

Audit Committee and Special Board Meeting

**Monday, May 10, 2021
10:00 A.M.**

San Diego International Airport
SDCRAA Administration Building
3225 N. Harbor Drive
San Diego, California 92101

Board Members

Johanna Schiavoni (Chair)
Paul Robinson (Vice Chair)
Catherine Blakespear
Gil Cabrera
Mary Casillas Salas
Robert T. Lloyd
Paul McNamara
Nora E. Vargas
Marni von Wilpert

Ex-Officio Board Members

Gustavo Dallarda
Col. Charles B. Dockery
Gayle Miller

President/CEO

Kimberly J. Becker

This meeting of the Audit Committee of the San Diego County Regional Airport Authority Board will be conducted pursuant to the provisions of California Executive Order N-29-20, which suspends certain requirements of the Ralph M. Brown Act. During the current State of Emergency and in the interest of public health, all Board & Committee members will be participating in the meeting electronically. In accordance with the Executive Order, there will be no members of the public in attendance at the Board Meeting. We are providing alternatives to in-person attendance for viewing and participating in the meeting. In lieu of in-person attendance, members of the public may submit their comments in the following manner.

Comment on Non-Agenda Items

Public comments on non-agenda items must be submitted to the Authority Clerk at clerk@san.org no later than 4:00 p.m. the day prior to the posted meeting in order to be eligible to be read into the record. The Authority Clerk will read the first 30 comments received by 4:00 p.m. the day prior to the meeting into the record; each of these comments will be read for up to three minutes or for the time determined by the Chair. The maximum number of comments to be read into the record on a single issue will be 16. All other comments submitted, including those received after 4:00 p.m. the day prior and before 8:00 a.m. the day of the meeting, will be provided to the Authority Board and submitted into the written record for the meeting.

Comment on Agenda Items

Public comment on agenda items may be submitted to the Authority clerk at clerk@san.org. Comments received no later than 8:00 a.m. on the day of the meeting will be distributed to the Board and included in the record.

If you'd like to speak to the Committee live during the meeting, please follow these steps to request to speak:

Monday, May 10, 2021

- **Step 1:** Fill out the online **Request to Speak Form** to speak during the meeting via teleconference. The form must be submitted by 4 p.m. the day before the meeting or by 4:00 p.m. the Friday before a Monday meeting. After completing the form, you'll get instructions on how to call in to the meeting.
- **Step 2:** Watch the meeting via the Webcast located at the following link, <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=13912>
- **Step 3:** When the Committee begins to discuss the agenda item you want to comment on, call in to the conference line, you will be placed in a waiting area. ***Please do not call until the item you want to comment on is being discussed.***
- **Step 4:** When it is time for public comments on the item you want to comment on, Authority Clerk staff will invite you into the meeting and unmute your phone. Staff will then ask you to state your name and begin your comments.

How to Watch the Meeting

You may also view the meeting online at the following link:

<https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=13912>

Requests for Accessibility Modifications or Accommodations

As required by the Americans with Disabilities Act (ADA), requests for agenda information to be made available in alternative formats, and any requests for disability-related modifications or accommodations required to facilitate meeting participation, including requests for alternatives to observing meetings and offering public comment as noted above, may be made by contacting the Authority Clerk at (619) 400-2550 or clerk@san.org. The Authority is committed to resolving accessibility requests swiftly in order to maximize accessibility.

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. ***Please note that agenda items may be taken out of order.*** If comments are made to the Committee 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.

Note: Pursuant to Authority Code Section 2.15, all Lobbyists shall register as an Authority Lobbyist with the Authority Clerk within ten (10) days of qualifying as a lobbyist. A qualifying lobbyist is any individual who receives \$100 or more in any calendar month to lobby any Board Member or employee of the Authority for the purpose of influencing any action of the Authority. To obtain Lobbyist Registration Statement Forms, contact the Board Services/Authority Clerk Department.

CALL TO ORDER:

ROLL CALL:

Committee Members: Blakespear, Casillas Salas, Lloyd, Van Sambeek, Vann (Chair), Vargas, Wong Nickerson

PRESENTATIONS:

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 Board. 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 8, 2021, regular meeting and the April 22, 2021, special meeting.

2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDITS FOR THE FISCAL YEAR ENDED JUNE 30, 2021:

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

Presented by: Elizabeth Stewart, Acting Director, Accounting; and, Danny Martinez, Managing Director, BKD, LLP

3. FISCAL YEAR 2021 THIRD QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee review this item and forward it to the Board with a recommendation for acceptance.

Presented by: Lee Parravano, Chief Auditor; and, Fred Bolger, Manager, Audit Services

Monday, May 10, 2021

4. REVISION TO THE FISCAL YEAR 2021 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

5. RISK ASSESSMENT AND PROPOSED FISCAL YEAR 2022 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

6. SELECTION OF ON-CALL CONSTRUCTION AUDIT SERVICES PROVIDER:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for approval.
Presented by: Lee Parravano, Chief Auditor; Callie Ullman, Senior Auditor

7. FISCAL YEAR 2022 PROPOSED BUDGET OF THE CHIEF AUDITOR AND FISCAL YEAR 2023 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

RECOMMENDATION: Staff recommends that the Audit Committee accept the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2022 Budget process that may include debt issuance or refinancing, with a recommendation for Board approval. **(Requires five (5) affirmative votes of the Audit Committee.)**
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:

Monday, May 10, 2021

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 submit an email to the Clerk at clerk@san.org 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 submit an email 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.

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) 400-2550 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 MTS 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
MINUTES
MONDAY, FEBRUARY 8, 2021
BOARD ROOM**

CALL TO ORDER: Chair Vann called the Audit Committee Meeting to order at 10:01 a.m., on Monday, February 8, 2021, electronically and via teleconference, pursuant to Executive Order N-29-20, at the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

ROLL CALL:

Present: Committee Members: Casillas Salas, Lloyd, Van Sambeek, Vann (Chair), Vargas, Wong Nickerson

Board Members: Cabrera

Absent: Committee Members: Blakespear

Also Present: Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel; Tony R. Russell, Director, Board Services/Authority Clerk; Dustin Heick, Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 16, 2020, regular meeting.

ACTION: Moved by Committee Member Van Sambeek and seconded by Board Member Vargas to approve staff's recommendation. Motion carried unanimously noting Board Member Casillas Salas's ABSTENSION and Board Member Blakespear as ABSENT.

2. FISCAL YEAR 2021 SECOND QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation titled Fiscal Year 2021 Second Quarter Report from the Office of the Chief Auditor that included Fiscal Year 2021 Performance Measures, Audits & Consulting Engagements Completed, Audits & Consulting Engagements Completed during the 2nd Quarter, Number of Recommendations, Auditor Utilization, Audit & Consulting Engagement Budgets, General Audit Activity – Recommendations, General Audit Activity – Ethics Hotline, General Audit Activity – Construction, and an Audit Spotlight on GateKeeper.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

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

3. REVISION TO THE FISCAL YEAR 2021 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation titled Revision to the Fiscal Year 2021 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.

ACTION: Moved by Board Member Lloyd and seconded by Board Member Vargas to approve staff's recommendation. Motion carried unanimously noting Board Member Blakespear as ABSENT.

COMMITTEE MEMBER COMMENTS:

In response to Committee Member Wong Nickerson's request that an Airport Health Measures Audit program be investigated to determine the potential for incorporating it into next year's Audit Plan, Lee Parravano, Chief Auditor, stated that he would look into the Airport Health Measures Audit and discuss it with the Committee in the future.

Kim Becker, President/CEO, stated that a third party accreditation has certified that San Diego International Airport meets the industry standards for the health measures it performs at the airport.

ADJOURNMENT: The meeting adjourned at 10:34 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 10th DAY OF MAY, 2021.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

**DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE AND
SPECIAL BOARD MEETING
MINUTES
THURSDAY, APRIL 22, 2021
BOARD ROOM**

CALL TO ORDER: Chair Vann called the Special Audit Committee Meeting to order at 9:03 a.m., on Thursday, April 22, 2021, electronically and via teleconference, pursuant to Executive Order N-29-20, at the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

ROLL CALL:

Present: Committee Members: Blakespear, Casillas Salas, Vann (Chair), Vargas, Wong Nickerson

Absent: Committee Members: Lloyd, Van Sambeek

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

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. INTERVIEW OF PUBLIC MEMBERS TO FILL A VACANCY ON THE AUDIT COMMITTEE:

Carmen Vann, Chair, reported that there is a public member vacancy due to the upcoming expiration of the term of Jack Van Sambeek and that this vacancy was publicized consistent with the appointment process. She stated that Mr. Van Sambeek's replacement would be appointed to the Audit Committee for a three-year term, to commence July 2021, once Committee Member Van Sambeek's term expires.

The Committee interviewed applicants Fredrick Ladet, Jeffrey Scott, and Gretchen Newsom.

RECOMMENDATION: Interview applicants and select a primary and an alternate to recommend to the Board for appointment to fill an upcoming vacancy on the Audit Committee.

ACTION: Moved by Board Member Vargas and seconded by Board Member Blakespear to recommend to the Board the appointment of Gretchen Newsom to fill the upcoming public member vacancy on the Audit Committee and to recommend Jeffery Scott as an alternate, if the Board does not select Ms. Newsom, to commence July 2021 for a three-year term to replace Jack Van Sambeek once his term expires. Motion carried unanimously, noting Board Member Lloyd and Committee Member Van Sambeek as ABSENT.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting adjourned at 10:10 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 10th DAY OF MAY, 2021.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

AUDIT COMMITTEE

Meeting Date: **MAY 10, 2021**

Subject:

Required Communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year Ended June 30, 2021

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 into 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, Danny Martinez, CPA, CGFM, the engagement executive from BKD, LLP, will give a presentation during the May 10, 2021 Audit Committee Meeting on matters pertaining to the scope, timeline, planning, and revisions to professional standards effecting the Fiscal Year Ended June 30, 2021 Financial and Compliance Audit. In addition, a copy of the BKD's most recent Peer Review Letter is provided as Attachment A.

Fiscal Impact:

Adequate funding for the agreement with BKD, LLP, for performing the Authority's financial audit services is included in the Fiscal Year 2021 Budget and the Proposed Fiscal Year 2022 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/Focus Areas:

This item supports one or more of the following (*select at least one under each area*):

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

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.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not applicable

Prepared by:

ELIZABETH STEWART
INTERIM DIRECTOR
ACCOUNTING



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 permanent inspection in effect for the year ended May 31, 2020. 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 the Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, an audit of a broker-dealer, 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 permanent inspection in effect for the year ended May 31, 2020, 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*.

Postlethwaite & Netterville

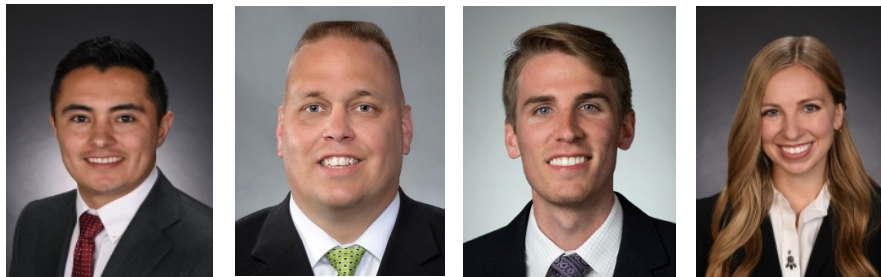
Baton Rouge, Louisiana
November 2, 2020

Required Communication to the Audit Committee Financial and Compliance Audits for the Fiscal Year Ended June 30, 2021

Presented By: Danny Martinez, Managing Director
May 10, 2021

Engagement Team

- Danny Martinez, CPA, Engagement Executive
- Richard Wittgren, CPA, Concurring Review Partner
- Josh Findlay, CPA, Manager
- Molly McGee, 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 Timing and Scope

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 21st - Planning, interim fieldwork and risk assessment

Week beginning August 30th - Final audit fieldwork, including Single Audit, Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) testing

Week of September 6th- Continued final audit fieldwork

Week of September 13 - Continued final audit fieldwork, exit conference with management to review draft financial statements and other required communications

September 30 – Concurring partner review to be performed

October 15 - Release final deliverables

November 15 - 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
 - Determining how Covid-19 has continued to impact operations

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

Remote Work Strategy (Weeks of 9/6/21 & potentially 9/13/21)

- Utilization of BKD Connect Site
- Microsoft Teams for Status Meetings
- Video calls for audit questions

Revisions to Professional Standards

Revisions to Professional Standards

- *GASB 84, Fiduciary Activities*
 - Establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements and other fiduciary activities.
 - GASB 84 is effective for the Authority's 2021 fiscal year.
- *GASB 87, Leases*
 - Provides a new framework for accounting for leases under the principle that leases are financings.
 - GASB 87 is effective for the Authority's 2022 fiscal year.
 - BKD will continue to work with the Authority on implementing this standard.

Consideration of Errors or Fraud

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

Carmen Vann, Audit Committee Chair

Johanna Schiavoni, Board Chair

- If you need to contact us:

Danny Martinez, Managing Director – 505.917.0488 dmartinez@bkd.com

Josh Findlay, Manager – 972.702.8262 Ext. 43418 jfindlay@bkd.com

BKD Thoughtware®

Questions?

AUDIT COMMITTEE

Meeting Date: **MAY 10, 2021**

Subject:

Fiscal Year 2021 Third Quarter Report from the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee review this item and forward it to the Board with a recommendation for acceptance.

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 2021 Third Quarter Report (Attachment A) summarizes the undertakings and accomplishments of the OCAs office from January 1, 2021, through March 31, 2021.

A presentation by the OCA on its third quarter activities will be provided during a meeting of the Audit Committee on May 10, 2021.

Fiscal Impact:

None

Authority Strategies/Focus Areas:

This item supports one or more of the following (*select at least one under each area*):

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

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.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR

Office of the Chief Auditor Fiscal Year 2021 Third Quarter Report

ATTACHMENT A

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

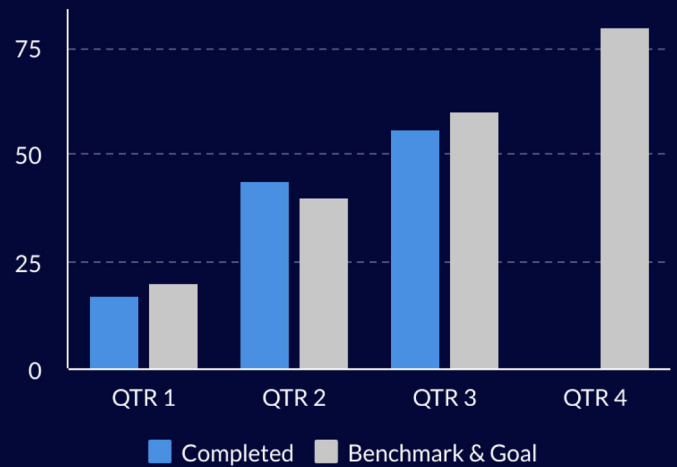


Audit and Consulting Engagement Progress



■ Completed (55.56%) ■ In Progress (44.44%)

Audit and Consulting Engagements Completed vs. Benchmark & Goal



FY 2021 - By the Numbers

20

Recommendations Issued

4.5

Customer Satisfaction Rating (Out of 5)

90%

Audit and Consulting Engagements Completed within Budget

70%

Auditor Utilization Percentage

100%

Recommendations Accepted by Management



powered by



Office of the Chief Auditor Fiscal Year 2021 Third Quarter Report

May 10, 2021

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Third Quarter Summary

The Office of the Chief Auditor’s (OCA) Fiscal Year 2021 Audit Plan is comprised of 16 audit engagements, 2 consulting engagements, 7 general audit activities, and administrative activities that are to be completed in the Fiscal Year. The OCA tracks its progress relative to the Audit Plan and several key performance measures to gauge the success of the office. Each performance measure is detailed below along with supplemented explanation.

Performance Measures

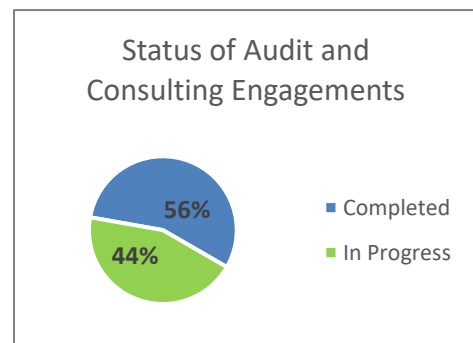
There are six major performance measures to evaluate the OCA¹ in Fiscal Year 2021. The OCAs performance against the selected performance measures is displayed in Figure 1 below.

Figure 1: Status of Performance Measures as of March 31, 2021

#	Performance Measure	Goal	Actual	Benchmark
1	Percentage of audits and consulting engagements completed	60%	56%	60%
2	Number of recommendations	19	20	19
3	Percentage of staff time spent on audit and consulting engagements and general audit activities	70%	70%	70%
4	Percentage of audits and consulting engagements completed within budgeted time	80%	90%	75%
5	Percentage of recommendations accepted	95%	100%	83%
6	Customer satisfaction rating	4.0	4.5	4.0

Percentage of Audits and Consulting Engagements Completed:

As of the third quarter, the OCA completed 9 audit engagements and 1 consulting engagement, or 56%, of the Audit Plan that constitutes these activities (10/18=56%). In addition to the 10 engagements completed, the OCA had 8 engagements in progress as of the end of the third quarter. The engagements completed in the third quarter are summarized in the next section titled *Audits and Consulting Engagements*.



An alternative way to calculate this performance measure is to acknowledge the hours spent on audits and consulting engagements completed and engagements that are in progress, but not yet completed. This calculation results in a completion percentage of 72%. The OCA has spent 4,454 hours on audit and consulting engagements and estimates that 6,149 total hours will be needed to complete all Fiscal Year 2021 audit and consulting engagements (4,454/6,149=72%).

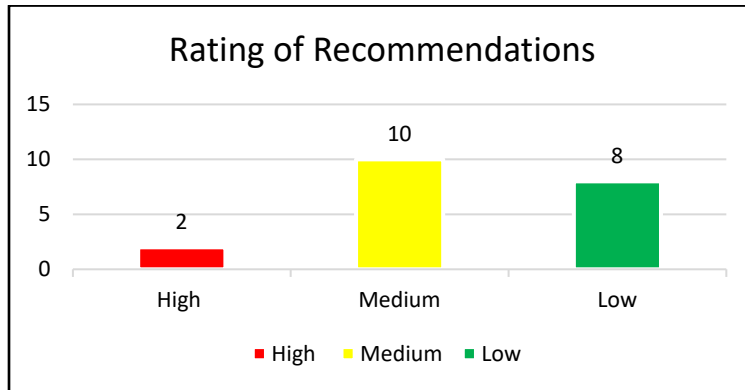
The status of all activities in the Fiscal Year 2021 Audit Plan is included in Appendix A.

¹ The OCA tracks additional performance measures that are not shown above. Their results are compiled and shared with the Audit Committee annually.

Number of Recommendations:

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority and to provide recommendations to remediate those risks. As of March 31, 2021, the OCA has provided 20 recommendations to management to remediate a risk identified or improve a process. Each of the recommendations are rated based on a qualitative level of risk, identified as Low, Medium, or High. A summary of the ratings are shown in Figure 2 below:

Figure 2: Rating of Recommendations Provided in Fiscal Year 2021



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

This measure helps track the time that audit staff spent on audit engagements, consulting engagements, and general audit activities.² The OCAs goal for Fiscal Year 2021 is 70%. As of March 31, 2021, the OCA staff spent 70% of time on audit, consulting, and general audit activities (67% including the Chief Auditor’s time).

Percentage of Audit and Consulting Engagements Completed within Budgeted Time:

This category monitors the efficiency of audit staff in performing audit and consulting engagements. Every engagement has an internally prepared budget that staff is held accountable to uphold. However, we recognize that budgets may need adjustment(s) as additional facts become known during an engagement. In Fiscal Year 2021, the OCA completed 9 out of 10 engagements under budget, or 90%, within budgeted time.

Percentage of Recommendations Accepted:

This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations. As of the end of the third quarter, management accepted 100% of all audit recommendations.

Customer Satisfaction Rating:

After the completion of an audit or consulting engagement surveys are sent to management to obtain customer satisfaction data. The OCAs 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 this Fiscal Year we have achieved a score of 4.5.

² Appendix A details all planned activities in these categories for Fiscal Year 2021.

Audits & Consulting Engagements

Issued

The Office of the Chief Auditor (OCA) completed two audits during the third quarter. Below are highlights from these engagements.

Sundt Construction, Inc.: The objective of this audit was to determine if the agreement with Sundt was administered appropriately. The audit concluded that, in general, the agreement was properly administered. However, the audit identified two recommendations. One related to recalculating a performance based incentive and the second, to increasing review procedures on critical supporting documents.

Accounts Payable Process: The objectives of this audit were to determine if the internal controls in the Accounts Payable (A/P) cycle are adequate and appropriate. Specifically, we examined the Accounting Department's A/P procedures from initial vendor setup to vendor payment, to determine if the internal controls are adequate and appropriate. The audit concluded that in general, internal controls in the A/P cycle are adequate and operating as intended. However, the audit identified six recommendations related to improving segregation of duties, alignment with best practices, or adherence to Authority Codes and Policies.

In Progress

At the close of the third quarter there were 8 audits or consulting engagements in progress, representing 44% of the audit and consulting engagements on the Fiscal Year 2021 Audit Plan.

General Audit Activities

In addition to performing audits and consulting engagements, the OCA is involved in other audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required³ to perform these activities or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* performed, by category, is presented in this section.

Construction

Construction audit activity for the third quarter of Fiscal Year 2021 consisted of attending meetings regarding the airport support facilities and the Airport Development Program (ADP). Additionally, a request for proposals (RFP) for on-call construction audit services for the ADP project was developed and advertised. The on-call audit services will assist the OCA staff in assessing risks and developing audit programs for the ADP projects. We received fourteen responses to the RFP, which were under review by the selection panel at the end of the third quarter. The OCA remains involved with issues identified by the Airport Design & Construction team and Authority management, providing assistance and attending meetings specific to the aspects of the Authority's construction activities.

Development of Data Analytics

The OCA has continued to develop, with the assistance of other Authority departments, a data analytics program for rental car concessions. A successful data analytics program would provide relative real-time insight regarding rental car company and in-terminal concession activity at the San Diego International Airport. The OCA plans to utilize this information to identify possible risks early on and to determine if an audit should be initiated. This audit approach would allow the OCA to objectively select audits. Additionally, some data analytic information could be shared with Authority management for their reference and use.

As of the end of the third quarter, the OCAs collaboration with the Revenue Generation & Partnership Development Department, Information & Technology Services, Data Analytics team, and other Authority staff produced a data analytics dashboard and program outline. A plan has been created to audit information provided by the Rent A Car companies beginning in summer of 2021. The same process will be utilized on other audit areas to further enhance the OCAs effectiveness and efficiencies.

Ethics Program

The OCA continues to run the Authority's Ethics Program that includes a confidential reporting hotline. As of March 31, 2021, four tips/reports were received. One required a preliminary investigation that ended with the complaint being withdrawn. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate. Beginning July 1, 2020, the OCA began categorizing the tips/reports received into specific standardized categories. Tracking tips/reports by standardized categories can reveal both success and gaps in our program and will allow the OCA to benchmark against other organizations. The OCA is utilizing the NAVEX Global⁴ Risk and Compliance Hotline reports as a benchmark. The categories are as follows:

- Accounting, Auditing, and Financial Reporting
- Business Integrity

³ Requirements are dictated by the Charter for the Office of the Chief Auditor, the Charter of the Audit Committee, or the International Standards for the Professional Practice of Internal Auditing.

⁴ NAVEX Global is a recognized worldwide leader in integrated risk and compliance management software and services.

- Human Resources, Diversity, and Workplace Respect
- Environment, Health, and Safety
- Misuse and Misappropriation of Assets

A summary of the tips/reports received through the third quarter of Fiscal Year 2021 is shown in Figure 3 below, with the applicable standardized categories listed.

Figure 3: Ethics Hotline Tips/Reports Received in Fiscal Year 2021 Third Quarter

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)*	Response (email or phone to non-anonymous reports)
Category					
Human Resource, Diversity, and Workplace Respect	2	-	-	-	-
Environment, Health and Safety – Noise	2	1	-	-	1
Total	4	1	-	-	1

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

Information Technology Meeting Attendance

Information technology activity for Fiscal Year 2021 consisted of attending meetings and providing updates to the Audit Committee and Authority management when appropriate regarding information technology risk assessments and the National Institute of Standards and Technology (NIST) cybersecurity framework.

Quality Assurance & Improvement Program

The International Standards for the Professional Practice of Internal Auditing (*Standards*) require the OCA to maintain a Quality Assurance and Improvement Program that includes internal (self) assessments, on-going monitoring, and external assessments (required every 5 years). The objective of ongoing monitoring is to provide assurance that the OCAs processes, as currently in place, are working effectively to ensure that quality is derived on an audit-by-audit basis.

During the first quarter of Fiscal Year 2021, the OCA completed on-going monitoring of its activities and operations performed during Fiscal Year 2020, with results presented in the Fiscal Year 2020 OCA Annual Report. During the third quarter, the OCA continued to monitor activities and operations in order to improve efficiencies and to ensure that quality is delivered.

Recommendation Follow-up

The OCA tracks the status of its recommendations on an on-going basis in order to verify the completion of their implementation. The progress is provided by management when requested by the OCA. Appendix B contains a detailed list of each recommendation and its status as of March 31, 2021.

Figure 4 shows the status of recommendations that were *Completed* or *In Progress* during the third quarter of Fiscal Year 2021. The estimated/actual implementation timeframes are based on the audit report issue date.

Figure 4: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
Completed	9	7	-	16
In Progress	5	5	3	13

Completed: This designation is used for recommendations that the OCA determined to be adequately implemented or for recommendations where alternate action is taken that adequately addresses the risk identified. Of the Completed recommendations, twelve or 75%, were completed within the initial timeframe identified when the recommendations were issued.

In Progress: These recommendations have been partially addressed or where partial corrective action has been taken. This category also includes recommendations from newly issued audit reports, when there has not been adequate time between report issuance and follow-up. Of the In Progress recommendations, nine recommendations were still within the initial timeframe identified for implementation.

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

Risk Assessment & Audit Plan

The Risk Assessment & Audit Plan is a comprehensive document that is presented in May of each year to the Audit Committee that includes the proposed audit and consulting engagements to be completed for the coming fiscal year. It is the culminating result of data gathering, management discussions, surveys, and data analysis that is conducted over the course of several months prior to its submission to the Audit Committee. The Risk Assessment & Fiscal Year 2022 Audit Plan are included in the May 10, 2021, meeting materials for the Audit Committee.

Administrative Activities

Tracking Budget and Expenses

The OCA expenses totaled approximately \$881,000 through the end of the third quarter, which represents 72% of the Fiscal Year 2021 budget. No unexpected or large outlays occurred within the department during the three quarters of Fiscal Year 2021. The OCA expects to remain on budget through the fiscal year-end.

Continuing Professional Development

OCA staff continues to obtain Continuing Professional Education credits as required annually by their various certifications. For the calendar year-end 2020, all applicable staff met or exceeded the education credits required for the Certified Internal Auditor designation and OCA requirements.

Procedural/Supervisory

One Audit Committee Meeting took place during the third quarter, held on February 10, 2021. The meeting contained all of the regularly scheduled February agenda items, of which the OCA assisted in coordination with the Committee Chair and Board Services.

COVID-19

All OCA staff have been working remotely since March 2020. The pandemic has required the OCA to be flexible with audit timing and engagements due to the resource limitations caused by the pandemic. The pandemic has also created new risks for the organization that has required the OCA to reevaluate and modify the proposed Internal Audit Plan several times. Additionally, the planned engagement procedures have required revising to adapt to this ever changing environment. We have worked, and will continue to work, with management, concessionaires, and other third parties to schedule engagements with consideration to minimize disruptions and maximize assurances.

Appendix A - Fiscal Year 2021 Audit Plan Progress

#	Activity	Status as of 3/31/21	Over/Under Budget	No. of Recom.
Audit Engagement				
1	Business and Real Estate Agreements – RCC Land Lease	Completed	Under	2
2	Contractor Monitoring – Turner	Completed	Under	-
3	Small Business Development Management	Completed	Under	2
4	Internal Controls in Place While Staff is Working Remotely	Completed	Under	-
5	Formal Bidding and Contracting	Completed	Under	2
6	System Security – Information Security Policy	In Progress		
7	System Security – Penetration Testing	In Progress		
8	Harbor Police Contract Management	In Progress		
9	Emergency & Single Source Purchases	In Progress		
10	Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	In Progress		
11	Commercial Vehicle Licensing, Permitting, & Revenue Collection – GateKeeper system	Completed	Under	3
12	Contractor Monitoring – Sundt	Completed	Under	2
13	Accounts Payable	Completed	Over	6
14	Employee Benefits	In Progress		
15	Art Program Administration	Completed	Under	3
16	Enterprise Content Management System (ECMS)	In Progress		
Consulting Engagement				
17	COVID -19 – Grant Support	Completed	Under	
18	Calculation and Reconciliation of Concession Rents and Fees	In Progress		
General Audit				
19	Construction Meeting Attendance & External Service Provider Procurement and Coordination	In Progress		
20	Development of Data Analytics	In Progress		
21	Ethics Program ⁵	In Progress		
22	Information Technology Meeting Attendance	In Progress		
23	Quality Assurance & Improvement Program ⁶	In Progress		
24	Recommendation Follow-up ⁶	In Progress		
25	Risk Assessment and Audit Plan ⁶	In Progress		
Administrative				
26	Attendance at Staff/Board/Committee Meetings; Continuing Professional Development; Budget tracking; Supervisory	In Progress		
27	Vacation, Holiday Time, and Other Leave/Time Off	In Progress		

⁵ Required activity in the Charter of the Audit Committee.

⁶ Required Activity in the Charter for the Office of the Chief Auditor.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
Completed						
20-28	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Finance & Risk Management Department, should examine the insurance coverage of RG&PD leases, verify if they comply with the insurance requirements, and require the tenants, if needed, to update their insurance to cover the risk to the Authority.	12/31/2020	2/28/2021	RG&PD worked with Finance & Risk and developed a responsibility assignment matrix. RG&PD reviewed the current insurance requirements as determined by Risk and confirmed compliance.
20-29	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Accounting Department, should create a system to track and adjust rent amounts that are subject to a Consumer Price Index (CPI) adjustment.	12/31/2020	3/31/2021	RG&PD worked with Accounting and Finance to create a responsibility assignment matrix, which outlines responsibilities for both departments. RG&PD is also working with E1 to see if adjustments can be automated.
20-31	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should create a system to timely issue holdover letters. Additionally, RG&PD should confirm the lease status in E1, ensuring all leases assigned to them are accurate and up to date.	3/31/2021	3/16/2021	RG&PD worked with Accounting, Finance and Risk and developed a process for review. An E1 report will be generated monthly by the RG&PD admin staff and reviewed by Asset Managers. This process will be part of the new procedure manual.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
Completed						
20-32	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Accounting Department, should review the Minimum Annual Guarantee (MAG) requirements of their leases and adjust the MAG, as applicable.	9/30/2020	3/1/2021	RG&PD worked with Accounting to review the MAG requirements and to determine future processes for MAG adjustments.
21-16	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	High	We recommend that access to the E1 Treasury role and to the secured drive be limited to those employees whose roles and responsibilities require it. In addition, we recommend that management review and update permissions as roles and responsibilities change. Specifically, we recommend that management disable or deactivate the E1 Treasury role and the secured drive access of the employees that are not in the Finance Department performing Positive Pay processes.	3/15/2021	3/15/2021	The E1 Treasury role and access to the secured drive have been removed from those employees whose roles and responsibilities do not require it. Management will continue to review and update permissions as roles and responsibilities change.
20-34	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should update the lease information contained in E1 to reflect current information and, in addition, through the coordination of necessary Authority departments, develop a methodology to allow cross-referencing of the different naming conventions in use at the Authority.	2/28/2021	2/28/2021	RG&PD worked with Board Services and created a new procedure for the lease naming convention which will assist with cross-referencing.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
Completed						
20-35	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should develop a list of requirements (certificates of insurance, MAGs, security deposits, etc.) that they need from ancillary departments and coordinate with these departments on how to have access to these requirements in the most efficient way.	3/31/2021	3/30/2021	RG&PD worked with Accounting, Finance and Risk to develop a responsibility assignment matrix.
20-36	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	The Authority Credit and Collections team should create a collections process that allows RG&PD asset managers to see efforts taken to collect from their lessee(s).	1/31/2021	1/31/2021	RG&PD worked with Accounting and Finance to create processes for regular review of accounts and any necessary follow up due by Asset Managers.
21-10	Audit Report 21011 Issued: December 11, 2020 Title: Arts Program Administration Department: ART PROGRAM	Medium	The Arts Staff should include documentation in the Collection Management Plan of the decisions regarding the conservation and maintenance of artwork, to comply with the Art Program Policy.	4/30/2021	4/30/2021	Staff have completed a preliminary outline of proposed conservation projects for the coming year and will finalize and document this plan based on budget allocations.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
Completed						
21-11	Audit Report 21011 Issued: December 11, 2020 Title: Arts Program Administration Department: ART PROGRAM	Medium	The Arts Staff should review all artwork currently on airport property based on the procedures outlined in the Art Program Policy, and provide recommendations if the artwork should be included in the art collection.	4/30/2021	4/30/2021	Staff have verified that the three works in question were purchased by an interior designer/ consultant for the Airport's office renovation in 2002, and did not follow the required protocol for artwork acquisition detailed in Policy 8.50. Staff has prepared a detailed outline based on Policy 8.50 to address the process by which an artwork may be added to the Public Art Collection.
21-12	Audit Report 21011 Issued: December 11, 2020 Title: Arts Program Administration Department: ART PROGRAM	Medium	The Arts Staff should develop a methodology for maintaining a current listing with the appraisal value of all Public Art, and document the value in the Collection Management Plan. The methodology should also include a formal process for documenting artwork that has been deaccessioned.	4/30/2021	4/30/2021	Staff have updated Artworks Archive records to include appraisal values and have developed a detailed document based on Policy 8.50 for the formal process by which artwork from the Public Art Collection may be deaccessioned.
21-13	Audit Report 21008 Issued: March 1, 2021 Title: Contractor Monitoring - Sundt Construction, Inc. Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should calculate the correct amount of shared savings due based on the percent complete on the next payment application. If the amount overpaid is significant, ADC should consider withholding the overpayment until the contract allows payment.	7/1/2021	3/1/2021	Immediately upon receipt of draft audit report, ADC staff proceeded with recalculating the shared savings and withheld an overpayment of \$9,490.81 from the Sundt Construction payment application.
21-02	Audit Report 20016 Issued: July 6, 2020 Title: Rental Car Center Lease Agreements Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	RG&PD should perform the reallocation evaluations for the exclusive use areas of each operator within the RCC, as outlined in the Lease. Documentation of all reallocation evaluations should be maintained, and any reallocations made should be reflected in changes to the Lease Exhibits.	1/29/2021	1/29/2021	A reallocation evaluation was performed and a letter sent to all Rental Car tenants for a comment period. After discussion with the Rental Car tenants and internal staff, the Authority decided not to reallocate any space at this time. A letter confirming the decision was sent to each Rental Car tenant.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
Completed						
21-04	Audit Report 20004 Issued: October 28, 2020 Title: Formal Bidding/Contracting Process Department: PROCUREMENT	Low	Procurement should include the three best practice attributes identified from the National State Auditors Association in their next revised version of the Procurement Manual (i.e., 1. Inspection and audit provisions, 2. Provisions for contract termination, and 3. Provisions to protect the integrity of subcontract bids to ensure that such bids are competitive).	1/15/2021	2/5/2021	Procurement has finalized changes to the Procurement Manual and incorporated the recommended best practices in addition to updates that reflect electronic processes, signatures, and new work flow charts.
21-05	Audit Report 18004 Issued: December 8, 2020 Title: Small Business Development Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	Small Business Development should establish procedures to validate information received from Authority contractors, with the Authority's records or personnel, prior to providing that information to the Authority Board.	6/30/2021	3/31/2021	SBD will utilize a software portal called B2GNow on all projects going forward to help validate information provided to the Authority Board.
21-20	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	Low	We recommend that departments retain written documentation to support payments made to employees if work is performed outside of their official duties/responsibilities, as required by Authority Codes and Policies.	3/15/2021	3/15/2021	The Accounting Department's A/P Team will ensure that proper documentation is provided in the payment request received from departments for any payments made to employees for work performed outside of their official duties/responsibilities.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
In Progress						
20-25	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should develop and publish a set of universal procedures for lease administration and management, and take active measures to ensure that the manual is updated to remain current.	11/30/20	12/1/2021	RG&PD is working to develop and publish a set of procedures for lease administration and management. Working with ITS on utilizing E1 for lease administration along with setting up demos for other potential property management software.
20-26	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD staff should continue to evaluate the property management software vendors, first by examining the Authority's Real Estate Management Property Management module already in E1, to implement a desired solution.	3/31/22	3/30/2022	RG&PD will investigate utilizing the existing E1 software and determine if other software is needed to more efficiently monitor, maintain, and manage the many tenant lease agreements, for which the department is responsible.
20-27	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Finance & Risk Management Department, should analyze the current security deposits on hand, determine if the security deposits on hand are sufficient to cover the risk to the Authority, make adjustments, and document any exceptions to security deposits, as needed.	3/31/22	3/30/2022	RG&PD will work to implement the recommendations with input from Accounting, Finance, and Risk Management Departments.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
In Progress						
20-30	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should create a system to track the submission of reports required and follow up in a timely manner with any tenant who has not submitted the required reports.	12/31/2020	4/30/2021	RG&PD is working with Accounting, Finance, and Risk to ensure required reports are submitted on a timely basis. RG&PD will complete their system to track reports by 4/30/2021.
20-33	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should perform periodic analysis of revenues reported and billed to ensure that revenues remitted and rates used to calculate revenues are accurate, complete, and comply with the lease. Additionally, RG&PD should consider performing annual reconciliations for prior fiscal years, and as a result of these reconciliations, remit overpayments and bill underpayments as needed. Lastly, RG&PD should perform annual reconciliations going forward; and, as a result of these reconciliations, remit overpayments or bill underpayments, as needed.	3/31/2021	6/1/2021	RG&PD staff worked with Accounting and Finance to monitor revenues remitted and calculations of rents due. Staff is developing a responsibility assignment matrix for future calculations after the Minimum Annual Guarantee (MAG) abatement period ends.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
In Progress						
20-37	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	Authority Management should review the staff assignments for lease administration duties and ensure that separation of staff duties is sufficient. A review of the staff's system access and authorizations currently held should also be performed to identify possible conflicts and to make adjustments to these as necessary.	11/30/2020	6/1/2021	Authority Management is in the process of reviewing staff duties and assignments. Management and staff is reviewing options for E1 Real Estate software and working on a procedure manual for assignments and duties.
21-15	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	High	We recommend that the A/P Accountant role in the Authority's E1 financial system be removed from the Accounting Manager. In addition, we recommend that the Authority determine if E1 has the ability to require that when any changes are made to the VMF, they be approved by another individual.	9/30/2021	9/30/2021	At the time of the audit issuance, March 24, 2021, Accounting provided the following: The AP Accountant role in the Authority's E1 financial system has been removed from the Accounting Manager's menu. Accounting will work with the Information and Technology Services Department to determine if E1 has the ability to require that any changes made to the VMF to be approved by another individual. This recommendaiton was from a newly issued audit report. The OCA will perform follow-up activities on this recommendation in subsequent quarters.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
In Progress						
21-14	Audit Report 21008 Issued: March 1, 2021 Title: Contractor Monitoring - Sundt Construction, Inc. Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should more closely review the supporting documentation for all critical documents including amendments and payment applications.	7/1/2021	7/1/2021	ADC staff is currently reviewing its processes for the review of supporting documentation for all critical documents and is developing ways to strengthen the review process.
21-17	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	Medium	We recommend that the Accounting Manager run and review the Vendor Set-Up Verification Report concurrent with the check run process to capture any vendor changes and to verify that these changes are legitimate. In addition, we recommend that the Authority develop a report that captures changes made in E1 to banking information related to employee and Board/Committee Member reimbursements, thus enabling staff to conduct a review of that report concurrent with the check run process.	9/30/2021	9/30/2021	At the time of the audit issuance, March 24, 2021, Accounting provided the following: Beginning immediately, the Accounting Manager will run and review the Vendor Set-Up Verification Report concurrent with the check run process. Additionally, the Accounting team will develop a report that captures changes made in E1 to banking information related to employee and Board/ Committee Member reimbursements. This recommendaiton was from a newly issued audit report. The OCA will perform follow-up activities on this recommendation in subsequent quarters.

Appendix B - Status of Recommendations

Fiscal Year 2021 Third Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
In Progress						
21-18	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	Medium	The Accounting Department's A/P Team should perform regular periodic maintenance of the Vendor Master File to identify inactive and duplicate vendors and tag them as inactive.	12/31/2021	12/31/2021	At the time of the audit issuance, March 24, 2021, Accounting provided the following: The Accounting Department's A/P Team will develop a process to conduct an annual review of the Vendor Master File to identify inactive and duplicate vendors, and tag them as inactive. This recommendation was from a newly issued audit report. The OCA will perform follow-up activities on this recommendation in subsequent quarters.
21-19	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	Medium	We recommend that the Accounting Department adhere to a standard naming convention for vendor entries to prevent multiple entries of the same vendor.	6/30/2021	6/30/2021	At the time of the audit issuance, March 24, 2021, Accounting provided the following: The Accounting Department's A/P Team will develop and adhere to a standard naming convention for vendor entries. This recommendation was from a newly issued audit report. The OCA will perform follow-up activities on this recommendation in subsequent quarters.
21-03	Audit Report 20004 Issued October 28, 2020 Title: Formal Bidding/Contracting Process Department: PROCUREMENT	Low	We recommend that Authority Management evaluate and update Authority Policies 5.01 and 5.02 where necessary.	10/15/2021	10/15/2021	Procurement is working in collaboration with Corporate Governance, Development, and the General Counsel's office to recommend changes to the policies. Final recommendations have been submitted for review.

Appendix B - Status of Recommendations

Fiscal Year 2021 Third Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2021
In Progress						
21-06	Audit Report 18004 Issued: December 8, 2020 Title: Small Business Development Department: SMALL BUSINESS DEVELOPMENT	Low	Small Business Development should examine the cost/benefit of expanding its current software system that monitors DBE and SBE requirements to include LBE, VOSB, and SDVOSB.	6/30/2021	6/30/2021	SBD has added the Veteran Owned Small Business (VOSB) and Service Disabled Veteran Owned Small Business (SDVOSB) directories to B2GNow. The (Local Business Enterprise) LBE is in test mode now with Planetbids and B2GNow for migration and should be done by 6/30/21.



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

Fiscal Year 2021
Third Quarter Report from
the Office of the Chief Auditor

January 1, 2021, through March 31, 2021

Audit Committee Meeting
May 10, 2021

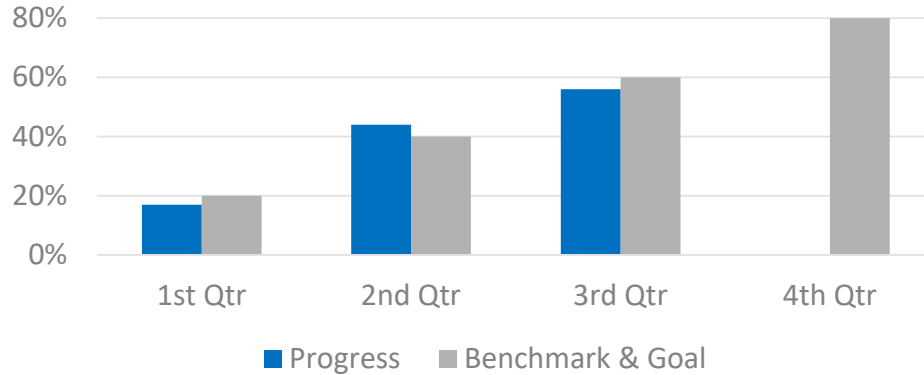
Fiscal Year 2021 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits & Consulting Engagements Completed by the end of the Third Quarter	60%	56%	60%
Number of Recommendations by the end of the Third Quarter	19	20	19
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	70%	70%	70%
Percentage of Audits/Consulting Engagements Completed within Budget	80%	90%	75%
Percentage of Recommendations Accepted	95%	100%	83%
Customer Satisfaction Rating	4.0	4.5	4.0

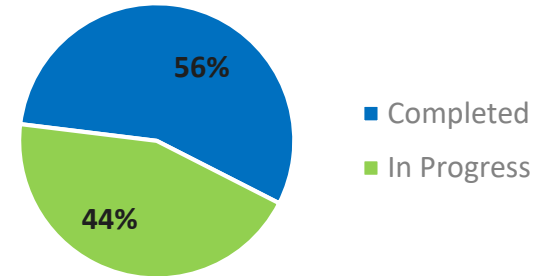
Audits & Consulting Engagements Completed

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits & Consulting Engagements Completed by the end of the Third Quarter	60%	56%	60%

Percentage Completed by Quarter



Status



Audits & Consulting Engagements Completed 3rd Quarter



Contractor Monitoring – Sundt Construction, Inc.

Audit Report No. 21008
Issue Date: March 1, 2021

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Office of the Chief Auditor



Accounts Payable Process

Audit Report No. 21009
Issue Date: March 24, 2021

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

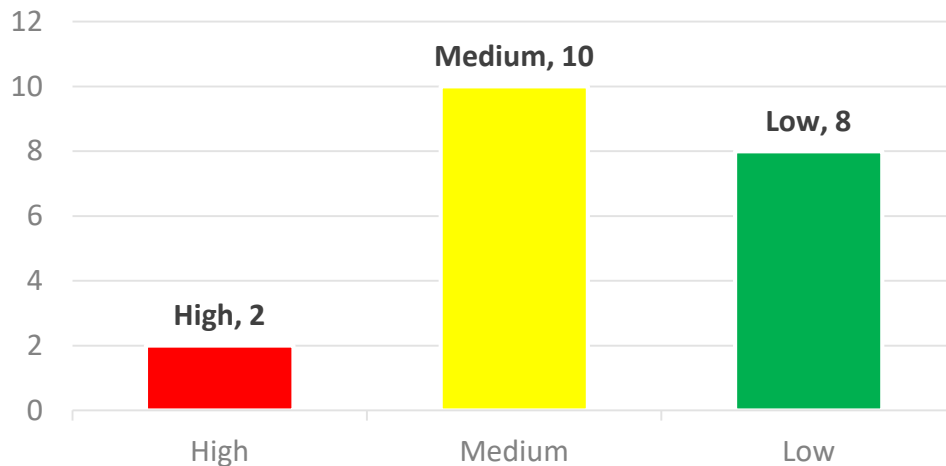
Office of the Chief Auditor

Number of Recommendations

Performance Measure	Goal	Actual	Benchmark
Number of Recommendations by the end of the Third Quarter	19	20	19

*** All
Recommendations
Accepted by
Management ***

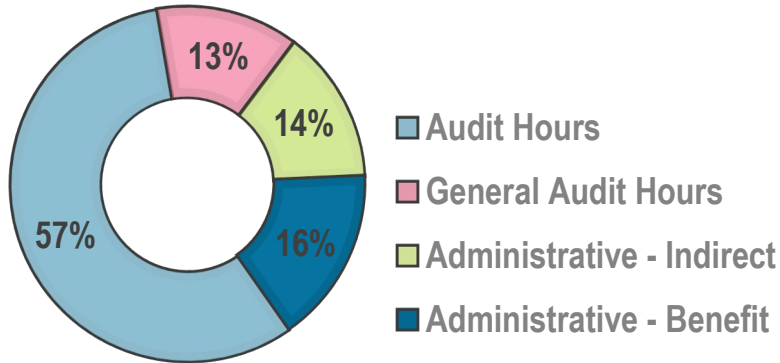
Rating of Recommendations



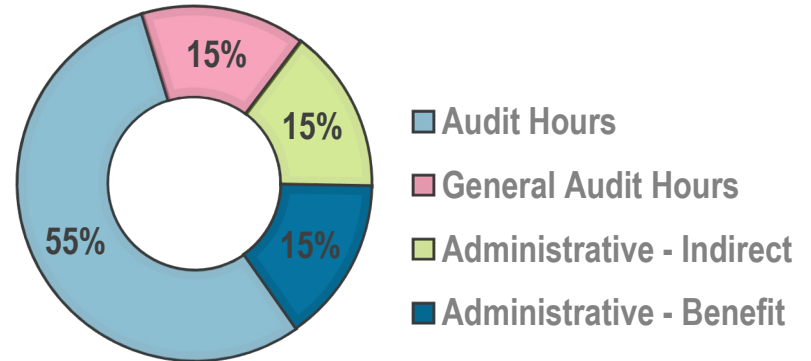
Auditor Utilization

Performance Measure	Goal	Actual	Benchmark
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	70%	70%	70%

GOAL



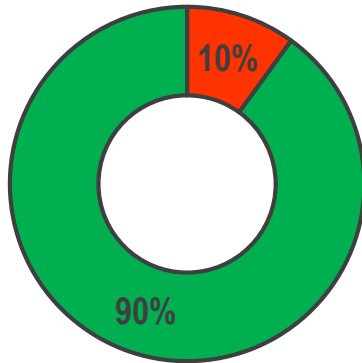
PROGRESS



Audit & Consulting Engagement Budgets

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits/Consulting Engagements Completed within Budget	80%	90%	75%

Engagements Completed



- Over Budget
- Under Budget

Engagement Hours

Budgeted	2,790
Actual	2,780
Total Hours Under Budget	<u>10</u>

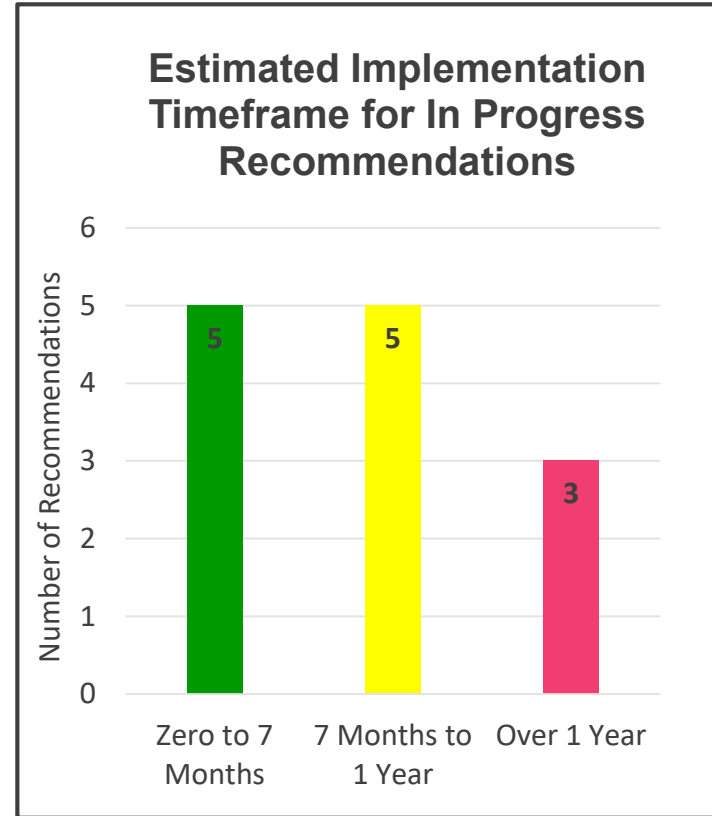
General Audit Activity - Recommendations

Recommendation Follow up

Status as of March 31, 2021			
Completed	In Progress	Not Accepted	Tracked
16*	13**	-	29

* 12 recommendations were completed within the initial timeframe identified for implementation.

** 9 recommendations are still within the initial timeframe identified for implementation.

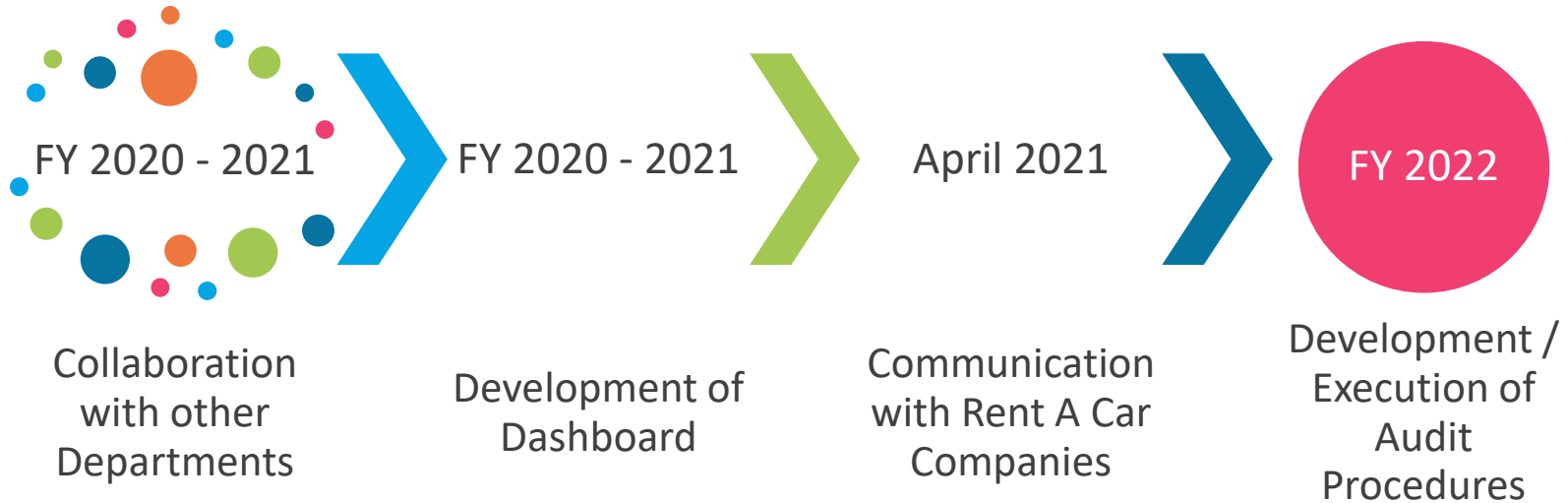


General Audit Activity - Ethics Hotline

July 1, 2020, through March 31, 2021

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)	Response (email or phone to non-anonymous reports)
Category					
Human Resource, Diversity, and Workplace Respect	2	-	-	-	-
Environment, Health and Safety – Noise	2	1	-	-	1
Total	4	1	-	-	1

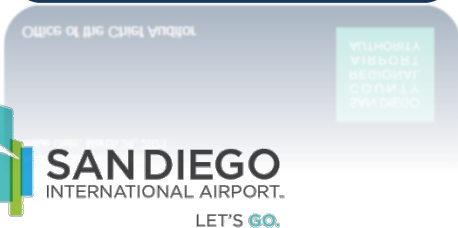
General Audit Activity - Data Analytics



Audit Spotlight - Accounts Payable Process

Background

- The Accounts Payable process includes the payment of invoices for products or services
- Each obligation goes through the following process



Audit Spotlight - Accounts Payable Process

Audit Objective



Determine if Accounts Payable internal controls are adequate and appropriate.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY ORIGINAL (GRAY) - FINANC

CONTRACT PAYMENT REQUEST CP #

SUE CHECK TO THE ORDER OF DATE ISSUED

ORIGINATING DEPARTMENT/BUSINESS UNIT

PREPARED BY EXT.

PAYMENT OF THE FOLLOWING

PERIOD COVERED	OB ORDER NO.	OS ORDER NO.	COMPLETION DATE
DESCRIPTION			AMOUNT
			TOTAL

AX ID #

SPECIAL INSTRUCTIONS

I CERTIFY ANY

PROVED FOR PROCESSING

counting Department

DEPARTMENT/ BUSINESS UNIT	OBJECT/SUBSIDIARY	* Sub-LEADER	WORK ORDER/ TRACKING ORDER	COST OBJECT/ LOCATION	AMOUNT	COMMENTS

*w/ for tracking orders or work orders

AP NOTES

ENDOR NO. _____ REVIEWED BY _____

VOICE NO. _____

VOICE DATE _____

YMT DATE _____

APRIL 2016

VOICE DATE

VOICE NO.

ENDOR NO.

REVIEWED BY

Audit Spotlight - Accounts Payable Process

Sample of Work Performed

1. Interviewed personnel and evaluated procedures.
2. Performed walkthroughs with personnel.
3. Examined invoices and supporting documents.
4. Inspected the Vendor Master File for duplicate and inactive vendors.
5. Examined roles and responsibilities for E1, secured drive, and banking access.



The screenshot shows a web-based application window titled "Vendor Master Information - Work With Supplier Master". It displays a table with columns: Name, Address, Phone, Email, and Status. A large blue watermark reading "Vendor Master File" is overlaid on the table. The table contains the following rows:

Name	Address	Phone	Email	Status
FLORA JORDAN & ASSOCIATES				
2000 12TH STREET SUITE 2000				
1000 10TH STREET SUITE 1000				
2000 12TH STREET SUITE 2000				
1000 10TH STREET SUITE 1000				
2000 12TH STREET SUITE 2000				
1000 10TH STREET SUITE 1000				
2000 12TH STREET SUITE 2000				
1000 10TH STREET SUITE 1000				
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1000 10TH STREET SUITE 1000				
2000 12TH STREET SUITE 2000				
1000 10TH STREET SUITE 1000				
2000 12TH STREET SUITE 2000				

Audit Spotlight - Accounts Payable Process

Strengths Identified



1. Inactive Vendors from 2016 to 2018 were tagged as “Inactive”.
2. Changes to Vendor Information are reviewed.
3. Fraud control procedures have been established for new vendors.
4. Account number verification controls are in place for wire transfers.
5. Positive Pay is in place.

Audit Spotlight - Accounts Payable Process

Findings & Recommendations

5

Findings

- Removing access to roles within E1 and to a secured drive would improve segregation of duties. (Recommendations 1 & 2)
- Run specific reports with the check run process to verify changes are legitimate. (Recommendation 3)


6

Recommendations

- Periodically inactivating vendors and adhering to a standard naming convention would better align with best practices. (Recommendations 4 & 5)
- Retain documentation for payments made to employees outside of their official duties. (Recommendation 6)

Audit Spotlight - Accounts Payable Process

Conclusion



In general, internal controls in the Accounts Payable cycle are adequate and appropriate.

*** As noted, we found several best practices already in place and the recommendations provided would strengthen the internal controls in place.

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **MAY 10, 2021**

Subject:

Revision to the Fiscal Year 2021 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.)***

Background/Justification:

The Charter for the Office of the Chief Auditor, instituted by Board Resolution No. 2003-062 on October 2, 2003, and most recently amended on October 1, 2020, per Board Resolution No. 2020-0098, 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 shall 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 prior to being submitted to the Board for approval.

Additionally, International Standards for the Professional Practice of Internal Auditing require that the Chief Auditor review and adjust the Audit Plan, as necessary.

The OCAs initial Audit Plan for Fiscal Year 2021 was approved by the Audit Committee during its May 14, 2020, meeting, and was subsequently approved on June 4, 2020, by Board Resolution No. 2020-0066.

During the first quarter of Fiscal Year 2021 a review of the Audit Plan was undertaken by the OCA. A revision to adjust the allocation of audit hours to reflect the OCAs operational requirements, including to add consulting engagements related to COVID-19, was requested and accepted during the September 10, 2020, Audit Committee Meeting. The revision was subsequently approved on October 1, 2020, by Board Resolution No. 2020-0093.

During the second quarter of Fiscal Year 2021 a revision to the Audit Plan was requested during the November 16, 2020, Audit Committee Meeting to remove intern hours due to a staffing vacancy and to replace a planned audit with a new audit. The changes were also necessitated due to the continuing reduced passenger volumes at San Diego International Airport caused by the COVID-19 pandemic and allowed for a better utilization of staff resources. The revision was subsequently approved on December 3, 2020, by Board Resolution No. 2020-0118.

A revision to the Fiscal Year 2021 Audit Plan was next requested and accepted by the Audit Committee during its February 8, 2021, meeting. The changes included removing 180 General Audit Hours designated for Peer Review Participation and adding 180 Audit Engagement Hours for a discretionary contingent audit. The continuing COVID-19 precautions in place meant that the OCAs anticipated participation in a Quality Assurance Review could not be performed, resulting in the adjustment to Peer Review hours. This revision was subsequently approved during the third quarter of Fiscal Year 2021 on March 4, 2021, by Board Resolution No. 2021-0024.

At this time a revision to the Fiscal Year 2021 Audit Plan is requested. Below is a list of the proposed changes:

1. Delay the audit of the San Diego Unified Port District audit of the Harbor Police contract due to adjustments in operations resulting from the COVID-19 pandemic.
2. Terminate the audit of Employee Benefits. The Talent, Culture, and Capability Department has received budget to fund a new computerized software; therefore, the contemplated process to be audited will be changing dramatically.
3. Initiate an audit of P-Card transactions that includes purchases made during the COVID-19 environment.
4. Initiate an audit of Accounts Receivable/Collections rent abatement program to determine proper administration and compliance with Federal requirements of the COVID-19 relief acts.
5. Initiate an audit of the Engineered Material Arresting System (EMAS) contract. These are the structured blocks at the end of the runway.
6. Reduce the hours allocated to:
 - a. Discretionary audit hours
 - b. Consulting engagement of Calculation and Reconciliation of Concession Rents and Fees
 - c. Development of data analytics

In addition, Contingent Audits on this Audit Plan could be initiated during the final quarter of Fiscal Year 2021 as audit resources and documentation required from auditees become available.

The proposed revision to the Fiscal Year 2021 Audit Plan is provided as Attachment A. The Fiscal Year 2021 Audit Plan with all changes incorporated is provided as Attachment B.

Fiscal Impact:

The Chief Auditor Department's adopted Operating Expense Budget for Fiscal Year 2021 and conceptually approved budget for Fiscal Year 2022 meet the allotted budget requirements for the proposed revision to the Fiscal Year 2021 Audit Plan.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy
 Customer Strategy
 Employee Strategy
 Financial Strategy
 Operations Strategy

Focus Areas

- Advance the Airport Development Plan
 Transform the Customer Journey
 Optimize Ongoing Business

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.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed May 10, 2021

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Audit Engagement Hours				
Business and Real Estate Agreements ²	To determine if the RCC land lease is administered appropriately.	20	-	20
Contractor Monitoring ²	To determine if the contract with Turner is administered appropriately.	75	-	75
Small Business Development Management ²	Review controls, compliance, and performance related to Small Business Development management.	100	-	100
Internal Controls in Place While Staff is Working Remotely	To determine if the key internal controls in place are adequate or appropriate when staff is working remotely.	235	-	235
Formal Bidding and Contracting ²	To determine if bidding procedures align with best practices and/or Authority needs and if bidding procedures are being administered effectively and efficiently.	400	-	400
System Security	To determine the level of compliance with the Authority's information security policies.	495	-	495
System Security	To evaluate the Authority's security posture by performing penetration testing.	250	-	250
Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable.	500	(275)	225
Emergency & Single Source Purchases	To determine if purchases made during an emergency or from sole sources are appropriate and reasonable.	425	-	425
Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	To determine if the processes and controls in place for automobile citations are adequate and appropriate.	450	-	450
Commercial Vehicle Licensing, Permitting, & Revenue Collection	To determine the adequacy and accuracy of the GateKeeper system.	450	-	450
Contractor Monitoring	To determine if the contract with Sundt is administered appropriately.	500	-	500
Accounts Payable	To determine if the internal controls in the procurement to pay cycle are adequate and appropriate.	475	-	475
Employee Benefits <i>(Audit Terminated)</i>	To determine if the processes and controls in place for employee benefit payments are adequate and appropriate.	450	(265)	185
Arts Program Administration	To determine if the Authority's Arts Program is administered appropriately.	475	-	475
Enterprise Content Management System (ECMS)	To determine if access rights in ECMS are appropriate.	450	-	450
P Card Administration	To determine if P-Card purchases were in compliance with program requirements.	-	395	395

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit activity has been carried forward from Fiscal Year 2020. Audit has been put on hold until September 2021 due to COVID related delays.

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed May 10, 2021

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Accounts Receivable / Collections ³	To determine if the rent abatement program was properly administered and in compliance with applicable Federal requirements of the COVID-19 relief acts.	-	300	300
Contractor Monitoring ³	To determine if the Engineered Materials Arresting System (EMAS) project was properly monitored and managed.	-	260	260
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	180	(180)	-
Total Audit Engagement Hours		5,930	235	6,165
Consulting Engagement Hours				
COVID-19	To provide assistance to management related to COVID-19. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	60	-	60
Calculation and Reconciliation of Concession Rents and Fees	To provide assistance to management related to the calculation and reconciliation of the rents and fees of Airport Food and Beverage and Retail Concessionaires for Fiscal Year 2020. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	300	(135)	165
Total Consulting Engagement Hours		360	(135)	225
General Audit Hours				
Construction Meeting Attendance & External Service Provider Procurement and Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments, and initiate audits if needed. Additionally, evaluate OCA construction auditing expertise needed for Airport Development Plan. Procure services as needed.	380	-	380
Development of Data Analytics	Develop a data analytics program for rental car concessions and potentially in-terminal concessions.	593	(100)	493
Ethics Program ⁴	To review ethics policies, provide training, and investigate reported incidents.	330	-	330
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	130	-	130
Quality Assurance & Improvement Program ⁵	To assess OCAs conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and to allow for the identification of improvement opportunities.	300	-	300

³ Audit activity expected to carry forward into Fiscal Year 2022. The hours indicated are the hours expected to be utilized in Fiscal Year 2021.

⁴ Required activity in the Charter of the Audit Committee.

⁵ Required activity in the Charter for the Office of the Chief Auditor

Office of the Chief Auditor
 Fiscal Year 2021 Audit Plan
 Proposed May 10, 2021

ATTACHMENT A

Recommendation Follow-up ⁵	To verify that internal and external audit recommendations have been implemented as intended.	140	-	140
Risk Assessment and Audit Plan	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	221	-	221
	Total General Audit Hours	2,094	(100)	1,994
Administrative Hours				
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other.	2,088	-	2,088
Administrative - Benefit	Vacation, Holiday Time, and Other Leave/Time Off.	2,008	-	2,008
	Total Administrative Hours	4,096	-	4,096
	Total Hours	12,480	-	12,480

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed May 10, 2021

ATTACHMENT A

Key Work Activity	Objective ¹	Estimated Hours	Change Requested	Revised Hours
Contingent Audit Hours				
Manage the Business Continuity Plan	To determine if the Business Continuity Plan adequately addresses risks and contains an adequate response plan.	450	-	450
TNC Contract Administration & Revenue Collection	To determine if the Transportation Network Company (TNC) Contract is administered appropriately.	475	-	475
Advertising	To determine if the marketing program for concessions is administered appropriately.	425	-	425
Pension Funding	To determine if the census data sent to SDCERS is accurate and if the retirement plan is administered appropriately by the Authority.	500	-	500
Accounts Receivable / Collections	To evaluate the deferral of revenues related to the COVID-19 pandemic.	400	(400)	-
Management of ALUC, Board, and Standing Board Committee Meetings	To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate.	400	-	400
Maintenance Service Contracts Oversight	To determine if the processes and controls in place for labor compliance are adequate and appropriate.	450	-	450
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	375	-	375
Rental Car Shuttle Service Contract Administration	To determine if the Rental Car Shuttle Service operations are administered appropriately.	450	-	450
Harbor Police Contract Management	To determine if the expenses included in the Fiscal Year 2020 Harbor Police true-up are accurate and adhere to the agreements between the Authority and the Port of San Diego.	400	-	400
	Total Contingent Audit Hours	4,325	(400)	3,925

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed May 10, 2021

ATTACHMENT B

Key Work Activity	Objective ¹	Revised Hours
Audit Engagement Hours		
Business and Real Estate Agreements ²	To determine if the RCC land lease is administered appropriately.	20
Contractor Monitoring ²	To determine if the contract with Turner is administered appropriately.	75
Small Business Development Management ²	Review controls, compliance, and performance related to Small Business Development management.	100
Internal Controls in Place While Staff is Working Remotely	To determine if the key internal controls in place are adequate or appropriate when staff is working remotely.	235
Formal Bidding and Contracting ²	To determine if bidding procedures align with best practices and/or Authority needs and if bidding procedures are being administered effectively and efficiently.	400
System Security	To determine the level of compliance with the Authority's information security policies.	495
System Security	To evaluate the Authority's security posture by performing penetration testing.	250
Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable.	225
Emergency & Single Source Purchases	To determine if purchases made during an emergency or from sole sources are appropriate and reasonable.	425
Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	To determine if the processes and controls in place for automobile citations are adequate and appropriate.	450
Commercial Vehicle Licensing, Permitting, & Revenue Collection	To determine the adequacy and accuracy of the GateKeeper system.	450
Contractor Monitoring	To determine if the contract with Sundt is administered appropriately.	500
Accounts Payable	To determine if the internal controls in the procurement to pay cycle are adequate and appropriate.	475
Employee Benefits (<i>Audit Terminated</i>)	To determine if the processes and controls in place for employee benefit payments are adequate and appropriate.	185
Arts Program Administration	To determine if the Authority's Arts Program is administered appropriately.	475
Enterprise Content Management System (ECMS)	To determine if access rights in ECMS are appropriate.	450
P Card Administration	To determine if P-Card purchases were in compliance with program requirements.	395
Accounts Receivable / Collections ³	To determine if the rent abatement program was properly administered and in compliance with applicable Federal requirements of the COVID-19 relief acts.	300
Contractor Monitoring ³	To determine if the Engineered Materials Arresting System (EMAS) project was properly monitored and managed.	260
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	-
Total Audit Engagement Hours		6,165

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit activity has been carried forward from Fiscal Year 2020. Audit has been put on hold until September 2021 due to COVID related delays.

³ Audit activity expected to carry forward into Fiscal Year 2022. The hours indicated are the hours expected to be utilized in Fiscal Year 2021.

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed May 10, 2021

ATTACHMENT B

Key Work Activity	Objective ¹	Revised Hours
Consulting Engagement Hours		
COVID-19	To provide assistance to management related to COVID-19. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	60
Calculation and Reconciliation of Concession Rents and Fees	To provide assistance to management related to the calculation and reconciliation of the rents and fees of Airport Food and Beverage and Retail Concessionaires for Fiscal Year 2020. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	165
	Total Consulting Engagement Hours	225
General Audit Hours		
Construction Meeting Attendance & External Service Provider Procurement and Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments, and initiate audits if needed. Additionally, evaluate OCA construction auditing expertise needed for Airport Development Plan. Procure services as needed.	380
Development of Data Analytics	Develop a data analytics program for rental car concessions and potentially in-terminal concessions.	493
Ethics Program ⁴	To review ethics policies, provide training, and investigate reported incidents.	330
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	130
Quality Assurance & Improvement Program ⁵	To assess OCAs conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and to allow for the identification of improvement opportunities.	300
Recommendation Follow-up ⁵	To verify that internal and external audit recommendations have been implemented as intended.	140
Risk Assessment and Audit Plan	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	221
	Total General Audit Hours	1,994
Administrative Hours		
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other.	2,088
Administrative - Benefit	Vacation, Holiday Time, and Other Leave/Time Off.	2,008
	Total Administrative Hours	4,096
	Total Hours	12,480

⁴ Required activity in the Charter of the Audit Committee.

⁵ Required Activity in the Charter for the Office of the Chief Auditor.

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed May 10, 2021

ATTACHMENT B

Key Work Activity	Objective ¹	Revised Hours
Contingent Audit Hours		
Manage the Business Continuity Plan	To determine if the Business Continuity Plan adequately addresses risks and contains an adequate response plan.	450
TNC Contract Administration & Revenue Collection	To determine if the Transportation Network Company (TNC) Contract is administered appropriately.	475
Advertising	To determine if the marketing program for concessions is administered appropriately.	425
Pension Funding	To determine if the census data sent to SDCERS is accurate and if the retirement plan is administered appropriately by the Authority.	500
Management of ALUC, Board, and Standing Board Committee Meetings	To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate.	400
Maintenance Service Contracts Oversight	To determine if the processes and controls in place for labor compliance are adequate and appropriate.	450
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	375
Rental Car Shuttle Service Contract Administration	To determine if the Rental Car Shuttle Service operations are administered appropriately.	450
Harbor Police Contract Management	To determine if the expenses included in the Fiscal Year 2020 Harbor Police true-up are accurate and adhere to the agreements between the Authority and the Port of San Diego.	400
	Total Contingent Audit Hours	3,925



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INTERNATIONAL AIRPORT

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Revision to the
Fiscal Year 2021 Audit Plan of
the Office of the Chief Auditor

Audit Committee Meeting
May 10, 2021

Reasons for Revision

Audits/Hours Removed

Description	Hours
Harbor Police – Audit Delayed	(275)
Employee Benefits – Audit Terminated	(265)
“To Be Determined” – Hours allocated	(180)
Calculation of Concession Rents/Fees – Consulting Engagement	(135)
Development of Data Analytics – General Audit Activity	(100)
Total	(955)

Audits/Hours Added

Description	Hours
P-Card Purchases	395
Accounts Receivable/Collections - Abatement Program*	300
Engineered Materials Arresting System (EMAS)*	260
Total	955

* Audit is expected to carry forward to Fiscal Year 2022.

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **MAY 10, 2021**

Subject:

Risk Assessment and Proposed Fiscal Year 2022 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.)***

Background/Justification:

As directed in the Charter for the Office of the Chief Auditor (OCA), a risk-based internal Audit Plan shall be submitted, at least annually, to the Audit Committee and forwarded to the San Diego County Regional Airport Authority Board for approval.

The Fiscal Year 2022 Proposed Audit Plan was prepared by the Chief Auditor based on the following elements: a comprehensive Risk Assessment; input from the Board Members and Audit Committee; input from Authority management; and, the review of staff resources available. Details on the Risk Assessment methodology are included in Attachment A.

The Proposed Fiscal Year 2022 Audit Plan (Attachment 1) will be presented during the regularly scheduled meeting of the Audit Committee on May 10, 2021. The Fiscal Year 2022 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 2022 Operating Budget for the Office of the Chief Auditor to execute the Fiscal Year 2022 Audit Plan is \$1,244,000. In addition, the OCA will augment its staff for audit work pertaining to the Airport Development Program (ADP) by utilizing the consulting services of a professional external construction audit firm with expertise in large construction projects. The estimated cost for ADP construction audit services is approximately \$1,500,000 over a seven year period and is funded from the ADP capital budget.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

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.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not applicable

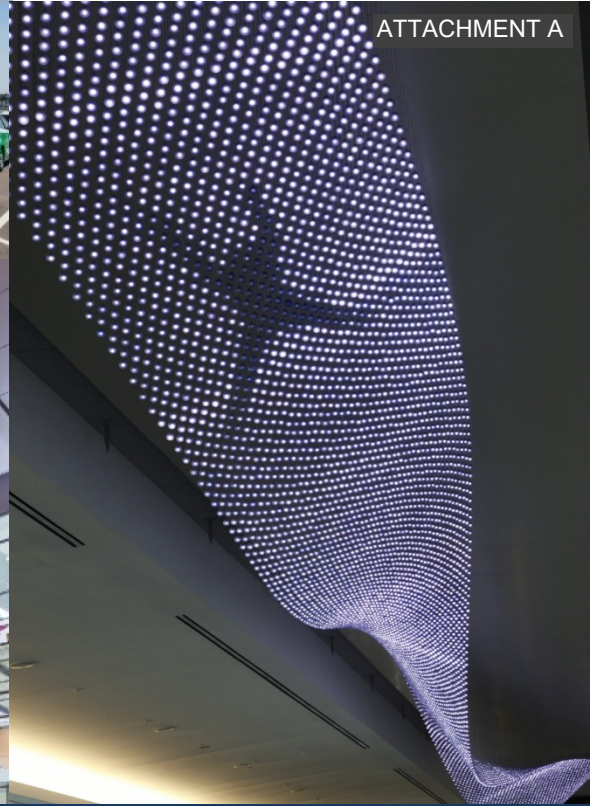
Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



ATTACHMENT A



Risk Assessment and Proposed Fiscal Year 2022 Audit Plan

Office of the Chief Auditor
May 10, 2021



Office of the Chief Auditor
Risk Assessment and Proposed Fiscal Year 2022 Audit Plan

INTRODUCTION

The International Standards for the Professional Practice of Internal Auditing (*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 combined with input from the Authority Board, Audit Committee, and management were utilized in preparing the Audit Plan for fiscal year 2022. 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 2022 Audit Plan is a five-part process consisting of:

1. Developing the Risk Assessment Framework
2. Defining the Audit Universe
3. Identifying and Ranking Risks
4. Interpreting the Risk Assessment Results
5. Developing the Audit Plan

DEVELOPING THE RISK ASSESSMENT FRAMEWORK

The 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 performing 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 their specific departments in the Authority. Key Work Activities are the major functions/activities carried out by the Authority. An example of an Accounting Department Key Work Activity is Bank Reconciliations. Key Work Activities do not include items like checking email.

IDENTIFYING AND RANKING RISKS

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

Office of the Chief Auditor
Risk Assessment and Fiscal Year 2022 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 the 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. An integral 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. The Key Work Activities with the highest risk score within each Authority Division is provided in **Attachment 3**.

INTERPRETING THE RISK ASSESSMENT RESULTS

The Key Work Activities ranked with a high likelihood or impact 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.

DEVELOPING THE AUDIT PLAN

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, velocity of impact if a risk event were to occur, relevant or current events, areas where the OCA can have the greatest impact, requests by management or Board, 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 given to all of these factors. The Audit Plan is included as **Attachment 1**.

Office of the Chief Auditor
Risk Assessment and Fiscal Year 2022 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 examination of audit resources. The fiscal year 2022 budget for the OCA includes six full-time auditors and one executive assistant. The Audit Plan anticipates that 12,480 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
Hours Available for Audit Activities			12,480

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 will be initiated based on the results of the Risk Assessment and the professional judgment of the OCA.

In fiscal year 2022 the OCA plans to partner with an on-call construction audit service provider to audit activities related to the Airport Development Program. The OCA plans to utilize the construction audit service provider to supplement current staff capabilities and the Audit Plan in Attachment 1. Audits conducted by the construction audit service provider will be based on Risk Assessments performed and will only occur after the OCA has approved the scope and associated costs.

CONTINGENT AUDIT ACTIVITIES

The OCA has also included contingent audit activities for the Fiscal Year 2022 Proposed Audit Plan that will be started if all planned activities for the fiscal year are completed. If these contingent audit activities are not started in fiscal year 2022, they will be considered when completing the fiscal year 2023 Audit Plan. Contingent audit activities are included as **Attachment 2**.

To provide flexibility, the Chief Auditor may substitute a contingent audit for a planned audit based on professional judgment. Any substitutions will be discussed with the Chair of the Audit Committee and communicated to management and the Audit Committee during scheduled meetings.

AMENDMENTS TO THE AUDIT PLAN

Requests to amend the Audit Plan will be presented to the Audit Committee. Priority will be given to those requests that have the potential for significant financial savings and issues of integrity. The Board must approve the amendment.

Division	Key Work Activity	Objective ¹	Estimated Hours
Audit Hours			
Operations	Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable.	400
Finance	System Security ²	To evaluate the Authority's security posture by performing penetration testing of the Authority's Aviation Security and Public Safety's system.	120
External Relations	Records Management ²	To determine if access rights in the Authority's Enterprise Content Management System (ECMS) are appropriate.	30
Finance	Accounts Receivable / Collections ²	To determine if the rent abatement program was properly administered and in compliance with applicable Federal requirements of the COVID-19 relief acts.	400
Development	Contractor Monitoring ²	To determine if the Engineered Materials Arresting System (EMAS) project was properly monitored and managed.	140
Operations	Harbor Police Contract Management	To determine if Harbor Police costs and services are appropriate related to the Fiscal Year 2020 True-Up.	500
Revenue Management & Business Development	Tenant Lease Administration and Management	To determine if the concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for all Airport Rental Car Companies.	1,400
Finance	System Security	To evaluate the Authority's security posture by performing penetration testing of the Authority's website.	325
Talent, Culture & Capability	Employee Training and Development	To determine if employee trainings are administered appropriately.	525
Revenue Generation & Business Development	Tenant Lease Administration & Management	To determine if terminal airport space is managed and billed appropriately.	525
Operations	Airfield Operations Management	To determine if the gate software (Amadeus) matches Airline landing fees reported.	500
Development	To be Determined	To initiate audits related to ADP construction activities based on a Risk Assessment(s) performed by the External Construction Auditor.	1,203
N/A	To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	473
Total Audit Hours			6,541

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit Activity has been carried forward from Fiscal Year 2021.

Division	Key Work Activity	Objective ¹	Estimated Hours
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.	212
Development	Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the External Construction Auditor.	380
Finance	Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed.	80
N/A	Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	220
N/A	Ethics Program ⁴	To review ethics policies and investigate reported incidents.	210
N/A	Recommendation Follow-up ³	To verify that internal and external audit recommendations have been implemented as intended.	140
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.	320
N/A	Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) reciprocal requirement that the OCA volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180
		Total General Audit Hours	1,742
Administrative Hours			
N/A	Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,189
N/A	Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,008
		Total Administrative	4,197
		Total Hours	12,480

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

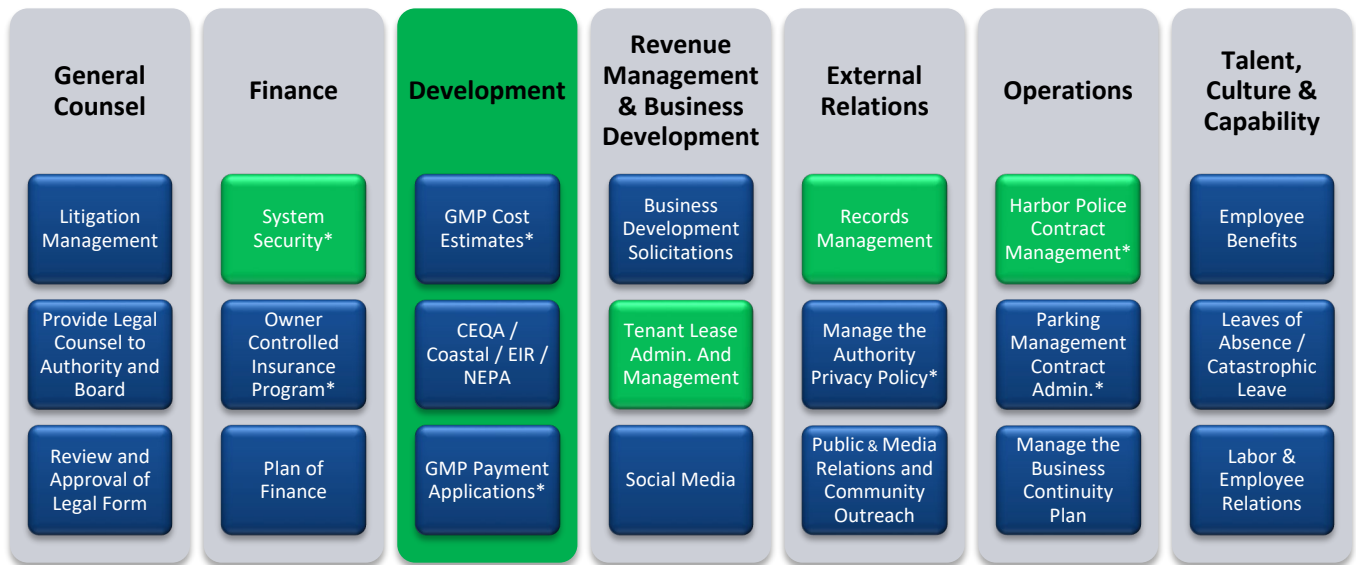
⁴ Required activity in the Charter of the Audit Committee.

Office of the Chief Auditor
Fiscal Year 2022 Contingent Audit Activities

ATTACHMENT 2

Division	Key Work Activity	Objective ⁵	Estimated Hours
Operations	Airport Ground Transportation Operations Management	To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate.	500
Finance	OCIP	To determine if the Owner Controlled Insurance Program (OCIP) is administered appropriately.	500
Revenue Generation & Business Development	Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450
External Relations	Management of ALUC, Board, and Standing Board Committee Meetings	To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate.	400
Finance	Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450
Operations	Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
Operations	TNC Contract Administration & Revenue Collection	To determine if the TNC Contract is administered appropriately.	475
Operations	Employee Parking Card and Policy Administration	To determine if Parking Cards are administered appropriately.	550
Talent, Culture & Capability	Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525
Revenue Generation & Business Development	Innovation Lab Operations	To determine if the Innovation Lab is administered appropriately.	600
Total Contingent Audit Hours			5,100

⁵ Objective may change based on the preliminary survey performed by the OCA.



* Indicates this Key Work Activity or components of this Key Work Activity have been audited within the last five fiscal years.

Indicates this Key Work Activity or components of this Key Work Activity are included in the Fiscal Year 2022 Audit Plan.



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**Risk Assessment and
Proposed Fiscal Year 2022
Audit Plan of the
Office of the Chief Auditor**

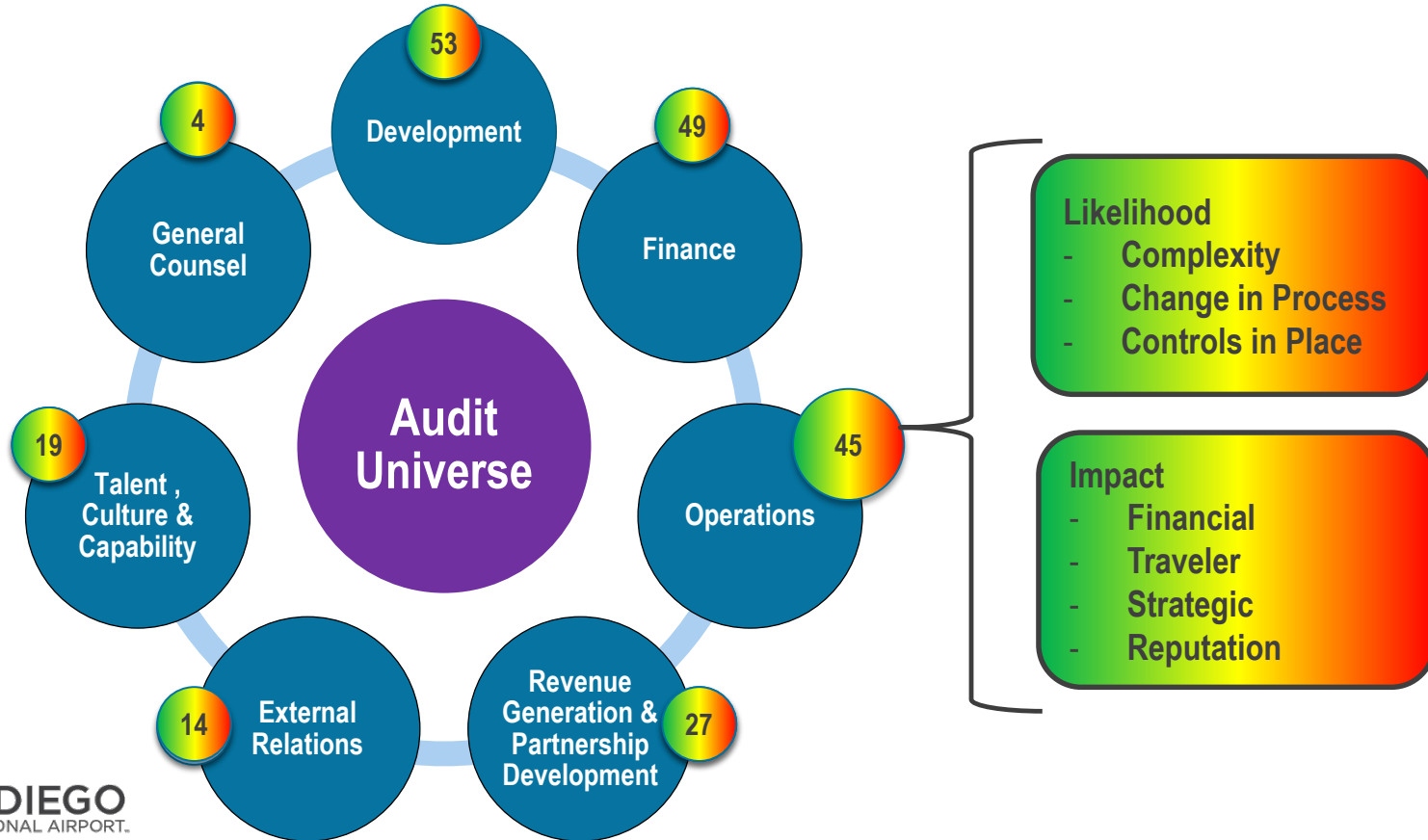
Audit Committee Meeting

May 10, 2021

Defining the Audit Universe



Identify & Rank Risks



Interpreting the Risk Assessment Results

San Diego County Regional Airport Authority Risk Assessment Fiscal Year 2022

Department	Division	Key Work Activity	Likelihood	Impact
Talent, Culture & Capability	Talent, Culture & Capability	Employee Benefits	Medium to High	Low to Medium
Talent, Culture & Capability	Talent, Culture & Capability	Leaves of Absence/Catastrophic Leave	Medium	Low to Medium
Talent, Culture & Capability	Talent, Culture & Capability	Labor & Employee Relations	Low to Medium	Low to Medium
Talent, Culture & Capability	Talent, Culture & Capability	Personnel Recruitment	Low to Medium	Low to Medium
Talent, Culture & Capability	Talent, Culture & Capability	Employee Training & Development (non-regulatory)	Low to Medium	Low to Medium

Sort Results

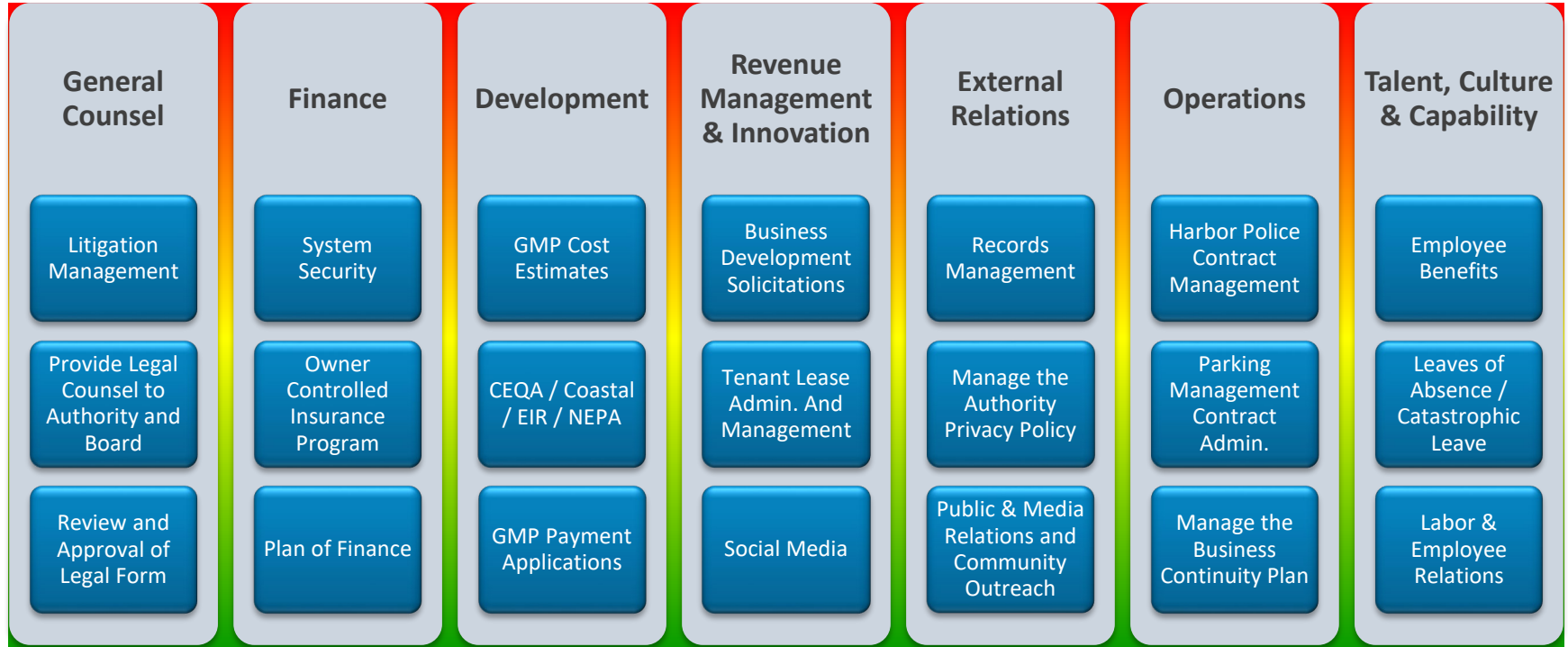


Compare to Expectations

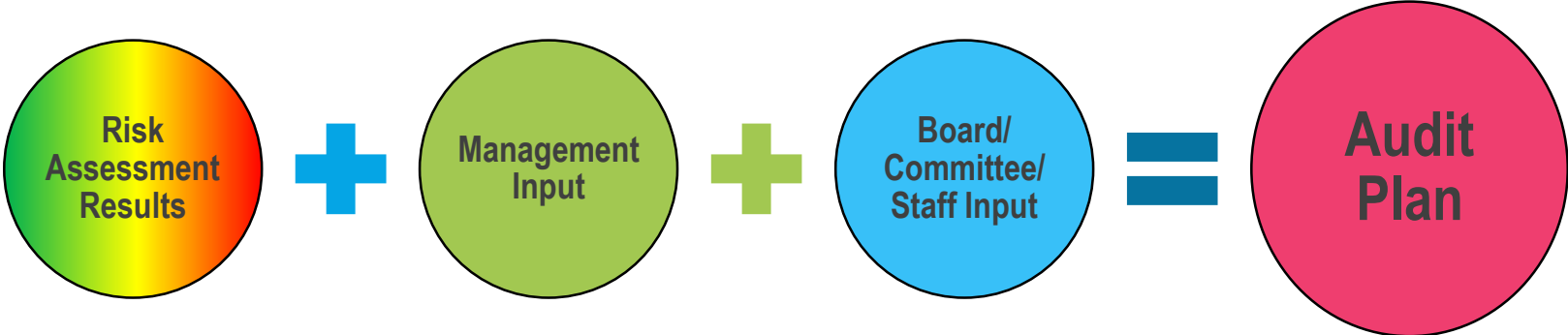


Possibly Re-Rank

Top Risks by Division

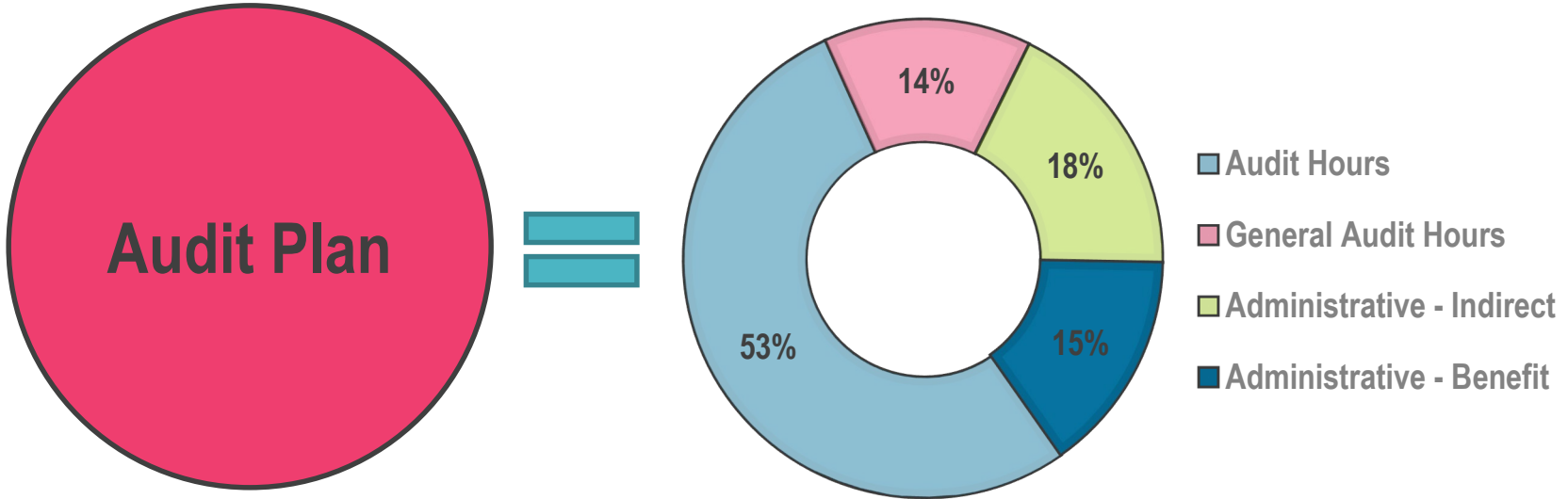


Audit Plan Development



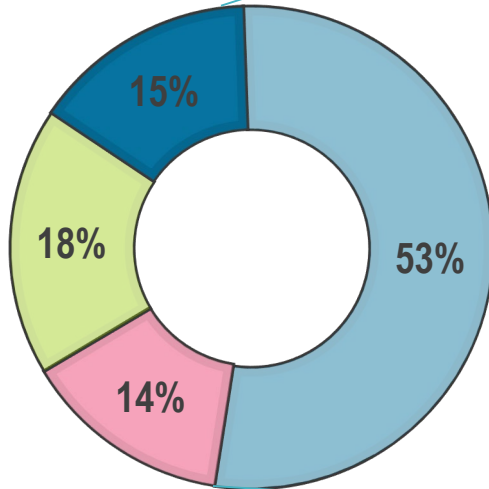
Audit Resources (Internal)

6 Full Time Auditors = 12,480 Hours
Excludes On-Call Construction Audit Service Provider



Proposed Audits & Hours

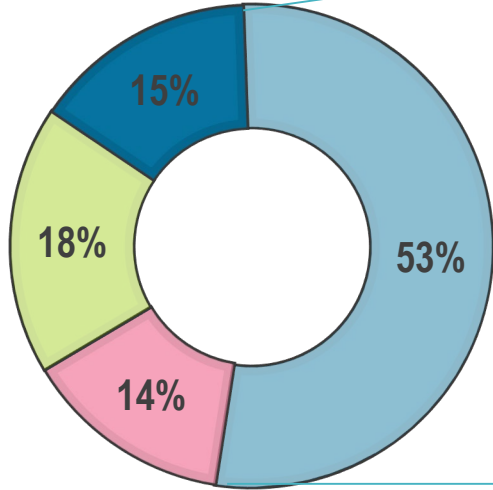
- Audit Hours
- General Audit Hours
- Administrative - Indirect
- Admin. - Benefit



Audit	Hours
Harbor Police Contract Management	400
System Security - Penetration Testing AVSEC	120
Records Management - ECMS	30
Accounts Receivable / Collections - COVID-19 Abatement Program	400
Contractor Monitoring - EMAS Project	140
Harbor Police Contract Management - FY 2020	500
Tenant Lease Administration and Management - Audit of All Rent A Car Companies	1,400

Proposed Audits & Hours

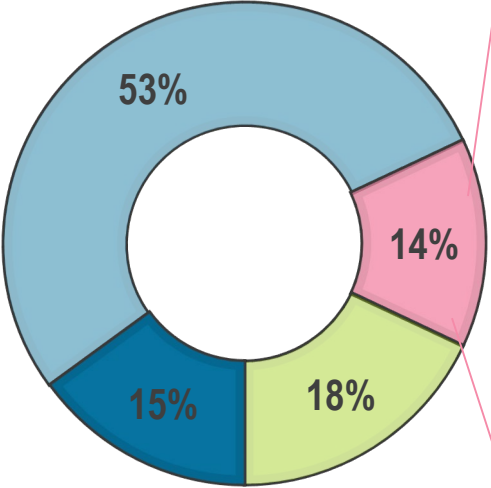
- Audit Hours
- General Audit Hours
- Administrative - Indirect
- Administrative - Benefit



Audit	Hours
System Security - Penetration testing SAN Website	325
Employee Training and Development	525
Leaves of Absence / Catastrophic Leave	525
Airfield Operations Management - Amadeus	500
<i>Construction Auditing - Scope To Be Determined</i>	1,203
<i>To Be Determined - Discretionary</i>	473
Total Audit Hours	6,541

Proposed General Audit Activities & Hours

- Audit Hours
- General Audit Hours
- Administrative - Indirect
- Administrative - Benefit

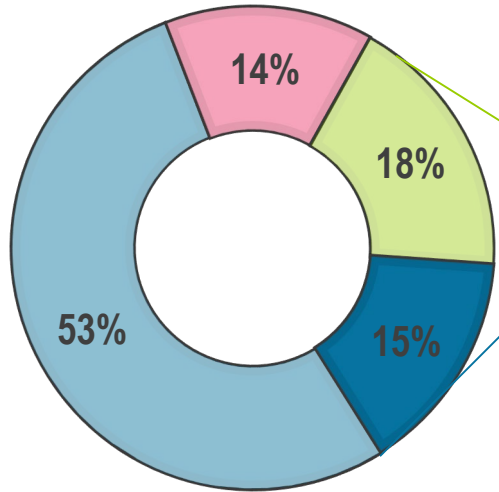


General Audit Activity	Hours
Construction Activities	380
Development of Data Analytics	220
Ethics Program*	210
Information Technology Meeting Attendance	80
Peer Review Participation	180
Quality Assurance & Improvement Program**	320
Recommendation Follow-up**	140
Risk Assessment and Proposed Audit Plan**	212
Total General Audit Hours	1,742

*Required activity in the Audit Committee Charter or **Charter for the Office of the Chief Auditor

Proposed Administrative Hours

- Audit Hours
- General Audit Hours
- Administrative - Indirect
- Administrative - Benefit



General & Administrative Activity	Hours
Administrative – Indirect (Meetings, CPE, Other)	2,189
Administrative – Benefit (Vacation & Holiday)	2,008
Total Administrative	4,197

Top Risks by Division

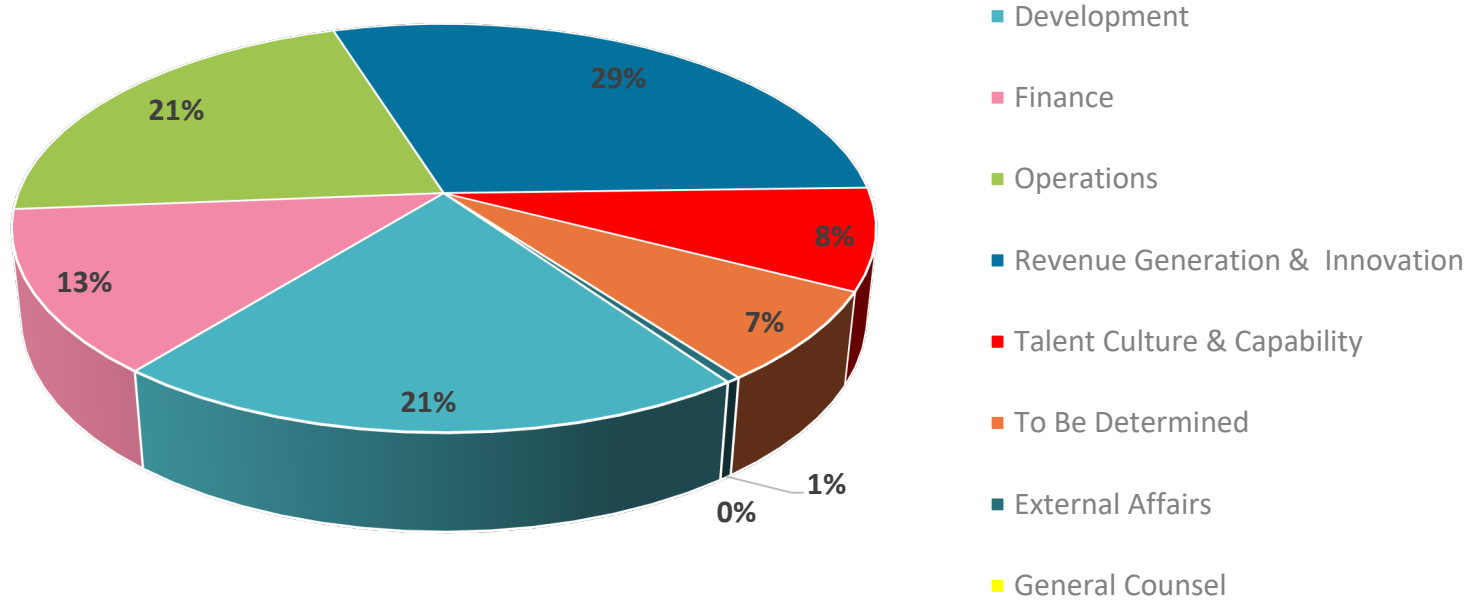
General Counsel	Finance	Development	Revenue Management & Innovation	External Relations	Operations	Talent, Culture & Capability
Litigation Management	System Security*	GMP Cost Estimates*	Business Development Solicitations	Records Management	Harbor Police Contract Management*	Employee Benefits
Provide Legal Counsel to Authority and Board	Owner Controlled Insurance Program*	CEQA / Coastal / EIR / NEPA	Tenant Lease Admin. And Management	Manage the Authority Privacy Policy*	Parking Management Contract Admin.*	Leaves of Absence / Catastrophic Leave
Review and Approval of Legal Form	Plan of Finance	GMP Payment Applications*	Social Media	Public & Media Relations and Community Outreach	Manage the Business Continuity Plan	Labor & Employee Relations

*Indicates this Key Work Activity or components of this Key Work Activity have been audited in the last 5 fiscal years

Indicates this Key Work Activity or components of this Key Work Activity are included in the Fiscal Year 2022 Audit Plan

Proposed Audit Hours by Department

Proposed Audit Plan



Proposed Contingent Audits & Hours

Audit	Hours
Airport Ground Transportation Operations Management – Automated License Plate Reader	500
Owner Controlled Insurance Program	500
Social Media / Website / Webmaster	450
Management of ALUC, Board, and Standing Board Committee Meetings	400
Account Provisioning / De-Provisioning	450
Rental Car Shuttle Service Contract Administration	650
TNC Contract Administration & Revenue Collection	475
Employee Parking Card and Policy Administration	550
Leaves of Absence / Catastrophic Leave	525
Innovation Lab Operations	600
Total Contingent Hours	5,100

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **MAY 10, 2021**

Subject:

Selection of On-Call Construction Audit Services Provider

Recommendation:

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

Background/Justification:

On-Call Construction Audit Services provide essential on-call professional construction auditing support for the Office of the Chief Auditor (OCA). At this time, these services are necessary to address the numerous risks and complexities of the Airport Development Program (ADP) projects underway at the San Diego International Airport (SDIA), and to provide assurance that the project funds are used in compliance with the project agreements.

Previously, Construction Audit Services were utilized by the OCA for the Green Build project, which had a budget of \$1 billion. The Authority entered into an agreement with R W Block Consulting, Inc. to provide construction auditing services for the period June 1, 2010, through May 31, 2014, for a total cost of \$756,000.

With OCA staff supplementing the construction auditing needs, it is estimated the Authority could spend up to \$1.5 million over the seven-year period for anticipated on-call construction auditing activities throughout the ADP.

On February 25, 2021, the San Diego County Regional Airport Authority (Authority) issued a Request for Proposals (RFP) to provide professional construction auditing services. Notice of the solicitation was advertised in the San Diego Daily Transcript and on the Authority's website. Fifty-five companies downloaded the documents.

The Authority received 14 proposals with the following 12 respondents being deemed responsive:

1. Baker Tilly US, LLP
2. CBIZ Risk & Advisory Services, LLC
3. CliftonLarsonAllen LLP
4. CohnReznick
5. Cumming Management Group, Inc.
6. Exiger LLC
7. Fort Hill Associates, LLC
8. Grassi/DLA, a Joint Venture
9. KPMG LLP
10. Moss Adams, LLP
11. Plante & Moran, PLLC
12. Talson Solutions, LLC

The Evaluation Panel consisted of staff from the OCA, Accounting, Finance, and Airport Design and Construction Departments.

Page 2 of 3

On April 8, 2021, the Evaluation Panel met to evaluate the proposals received. The criteria utilized in selection of short-listed respondents included:

- Organizational Experience and Expertise
- Primary Staff Capabilities and Project Experience
- Proposed Work Plan and Approach Methodology
- Proposed Fees/Cost to Authority
- Small Business Preference

The proposal evaluations resulted in the three highest ranking firms to be invited to interview. The top three candidates were:

1. Baker Tilly US, LLP
2. KPMG LLP
3. Talson Solutions, LLC

Interviews with the three firms were held on April 20, 2021. The respondents were asked to give a presentation of a project that their firm completed demonstrating how they addressed specific experience that the Evaluation Panel requested. They were also asked to provide responses to specific questions, prepared by the Evaluation Panel, which targeted the evaluation criteria presented in the solicitation. The panelist's rankings of the respondents are presented below:

Final Rankings	Panelist 1	Panelist 2	Panelist 3	Panelist 4	Panelist 5	Total	Rank
Baker Tilly	1	1	1	1	1	5	1
KPMG	2	2	2	2	2	10	2
Talson Solutions	3	3	3	3	3	15	3

Combined Final Scores	SB	Local	Vet.	Cost	Organization Structure	Company Experience	Primary Staff and Project Experience	Proposed Work Plan/ Approach/ Methodology	Total
Baker Tilly	0	0	0	1250	210	420	1470	1100	4450
KPMG	0	0	0	625	230	460	1680	1050	4045
Talson Solutions	150	0	0	750	165	340	1190	800	3395

Overview:

Staff recommends Baker Tilly US, LLP (Baker Tilly) for the On-Call Construction Auditing Services. The following provides additional information about Baker Tilly:

- Baker Tilly is the 11th largest accounting and advisory firm in the United States with 50 offices in 20 states serving clients across the U.S.
- Baker Tilly is the 7th largest construction accounting firm in the U.S with 20 specialists and 100 professionals dedicated to providing construction risk management services.

Page 3 of 3

- Baker Tilly has experience working with airports throughout the U.S. and internationally.
- Baker Tilly presented a highly skilled professional staff with more than 100 years of combined experience developing project-specific construction audit programs and methodologies for all contract types.
- Baker Tilly will provide the Authority access to top construction audit professionals and resources available nationally at a competitive contract price.

Fiscal Impact:

Adequate funds for the on-call construction audit services have been allocated from the existing capital budget for the ADP.

Authority Strategies/Focus Areas:

This item supports one or more of the following (*select at least one under each area*):

Strategies

- Community Strategy
 Customer Strategy
 Employee Strategy
 Financial Strategy
 Operations Strategy

Focus Areas

- Advance the Airport Development Plan
 Transform the Customer Journey
 Optimize Ongoing Business

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.

C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

TBD

Prepared by:

CALLIE ULLMAN
SENIOR AUDITOR



SAN DIEGO
INTERNATIONAL AIRPORT

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Selection of On-Call Construction Audit Services Provider

Audit Committee Meeting
May 10, 2021



Scope of Services

On-Call Construction Audit Services for the Airport Development Program

In cooperation with the OCA, services to include:

- Perform Risk Assessments
- Develop Audit Plans
- Provide Audit Services

2021 Construction Audit Services RFP Timeline

February 23	March 9	March 25	April 8	April 20	May 10
Request for Proposals issued	Pre-submittal Conference	Deadline for submittal of proposals	Panel proposal evaluations	Interviews held via Zoom	Presentation to Audit Committee
55 firms notified	15 firms attended	14 proposals received	12 firms evaluated	3 firms interviewed	1 firm recommended

Evaluation Panel

Lee Parravano – Chief Auditor

Bob Bolton – Director, Airport Design & Construction

Mark Criswell – Manager, Airport Finance, Finance & Risk Management

Fred Bolger – Manager, Audit Services, Office of the Chief Auditor

Callie Ullman – Senior Auditor, Office of the Chief Auditor

Construction Audit Services Proposals Received

Responsive proposals were received from:

- Baker Tilly US, LLP
- CBIZ Risk & Advisory Services, LLC
- CliftonLarsonAllen, LLP
- CohnReznick LLP
- Cumming Management Group, Inc.
- Exiger LLC
- Fort Hill Associates, LLC
- Grassi/DLA a Joint Venture
- KPMG LLP
- Moss Adams LLP
- Plante & Moran, PLLC
- Talson Solutions, LLC

Evaluation Criteria

Evaluation criteria utilized in selection of the short-listed respondents included:

- Organizational Experience and Expertise
- Primary Staff Capabilities and Project Experience
- Proposed Work Plan and Approach Methodology
- Proposed Fees/Cost to Authority
- Small Business Preference

Interviews

Interviews were conducted on April 20, 2021.

- Respondents were asked to present an an actual audit project that their firm completed on a Design-Build GMP construction project.
- Respondents were asked specific questions prepared by the evaluation panel.

Final Evaluation Results

1. Baker Tilly US, LLP
2. KPMG LLP
3. Talson Solutions, LLC

Baker Tilly US, LLP

- A leading advisory CPA firm serving clients in the United States and internationally.
- One of the largest construction accounting firms in the US.
- 50 years experience working with state and local governments.
- Airport experience throughout the US.
- Professional staff at multiple levels with extensive experience in construction auditing.



On-Call Construction Audit Services Agreement

Contract term of 3 years with an option of 2 2-year extensions at the sole discretion of the President CEO with a maximum not-to exceed contract price of \$1.5M.



Audit Schedule

Upon approval and signature of this contract, the Chief Auditor will work with the on-call construction audit provider to begin risk assessments and audit services related to the ADP.



Recommendation

Staff recommends the Audit Committee accept its nomination of Baker Tilly US, LLP for the On-Call Construction Auditing Services and requests that the Audit Committee forward this item to the Board for approval.



Questions?

AUDIT COMMITTEE

Meeting Date: **MAY 10, 2021**

Subject:

Fiscal Year 2022 Proposed Budget of the Chief Auditor and Fiscal Year 2023 Proposed Conceptual Budget Expense Summary

Recommendation:

Staff recommends that the Audit Committee accept the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2022 Budget process that may include debt issuance or refinancing, with a recommendation for Board approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***

Background/Justification:

In accordance with the San Diego County Regional Airport Authority's Fiscal Year 2022 Budget process, which was initiated by the Authority's Finance Division in January 2021, the Office of the Chief Auditor (OCA) created a Proposed 2022 Budget and a Proposed 2023 Conceptual Budget. The OCAs proposed budgets contain the anticipated expenditures and headcount necessary to carry out its duties in the coming fiscal years.

The OCA will present its Fiscal Year 2022 Proposed Budget and 2023 Proposed Conceptual Budget to the Audit Committee for review on May 10, 2021. The accompanying Item 7 presentation provides the budgets in detail by line item.

Subsequent to the May 10 Audit Committee Meeting, the OCAs proposed budgets will be forwarded for inclusion in the Authority's overall budget, and approved during the Finance Division's scheduled Budget Workshop with the Board.

The Authority anticipates new debt to be issued in Fiscal Year 2022 for Airport Development Program (ADP) related projects. Additionally, previously issued debt may be refinanced in Fiscal Year 2022, if economic conditions warrant. Any new debt is approved by the Board.

Fiscal Impact:

The proposed Fiscal Year 2022 Operating Budget for the Office of the Chief Auditor to execute the Fiscal Year 2022 Audit Plan is \$1,244,000. In addition, the OCA will augment its staff for audit work pertaining to the ADP by utilizing the consulting services of a professional on-call construction audit service provider with expertise in large construction projects. The estimated cost for ADP construction auditing is approximately \$1,500,000 over a seven year period and is funded from the ADP capital budget.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

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.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

**Fiscal Year 2022 Proposed Budget
of the Chief Auditor and Fiscal Year 2023
Proposed Conceptual Budget
Expense Summary**

Audit Committee Meeting
May 10, 2021

FY 2022 Proposed Budget - FY 2023 Proposed Conceptual Budget Expense Summary

(in thousands)

	FY 2020 Actuals	FY 2021 Budget	FY 2022 Budget	Inc / (Dec) FY22 Proposed vs FY21 Budget	% Change	FY 2023 Conceptual Budget	Inc / (Dec) FY23 Conceptual vs FY22 Budget	% Change
Operating Expenses								
Salaries & Wages	\$ 785	\$ 792	\$ 794	\$ 2	0.3%	\$ 824	\$ 30	3.7%
Benefits	382	387	394	7	1.7%	414	20	5.0%
Total Personnel Costs	1,167	1,179	1,188	9	0.7%	1,238	50	4.2%
Contractual Services	8	20	20	-	0.0%	20	-	0.0%
Operating Supplies	1	1	-	(1)	-100.0%	1	1	0.0%
Employee Development	12	17	14	(3)	-18.1%	19	5	38.7%
Business Development	5	4	4	-	0.0%	4	0	0.0%
Equipment Rentals and Repairs	7	8	17	10	126.0%	19	2	11.6%
Total Non-Personnel Costs	33	49	56	7	13.5%	63	8	13.9%
Total Operating Expenses	1,199	1,228	1,244	15	1.2%	1,301	57	4.6%
Non-Operating Expenses	-	-	-	-	0.0%	-	-	0.0%
Total Expenses	1,199	1,228	1,244	15	1.2%	1,301	57	4.6%
Equipment Outlay Expenditures	-	-	-	-	0.0%	-	-	0.0%
Total Authority Expenses Incl Equip Outlay	\$ 1,199	\$ 1,228	\$ 1,244	\$ 15	1.2%	\$ 1,301	\$ 57	4.6%

***Numbers may not foot due to rounding

Note - The OCA operating budget does not include the external On-Call Construction Auditor expenditures estimated at \$1,500,000 over a seven year period. Those expenditures are funded from the ADP capital budget.

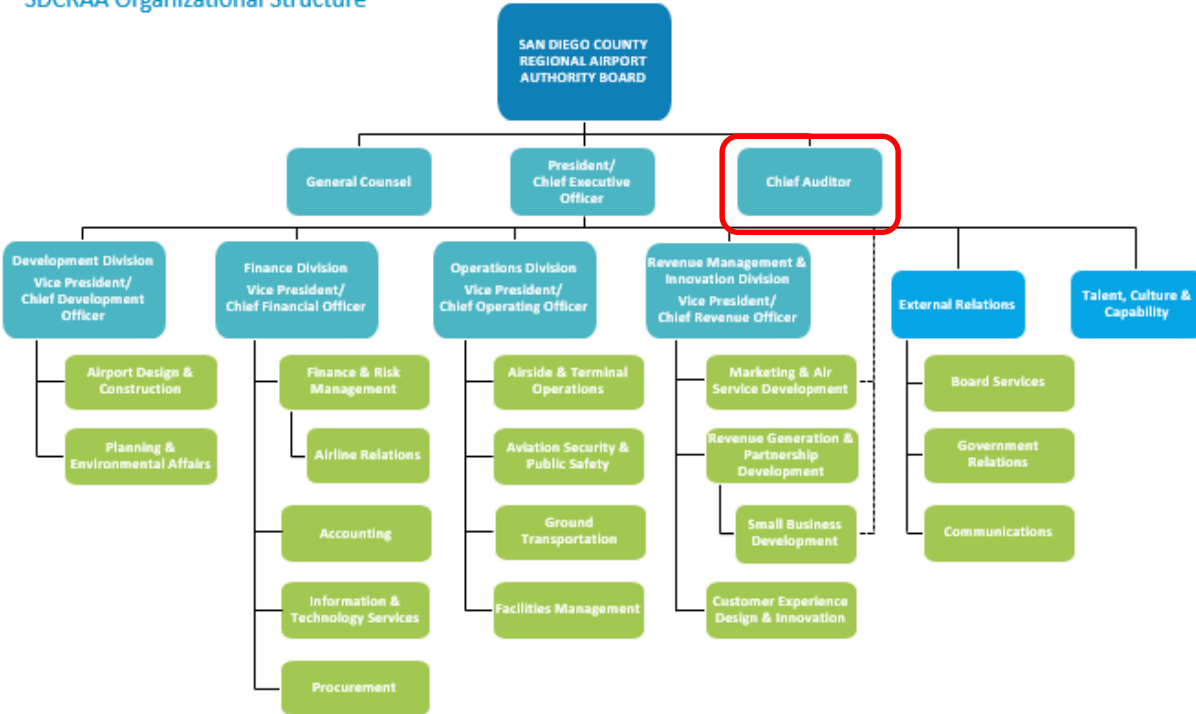
Major Drivers of FY 2022 & FY 2023 Proposed Budgets

<i>(in thousands)</i>	Inc / (Dec) FY22 vs FY21	Inc / (Dec) FY23 Conceptual vs FY22
FY 2021 Budget / FY 2022 Budget	\$ 1,228	\$ 1,244
Personnel Costs		
Burden (benefits & employer taxes) for current staff	7	20
Salary adjustments and pay for performance	2	30
Total Increase / (Decrease) in Personnel Costs	9	50
Non-Personnel Costs		
Audit software	9	2
Other, net	(3)	6
Total Increase / (Decrease) in Non-Personnel Costs	7	8
Total Increase / (Decrease)	15	57
FY 2021 Budget / FY 2022 Conceptual Budget	\$ 1,244	\$ 1,301

***Numbers may not foot due to rounding

The Chief Auditor, Authority Budget, & Debt

SDCRAA Organizational Structure



- The Chief Auditor's budget is part of the Authority's overall budget.
- The Authority's budget is approved by the Board.
- The Authority's budget includes both operating and capital expenses.
- Debt may be issued to finance operating or capital costs.
- New debt is anticipated to be issued in FY 2022 for ADP related projects.
- Previously issued debt may also be refinanced in FY 2022, if economic conditions warrant.

QUESTIONS?