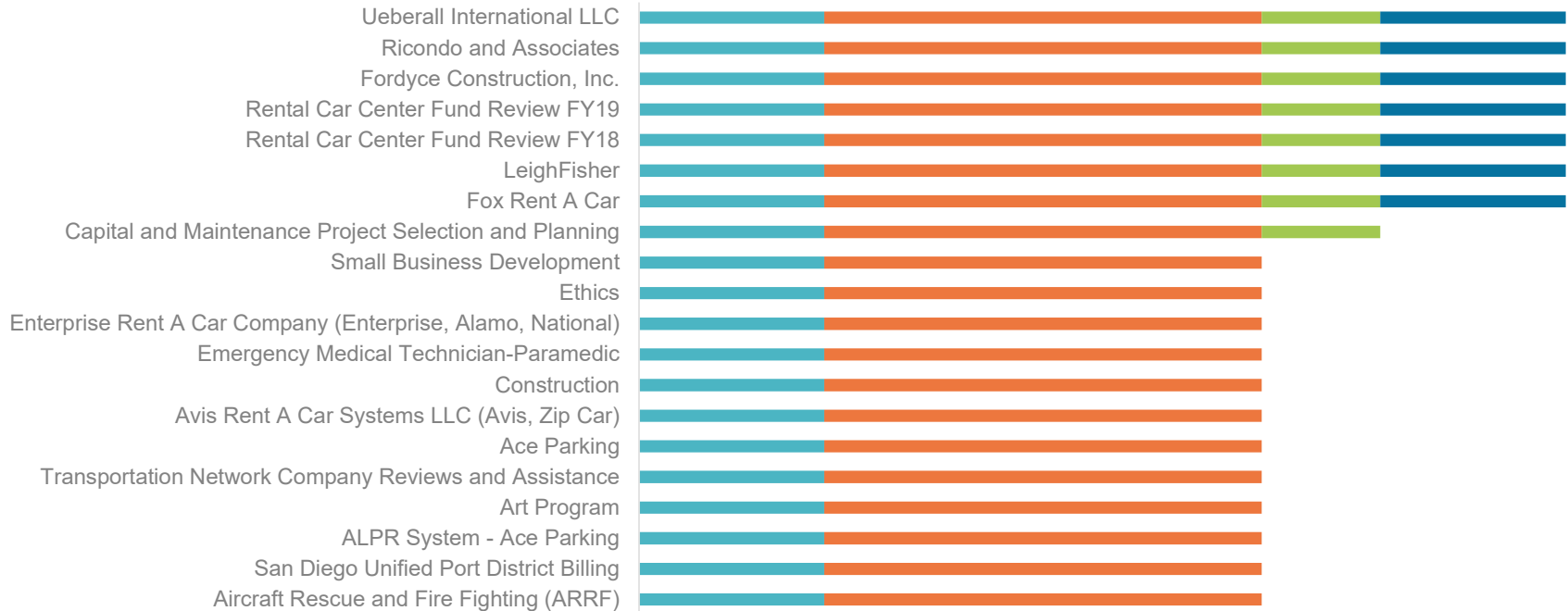
Audit Plan Completion - Projects

Status of Audit Activities In Progress as of March 31, 2019



Audit Plan Completion - Projects

Status of Audit Activities In Progress as of May 13, 2019



■ Planning ■ Fieldwork ■ Reporting ■ Issued

Audit Plan Completion - Hours

Original Budgeted Hours 9,485

Net Adjustments + 432

New Budgeted Hours 9,917

Total Hours Expended: 6,055

Audit Plan Hours Completed: 61%

Revenue/Savings Identified

Activity	Revenue/Savings Identified	Revenue/Savings Realized
Nevada Lease and Rentals, Inc. dba Payless Car Rental System	\$198,036	\$500
SD Unified Port District Harbor Police Billings - FY 2017	162,739	--
Signature Flight Support	69,541	69,541
Pneuma Enterprises, Inc., dba Travcar Car Rental	38,177	38,177
Ace Parking Management, Inc. - Expenditures	5,477	--
Audit Report Sub-total	\$473,970	\$108,218
Other Work	2,232,340	--
TOTAL	\$2,706,310	\$108,218

Auditor Utilization

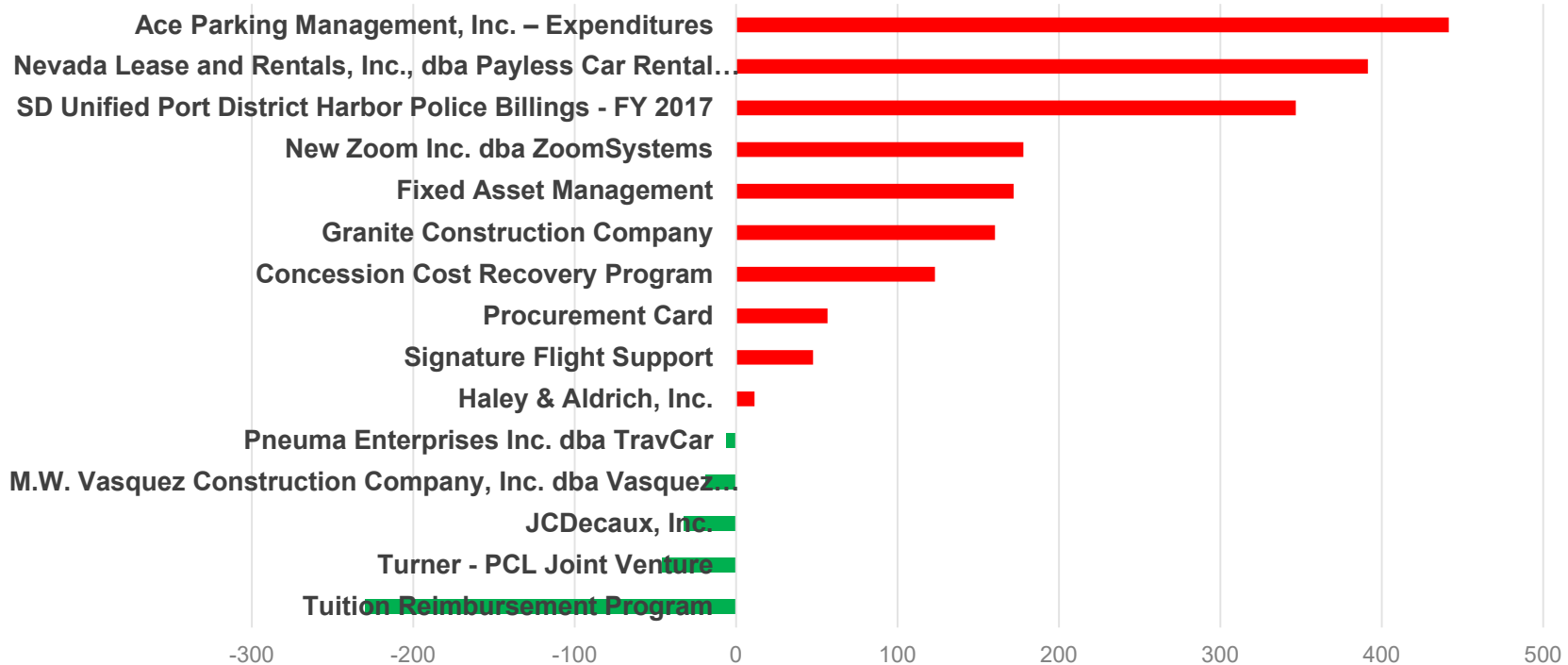
Category	Hours	%
Audit Hours	6,239*	62%
General Audit Hours	247	3%
Administrative Time	3,526	35%
Total	10,012	100%

* Includes 184 hours for projects included within the Fiscal Year 2018 Audit Plan.

Total Auditor Utilization through the 3rd Quarter = 65%

Project Budgets

Projects Over/Under Budget



Project Budgets - cont.

Audit	Hours Over Budget	Findings or Observations?	Recommendations
Ace Parking Management, Inc. – Expenditures	442	Yes	4
Nevada Lease and Rentals, Inc., dba Payless Car Rental System	392	Yes	6
San Diego Unified Port District Harbor Police Billings - FY 2017	347	Yes	4
New Zoom Inc. dba ZoomSystems	178	Yes	1
Fixed Asset Management	172	Yes	--
Granite Construction Company	161	No	--
Concession Cost Recovery Program	123	Yes	3
Procurement Card	57	Yes	--
Signature Flight Support	48	Yes	3
Haley & Aldrich, Inc.	12	No	--

Recommendation Acceptance

Quarter	Number of Recommendations Issued	Accepted by Management
1 st	3	3
2 nd	10	10
3 rd	14	14
Total	27*	27

*The average number of recommendations issued per year during the past four fiscal years was 22.

Recommendation Follow-Up

Status as of March 31, 2019

Completed	In Progress	Not Accepted	Tracked
4	23	0	27

Customer Satisfaction

Selected Questions	Average Score
The objectives of the audit were stated clearly.	4.6
The final audit report was written in a clear, logical and organized manner.	4.8
The finding(s) contained in the audit were accurate.	4.6
The recommendation(s) provided were constructive and actionable.	4.8
Overall, you were satisfied with the purpose, scope, objectives, conduct, and results of the audit.	4.6

Summary of Ethics Inquiries

January 1, 2019, through March 31, 2019

	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)
Non Ethics Related Concerns					
Security Issue	1	0	0	0	0

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **MAY 13, 2019**

Subject:

Revision to the Fiscal Year 2019 Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee accept the revised Audit Plan and forward it to the Board with a recommendation for approval.

Background/Justification:

The Charter for the Office of the Chief Auditor, instituted by Board Resolution No. 2003-062 on October 2, 2003, defines the role and requirements of the Office of the Chief Auditor (OCA).

As directed in the Charter, the Chief Auditor shall submit, at least annually, a risk-based Audit Plan to the Audit Committee and to Authority executive management; and review and adjust the Audit Plan, as necessary, responding to changes in business risks, operations, special requests, programs, systems, and controls. All changes to an Audit Plan shall be communicated to the Audit Committee for approval.

In addition, International Standards for the Professional Practice of Internal Auditing requires the Chief Auditor to review and adjust the Audit Plan, as necessary.

The Office of the Chief Auditor's Audit Plan for Fiscal Year 2019 was approved by the Audit Committee during its May 14, 2018, meeting and was subsequently approved by the Authority Board on June 7, 2018, in Resolution No. 2018-0055. In September 2018, the Fiscal Year 2019 Audit Plan was revised to incorporate the hours needed to complete audits carried forward from the Fiscal Year 2018 Audit Plan, and to include additional hours required to perform performance audits.

The Fiscal Year 2019 Audit Plan requires an additional revision to the scope of the following two engagements:

1. San Diego Unified Port District Billings
2. Aircraft Rescue and Fire Fighting (ARFF)

The revision to the Fiscal Year 2019 Audit Plan is necessary due to the Accounting Department taking responsibility for functions previously performed by the OCA. The Accounting Department now performs year-end reconciliations and ensures that the Authority only reimburses allowable expenses related to billings for the San Diego Unified Port District and for ARFF. The OCA will provide training to the Accounting Department related to the reconciliation procedures. The International Standards for the Professional Practice of Internal Auditing (*Standards*) classify training as a consulting service.

Page 2 of 2

The revised Fiscal Year 2019 Audit Plan (Attachment A) is provided to the Audit Committee for review and acceptance, with a recommendation to forward this item to the Board for approval.

Fiscal Impact:

The Chief Auditor Department's adopted Operating Expense Budgets for Fiscal Year 2019 and conceptually approved budget for Fiscal Year 2020 met the allotted requirements for the proposed revisions to the Fiscal Year 2019 Audit Plan.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR

OFFICE OF THE CHIEF AUDITOR
Fiscal Year 2019 Audit Plan
As Amended May 13, 2019

ATTACHMENT A

BUSINESS PROCESS AUDITS

- 1 Owner-Controlled Insurance Program (OCIP) Management
- 2 Other Post-Employment Benefits (OPEB)
- 3 Tuition Reimbursement Program
- 4 Art Program
- 5 Capital and Maintenance Project Selection and Planning
- 6 Information Technology Acquisition and Implementation

EXPENSE CONTRACT AUDITS

- 7 Turner - PCL Joint Venture
- 8 M.W. Vasquez Construction Company, Inc. dba Vasquez Construction
- 9 Granite Construction Company
- 10 Fordyce Construction, Inc.
- 11 Ricondo and Associates
- 12 Ueberall International LLC

REVENUE CONTRACT AUDITS

- 13 Enterprise Rent A Car Company (Enterprise, Alamo, National)
- 14 Avis Rent A Car Systems LLC (Avis, Zip Car)
- 15 Fox Rent A Car
- 16 Pneuma Enterprises Inc. dba TravCar
- 17 Ace Parking
- 18 JCDecaux, Inc.
- 19 New Zoom Inc. dba ZoomSystems (RP 6)

ANNUAL ONGOING AUDITS AND SUPPORT

- 20 Aircraft Rescue and Fire Fighting (ARFF) - Consulting / Training
- 21 Rental Car Center Fund Review
- 22 Transportation Network Company Reviews and Assistance
- 23 ALPR System - Ace Parking
- 24 San Diego Unified Port District Billing - Consulting / Training
- 25 Special Request Audits
- 26 ETHICS PROGRAM ACTIVITY
- 27 CONSTRUCTION AUDIT AND MONITORING ACTIVITY

AUDITS CARRIED FORWARD FROM FISCAL YEAR 2018

- 28 Concession Cost Recovery
- 29 Small Business Development Management
- 30 Leigh Fisher & Associates
- 31 Haley & Aldrich, Inc.
- 32 ACE Parking Management, Inc.
- 33 Asset Management
- 34 Nevada Lease and Rental Inc. dba Payless Car Rental System
- 35 Signature Flight Support
- 36 Rental Car Center Fund
- 37 Procurement Card Program
- 38 Emergency Medical Technician - Paramedic Services
- 39 San Diego Unified Port District Billing

OFFICE OF THE CHIEF AUDITOR
Fiscal Year 2019 Audit Plan
As Amended May 13, 2019

#	Audit Unit	Explanation
Business Process Audits		
1	Owner-Controlled Insurance Program (OCIP) Management	Review controls, compliance, and performance related to OCIP.
2	Other Post-Employment Benefits (OPEB)	Analyze controls, compliance, and performance related to OPEB at the Authority.
3	Tuition Reimbursement Program	Review controls, compliance, and performance related to the Tuition Reimbursement Program, including review of check request.
4	Art Program	Review controls, compliance, and performance related to the Airport's Art Program.
5	Capital and Maintenance Project Selection and Planning	Evaluate the Authority's capital and maintenance project selection and planning process.
6	Information Technology Acquisition and Implementation	Review controls, compliance, and performance related to the Authority's information technology acquisition and implementation.

Expense Contract Audits		
7	Turner – PCL Joint Venture	Review contract expenditures related to construction on the Federal Inspection Services (FIS) facility, with a maximum contract amount of \$186,625,485.
8	M.W. Vasquez Construction Company, Inc. dba Vasquez Construction Company	Review contract expenditures related to providing painting and construction services, with a maximum contract amount of \$3,900,000.
9	Granite Construction Company	Review contract expenditures related to terminal runway maintenance and repair, with a maximum contract amount of \$34,136,780.
10	Fordyce Construction, Inc.	Review contract expenditures related to waste storage services, with a maximum contract price of \$1,185,471.
11	Ricondo and Associates	Review expenditures related to providing consulting services for airport planning, with maximum contract amount of \$6,600,000.
12	Ueberall International LLC	Review expenditures related to providing art work at the Rental Car Center, with a maximum contract amount of \$800,000.

Revenue Contract Audits		
13	Enterprise Rent A Car Company (Enterprise, Alamo, National)	Review the accuracy of revenues received from a car rental company.
14	Avis Rent A Car Systems (Avis, Zip Car)	Review the accuracy of revenues received from a car rental company.
15	Fox Rent A Car	Review the accuracy of revenues received from a car rental company.
16	Pneuma Enterprises, Inc. dba TravCar	Review the accuracy of revenues received from a car rental company.
17	Ace Parking	Review the accuracy of revenues for providing parking services at SDIA.
18	JCDecaux, Inc.	Review the accuracy of revenues and related expenditures for providing advertising at SDIA.
19	New Zoom, Inc. dba ZoomSystems (RP 6)	Review the accuracy of revenues and related expenditures for concession services.

OFFICE OF THE CHIEF AUDITOR
Fiscal Year 2019 Audit Plan
As Amended May 13, 2019

Annual Ongoing Audits & Support		
20	Aircraft Rescue & Fire Fighting (ARFF) Billing	<p>Ensure that the Authority is reimbursing the City of San Diego for actual costs incurred to provide ARFF services, so that the Authority is in compliance with the FAAs revenue diversion requirements.</p> <p>Provide training to Accounting staff on the reconciliation of the San Diego Fire –Rescue Department billings and expenses for Aircraft Rescue and Fire Fighting (ARFF) services for Fiscal Year 2018.</p>
21	Rental Car Center Fund Review	Review Rental Car Center Fund for compliance with Authority policies and State regulations.
22	Transportation Network Company (TNC) Reviews and Assistance	Working with the Ground Transportation Department, review TNC operations, and assist with sample selection of TNC operators for background checks.
23	Automated License Plate Reader (ALPR) System – Ace Parking	Review privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system.
24	San Diego Unified Port District Billing	<p>Determine that payments made to the Port reflect the actual expenses incurred to provide those services, so that the Authority is in compliance with the FAAs revenue diversion requirements.</p> <p>Provide training to Accounting staff on the reconciliation of the San Diego Unified Port District (SDUPD) billings and expenses for police services provided by the Harbor Police Department for Fiscal Year 2018.</p>
25	Special Request Audits	Perform close-out audits (audits of vendors that terminate operations at SDIA) and audits that are requested by Board Members and/or management that were not included in the audit plan.
26	Ethics Program Activity	Review ethics policies on an annual basis, provide training, and investigate reported incidents.
27	Construction Audit and Monitoring Activity	Perform audits of construction activities related to the Capital Improvement Program and Airport Design & Construction projects.

OFFICE OF THE CHIEF AUDITOR
 Fiscal Year 2019 Audit Plan
 As Amended May 13, 2019

Audits Carried Forward from Fiscal Year 2018		
1	Concession Cost Recovery	Analyze cost recovery processes, procedures, and financial data related to the operations of concessions at San Diego International Airport.
2	Small Business Development Management	Review controls, compliance, and performance related to Small Business Development management.
3	Leigh Fisher & Associates	Review contract expenditures providing airport planning consulting services, with an estimated maximum contract amount of \$9,367,875.
4	Haley and Aldrich, Inc.	Review contract expenditures related to providing environmental consulting services, with a maximum contract amount of \$4,750,000.
5	Ace Parking Management, Inc.	Review contract expenditures related to parking management operations, with a maximum contract amount of \$28,800,000.
6	Asset Management	Review controls, compliance, and performance related to asset management.
7	Nevada Lease and Rental Inc. dba Payless Car Rental System	Review the accuracy of revenues received from a car rental company.
8	Signature Flight Support	Review the accuracy of revenues and related expenditures for providing fixed based operations services at SDIA.
9	Rental Car Center Fund Review	Review Rental Car Center Fund for compliance with Authority policies and State regulations.
10	Procurement Card Program	Review controls related to P-cards and appropriateness of expenditures.
11	Emergency Medical Technician-Paramedic Services	Ensure that the Authority only reimburses the City of San Diego for the actual costs of providing the emergency medical technician-paramedic services, so that the Authority is in compliance with the FAAs revenue diversion requirements.
12	San Diego Unified Port District Billing	Determine that payments made to the Port are reflective of the actual expenses incurred to provide those services, so that the Authority is in compliance with the FAAs revenue diversion requirements.



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

Revision to the Fiscal Year 2019
Audit Plan of the
Office of the Chief Auditor

Audit Committee Meeting
May 13, 2019

Reason for Revision

The Accounting Department now performs functions previously performed by the Office of the Chief Auditor (OCA).

Function	Responsible Party (Old)	Responsible Party (New)
Aircraft Rescue & Fire Fighting (ARFF) expenses and year-end reconciliation	OCA	Accounting
San Diego Unified Port District expenses and year-end reconciliation	OCA	Accounting

Reason for Revision



A revision to the Fiscal Year 2019 Audit Plan is required to reflect the change in responsibilities and the request by the Accounting Department.



The Accounting Department has requested training from the Office of the Chief Auditor.

Reason for Revision

The revision to the scope of the two engagements is shown below.

Engagement	Old Scope	Proposed New Scope
Aircraft Rescue & Fire Fighting (ARFF) Billing	Ensure that the Authority is reimbursing the City of San Diego for actual costs incurred to provide ARFF services, so that the Authority is in compliance with the FAA's revenue diversion requirements.	Provide training to Accounting staff on the reconciliation of the San Diego Fire – Rescue Department billings and expenses for Aircraft Rescue and Fire Fighting (ARFF) services for Fiscal Year 2018.
San Diego Unified Port District Billing	Determine that payments made to the Port reflect the actual expenses incurred to provide those services, so that the Authority is in compliance with the FAA's revenue diversion requirements.	Provide training to Accounting staff on the reconciliation of the San Diego Unified Port District (SDUPD) billings and expenses for police services provided by the Harbor Police Department for Fiscal Year 2018.

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **MAY 13, 2019**

Subject:

Fiscal Year 2020 Risk Assessment and Proposed Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee accept the proposed audit plan and forward it to the Board with a recommendation for approval.

Background/Justification:

As directed in the Charter for the Office of the Chief Auditor (OCA), a risk-based internal audit plan shall be submitted to the Audit Committee and forwarded to the Board for approval.

The Fiscal Year 2020 Proposed Audit Plan was prepared by the OCA based on the following elements: a comprehensive risk assessment; input from the Board and Audit Committee; input from Authority management; and, staff resources available. Details on the Fiscal Year 2020 Risk Assessment methodology are included in Attachment A.

The Proposed Fiscal Year 2020 Audit Plan (Attachment 1) will be presented during the regularly scheduled meeting of the Audit Committee on May 13, 2019. The 2020 Audit Plan, and any subsequent revisions, requires five (5) affirmative votes of the Audit Committee prior to Board approval.

Fiscal Impact:

The proposed Fiscal Year 2020 budget for the Office of the Chief Auditor to execute the Fiscal Year 2020 Audit Plan is \$1,232,000.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



Fiscal Year 2020 Risk Assessment and Proposed Audit Plan

Office of the Chief Auditor
May 13, 2019



Office of the Chief Auditor
Fiscal Year 2020 Risk Assessment and Proposed Audit Plan

INTRODUCTION

The International Standards for the Professional Practice of Internal Auditing Standards (*Standards*) and the Charter for the Office of the Chief Auditor (OCA) require the OCA to establish a risk-based approach to determine the priorities for internal audit activities. A risk assessment for audit planning is a process of systematically scoring (or rating) the relative impact of a variety of “risk factors.” A risk factor is an observable or measurable indicator of conditions or events that could adversely affect the San Diego County Regional Airport Authority (Authority). This Risk Assessment and Audit Plan were prepared to help identify, measure, and prioritize potential activities based on the level of risk to the Authority. The risk assessment results and input from the Authority Board, Audit Committee and management were utilized in preparing the Audit Plan for fiscal year 2020. The proposed Audit Plan is designed to cover high risk activities or areas where the OCA could have the greatest impact, while limiting the scope of work to what can realistically be accomplished during the fiscal year.

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2020 Audit Plan is a five-part process consisting of:

1. Developing the Risk Assessment Framework
2. Defining the Audit Universe
3. Identify and Rank Risks
4. Interpreting the Risk Assessment Results
5. Audit Plan Development

RISK ASSESSMENT FRAMEWORK

The internal audit risk assessment process begins with a general risk framework that includes analyzing both internal and external risks, and extends to seeking input from the Authority Board, the Audit Committee and Authority management, as well as considering various risk factors.

DEFINING THE AUDIT UNIVERSE

The first step in creating the risk assessment is to define the audit universe. The audit universe is a listing of all the potential audits that can be performed for the Authority. This list of potential audits was created by surveying management and asking them to list all the Key Work Activities within the Authority.

IDENTIFY AND RANK RISKS

The next step was to identify and rank major risks associated with each Key Work Activity. To achieve this, a second management questionnaire was developed that measured several risk factors examining the Likelihood and Impact each risk factor could have on the Authority. The questionnaire that was developed used the seven risk factors shown in Table 1 below.

Office of the Chief Auditor
Fiscal Year 2020 Risk Assessment & Proposed Audit Plan

Table 1

Risk Factor	Description
Likelihood	
Complexity of Operations or Regulations	What is the <i>likelihood</i> of something going wrong due to the complexity of this Key Work Activity?
Change Stability	What is the <i>likelihood</i> of something going wrong due to a change in process or the personnel carrying out this Key Work Activity?
Controls	How effective are the internal controls in place over this Key Work Activity?
Impact	
Fiscal Impact	What is the dollar <i>impact</i> if something were to go wrong with this Key Work Activity?
Travel Experience Impact	How would a traveler be <i>impacted</i> if something were to go wrong with this Key Work Activity?
Strategic / Operational Impact	How would the Authority's Strategic Objectives be <i>impacted</i> if something were to go wrong with this Key Work Activity?
Reputation	How would the Authority's reputation be <i>impacted</i> if something were to go wrong with this Key Work Activity?

Management scored the level of risk/control of each Key Work Activity from Low to High. The final step to complete the Risk Assessment was to calculate the total Likelihood and Impact for each Key Work Activity in order from highest risk score to the lowest (**See Attachment 2**).

INTERPRETING THE RISK ASSESSMENT RESULTS

The Key Work Activities with a high likelihood or impact rank indicates that these activities are by nature a high risk, because of such factors as having complex or highly regulated transactions, or could have a material impact on the Authority if a risk event were to occur. A high risk rank does not mean that an activity is being managed ineffectively.

AUDIT PLAN DEVELOPMENT

The Audit Plan reflects the results of a continuous Risk Assessment process gathered from various sources including, but not limited to, management questionnaires, interviews with staff, and results of previous audits and consulting engagements. Additionally, selection of activities for the Audit Plan includes examining various factors, such as: time of last audit engagement, relevant or current events, areas where the OCA can have the greatest impact, requests by management or Board, and the resource limitations that may exist and if outsourcing or co-sourcing arrangements are available to supplement the Audit Plan. This can result in the OCA selecting activities for inclusion in the Audit Plan that may not have the highest likelihood or impact scores. The Audit Plan reflects consideration of these factors. The Audit Plan is included as **Attachment 1**.

Office of the Chief Auditor
Fiscal Year 2020 Risk Assessment & Proposed Audit Plan

AUDIT RESOURCES

An Audit Plan is highly dependent upon the nature of the risks identified and the availability of internal audit resources. Such availability is identified through the budgeting process and review of audit resources. The fiscal year 2020 budget for the OCA includes six full-time auditors, two part-time interns, and one executive assistant. The Audit Plan anticipates 13,920 staff hours will be available, as calculated below in Table 2, and as detailed in Attachment 1:

Table 2

Office of the Chief Auditor	Number of Staff	Hours per Staff	Hours Available
Full Time Auditors	6	2,080	12,480
Interns	2	720	1,440
Hours Available for Audit Activities			13,920

Actual hours incurred will be monitored for the purpose of budgeting future audit activities. In the event that all planned activities are completed, additional activities can be initiated based on the results of the risk assessment and professional judgment.

CONTINGENT AUDIT ACTIVITIES

The OCA has also included contingent audit activities that will be started if all planned activities for fiscal year 2020 are completed. If these contingent audit activities are not started in fiscal year 2020, they will be considered when completing the fiscal year 2021 Audit Plan. Contingent audit activities are included as **Attachment 3**.

AMENDMENTS TO THE AUDIT PLAN

Requests to amend the Audit Plan will be presented to the Audit Committee with an analysis by staff of the impact that the proposed activity would have on the other activities on the Audit Plan. Priority will be given to those requests that have the potential for significant financial savings and issues of integrity. All amendments require Board approval.

Risk Assessment Line ¹	Key Work Activity	Objective	Estimated Hours
Audit Hours			
15	Owner Controlled Insurance Program (OCIP) Management ²	To determine if the internal controls and management of the OCIP program are effective and if the Authority complies with Policies.	200
134	Other Post-Employment Benefits (OPEB) ²	To determine if the internal controls and management of the OPEB program are effective and if the Authority complies with Policies.	200
203	IT Asset Acquisition ²	To determine if the controls, compliance, and performance related to the Authority's information technology acquisition and implementation are adequate.	245
12	Tenant Lease Admin. and Management	To determine if Revenue Generation & Business Development effectively and efficiently tracks and manages contracts and agreement requirements.	800
3	Harbor Police Contract Management	To determine if Harbor Police costs and services are appropriate and equitable.	650
72, 144	Account Provisioning and De-Provisioning	To determine if account provisioning and de-provisioning is performed timely.	350
8	Formal Bidding and Contracting	To determine if bidding procedures align with best practices and/or Authority needs and if bidding procedures are being administered effectively and efficiently.	600
22	Rental Car Shuttle Service Contract Administration	To determine if the Rental Car Shuttle Service contract with SP+ is administered appropriately.	500
31	Contractor Monitoring	To determine if the contract with AECOM is administered appropriately.	450
31	Contractor Monitoring	To determine if the contract with Turner is administered appropriately.	300
217	Project Closeout	To determine if the closeout of the Parking Plaza was administered appropriately.	250
12	Tenant Lease Admin. and Management	To determine if the concession revenue and Customer Facilities Charges received from Nevada Lease and Rental Inc. dba Payless Car Rental System are in accordance with the agreement.	400
81	Advertising	To determine if the marketing program for concessions is administered appropriately.	425
12	Tenant Lease Administration and Management	To determine if rental car companies, not located in the Rental Car Facility (RCC), are remitting amounts due in accordance with the agreements and are administered appropriately.	450
70	Change Orders	To determine if the Change Order Process in Airport Design and Construction aligns with best practices or Authority needs.	450

¹ Indicates the Line Number where the Key Work Activity is located on the Risk Assessment – Attachment 2.

² Audit Activity has been carried forward from Fiscal Year 2019.

Risk Assessment Line ¹	Key Work Activity	Objective	Estimated Hours
137, 207	Terminal Maintenance & Airport and Tenant Service Requests	To determine if Facilities Management accurately and appropriately monitors time and expense tracking.	475
12	Tenant Lease Admin. and Management	To determine if contract terms for concession contracts managed by Revenue Generation & Business Development aligns with best practices and/or Authority needs.	500
25	Parking Management Contract Administration	To determine if the amounts paid by the Authority for the shuttle and parking contracts administered by Ace are in accordance with the agreements.	500
38	Business and Real Estate Agreements	To determine if the RCC land lease is administered appropriately.	375
N/A	To Be Determined	To initiate audit(s) based on risks identified at the discretion of the Chief Auditor	350
Total Audit Hours			8,470
General Audit Hours			
N/A	Risk Assessment and Audit Plan ³	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	240
Various	Construction Meeting Attendance	Attend various construction meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	100
Various	Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	180
N/A	Development of Data Analytics	To determine the feasibility of developing a data analytics program for Rental Car Concessions.	120
N/A	Ethics Hotline ³	To review ethics policies, provide training, and investigate reported incidents.	310
N/A	Recommendation Follow-up ³	To verify that internal and external audit recommendations have been implemented as intended.	95
N/A	Quality Assurance & Improvement Program ³	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	200
Total General Audit Hours			1,245
Administrative Hours			
N/A	Administrative	Attendance at Staff/Board/Committee Meetings, Vacation, Holiday Time, Continuing Professional Development and Other.	4,205
Total Hours			13,920

³ Required activity in the Charter of the Office of the Chief Auditor.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2020**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
1	Planning & Environmental Affairs	Development	State/Federal Environmental Review	Medium to High	Medium to High
2	Revenue Generation & Business Development	Revenue Management & Innovation	Tenant Development & Major Reconstruction	Medium to High	Medium
3	Aviation Security & Public Safety	Operations	Harbor Police Contract Management *	Medium	Medium to High
4	Revenue Generation & Business Development	Revenue Management & Innovation	Tenant operational inspections for lease compliance and refurbishments *	Medium to High	Medium
5	Procurement	Finance	Vendor Selection *	Medium	Medium to High
6	Aviation Security & Public Safety	Operations	Contract Security Personnel Management *	Medium	Medium
7	Aviation Security & Public Safety	Operations	Security Systems O&M (NSEI) Contract Management *	Medium	Medium to High
8	Procurement	Finance	Formal Bidding and Contracting	Medium	Medium to High
9	Aviation Security & Public Safety	Operations	Manage the Business Continuity Plan	Medium to High	Medium
10	General Counsel	General Counsel	Provide Legal Counsel to Authority and Board	Low to Medium	Medium to High
11	Procurement	Finance	Emergency & Single Source Purchases	Low to Medium	Medium to High
12	Revenue Generation & Business Development	Revenue Management & Innovation	Tenant Lease Admin. and Management (Excludes Airlines, ground handling, and parking) *	Medium	Medium to High
13	Aviation Security & Public Safety	Operations	Airport Operations/Communications Center Management	Medium	Medium
14	Airside & Terminal Operations	Operations	ARFF Management *	Low to Medium	High
15	Finance, Accounting, & Airline Management	Finance	OCIP	Medium	Medium
16	Finance, Accounting, & Airline Management	Finance	Insurance Coverage	Medium	Medium
17	Talent, Culture & Capability	Talent, Culture & Capability	Records & Information Management	Medium	Medium
18	Customer Experience & Innovation	Revenue Management & Innovation	Small Business Bonding *	Medium to High	Low to Medium
19	Ground Transportation	Operations	TNC Contract Administration & Revenue Collection *	Low to Medium	Medium to High
20	Planning & Environmental Affairs	Development	Quieter Homes Program (Residential Sound Insulation) *	Medium	Medium
21	Information & Technology Services	Finance	System Security	Low to Medium	Medium to High
22	Ground Transportation	Operations	Rental Car Shuttle Service Contract Administration *	Low to Medium	Medium to High
23	Airport Design & Construction	Development	GMP Cost Estimates *	Medium	Medium
24	Government Relations	External Affairs	Monitoring Legislative and Regulatory Activity	Low to Medium	Medium
25	Ground Transportation	Operations	Parking Management Contract Administration *	Low to Medium	Medium to High
26	Planning & Environmental Affairs	Development	Stormwater Permitting & Enforcement *	Medium to High	Low to Medium
27	Planning & Environmental Affairs	Development	Brownfield Remediation (Contaminated Site Cleanup)	Medium	Low to Medium
28	Facilities Management	Operations	Runway Maintenance	Low	High
29	Information & Technology Services	Finance	IT Security Physical Environment	Low to Medium	Medium to High
30	General Counsel	General Counsel	Litigation Management	Low to Medium	Medium to High
31	Airport Design & Construction	Development	Contractor Monitoring *	Low to Medium	Medium
32	Finance, Accounting, & Airline Management	Finance	Airline/Terminal Rates, Fees & Charges *	Medium	Low to Medium
33	Communications	External Affairs	Internal & External Communications	Medium	Low to Medium
34	Communications	External Affairs	Public & Media Relations and Community Outreach	Medium	Low to Medium
35	Revenue Generation & Business Development	Revenue Management & Innovation	Tenant Communications and dispute resolution *	Low to Medium	Medium
36	Airside & Terminal Operations	Operations	Airfield Operations Management (Ramp Control, Irregular gate activities) *	Low	Medium to High
37	Airside & Terminal Operations	Operations	Airfield Safety/Operational Training	Low	Medium to High
38	Revenue Generation & Business Development	Revenue Management & Innovation	Business and Real Estate Agreements *	Low to Medium	Medium
39	Planning & Environmental Affairs	Development	Noise Compatibility Program	Low to Medium	Medium
40	Talent, Culture & Capability	Talent, Culture & Capability	Employee Safety Program	Low to Medium	Medium
41	Planning & Environmental Affairs	Development	Airport Ground Access Planning	Low to Medium	Medium to High
42	Procurement	Finance	Purchase Goods and Services	Low to Medium	Medium
43	Aviation Security & Public Safety	Operations	Airfield and Terminal Management Emergency Response	Medium	Low to Medium
44	Finance, Accounting, & Airline Management	Finance	Risk Identification & Assessment	Medium	Medium
45	Talent, Culture & Capability	Talent, Culture & Capability	Personnel Records Management	Medium	Low to Medium
46	Revenue Generation & Business Development	Revenue Management & Innovation	Business Development Solicitations (RFP/RFQ) *	Low to Medium	Medium
47	Procurement	Finance	Amendments & Change Orders	Low to Medium	Medium
48	Airside & Terminal Operations	Operations	Tenant Communications	Low to Medium	Medium

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2020 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2020**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
49	Procurement	Finance	Receiving and Recording	Medium	Low to Medium
50	Customer Experience & Innovation	Revenue Management & Innovation	Innovation Lab contracts	Medium	Low to Medium
51	Finance, Accounting, & Airline Management	Finance	Plan of Finance	Medium	Low to Medium
52	Talent, Culture & Capability	Talent, Culture & Capability	Compensation and Rewards	Low to Medium	Medium
53	Finance, Accounting, & Airline Management	Finance	Accounts Payable	Low to Medium	Medium
54	Airport Design & Construction	Development	Design Build Estimate at Complete *	Low to Medium	Medium
55	Planning & Environmental Affairs	Development	Industrial Hygiene (Indoor Air Quality)	Medium	Low to Medium
56	Government Relations	External Affairs	Advocate Authority's Position	Medium	Low to Medium
57	Ground Transportation	Operations	Customer, Employee, and Inter-terminal Shuttle Operations Contract Management	Low	Medium to High
58	Facilities Management	Operations	Utility Management *	Low to Medium	Medium
59	Airside & Terminal Operations	Operations	Tenant Operations (Repairs, Start-up, Respond) *	Low to Medium	Medium
60	Airside & Terminal Operations	Operations	Custodial & Waste Collection Administration	Low to Medium	Medium
61	Talent, Culture & Capability	Talent, Culture & Capability	Employee Benefits	Medium	Low to Medium
62	Procurement	Finance	P Card Administration *	Medium	Low to Medium
63	Talent, Culture & Capability	Talent, Culture & Capability	Labor & Employee Relations	Low to Medium	Medium
64	Planning & Environmental Affairs	Development	Airport wide & Facilities Master Planning *	Low to Medium	Medium
65	General Counsel	General Counsel	Review and approval of legal form for Authority Documents (Leases, Contracts, Bonds)	Low to Medium	Medium
66	Board Services	External Affairs	Manage all ALUC, Board and Standing Board Committees Meetings	Low to Medium	Low to Medium
67	Board Services	External Affairs	Manage the Authority Privacy Policy and Requirements *	Low to Medium	Low to Medium
68	Talent, Culture & Capability	Talent, Culture & Capability	Public Records Requests *	Low to Medium	Medium
69	Finance, Accounting, & Airline Management	Finance	Payroll *	Low to Medium	Medium
70	Airport Design & Construction	Development	Change Orders	Low to Medium	Medium
71	Planning & Environmental Affairs	Development	Air Quality & Greenhouse Gas Emissions Management	Medium	Low to Medium
72	Information & Technology Services	Finance	Account de-provisioning for terms	Low to Medium	Low to Medium
73	Information & Technology Services	Finance	Disaster Recovery *	Low to Medium	Low to Medium
74	Ground Transportation	Operations	Employee Parking Card and Policy Administration *	Low to Medium	Low to Medium
75	Government Relations	External Affairs	Government Grant Procurement	Low to Medium	Medium
76	Ground Transportation	Operations	Airport Ground Transportation Operations Management	Low	Medium
77	Planning & Environmental Affairs	Development	Airport Land Use Compatibility Planning *	Medium	Low to Medium
78	Planning & Environmental Affairs	Development	Airport Noise Monitoring & Reporting *	Medium	Low to Medium
79	Customer Experience & Innovation	Revenue Management & Innovation	Business Development	Medium	Low to Medium
80	Planning & Environmental Affairs	Development	Curfew Violations	Low to Medium	Low to Medium
81	Marketing & Air Service Development	Revenue Management & Innovation	Advertising	Low to Medium	Low to Medium
82	Aviation Security & Public Safety	Operations	Federal & State Regulation Compliance (Security and Emergency Preparedness)	Low to Medium	Medium
83	Airport Design & Construction	Development	Consultant Agreements / Monitoring / Performance Evaluations *	Low to Medium	Medium
84	Government Relations	External Affairs	Elected/Appointed Official Liaison	Low to Medium	Low to Medium
85	Airside & Terminal Operations	Operations	Baggage System Delivery	Low to Medium	Low to Medium
86	Revenue Generation & Business Development	Revenue Management & Innovation	Acquisition and Disposal of Real Property and Real Property Rights	Low to Medium	Medium
87	Revenue Generation & Business Development	Revenue Management & Innovation	Marketing & Leasing of Authority Property	Low to Medium	Medium
88	Finance, Accounting, & Airline Management	Finance	Debt Management	Low to Medium	Medium
89	Ground Transportation	Operations	Traffic Control, Vehicle Insp. , Code Comp. , Citations & Notice of Violation Admin.	Low	Medium
90	Revenue Generation & Business Development	Revenue Management & Innovation	Metrics and Analytics for commercial business opportunities	Low to Medium	Low to Medium
91	Finance, Accounting, & Airline Management	Finance	Invoicing/Billing Sales	Low to Medium	Low to Medium
92	Finance, Accounting, & Airline Management	Finance	Operating & Capital Budgeting *	Low to Medium	Low to Medium
93	Finance, Accounting, & Airline Management	Finance	Bank Reconciliations	Low to Medium	Low to Medium
94	Airport Design & Construction	Development	City Plan Check	Low to Medium	Low to Medium
95	Airport Design & Construction	Development	Cost Schedule Trends	Low to Medium	Low to Medium
96	Airside & Terminal Operations	Operations	Terminal Safety Inspections	Low	Medium

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2020 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2020**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
97	Talent, Culture & Capability	Talent, Culture & Capability	Workers Compensation	Low to Medium	Low to Medium
98	Finance, Accounting, & Airline Management	Finance	Pension Funding	Medium	Low to Medium
99	General Counsel	General Counsel	Ordinances, Resolutions, Codes, & Policies	Medium	Low
100	Aviation Security & Public Safety	Operations	Airport Security Program Administration (Fingerprint, SIDA, Access Control) *	Low to Medium	Medium
101	Revenue Generation & Business Development	Revenue Management & Innovation	Enhancement of existing business agreements	Low to Medium	Low to Medium
102	Marketing & Air Service Development	Revenue Management & Innovation	Website / Webmaster	Low to Medium	Low to Medium
103	Airside & Terminal Operations	Operations	Terminal Work Orders	Low	Medium
104	Planning & Environmental Affairs	Development	Waste Management	Low to Medium	Low to Medium
105	Planning & Environmental Affairs	Development	Wildlife & Habitat Preservation	Low to Medium	Low to Medium
106	Finance, Accounting, & Airline Management	Finance	Grant, PFC, & CFC Administration *	Low to Medium	Low to Medium
107	Airport Design & Construction	Development	Development of Programmatic Schedule	Low to Medium	Low to Medium
108	Airport Design & Construction	Development	GMP Reserve Account	Low to Medium	Low to Medium
109	Aviation Security & Public Safety	Operations	Security Policy/Procedure Performance and Management	Low	Medium
110	Airport Design & Construction	Development	Establish Project Budget & Schedules *	Medium	Low to Medium
111	Communications	External Affairs	Administer Advertising Activities	Low to Medium	Low to Medium
112	Ground Transportation	Operations	Commercial Vehicle Licensing, Permitting, & Revenue Collection	Low	Medium
113	Finance, Accounting, & Airline Management	Finance	Vendor & Employee Reimbursements *	Low to Medium	Low to Medium
114	Finance, Accounting, & Airline Management	Finance	Travel Services	Low to Medium	Low to Medium
115	Facilities Management	Operations	Major Maintenance & CIP projects *	Low to Medium	Low to Medium
116	Customer Experience & Innovation	Revenue Management & Innovation	Certification Program	Low to Medium	Low to Medium
117	Airside & Terminal Operations	Operations	Signage Management *	Low to Medium	Low to Medium
118	Finance, Accounting, & Airline Management	Finance	Insurance Claims	Low	Medium
119	Talent, Culture & Capability	Talent, Culture & Capability	Diversity & Inclusion Program	Low to Medium	Low to Medium
120	Communications	External Affairs	Master Marketing Plan	Low to Medium	Low to Medium
121	Talent, Culture & Capability	Talent, Culture & Capability	Personnel Recruitment	Low to Medium	Low to Medium
122	Marketing & Air Service Development	Revenue Management & Innovation	Arts Program Administration *	Low to Medium	Low to Medium
123	Finance, Accounting, & Airline Management	Finance	Financial Reporting/Management Reports	Low to Medium	Low to Medium
124	Finance, Accounting, & Airline Management	Finance	CAFR Preparation	Low to Medium	Low to Medium
125	Finance, Accounting, & Airline Management	Finance	Treasury/Cash Management *	Low to Medium	Low to Medium
126	Finance, Accounting, & Airline Management	Finance	Revenue & Expense Forecasting	Low to Medium	Low to Medium
127	Customer Experience & Innovation	Revenue Management & Innovation	Innovation Lab operations	Low to Medium	Low to Medium
128	Procurement	Finance	Surplus *	Low to Medium	Low to Medium
129	Procurement	Finance	Storage and Distribution Services *	Low to Medium	Low to Medium
130	Board Services	External Affairs	Maintain Authority Agreements, Contracts and Leases	Low to Medium	Low to Medium
131	Airport Design & Construction	Development	Schedule of Values	Low to Medium	Low to Medium
132	Information & Technology Services	Finance	Incident Management	Medium	Low
133	Finance, Accounting, & Airline Management	Finance	General Ledger Maintenance	Medium	Low
134	Finance, Accounting, & Airline Management	Finance	OPEB	Medium	Low
135	Marketing & Air Service Development	Revenue Management & Innovation	Social media	Low to Medium	Low to Medium
136	Airside & Terminal Operations	Operations	Management of Customer Wait Times	Low to Medium	Low to Medium
137	Facilities Management	Operations	Terminal Maintenance	Low	Low to Medium
138	Board Services	External Affairs	Maintain Authority Codes and Policies	Low to Medium	Low to Medium
139	Airport Design & Construction	Development	CEQA / Costal / EIR / NEPA	Low to Medium	Low to Medium
140	Talent, Culture & Capability	Talent, Culture & Capability	Leaves of Absence/Catastrophic Leave	Low to Medium	Low to Medium
141	Airside & Terminal Operations	Operations	Customer Service Activities (Interpreter, Ambassadors, Escorts, etc.)	Low	Low to Medium
142	Airside & Terminal Operations	Operations	Photography/Film/Video/Expressive Activity Permitting	Low	Low to Medium
143	Airport Design & Construction	Development	Project Development Management	Low	Low to Medium
144	Information & Technology Services	Finance	Account provisioning for new hires	Low to Medium	Low

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2020 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2020**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
145	Finance, Accounting, & Airline Management	Finance	Fixed Asset Management *	Low to Medium	Low
146	Airport Design & Construction	Development	Record Drawing & Redline Drawings	Low to Medium	Low
147	Ground Transportation	Operations	Lost & Found; Airport Paging *	Low	Low to Medium
148	Facilities Management	Operations	ARRF Facilities	Low	Low to Medium
149	Airport Design & Construction	Development	Consultant Invoices *	Low	Low to Medium
150	Airport Design & Construction	Development	GMP Payment Applications *	Low	Low to Medium
151	Marketing & Air Service Development	Revenue Management & Innovation	Air Service Development	Low	Low to Medium
152	Finance, Accounting, & Airline Management	Finance	Accounts Receivable / Collections	Low	Low to Medium
153	Talent, Culture & Capability	Talent, Culture & Capability	Performance Management	Low to Medium	Low to Medium
154	Communications	External Affairs	Graphic, Photographic, Web, and Video Services Support	Low to Medium	Low to Medium
155	Information & Technology Services	Finance	Change Management	Low to Medium	Low
156	Information & Technology Services	Finance	IT Project Management *	Low to Medium	Low
157	Information & Technology Services	Finance	Application Management (E1, DocuShare)	Low to Medium	Low
158	Finance, Accounting, & Airline Management	Finance	Interim Closings	Low to Medium	Low
159	Airport Design & Construction	Development	Bid Specifications / Bid Packages	Low to Medium	Low
160	Airport Design & Construction	Development	Evaluation & Award of Bid *	Low to Medium	Low
161	Customer Experience & Innovation	Revenue Management & Innovation	Small Business Management *	Low	Low to Medium
162	Customer Experience & Innovation	Revenue Management & Innovation	Small Business Outreach	Low	Low to Medium
163	Aviation Security & Public Safety	Operations	Airport Stakeholder/Law Enforcement Coordination and Interface	Low	Low to Medium
164	Planning & Environmental Affairs	Development	Sustainability Tracking & Reporting *	Low	Low to Medium
165	Planning & Environmental Affairs	Development	Airport Noise Advisory Committee (ANAC)	Low	Low to Medium
166	Ground Transportation	Operations	GT Environmental Program Administration	Low	Low to Medium
167	Aviation Security & Public Safety	Operations	Tenant Security Awareness Training	Low	Low to Medium
168	Airport Design & Construction	Development	GMP Change Orders *	Low	Low to Medium
169	Talent, Culture & Capability	Talent, Culture & Capability	Career Development Program	Low to Medium	Low to Medium
170	Airport Design & Construction	Development	Request for Information	Low	Low to Medium
171	Airport Design & Construction	Development	FAA Funded Projects Letter & Sponsor Certification Forms	Low	Low to Medium
172	Talent, Culture & Capability	Talent, Culture & Capability	Employee Recognition Program	Low to Medium	Low
173	Board Services	External Affairs	Manage the AB1234 Training Requirements	Low to Medium	Low
174	Airport Design & Construction	Development	Notice to Proceed *	Low to Medium	Low
175	Talent, Culture & Capability	Talent, Culture & Capability	Strategic Workforce Planning	Low	Low to Medium
176	Marketing & Air Service Development	Revenue Management & Innovation	Brand Management	Low	Low to Medium
177	Aviation Security & Public Safety	Operations	Responding to Violations at SDIA (SDCRAA Code and AR&R)	Low	Low to Medium
178	Airport Design & Construction	Development	Task Authorizations / Task Authorization Amendments	Low	Low to Medium
179	Talent, Culture & Capability	Talent, Culture & Capability	Leadership Development Program	Low	Low to Medium
180	Board Services	External Affairs	Manage Conflict of Interests Filings	Low	Low to Medium
181	Aviation Security & Public Safety	Operations	On-Airport Paramedic Services Contract Management *	Low	Low to Medium
182	Talent, Culture & Capability	Talent, Culture & Capability	Tuition Reimbursement *	Low to Medium	Low
183	Finance, Accounting, & Airline Management	Finance	Risk Analysis of Agreements, Pos, Equipment	Low to Medium	Low
184	Finance, Accounting, & Airline Management	Finance	Cost Accounting	Low to Medium	Low
185	Airport Design & Construction	Development	Advertisement of Bids	Low to Medium	Low
186	Talent, Culture & Capability	Talent, Culture & Capability	Employee Training & Development (non-regulatory)	Low	Low to Medium
187	Talent, Culture & Capability	Talent, Culture & Capability	Internships & Veteran Fellowships	Low	Low to Medium
188	Facilities Management	Operations	Fuel Maintenance (Diesel, CNG) *	Low	Low to Medium
189	Facilities Management	Operations	Vehicles & Equipment Maintenance *	Low	Low to Medium
190	Talent, Culture & Capability	Talent, Culture & Capability	Wellness Program	Low	Low
191	Planning & Environmental Affairs	Development	Authority Advisory Committee	Low	Low
192	Marketing & Air Service Development	Revenue Management & Innovation	Video / Audio productions	Low	Low

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2020 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2020**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
193	Facilities Management	Operations	Maintenance Service Contracts Oversight *	Low	Low
194	Airport Design & Construction	Development	Consultant Design Reviews *	Low	Low
195	Airport Design & Construction	Development	Pre-Bid Conferences	Low	Low
196	Airport Design & Construction	Development	Project Information Sheet	Low	Low
197	Airport Design & Construction	Development	OCIP Enrollment	Low	Low
198	Airport Design & Construction	Development	Bulletins	Low	Low
199	Airport Design & Construction	Development	Tenant Advisories & NOTAM's	Low	Low
200	Talent, Culture & Capability	Talent, Culture & Capability	Employee Surveys	Low	Low
201	Marketing & Air Service Development	Revenue Management & Innovation	Airport Passenger, Cargo and Operations Statistics	Low	Low
202	Information & Technology Services	Finance	Asset Management *	Low	Low
203	Information & Technology Services	Finance	IT Asset Acquisition	Low	Low
204	Information & Technology Services	Finance	Contract Management *	Low	Low
205	Information & Technology Services	Finance	Service Level Agreement Adherence	Low	Low
206	Information & Technology Services	Finance	Procurement	Low	Low
207	Facilities Management	Operations	Airport and Tenant Service Requests	Low	Low
208	Customer Experience & Innovation	Revenue Management & Innovation	DBE/ACDBE Report	Low	Low
209	Customer Experience & Innovation	Revenue Management & Innovation	Workshops & Trainings	Low	Low
210	Board Services	External Affairs	Manage the Authority Lobbyist Program	Low	Low
211	Board Services	External Affairs	Provides Administrative Support to the Board and onboarding	Low	Low
212	Airport Design & Construction	Development	Liquidated Damages	Low	Low
213	Airport Design & Construction	Development	Invoicing	Low	Low
214	Airport Design & Construction	Development	Substantial Completion & Punch Lists	Low	Low
215	Airport Design & Construction	Development	Final Acceptance - Notice of Completion	Low	Low
216	Airport Design & Construction	Development	Retention Release	Low	Low
217	Airport Design & Construction	Development	Project Closeout	Low	Low

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2020 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.

Office of the Chief Auditor
Fiscal Year 2020 Contingent Audit Activities

ATTACHMENT 3

Risk Assessment Line ⁴	Key Work Activity	Objective	Estimated Hours
12	Tenant Lease Admin. and Management	To determine if the concession revenue and Customer Facilities Charges received from Fox Rent A Car are in accordance with the agreement.	400
67	Manage the Authority Privacy Policy and Requirements	To determine if the Authority's Privacy Policy is administered appropriately.	400
203	IT Asset Acquisition	To determine if technologies that are incorporated into Airport Projects contain appropriate service and maintenance agreements.	500
206	Procurement (Information Technology Services – Software Licenses)	To determine if software licenses utilized by the Authority are being administered appropriately.	350
		Total Contingent Audit Hours	1,650

⁴ Indicates the Line Number where the Key Work Activity is located on the Risk Assessment – Attachment 2.



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Fiscal Year 2020
Risk Assessment and
Proposed Audit Plan
of the
Office of the Chief Auditor

Audit Committee Meeting

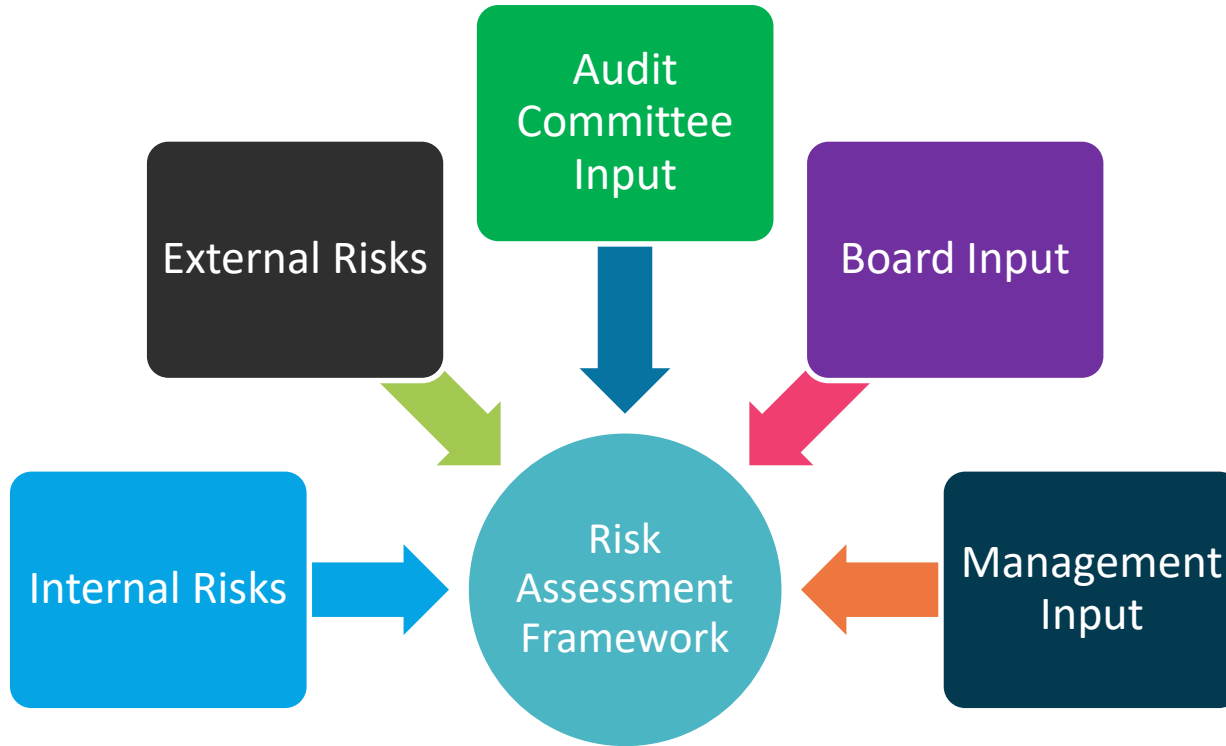
May 13, 2019

Risk Assessment Methodology

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2020 Audit Plan is a five-part process consisting of:

- Developing the Risk Assessment Framework
- Defining the Audit Universe
- Identify and Rank Risks
- Interpreting the Risk Assessment Results
- Developing the Audit Plan

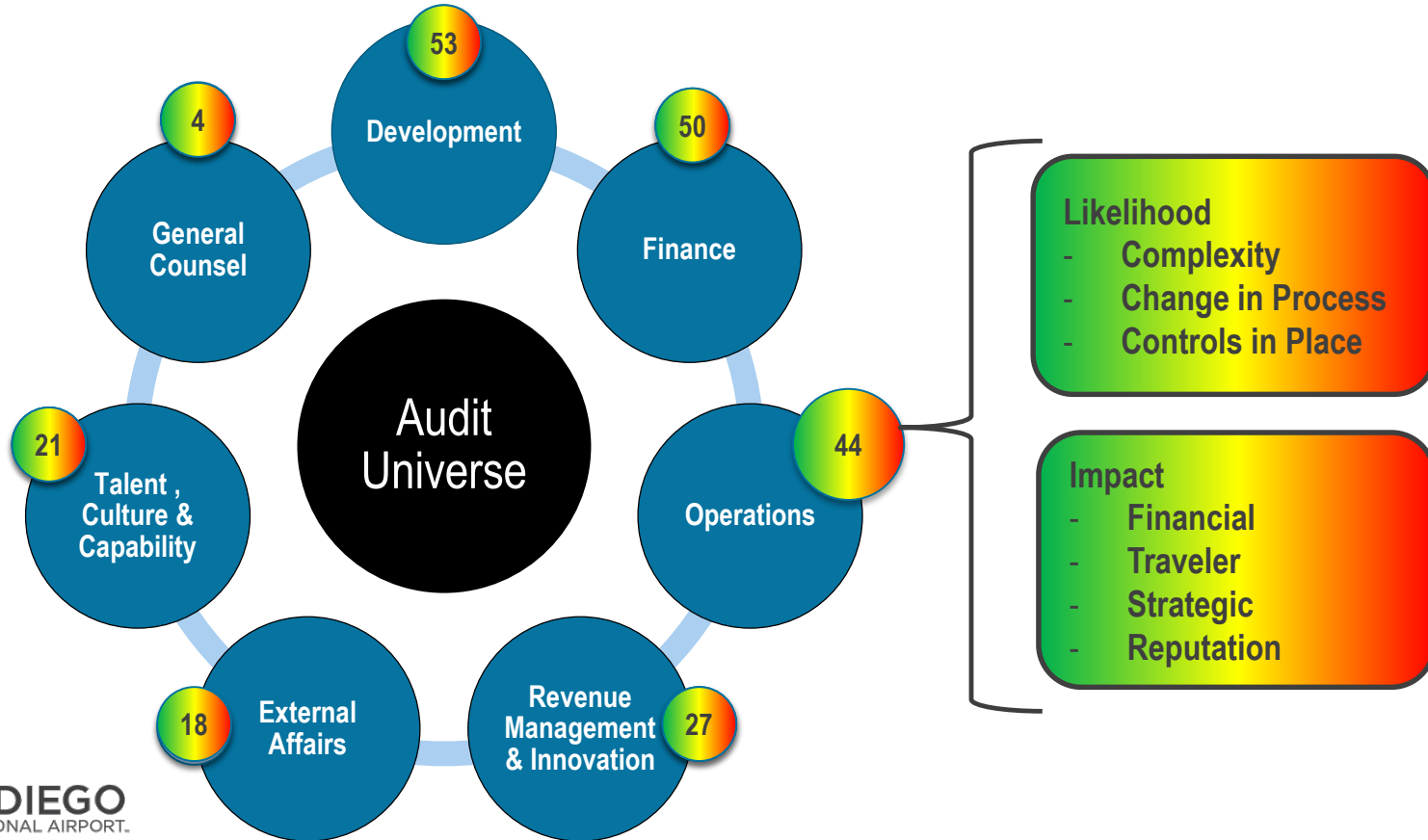
Risk Assessment Framework



Defining the Audit Universe



Identify & Rank Risks

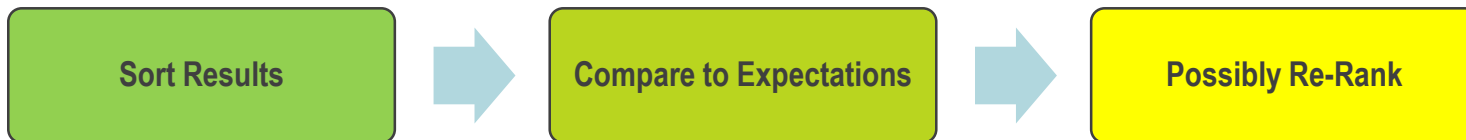


Interpreting the Risk Assessment Results

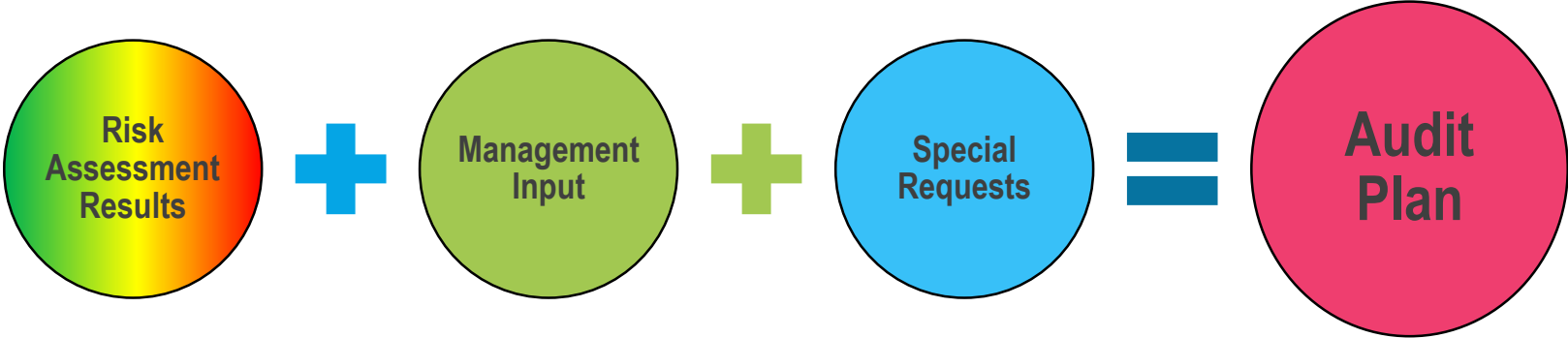
San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2020

Attachment 2

Line #	Department	Division	Key Work Activity	Likelihood	Impact
1	Planning & Environmental Affairs	Development	State/Federal Environmental Review	Medium to High	Medium to High
2	Revenue Generation & Business Development	Revenue Management & Innovation	Tenant Development & Major Reconstruction	Medium to High	Medium
3	Aviation Security & Public Safety	Operations	Harbor Police Contract Management	Medium	Medium to High
4	Revenue Generation & Business Development	Revenue Management & Innovation	Tenant operational inspections for lease compliance and refurbishments	Medium to High	Medium
5	Procurement	Finance	Vendor Selection	Medium	Medium to High
6	Aviation Security & Public Safety	Operations	Contract Security Personnel Management	Medium	Medium
7	Aviation Security & Public Safety	Operations	Security Systems O&M (NSEI) Contract Management	Medium	Medium to High
8	Procurement	Finance	Formal Bidding and Contracting	Medium	Medium to High
9	Aviation Security & Public Safety	External Affairs	Manage the Business Continuity Plan	Medium to High	Medium
10	General Counsel	General Counsel	Provide Legal Counsel to Authority and Board	Low to Medium	Medium to High
11	Procurement	Finance	Emergency & Single Source Purchases	Low to Medium	Medium to High
12	Revenue Generation & Business Development	Revenue Management & Innovation	Tenant Lease Administration and Management (Excluding Airlines, ground handling, and parking)	Medium	Medium to High
13	Aviation Security & Public Safety	Operations	Airport Operations/Communications Center Management	Medium	Medium
14	Airside & Terminal Operations	Operations	ARFF Management	Low to Medium	High
15	Finance, Accounting, & Airline Management	Finance	OCIP	Medium	Medium
16	Finance, Accounting, & Airline Management	Finance	Insurance Coverage	Medium	Medium

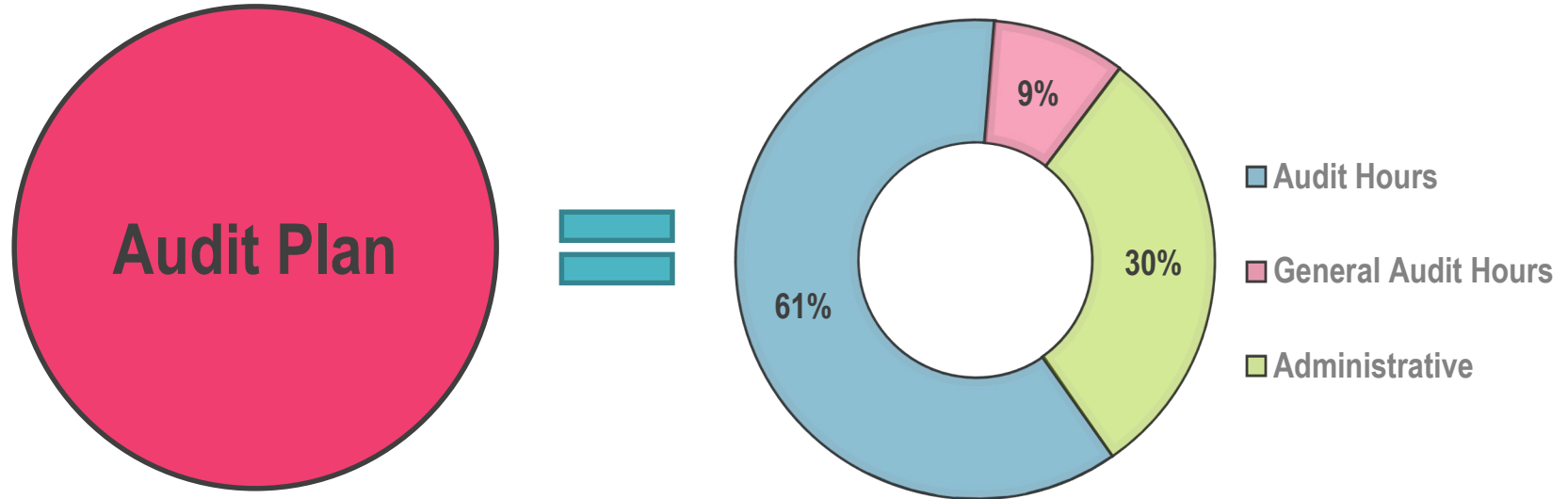


Audit Plan Development



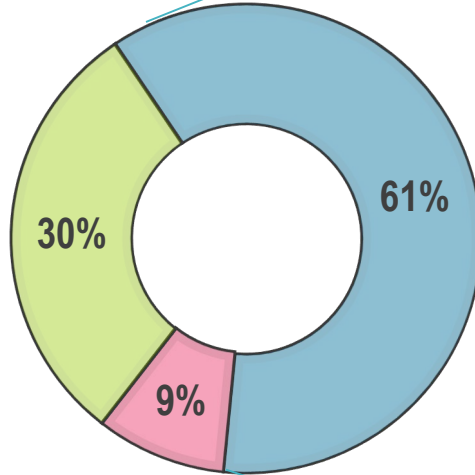
Audit Resources

6 Full Time Auditors + 2 Part Time Interns = 13,920 Hours



Proposed Audits & Hours

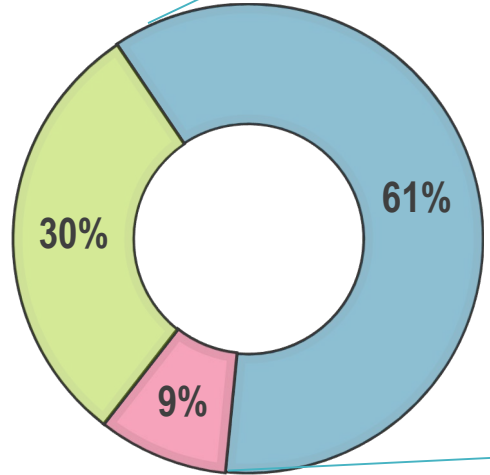
- Audit Hours
- General Audit Hours
- Administrative



Key Work Activity (Audit Title)	Hours
Owner Controlled Insurance Program (OCIP) Management	200
Other Post-Employment Benefits (OPEB)	200
IT Asset Acquisition	245
Tenant Lease Admin. and Management	800
Harbor Police Contract Management	650
Account Provisioning and De-Provisioning	350
Formal Bidding and Contracting	600
Rental Car Shuttle Service Contract Administration	500
Contractor Monitoring – AECOM	450
Contractor Monitoring – Turner	300
Project Closeout – Parking Plaza	250

Proposed Audits & Hours (Continued)

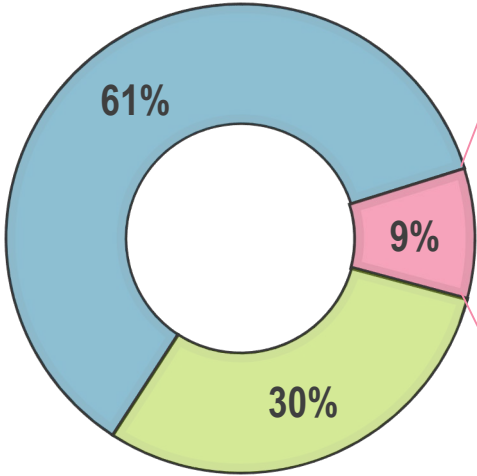
- Audit Hours
- General Audit Hours
- Administrative



Key Work Activity (Audit Title)	Hours
Tenant Lease Admin. and Management – Payless	400
Advertising	425
Tenant Lease Admin. and Management – Non SDIA RAC	450
Change Orders	450
Terminal Maintenance & Airport and Tenant Service Requests	475
Tenant Lease Admin. and Management – Contract Terms	500
Parking Management Contract Administration	500
Business and Real Estate Agreements	375
To Be Determined – Discretionary	350
Total Audit Hours	8,470

Proposed General Audit Activities & Hours

- Audit Hours
- General Audit Hours
- Administrative

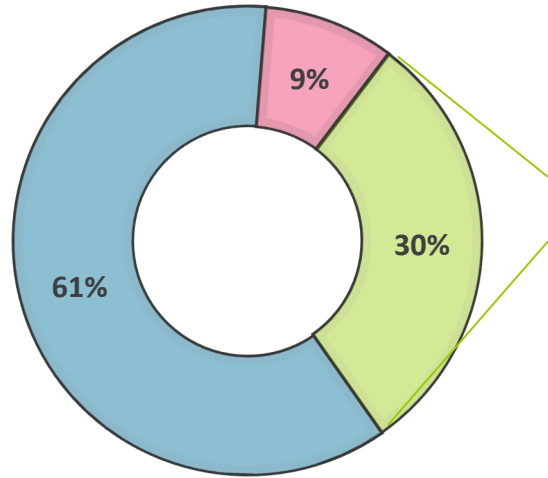


Key Work Activity (Audit Activity Title)	Hours
Risk Assessment and Proposed Audit Plan*	240
Construction Meeting Attendance	100
Information Technology Meeting Attendance	180
Development of Data Analytics	120
Ethics Hotline*	310
Recommendation Follow-up*	95
Quality Assurance & Improvement Program*	200
Total General Audit Hours	1,245

* Required activity in the Charter for the Office of the Chief Auditor

Proposed Administrative Hours

- Audit Hours
- General Audit Hours
- Administrative



Key Work Activity (Audit Activity Title)	Hours
Administrative	4,205

Proposed Contingent Audits & Hours

Key Work Activity (Audit Title)	Hours
Tenant Lease Administration and Management – Fox Rent A Car	400
Manage the Authority Privacy Policy and Requirements	400
IT Asset Acquisition	500
Procurement (Information Technology Services – Software Licenses)	350
Total Contingent Hours	1,650

Risk Assessment & Audit Plan Combined

Attachment 2

San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2020

Line #	Department	Division	Key Work Activity	Likelihood	Impact
1	Planning & Environmental Affairs	Development	State/Federal Environmental Review	Medium to High	Medium to High
2	Revenue Generation & Business Development	Revenue Management & Innovation	Tenant Development & Major Reconstruction	Medium to High	Medium
3	Aviation Security & Public Safety	Operations	Harbor Police Contract Management	Medium	Medium to High
4	Revenue Generation & Business Development	Revenue Management & Innovation	Tenant operational inspections for lease compliance and refurbishments	Medium to High	Medium
5	Procurement	Finance	Vendor Selection	Medium	Medium to High
6	Aviation Security & Public Safety	Operations	Contract Security Personnel Management	Medium	Medium
7	Aviation Security & Public Safety	Operations	Security Systems O&M (NSEI) Contract Management	Medium	Medium to High
8	Procurement	Finance	Formal Bidding and Contracting	Medium	Medium to High
9	Aviation Security & Public Safety	Operations	Manage the Business Continuity Plan	Medium to High	Medium
10	General Counsel	General Counsel	Provide Legal Counsel to Authority and Board	Low to Medium	Medium to High
11	Procurement	Finance	Emergency & Single Source Purchases	Low to Medium	Medium to High
12	Revenue Generation & Business Development	Revenue Management & Innovation	Tenant Lease Admin. and Management (Excludes Airlines, ground handling, and parking)	Medium	Medium to High
13	Aviation Security & Public Safety	Operations	Airport Operations/Communications Center Management	Medium	Medium
14	Airside & Terminal Operations	Operations	ARFF Management	Low to Medium	High
15	Finance, Accounting, & Airline Management	Finance	OCIP	Medium	Medium
16	Finance, Accounting, & Airline Management	Finance	Insurance Coverage	Medium	Medium
17	Talent, Culture & Capability	Talent, Culture & Capability	Records & Information Management	Medium	Medium
18	Customer Experience & Innovation	Revenue Management & Innovation	Small Business Bonding	Medium to High	Low to Medium

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **MAY 13, 2019**

Subject:

**Fiscal Year 2020 Proposed Budget of the Chief Auditor and Fiscal Year 2021
Proposed Conceptual Budget Expense Summary**

Recommendation:

Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2020 Budget process with a recommendation for approval.

Background/Justification:

In accordance with the San Diego County Regional Airport Authority's Fiscal Year 2020 Budget process, which was initiated by the Authority's Finance Division in January 2019, the Office of the Chief Auditor (OCA) created a Proposed 2020 and a Proposed 2021 Conceptual Budget. The OCAs proposed budgets contain the anticipated expenditures and headcount necessary to carry out its duties in the coming fiscal years. The accompanying presentation provides the budgets in detail by line item.

The OCA will present its Fiscal Year 2020 Proposed Budget and 2021 Proposed Conceptual Budget to the Audit Committee for review on May 13, 2019. Subsequently, the proposed budget will be forwarded for inclusion and approval by the Board during the Finance Division's scheduled Budget Workshop with the Board on May 16, 2019.

Fiscal Impact:

The proposed Fiscal Year 2020 Budget for the Office of the Chief Auditor is \$1,232,000.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not applicable

Prepared by:

LEE PARRAVANO
CHIEF AUDITOR



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**Fiscal Year 2020 Proposed Budget
of the Chief Auditor and Fiscal Year 2021
Proposed Conceptual Budget
Expense Summary**

Audit Committee Meeting
May 13, 2019

FY 2020 Proposed - 2021 Proposed Conceptual Budget Expense Summary

(in thousands)

	FY 2018 Actuals	FY 2019 Budget	FY 2020 Proposed Budget	Inc / (Dec) FY20 Proposed vs FY 19 Budget	% Change	FY 2021 Conceptual Budget	Inc / (Dec) FY21 Conceptual vs FY 20 Budget	% Change
Operating Expenses								
Salaries & Wages	\$ 825	\$ 856	\$ 820	\$ (37)	-4.3%	\$ 849	\$ 29	3.6%
Benefits	288	388	369	(19)	-5.0%	392	23	6.1%
Total Personnel Costs	1,113	1,245	1,189	(56)	-4.5%	1,241	52	4.4%
Contractual Services	1	1	1	(0)	-5.9%	1	0	3.0%
Utilities	0	0	0	0	3.3%	0	0	5.2%
Operating Equipment & Systems	1	-	-	-	0.0%	-	-	0.0%
Operating Supplies	2	3	1	(2)	-60.0%	1	0	3.0%
Employee Development	11	26	30	4	16.6%	31	1	2.6%
Business Development	5	5	3	(1)	-24.7%	4	0	2.8%
Equipment Rentals and Repairs	8	7	8	0	5.0%	8	0	5.0%
Total Non-Personnel Costs	29	41	43	2	4.8%	44	1	3.1%
Total Operating Expenses	1,142	1,286	1,232	(54)	-4.2%	1,285	53	4.3%
Non Operating Expenses	-	-	-	-	0.0%	-	-	0.0%
Total Expenses	1,142	1,286	1,232	(54)	-4.2%	1,285	53	4.3%
Equipment Outlay	-	-	-	-	0.0%	-	-	0.0%
Total Authority Expenses Incl Equip Outlay	\$ 1,142	\$ 1,286	\$ 1,232	\$ (54)	-4.2%	\$ 1,285	\$ 53	4.3%

***Numbers may not foot due to rounding

Major Drivers of FY 2020 & FY 2021 Proposed Budget

(in thousands)

	Inc / (Dec) FY20 vs FY19	Inc / (Dec) FY21 Conceptual vs FY20
FY 2019 Budget / FY 2020 Budget	\$ 1,286	\$ 1,232
Personnel Costs		
Burden (benefits & employer taxes) for current staff	(19)	23
Salary adjustment and pay-for-performance	(37)	29
Total Increase / (Decrease) in Personnel Costs	(56)	52
Non-Personnel Costs		
Other, net	2	1
Total Increase / (Decrease) in Non-Personnel Costs	2	1
Total Increase / (Decrease)	(54)	53
FY 2020 Budget / FY 2021 Conceptual Budget	\$ 1,232	\$ 1,285

QUESTIONS?