

## Audit Committee and Special Board Meeting Agenda

**Monday, May 6, 2024**  
**10:00 A.M.**

San Diego County Regional Airport Authority  
Administration Building  
First Floor – Board Room  
2417 McCain Road  
San Diego, California 92101

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. 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. ***Please note that agenda items may be taken out of order.***

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

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

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

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

### Board Members

Gil Cabrera (Chair)  
James Sly (Vice Chair)  
Whitney Benzian  
Lidia S. Martinez  
Monica Montgomery Steppe  
Rafael Perez  
Esther C. Sanchez  
Steve Vaus  
Marni von Wilpert

### Ex-Officio Board Members

Col. Thomas Bedell  
Michele Perrault  
Everett Townsend

### President/CEO

Kimberly J. Becker

Monday, May 6, 2024

## CALL TO ORDER:

## PLEDGE OF ALLEGIANCE:

## ROLL CALL:

Committee Members: Huerta, Montgomery Steppe, Newsom (Chair), Perez, Sanchez, Vaus, Wong Nickerson

## 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 5, 2024, regular meeting and March 25, 2024, special meeting.

### **2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDITS FOR THE FISCAL YEAR ENDED JUNE 30, 2024:**

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

(Presented by: Elizabeth Stewart, Director, Accounting; and Blake Roe, Colleague Partner, Plante Moran)

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

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

(Presented by: Lee Parravano, Chief Auditor and Scott Thein, Senior Auditor)

Monday, May 6, 2024

**4. FISCAL YEAR 2024 THIRD QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:**

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

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

**5. REVISION TO THE FISCAL YEAR 2024 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: Fred Bolger, Manager Audit Services)

**6. RISK ASSESSMENT AND PROPOSED FISCAL YEAR 2025 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**

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

(Presented by: Lee Parravano, Chief Auditor)

**7. FISCAL YEAR 2025 PROPOSED BUDGET OF THE CHIEF AUDITOR AND FISCAL YEAR 2026 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 2025-2026 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. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION:**

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9  
Number of cases: 1

**9. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**

(Government Code Section 54957)

Title: Chief Auditor

# Audit Committee Agenda

Monday, May 6, 2024

Page 4 of 5

**REPORT ON CLOSED SESSION:**

**COMMITTEE MEMBER COMMENTS:**

**ADJOURNMENT:**

Monday, May 6, 2024

## **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 a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to submit a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.

**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](http://www.san.org).

**For those planning to attend the Commission meeting, parking is available in the Airport Administration Building Parking Lot (entrance on the east side of McCain Road). Visitors can park in the lot from 8:00 a.m. to 5:00 p.m.**

You may also reach the SDCRAA Building by using public transit via the San Diego MTS System, Route 923. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**AUDIT COMMITTEE MEETING**  
**MINUTES**  
**MONDAY, FEBRUARY 5, 2024**  
**BOARD ROOM**

**CALL TO ORDER:** Chair Newsom called the Audit Committee Meeting to order at 10:00 a.m., on Monday, February 5, 2024, at the San Diego County Regional Airport Authority, Administration Building, 2417 McCain Road, San Diego, CA 92101.

**PLEDGE OF ALLEGIANCE:** Chair Newsom led the Pledge of Allegiance.

**ROLL CALL:**

Present:                      Committee Members:              Huerta, Newsom (Chair), Montgomery  
Steppe, Perez, Sanchez, Vaus,  
Wong Nickerson

Board Member:                      Benzian

Absent:                      Committee Members:              None

Also Present:                      Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel;  
Shawna Morales, Assistant Authority Clerk II; Patricia Willis, Assistant  
Authority Clerk I

**CLOSED SESSION:** The Committee recessed into Closed Session at 10:02 a.m. to discuss item 4.

**4.      CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9  
Number of cases: 1

**REPORT ON CLOSED SESSION:** The Board reconvened into Open Session at 10:30 a.m. There was no reportable action.

**NON-AGENDA PUBLIC COMMENT:** None.

**NEW BUSINESS:**

**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the November 13, 2023, regular meeting.

**ACTION: Moved by Board Member Sanchez and seconded by Board Member Perez to approve staff's recommendation. Motion carried unanimously noting Board Member Montgomery Steppe's ABSTENTION.**

**2. FISCAL YEAR 2024 SECOND QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:**

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2024 Second Quarter Report that included the Fiscal Year 2024 Performance Measures, General Audit Recommendation Follow-Up, Ethics, Quality Assurance and Improvement Program (QAIP), and Audit Spotlight.

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

**ACTION: Moved by Board Member Sanchez and seconded by Board Member Vaus to approve staff's recommendation. Motion carried unanimously.**

**3. REVISION TO THE FISCAL YEAR 2024 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**

Fred Bolger, Manager, Audit Services, provided a presentation on the Revision to the Fiscal Year 2024 Audit Plan of the Office of the Chief Auditor that included the Reasons for Revision.

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.)***

**ACTION: Moved by Board Member Vaus and seconded by Committee Member Wong Nickerson to approve staff's recommendation. Motion carried unanimously.**

**COMMITTEE MEMBER COMMENTS:**

**ADJOURNMENT:** The meeting adjourned at 10:42 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY THIS 6<sup>th</sup> DAY OF MAY 2024.

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LEE PARRAVANO  
CHIEF AUDITOR

ATTEST:

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SHAWNA MORALES  
ASSISTANT AUTHORITY CLERK II,  
BOARD SERVICES



**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**SPECIAL AUDIT COMMITTEE MEETING**  
**MINUTES**  
**MONDAY, MARCH 25, 2024**  
**BOARD ROOM**

**CALL TO ORDER:** Chair Newsom called the Special Audit Committee Meeting to order at 9:31 a.m., on Monday, March 25, 2024, at the San Diego County Regional Airport Authority, Administration Building, 2417 McCain Road, San Diego, CA 92101.

**PLEDGE OF ALLEGIANCE:** Board Member Vaus led the Pledge of Allegiance.

**ROLL CALL:**

Present:                      Committee Members:              Huerta, Newsom (Chair), Montgomery  
Steppe, Perez, Sanchez, Vaus,  
Wong Nickerson

Board Member:                      None

Absent:                      Committee Members:              None

Also Present:                      Kimberly J. Becker, President/CEO; Lee Kaminetz, Assistant General  
Counsel; Shawna Morales, Assistant Authority Clerk II; Sonja Banks,  
Assistant Authority Clerk I

**NON-AGENDA PUBLIC COMMENT:** None.

**NEW BUSINESS:**

**1.      APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE A CONTRACT WITH PLANTE & MORAN, PLLC, FOR EXTERNAL AUDIT SERVICES:**

Elizabeth Stewart, Director, Accounting provided a presentation that included the process and selection of Plante & Moran, PLLC for External Audit Services, which included the RFP Timeline, Evaluation Panel, Audit Services Proposals Received, Evaluation Criteria, Shortlist Evaluation Results, and In-Person Interview.

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

**ACTION: Moved by Board Member Sanchez and seconded by Board Member Vaus to approve staff's recommendation. Motion carried unanimously.**

**COMMITTEE MEMBER COMMENTS:**

**ADJOURNMENT:** The meeting adjourned at 9:48 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY THIS 6<sup>th</sup> DAY OF MAY 2024.

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LEE PARRAVANO  
CHIEF AUDITOR

ATTEST:

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SHAWNA MORALES  
ASSISTANT AUTHORITY CLERK II,  
BOARD SERVICES

## Audit Committee Report

**Meeting Date: May 6, 2024**

**Subject:**

**Required Communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year Ended June 30, 2024**

**Recommendation:**

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

**Background/Justification:**

On March 25, 2024, staff presented a recommendation to the Audit Committee to enter into an agreement with Plante & Moran, PLLC, 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 Plante & Moran, PLLC.

The Board adopted Resolution No. 2024-0025 during its April 4, 2024, Board Meeting, approving and authorizing the President/CEO to execute an agreement with Plante & Moran, PLLC, for an amount not to exceed \$1,200,000 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; communicate auditor independence, report on its quality control program and peer review, and other responsibilities under generally accepted auditing standards.

As required, the colleague engagement partner from Plante & Moran, PLLC, will give a presentation during the May 6, 2024, Audit Committee Meeting on matters pertaining to the scope, timeline, planning, and revisions to professional standards effecting the Financial and Compliance Audit for the fiscal year ending June 30, 2024. In addition, a copy of the Plante & Moran, PLLC most recent Peer Review Letter is provided, as Attachment A.

## Fiscal Impact:

Adequate funding for the agreement with Plante & Moran, PLLC for performing the Authority's financial audit services is included in the Fiscal Year 2024 Adopted Budget and Fiscal Year 2025 Conceptual Budget within the Services-Auditing line item. Expenses that will impact budget years not yet adopted by the Board will be included in future year budget requests.

## Authority Strategies/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  
Director, Accounting

## Report on the Firm's System of Quality Control

December 16, 2022

To the Partners of  
Plante & Moran, PLLC  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Plante & Moran, PLLC (the firm) applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2022. 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](http://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 and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of 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 on in conformity with the requirements of applicable 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 and compliance with the firm's system of quality control based on our review.

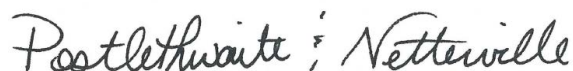
### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; an audit performed under FDICIA; and examinations of service organizations (SOC 1 and SOC 2 engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by 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 Plante & Moran, PLLC applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2022, 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*. Plante & Moran, PLLC has received a peer review rating of *pass*.



Postlethwaite & Netterville, APAC  
Baton Rouge, Louisiana



# San Diego County Regional Airport Authority

Required Communication to the Audit Committee on the Financial and Compliance Audits  
for the Fiscal Year Ended June 30, 2024



# Agenda

- Engagement team
- Scope of audit
- Audit timeline
- Required communications
- Audit plan
- Information from You Relevant to Our Audit



# National airport practice by the numbers

- \$9B+** In federal expenditures audited per year
- \$1.1B+** Airport Improvement Program (AIP) expenditures audited
- 750+** Annual Comprehensive Financial Reports (ACFRs) audits conducted in the past 25 years, and these have received the GFOA's Certificate of Achievement for Excellence in Financial Reporting
- 685+** Single audits completed annually
- \$500M+** PFC collections audited
- 500+** Governmental clients served (airports, authorities, transit, local government, pension systems, special districts, state agencies, utilities)
- 60+** Professionals who specialize in the airport industry, including **5** partners
- 40+** Airports served





# Engagement team

- Pam Hill, Partner - Engagement partner responsible for supervising our services performed as part of this engagement
- Blake Roe, Partner – Colleague Partner
- Ali Hijazi, Partner – Colleague Partner
- Rumzei Abdallah, Principal – Senior Manager
- Alissa Flury- Manager
- Hunter Clark – Senior



# Scope of Audit

- Financial Statement Audit
- Federal Single Audit
- Passenger Facility Charge (PFC) Compliance Audit
- Customer Facility Charge (CFC) Compliance Audit
- Management Letter with recommendations, if applicable



# Audit timeline

- Preliminary and information gathering phase – May-August 2024
- Risk assessment phase – May – August 2024
- Audit procedures
  - Interim audit testing – Week of June 17, 2024
  - Fieldwork – August and September 2024
- Issuance goal of October 20, 2024



# Required Communications

- Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.
- Our audit of the financial statements does not relieve you or management of your responsibilities.
- Plante Moran is independent of the Airport Authority and has not performed other services for the Authority.



# Audit Plan

We have **preliminarily** identified the following areas during our initial brainstorming session related to significant risks of misstatement:

- Appropriate accounting for all revenues including inclusion of federal funding expenditures on SEFA (Schedule of Expenditures of Federal Awards) and any related revenue diversion
- Management override of controls
- New Terminal 1 construction

In response to these identified significant risks, we will perform the following:

- Perform detail compliance testing in accordance with Federal regulations as well as recognition of revenue in the proper period.
- Review of a sample of invoices paid to related parties or others to ensure they are for services and airport related expenditures.
- Review and testing of internal controls over significant cycles.
- Review of internal controls and testing of samples related to construction of the New Terminal 1.



# Audit Plan

- We will gain an understanding of accounting processes and key internal controls through a review of the accounting procedures questionnaires and control procedures questionnaires prepared by management.
- We will confirm through observation and inspection procedures that accounting procedures and controls included in the questionnaires have been implemented.
- We will not express an opinion on the effectiveness of internal control over financial reporting; however, we will communicate to you significant deficiencies and material weaknesses identified in connection with our audit.
- The concept of materiality is inherent in our work. We place greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.
- Effective for the Authority's fiscal year 2024 audit, new auditing standards are required to be implemented. Those new standards are SAS 143 and 145 which require a deeper dive into significant estimates and internal controls of the Authority.



# Information from You Relevant to Our Audit

- An important aspect of this communication process is the opportunity for us to obtain from you information that is relevant to our audit.
- Plan to reach out to the Chair's of the Board and Audit Committee
- We will discuss their views on:
  - Matters that warrant particular attention during the audit
  - Concerns related to actual or suspected fraud
  - Any particular business risks that may result in material misstatements
  - Any concerns related to related party transactions
  - Effectiveness of internal control and detection of fraud
  - Significant or unusual transactions
  - Any concerns related to fraud



# Thank you for the opportunity to serve as auditors for the San Diego County Regional Airport Authority.

*For more information contact:*

Pamela L. Hill, Partner

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Pamela.Hill@plantemoran.com

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313.496.7232

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Blake Roe, Partner

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Alissa Flury, Manager

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Alissa.Flury@plantemoran.com



## Audit Committee Report

**Meeting Date: May 6, 2024**

**Subject:**

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

### Recommendation:

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

### Background/Justification:

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

The Board approved Charter of the Audit Committee states that Committee oversight responsibilities include ensuring the OCA conforms to the International Standards for the Professional Practice of Internal Auditing (Standards). To obtain assurance, the Audit Committee is to confirm that external quality assurance reviews of the OCA are performed every 5 years, examine the results, and to monitor any resulting recommendations.

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

The QAR for the period July 1, 2018, thru June 30, 2023, was due. Therefore, during the September 11, 2023, meeting of the Audit Committee, the Committee considered the selection of an external assessor, and unanimously recommended that the Association of Local Government Auditors (ALGA) perform the required QAR.

In January and February 2024, an external QAR was completed through the ALGA peer review program and consisted of two team members, Esther Ko, and Margarite Benevento.

Results of the QAR for the period July 1, 2018, through June 30, 2023, determined that the OCA is providing reasonable assurance of compliance with the Standards. This is the highest level of conformance an internal audit function can achieve. The QAR opinion is provided as Attachment A. The OCAs response to the QAR is provided as Attachment B.

Meeting Date: May 6, 2024

## Fiscal Impact:

The budgeted cost was \$6,000. Actual cost was \$4,051. Cost will be incurred on the line item for professional services in the OCAs 2024 Fiscal Year Budget. The QAR costs are expenses for the peer review team, including but not limited to hotel, airfare, local transportation, and meal per diem.

## Authority Strategies/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



# External Quality Control Review

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

Conducted in accordance with guidelines of the  
**Association of Local Government Auditors**  
for the period July 1, 2018 through June 30, 2023



## Association of Local Government Auditors

February 1, 2024

Mr. Lee Parravano, Chief Auditor  
Office of the Chief Auditor  
San Diego County Regional Airport Authority  
2417 McCain Road  
San Diego, CA 92101

Dear Mr. Parravano,

We have completed a peer review of the San Diego County Regional Airport Authority Office of the Chief Auditor for the period July 1, 2018 through June 30, 2023. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide for Assessing Conformance with International Standards for the Professional Practice of Internal Auditing (the Standards)* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of conformance with *the Standards* issued by the Institute of Internal Auditors. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management.

Due to variances in individual performance and judgment, conformance does not imply adherence to standards in every case but does imply adherence in most situations. Organizations can receive a rating of generally conforms, partially conforms, or does not conform. San Diego County Regional Airport Authority Office of the Chief Auditor has received a rating of generally conforms.

Based on the results of our review, it is our opinion that San Diego County Regional Airport Authority Office of the Chief Auditor's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of conformance with *the Standards* for engagements during the period July 1, 2018 through June 30, 2023.

Esther Ko, Auditor General,  
CPA, CIA, CFE, CISA  
Fairfax County Public Schools  
Office of Auditor General

Margarite Benevento, Senior Internal Auditor  
Cobb County Government  
Internal Audit Department



February 1, 2024

Esther Ko, Auditor General, Fairfax County Public Schools  
Margarite Benevento, Senior Internal Auditor, Cobb County Government  
Association of Local Government Auditors  
Peer Review Team Members

Dear Ms. Ko and Ms. Benevento:

Thank you for conducting a review of the San Diego County Regional Airport Authority's Office of the Chief Auditor (OCA) internal quality control system. We are very pleased that the Association of Local Government Auditors has once again issued an opinion that the OCAs internal quality control system was adequately designed and operating effectively to provide reasonable assurance of conformance with the *Standards* for engagements during the review period July 1, 2018, through June 30, 2023. This determination is the highest level of compliance the OCA can achieve.

The OCA expresses our sincere appreciation to the peer review team for their thoroughness, professionalism, and diligence. This experience was extremely valuable, and your review will enhance the quality of the OCAs future engagements.

Thank you, again, for taking the time from your own work to evaluate our operations and providing this valuable service to this office and to the San Diego County Regional Airport Authority.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lee Parravano". The signature is fluid and cursive.

Lee Parravano  
Chief Auditor

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

Audit Committee Meeting May 6, 2024

# QAR Purpose and Review Period

## Purpose

To Determine the OCAs level of compliance with:



*The Standards*

## Review Period



July 1, 2018 – June 30, 2023

# QAR Team



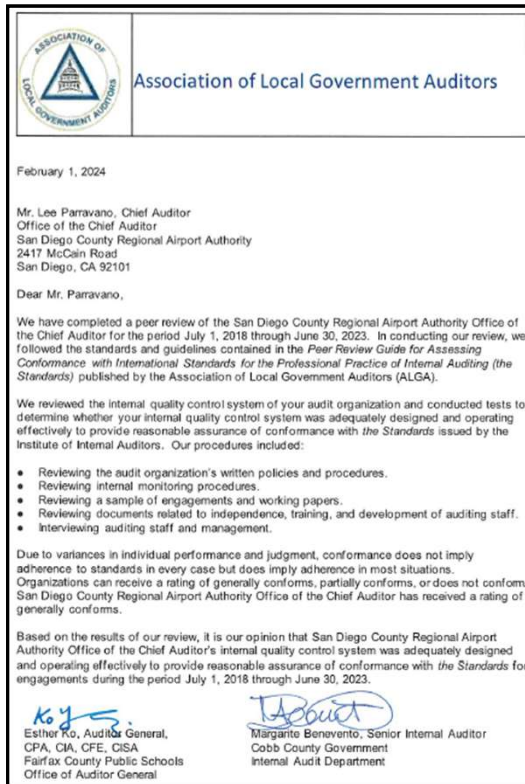
Esther Ko

Margarite Benevento

42 Combined Years of  
Audit Experience



# QAR Results



“...it is our opinion that San Diego County Regional Airport Authority Office of the Chief Auditor’s internal quality control system was adequately designed and operating effectively to provide reasonable assurance of conformance with *the Standards....*”

# QAR Results



The Association of Local Government Auditors  
Awards this

## **Certificate of Compliance**

to

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

Recognizing that the organization's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with the *International Standards for the Professional Practice of Internal Auditing* for engagements during the period July 1, 2018 through June 30, 2023.

*Corrie Stokes*

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Corrie Stokes  
ALGA Peer Review Committee Chair



# Questions?

## Audit Committee Report

**Meeting Date:** May 6, 2024

**Subject:**

**Fiscal Year 2024 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:**

As directed in the Charter for the Office of the Chief Auditor, the Chief Auditor shall communicate to the Authority's Audit Committee and executive management on the performance relative to the Office of the Chief Auditor's (OCA) Audit Plan, results of audit engagements or other activities completed, and to report any risk exposures or control issues identified.

The attached Fiscal Year 2024 Third Quarter Report from the OCA (Attachment A) is submitted to the Audit Committee to provide an account of activities and undertakings of the OCA during the period January 1, 2024, through March 31, 2024, and includes details on all recommendations completed or in progress during the third quarter.

A presentation by the OCA on its third quarter activities will be provided to the Audit Committee on May 6, 2024. Upon review of the Fiscal Year 2024 Third Quarter Report, staff requests that the Audit Committee forward the report to the Board for acceptance.

**Fiscal Impact:**

None

## 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 2024 3rd Quarter Report



## Audit Engagement Progress

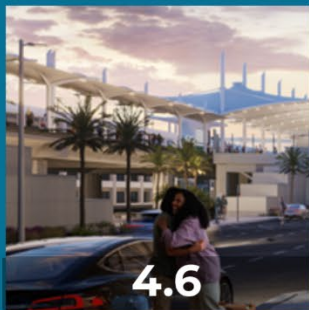


■ Completed (43.75%) 
 ■ In Progress (50%) 
 ■ Not Started (6.25%)

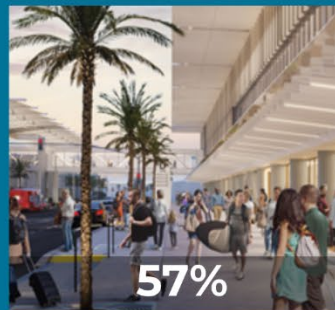
## Audit Engagements Completed vs. Benchmark & Goal



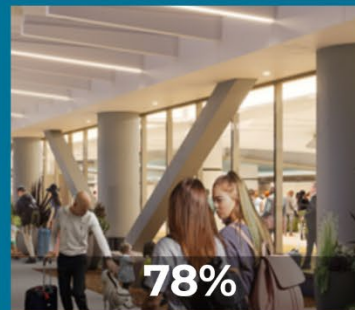
## By The Numbers



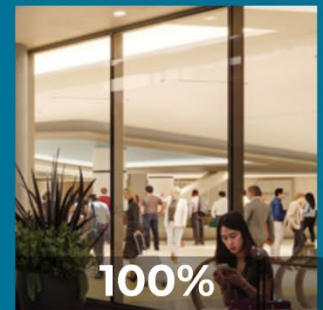
**4.6**  
Customer Satisfaction Rating



**57%**  
Engagements Completed Under Budget



**78%**  
Auditor Utilization Percentage



**100%**  
Recommendations Accepted By Management



# Fiscal Year 2024

## Third Quarter Report

**Issue Date: May 6, 2024**

**OFFICE OF THE CHIEF AUDITOR**

## Third Quarter Summary

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### Executive Summary

The third quarter was very active for the Office of the Chief Auditor (OCA). The OCA continued work on the Fiscal Year 2024 Audit Plan completing and issuing three audit reports. The OCA also underwent an external assessment to determine if the OCA conforms with Internal Auditing Standards. The external assessment determined that the OCA is providing reasonable assurance of compliance with the Standards, which is the highest level of conformance an internal audit function can achieve. In addition, the OCA initiated the Fiscal Year 2025 Risk Assessment and Audit Plan process. Additional details on the OCAs activities are included below.

### Performance Measures

For Fiscal Year 2024, five major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Table 1.<sup>1</sup>

*Table 1: Status of Performance Measures as of March 31, 2024*

#	Performance Measure	Goal	Actual	Benchmark
1	Customer satisfaction ratings from auditee	4.0	4.6	4.0
2	Percentage of audit and consulting engagements completed	60%	44%	60%
3	Percentage of recommendations accepted	95%	100%	95%
4	Percentage of staff time spent on audit and consulting engagements and general audit activities	76%	78%	76%
5	Percentage of audit and consulting engagements completed within budget	70%	57%	66%

#### *Customer Satisfaction Rating:*

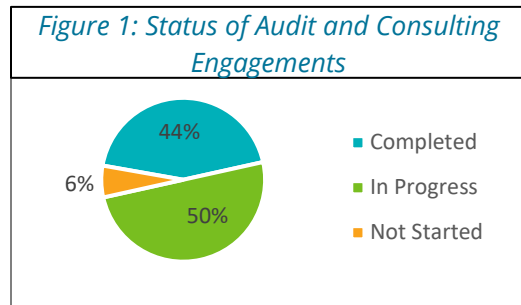
After the completion of an audit or consulting engagement, a survey is sent to the department to obtain customer satisfaction data. The OCAs goal for customer satisfaction is 4.0, on a 1 to 5 scale (with 1 being very dissatisfied and 5 being very satisfied). To date, this fiscal year, we have achieved a score of 4.6.

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<sup>1</sup> The OCA tracks additional performance measures that are not shown above. Those results are compiled and shared with the Audit Committee annually.



*Percentage of Audit and Consulting Engagements Completed:*



As of the third quarter, the OCA completed seven audit engagements, or 44%, of audit and consulting engagements (7/16 = 44%) that are planned to be completed in the Fiscal Year 2024 Audit Plan.<sup>2</sup> In addition to the seven engagements completed, the OCA had 8<sup>3</sup> engagements (50%) in progress as of the end of the third quarter, as shown in Figure 1. The engagements completed in the third quarter are

summarized in the upcoming section titled Audit Engagements Issued. The status of all activities in the Fiscal Year 2024 Audit Plan is included in Appendix A.

*Percentage of Recommendations Accepted:*

This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. As of the end of the third quarter, 100% of recommendations have been accepted, exceeding the goal established.

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

This measure tracks the time spent on audit and consulting engagements and general audit activities.<sup>4</sup> The OCAs goal is for staff to spend 76% of their working hours<sup>5</sup> on audit engagements, consulting engagements, and general audit activities. The OCA is currently exceeding the goal established, spending 78% of time on audit engagements, consulting engagements, and general audit activities.

*Percentage of Audit and Consulting Engagements Completed within Budgeted Time:*

This category monitors the efficiency of audit staff in performing audits and consulting engagements. Specifically, audit staff is responsible for the internally prepared budget hours assigned to each audit or consulting engagement. As of the third quarter of Fiscal Year 2024, the OCA completed 57% of its projects within the budgeted time, falling short of the benchmark and the OCAs goal. Budgeting for audits is one of the most difficult items to predict. This is because it is unknown what an auditor will encounter during audit testing. An audit that contains more complex issues or findings can result in an audit going over budget.

<sup>2</sup> The Fiscal Year 2024 Audit Plan has 16 audits and 1 consulting engagement. However, the audit identified as “Tenant Lease Administration and Management – FY2024 Rental Car Companies” will be carried forward, as anticipated, into Fiscal Year 2025, when required data is captured to complete the audit. This results in 15 audits and 1 consulting engagement (16 total engagements) on the Fiscal Year 2024 Audit Plan to be completed in the fiscal year.

<sup>3</sup> The audit identified as “Tenant Lease Administration and Management – FY2024 Rental Car Companies” is not counted in the 8 audits in progress as it will be carried forward, as anticipated, into Fiscal Year 2025, when required data is captured to complete the audit.

<sup>4</sup> Appendix A details all planned activities in these categories for Fiscal Year 2024.

<sup>5</sup> Excludes Time Off (e.g., Holidays, Paid Time off).

## Audit Engagements Issued

The Office of the Chief Auditor completed three audits during the third quarter. Below is a summary of these engagements.



**Employee Benefit Payroll Deduction Administration:** The objective of this audit was to determine if certain payroll deductions for employee benefits are administered appropriately. We determined that payroll deductions are generally administered correctly. However, we determined that Human Resources was not regularly reconciling payments to benefit providers. The audit identified one finding and provided one recommendation.



**Terminal & Roadways Project Self-Performance Work:** The objective of this audit was to determine if the self-performance plan submitted by Turner-Flatiron complied with the contract, if Turner-Flatiron followed that plan, and if costs complied with the contract. We determined that the self-performance plan complied with the contract, Turner-Flatiron followed the plan, and cost complied with the contract. The audit did not identify any findings or provide any recommendations as part of this audit.



**Terminal & Roadways Project Insurance:** The objective of this audit was to determine if Turner-Flatiron obtained the insurance required and if the costs were supported, accurate and allowable. Audit work determined Turner-Flatiron obtained the insurance required, but we found some costs submitted for reimbursement contained insufficient documentation, were duplicate charges, and were non-reimbursable. The audit identified two findings and provided four recommendations.

## General Audit Activities

In addition to performing audit engagements, the OCA is involved in other general audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required<sup>6</sup> to perform these activities or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* is presented below.

### Risk Assessment and Audit Plan

The OCA is required to submit a formal risk-based internal Audit Plan to the Audit Committee annually. The Risk Assessment & Audit Plan is the culminating result of data gathering, management discussions, surveys, and data analysis. The annual Risk Assessment and Audit Plan is generally initiated during the third quarter of each Fiscal Year. However, informally, the OCA is constantly assessing risk and adjusting the Audit Plan as needed. The Fiscal Year 2025 Risk Assessment and Audit Plan will be presented to the Audit Committee on May 6, 2024.



### Construction Activities

Construction audit activity for the third quarter of Fiscal Year 2024 included continued work with Baker Tilly, U.S., LLP (Baker Tilly) through completion of the audits of Turner-Flatiron Self-Performance Work and the Terminal and Roadways Project Insurance. The audit of Small Business Management is on-going in coordination with the Airport Design & Construction Department. The OCA also attended meetings regarding the New T1 terminal and roadways, the new administration building, and the New T1 airside improvements projects. The OCA remains involved with construction-related issues identified by ADC and Authority management, providing assistance as requested, and attending meetings specific to all aspects of the Authority's construction activity.

### Information Technology Meeting Attendance

Information technology's central role to Authority operations makes meeting attendance on this subject a vital activity for the Chief Auditor. In Fiscal Year 2024, meetings have been focused on system security.

### Development of Data Analytics

The OCA is actively exploring options to increase its audit coverage through data analytics and to identify where in-depth audits should be initiated. In Fiscal Year 2024, the OCA completed two car rental audits that resulted from the *Fiscal Year 2022 Car Rental Companies* audit issued in June 2023 that utilized data analytics. These audits identified approximately \$300,000 in revenue due to the Authority.

<sup>6</sup> Requirements are dictated by the Charter for the Office of the Chief Auditor, Charter of the Audit Committee, or the International Standards for the Professional Practice of Internal Auditing.

## FISCAL YEAR 2024 THIRD QUARTER REPORT

The OCA is exploring other areas where data analytics could benefit the Authority and the OCA.

### Fraud, Waste, Abuse, and Ethics Program Activities

The OCA manages the Authority's Ethics Program that includes a confidential Fraud, Waste, Abuse, and Ethics (FWA&E) reporting hotline. During the first three quarters of Fiscal Year 2024, the OCA received 2 tips/reports that were considered FWA&E related and 30 reports that are not considered FWA&E related<sup>7</sup>. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate.

The hotline also allows individuals to ask questions about possible ethical matters, thus allowing individuals to make an informed ethical decision. As of the third quarter of Fiscal Year 2024, two (2) questions were received. We appreciate the efforts made by individuals aiming to ensure an ethical decision is reached.

A summary of the tips/reports received in Fiscal Year 2024 is shown in Table 2 below.

*Table 2: Hotline Tips/Reports Received in Fiscal Year 2024*

Category <sup>8</sup>	Number of Tips / Reports Received	Investigation Initiated by OCA	Tip/Report was Investigated and was Substantiated
<b>Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>			
Human Resource, Diversity, and Workplace Respect	1	-	-
Misuse or Misappropriation of Assets	1	1 <sup>9</sup>	-
<b>Total Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>	<b>2</b>	<b>1</b>	<b>-</b>
<b>Non-Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>			
Human Resource, Diversity, and Workplace Respect	21	-	-
Business Integrity	4	-	-
Other	5	-	-
<b>Total Non-Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>	<b>30</b>	<b>-</b>	<b>-</b>
<b>Total Hotline Tips/Reports</b>	<b>32</b>	<b>-</b>	<b>-</b>

<sup>7</sup> Tips/Reports that are Non-FWA&E related are tracked but are not investigated by the OCA. An example of a non-FWA&E related tip/report is a traveler reporting an issue with a water filling station in the terminal. Generally, these tips/reports are forwarded to management to address.

<sup>8</sup> Category of tips/reports may have been modified to be consistent with NAVEX Whistleblowing & Incident Management Benchmark Report issued in 2024.

<sup>9</sup> Under investigation as of April 26, 2024.

**Recommendation Follow-up**

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

Table 3 below shows the number of recommendations that were *Completed* or *In Progress* as of the third quarter of Fiscal Year 2024, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, two of the six were implemented within the initial timeframe identified when the recommendations were issued. Of the In Progress recommendations, four recommendations were still within the initial timeframe identified for implementation. Additionally, five of the recommendations are related to a Rent A Car Company that was issued a Notice of Default. Management has taken the requested action on those five recommendations; however, these are still shown as in progress to track the ultimate outcome of the recommendation.

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

*Table 3: Recommendations with Estimated/Actual Implementation Timeframe*

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total <sup>10</sup>
Completed	2	2	2	6
In Progress	10	-	5	15

**Quality Assurance and Improvement Program**

The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP) that includes:

1. Ongoing monitoring (required annually).
2. Internal assessments (required periodically).
3. External assessments (required every 5 years).

The OCA completed ongoing monitoring of its Fiscal Year 2023 activities and operations during the first quarter of Fiscal Year 2024. The OCA found no items that would impact audit

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<sup>10</sup> Recommendation(s) contained in confidential audit reports are not included in Table 3 or in Appendix B. They are tracked separately by the OCA.

## **FISCAL YEAR 2024 THIRD QUARTER REPORT**

report quality. Full results were included in the Fiscal Year 2023 OCA Annual Report as part of the November 13, 2023, Audit Committee Meeting materials.

The OCA also completed an internal assessment (self-assessment) during the first quarter of Fiscal Year 2024. The OCA validated that the OCA continues to conform with the *Standards*. Full results were included in the Fiscal Year 2023 OCA Annual Report as part of the November 13, 2023, Audit Committee Meeting materials.

The external assessment was performed by the Association of Local Government Auditors (ALGA) and was completed on February 2, 2024. The external assessment determined that the OCA is providing reasonable assurance of compliance with the Standards. This is the highest level of conformance an internal audit function can achieve. The results will be provided on May 6, 2024, to the Audit Committee.

## *Administrative*

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The activities that reside within the administrative classification include meetings attended by the OCA, holiday and vacation time, and the fulfillment of Continuing Professional Education (CPE) requirements.

### **Tracking Budget and Expenses**

The OCA expenses totaled approximately \$945,000 through the end of the third quarter, which represents 66% of the Fiscal Year 2024 budget. No unexpected or large outlays occurred within the department during the three quarters of Fiscal Year 2024. The OCA expects to remain close to budget through the fiscal year-end.

### **Continuing Professional Development**

OCA staff continues to obtain Continuing Professional Education (CPE) credits as required by their various certifications. The OCAs CPE credits are tracked on a calendar year basis. At the end of calendar year 2023 all OCA staff met their respective CPE requirements. In the third quarter, staff attended training on topics that included the new Global Audit Standards, information technology, and cybersecurity.

### **Procedural/Supervisory**

Two Audit Committee meetings took place during the third quarter, which occurred February 5, 2024, and March 25, 2024. The February meeting contained all regularly scheduled agenda items, of which the OCA assisted in coordination with the Committee Chair and Board Services. The March meeting was a special meeting to recommend a new external financial audit firm. The Chief Auditor was a non-voting member of the panel that reviewed responses to the Authority's Request for Proposal and interviewed candidates.

### **Use of Report**

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

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

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

FISCAL YEAR 2024 THIRD QUARTER REPORT

Appendix A – Fiscal Year 2024 Audit Plan

#	Activity	Status as of 3/31/2024	Over/ Under Budget
<b>Audit</b>			
1	Tenant Lease Admin. & Management – FY 2023 Rental Car Companies	In Progress	
2	Turner-Flatiron Self Perform Work	Completed	Under
3	Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs	In Progress	
4	Employee Benefits – Payroll Deductions	Completed	Over
5	Accounts Payable – Paymode X	Completed	Over
6	Contractor Monitoring – Administration Building	Completed	Under
7	Turner-Flatiron Insurance	Completed	Over
8	Tenant Lease Admin. & Management – FY 2024 Rental Car Companies <sup>11</sup>	In Progress	
9	Tenant Lease Admin. & Management - In Terminal Concessionaire Compliance	In Progress	
10	Tenant Lease Admin. & Management – ABRM Internal Controls	Not Started	
11	Account Provisioning / Deprovisioning	In Progress	
12	Tenant Lease Admin. & Management – Budget	Completed	Under
13	Tenant Lease Admin. & Management – Fast Track	Completed	Under
14	Small Business Management	In Progress	
15	Tenant Lease Admin. & Management – Fox Rent a Car	In Progress	
16	Tenant Lease Admin. & Management – High Flying Foods Package 7	In Progress	
	To Be Determined – Construction	N/A	
	To Be Determined - Discretionary	N/A	
	<b>Total</b>		
<b>Consulting</b>			
17	Harbor Police Contract Management	In Progress	
<b>General Audit</b>			
18	Risk Assessment & Audit Plan	In Progress	
19	Construction Meeting Attendance & Coordination	In Progress	
20	Information Technology Meeting Attendance	In Progress	
21	Development of Data Analytics	In Progress	
22	Fraud, Waste, Abuse, and Ethics Program	In Progress	
23	Recommendation Follow-up	In Progress	
24	Quality Assurance & Improvement Program	In Progress	
<b>Administrative</b>			
25	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	In Progress	
26	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	In Progress	

<sup>11</sup> Audit engagement is not anticipated to be completed in Fiscal Year 2024 and will be carried forward to Fiscal Year 2025.



**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, 2024
<b>Completed</b>						
22-30	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase  Department: AIRPORT DESIGN & CONSTRUCTION	High	We recommend that ADC notify the JV concerning the over-billing based on the actual payroll hours and determine the most appropriate method to receive the \$37,525 incorrectly billed to the Authority.	10/1/2023	4/15/2024	The JV credited \$10,576 for costs in a past pay application. JV has provided OCA documentation to justify remainder.
22-31	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend that ADC notify the JV concerning the underbilling based on the actual payroll register pay rates and determine the most appropriate method to address the \$1,750 that was not billed to the Authority.	10/1/2023	3/31/2024	The JV invoiced \$1,750 in pay application #34.
23-25	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC review the documentation supporting CIP Change Orders to verify the necessity of the Internal Form and the External Form to eliminate or revise the forms as determined necessary. Forms that have spaces for signature should be completed as designed.	1/31/2024	3/1/2024	ADC has made the necessary revisions in the forms related to Change Orders as recommended in the 23009 audit report. Revisions were finalized 3/1/24.

**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, 2024
<b>Completed</b>						
23-26	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC clarify the signatory approval levels within the ADC procedures when there are decreases to award amounts or both increases and decreases to award amounts combined into one Change Order.	1/31/2024	1/31/2024	ADC has incorporated the recommended clarifications into the ADC procedures. Procedures were implemented on 1/31/24.
24-07	Audit Report 24002 Issued: November 30, 2023 Title: Avis Budget Car Rental, LLC  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request the Accounting Department issue an invoice to Avis-Budget in the amount of \$81,824 for the underpayment of concession fees under the Budget brand.	12/19/2023	1/26/2024	Invoice #112248 issued for \$81,824. As of 4.18.24, invoice has not been paid.
24-08	Audit Report 23005 Issued: January 24, 2024 Title: Employee Benefit Payroll Deduction Administration  Department: HUMAN RESOURCES	Medium	HR should timely reconcile payments made to medical benefit providers.	3/31/2024	3/31/2024	Along with its billing and reconciliation vendor, HR developed a process to better ensure correct information is submitted with its provider billings and that billings are timely reconciled. Additionally, HR established a concise timeline and expectations for the billing/reconciliation deliverables.

## 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, 2024
<b>In Progress</b>						
22-33	<p>Audit Report 22010                      Issued: June 30, 2022                      Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase</p> <p>Department:                      AIRPORT DESIGN &amp; CONSTRUCTION</p>	High	We recommend that ADC notify the JV of the \$4,814 overcharge for holiday and paid time-off for the JV staff and the \$12,917 overcharge for the consultants to determine the most appropriate method to receive the total incorrectly billed to the Authority.	10/1/2023	6/30/2024	<p>The JV credited \$599 in a past payment application. JV has provided documentation to justify \$2,675 in holiday hours and \$162 in vacation hours.</p> <p><b>OPEN ACTION:</b>                      JV to provide supporting documentation for the remainder amount.</p>
24-01	<p>Audit Report 24003                      Issued: November 29, 2023                      Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals</p> <p>Department:                      REVENUE GENERATION &amp; PARTNERSHIP DEVELOPMENT</p>	High	RG&PD should request the Accounting Department to issue an invoice to Fasttrack in the amount of \$228,901 for the underpayment of concession fees during the audit period.	12/19/2023	4/30/2024	<p>Management has addressed the recommendation.</p> <p>Notice of Default issued to FastTrack with deadline of 4.5.24 to submit missing items and pay outstanding invoices. Notice of Termination issued 4.12.24 with termination date of 4.30.24. Collections of outstanding balance will be turned over to Legal.</p>

## 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, 2024
<b>In Progress</b>						
24-09	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance  Department: AIRPORT DESIGN & CONSTRUCTION	High	ADC should work with the JV, and General Counsel if appropriate, to determine the most appropriate way to receive reimbursement of the \$1,290,000.	9/30/2024	9/30/2024	This report was issued near the end of the quarter so no follow-up activity was performed. At the time of the report's issuance, ADC responded that: Due to the complexity of the issues raised and of General Counsel's opinion, staff continues to analyze the details of this recommendation and the associated findings. Staff intends to meet the JV within the next month to discuss and establish a resolution plan. We expect it may take some time to work through the actual resolution.
24-11	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance  Department: AIRPORT DESIGN & CONSTRUCTION	High	ADC should work with the JV to determine the most appropriate way to receive the credits of \$144,915 for the unapproved administrative fees and \$847,195 for the duplicate coverage.	9/30/2024	9/30/2024	This report was issued near the end of the quarter so no follow-up activity was performed. At the time of the report's issuance, ADC responded that: Staff intends to meet the JV within the next month to discuss and establish a resolution plan. We expect it may take some time to work through the actual resolution.
22-10	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority staff should cleanup E1 Plat Management and GIS Space Manager for mismatched or incorrect data and perform regular maintenance, review, and reconciliation of the data between E1 Plat Management and GIS Space Manager.	1/2/2023	9/30/2024	This work is ongoing with the implementation of ABRM which should be completed September of 2024.

**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, 2024
<b>In Progress</b>						
22-11	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority Management should perform a physical inventory of plats throughout Terminal 2, and the New Terminal 1 when completed, to ensure that the reported attributes of space in the E1 Plat Management and GIS Space Manager reports reflect the physical space in the terminals. Any discrepancies should be timely corrected. Additionally, the written procedures referred to in Recommendation #22-8 should include a procedure for the periodic physical inventory of plats in Terminals 1 and 2.	12/1/2022	9/30/2024	This work is ongoing with the implementation of ABRM which should be completed September of 2024.
23-28	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend that ADC notify the JV of the overcharge of \$2,594 for holiday time for the JV staff. Additionally, we recommend ADC request all holiday policies, and other records as necessary, from each consultant listed above with the total of \$4,475 to determine if the Authority's approved labor billing rates already included holiday pay and are duplications. Reimbursement should be requested for duplicate costs.	1/5/2024	6/30/2024	Management is tracking the open items to ensure the Authority receives the proper credits.  <b>OPEN ACTION(S):</b> > JV to credit \$545 for LLG > JV to credit \$3,672 for five (5) consultants.

**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, 2024
<b>In Progress</b>						
23-31	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should determine the most appropriate way to receive the overbilling of \$752 for the unapproved rates.	1/5/2024	6/30/2024	Management is tracking the open items to ensure the Authority receives the proper credits.  <b>OPEN ACTION(S):</b> > JV to credit \$752 for Flatiron Engineering Group
24-02	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should consider charging Fasttrack interest, and the full cost of conducting the audit, in the amounts of \$27,224, and \$34,220, respectively.	12/19/2023	4/30/2024	Management has addressed the recommendation.  Notice of Default issued to FastTrack with deadline of 4.5.24 to submit missing items and pay outstanding invoices. Notice of Termination issued 4.12.24 with termination date of 4.30.24. Collections of outstanding balance will be turned over to Legal.
24-03	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should communicate with Fasttrack the accounts that are considered concessionable and non-concessionable per the Concession Agreement.	12/19/2023	4/30/2024	Management has addressed the recommendation.  Notice of Default issued to FastTrack with deadline of 4/5/24 to submit missing items and pay outstanding invoices. Notice of Termination issued 4.12.24 with termination date of 4.30.24. Collections of outstanding balance will be turned over to Legal.

**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, 2024
<b>In Progress</b>						
24-04	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request the Accounting Department to issue a credit to Fasttrack in the amount of \$11,884 for the overpayment of TFCs during the audit period.	12/19/2023	4/30/2024	Management has addressed the recommendation.  Notice of Default issued to FastTrack with deadline of 4.5.24 to submit missing items and pay outstanding invoices. Notice of Termination issued 4.12.24 with termination date of 4.30.24. Collections of outstanding balance will be turned over to Legal.
24-05	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request Fasttrack to refund car rental customers \$50,957 for the over collection of TFCs.	12/19/2023	4/30/2024	Management has addressed the recommendation.  Notice of Default issued to FastTrack with deadline of 4.5.24 to submit missing items and pay outstanding invoices. Notice of Termination issued 4.12.24 with termination date of 4.30.24. Collections of outstanding balance will be turned over to Legal.
24-12	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should ensure the JV provides adequate documentation prior to paying costs billed.	9/30/2024	9/30/2024	This report was issued near the end of the quarter so no follow-up activity was performed. At the time of the report's issuance, ADC responded that: it is working with the JV to ensure consistent implementation of controls to address this concern.

**Appendix B - Status of Recommendations**

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2024
<b>In Progress</b>						
24-06	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	RG&PD, in addition to monitoring Fasttrack’s compliance with the requirements of the Concession Agreement, should review the security deposit adjustment.	12/19/2023	4/30/2024	Management has addressed the recommendation.  Notice of Default issued to FastTrack with deadline of 4.5.24 to submit missing items and pay outstanding invoices. Notice of Termination issued 4.12.24 with termination date of 4.30.24. Collections of outstanding balance will be turned over to Legal.
24-10	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance  Department: AIRPORT DESIGN & CONSTRUCTION	Low	We recommend ADC seek reimbursement for the audit costs in the amount of \$82,413 from the JV.	4/30/2024	4/30/2024	This report was issued near the end of the quarter so no follow-up activity was performed. At the time of the report’s issuance, ADC responded that: Due to the magnitude of the findings, staff intends to pursue reimbursement of the audit costs as part of the GMP negotiation.



# Fiscal Year 2024 Third Quarter Report from the Office of the Chief Auditor

January 1, 2024, through March 31, 2024

Audit Committee Meeting May 6, 2024

# Agenda

- Performance Measures
- General Audit Activities
  - Recommendation Follow-Up
  - Fraud, Waste, Abuse, & Ethics
  - QAIP
- Audit Spotlight: Terminal and Roadways Project - Insurance

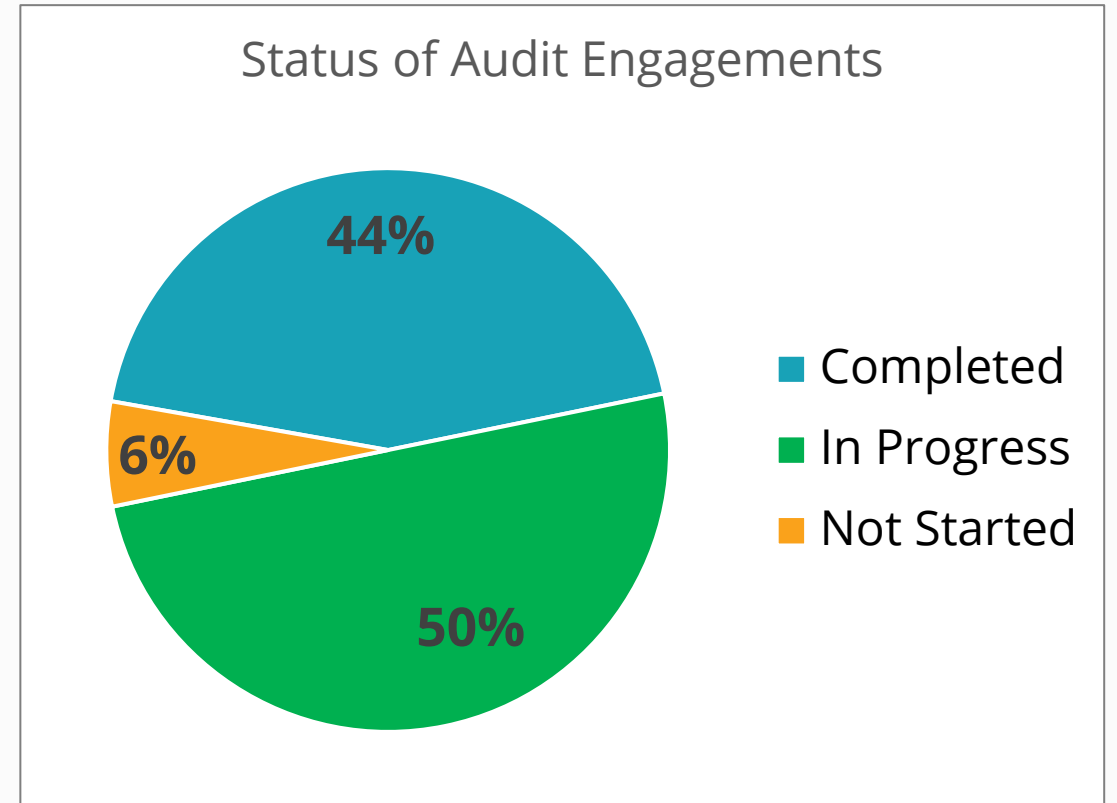
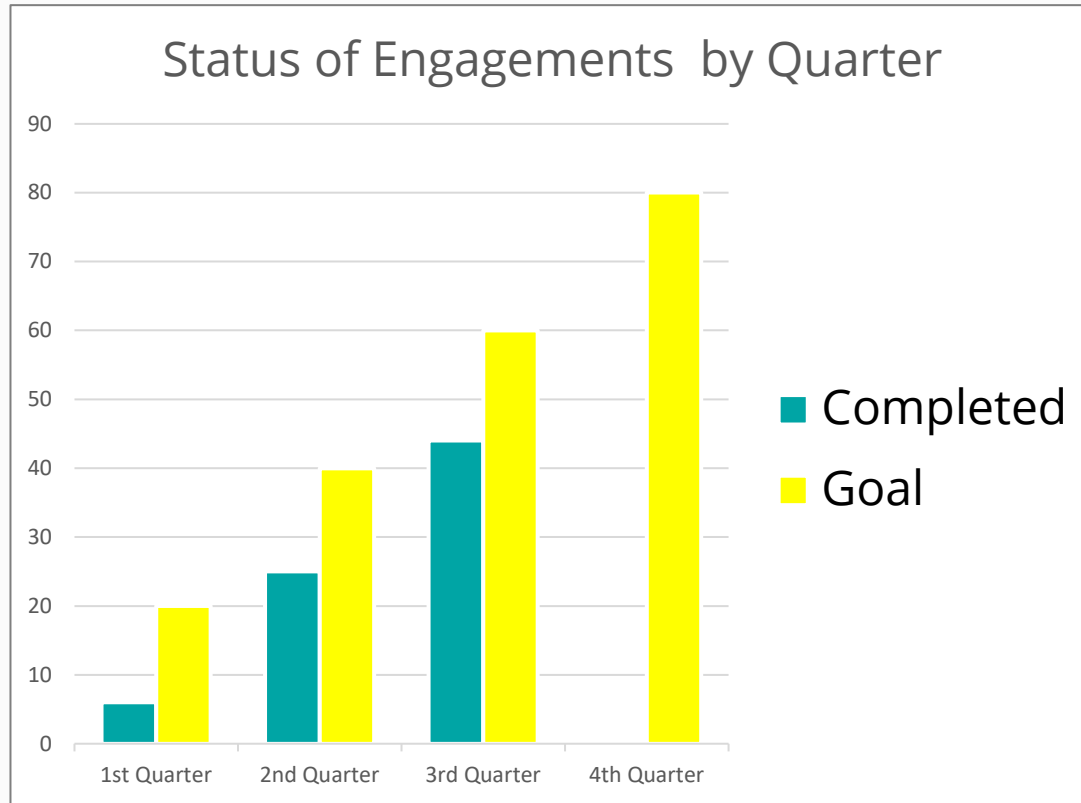


# Fiscal Year 2024 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Customer Satisfaction Rating from Auditee	4.0	4.6	4.0
Percentage of Audit and Consulting Engagements Completed	60%	44%	60%
Percentage of Recommendations Accepted	95%	100%	95%
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	76%	78%	76%
Percentage of Audits and Consulting Engagements Completed within Budget	70%	57%	66%

# Performance Measures - Additional Details

## Percentage of Engagements Completed

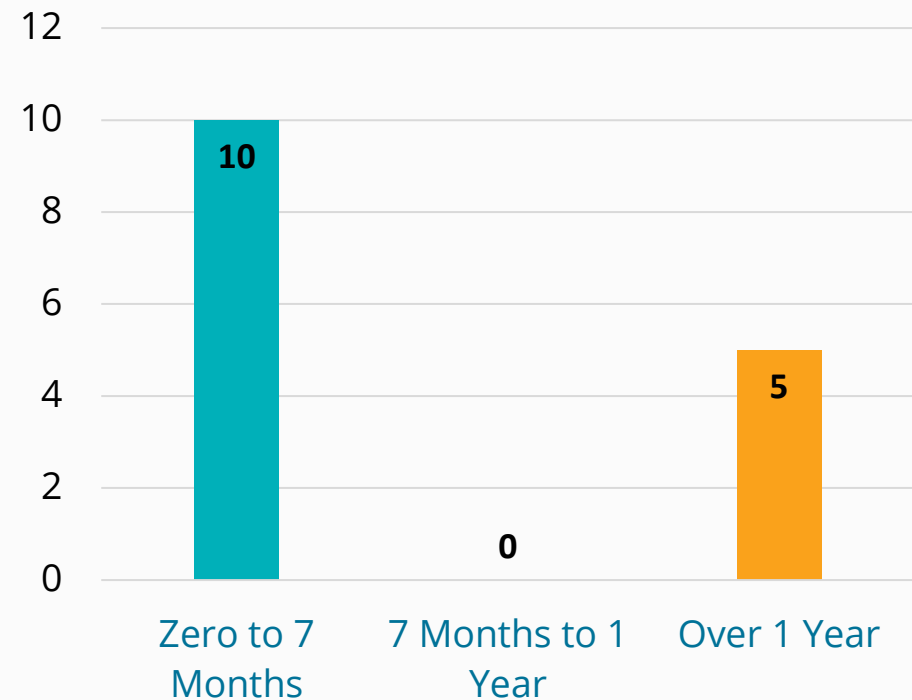


# General Audit Activity - Recommendation Follow-Up

## Recommendation Follow Up

Status as of March 31, 2024			
Completed	In Progress	Not Accepted	Tracked
6*	15**	-	21

## Estimated Implementation Timeframe for In Progress Recommendations



\* 2 recommendations were completed within the initial timeframe identified for implementation.

\*\* 4 recommendations are still within the initial timeframe identified for implementation.

# General Audit Activity - Fraud, Waste, Abuse, & Ethics

Category	Number of Tips / Reports Received as of March 31, 2024	Investigation Initiated by OCA	Tip/Report was Investigated and was Substantiated
Fraud, Waste, Abuse, & Ethics Tips/Reports			
Human Resource, Diversity, and Workplace Respect	1	-	-
Misuse or Misappropriation of Assets	1	1 <sup>1</sup>	-
Total Fraud, Waste, Abuse, & Ethics Tips/Reports	2*	1	-

\* The OCA also received 30 tips/reports that are classified as not Fraud, Waste, Abuse, or Ethics related.

\* The OCA also received 2 questions that did not require investigation by the OCA.

<sup>1</sup> Investigation in process

# General Audit Activities - QAIP

Internal auditing *Standards* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP). The QAIP must include both internal assessments and external assessments.

## Internal Assessments:

- Ongoing Monitoring
- Self Assessments
  - **Results Presented in November 2023**

## External Assessments:

- Required every 5 years by a qualified independent assessor
- Focus is conformance with *Standards*
  - **"Reasonable assurance"**
    - **Highest level achieved**
  - **Results Included as Item 3 on May 6, 2024, Agenda**



# Audit Spotlight - Terminal & Roadways Project Insurance

## Insurance

**Office of the Chief Auditor**  
Terminal and Roadways Project Insurance  
Audit Report No. 23011  
Issue Date: March 14, 2024



**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

**Board Members**  
Gil Cabrera  
Chair  
Whitney Benzian  
Lidia S. Martinez  
Rafael Perez  
Esther C. Sanchez  
Monica Montgomery Steppe  
James Sly  
Steve Vaus  
Marni von Wilpert

**Ex-Officio Board Members**  
Col. Thomas M. Bedell  
Gayle Miller  
Everett Townsend

**President / CEO**  
Kimberly J. Becker

**Audit Committee**  
Gretchen Newsom  
Chair  
Claudia Huerta  
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Rafael Perez  
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Monica Montgomery Steppe  
Steve Vaus  
Agnes Wong Nickerson

**Office of the Chief Auditor**  
Lee Parravano  
Chief Auditor  
Fred Bolger  
Manager,  
Audit Services  
Marnie Dale  
Auditor  
Shane Ellis  
Senior Auditor  
Scott Thein  
Senior Auditor  
Callie Ullman  
Senior Auditor

*Lee Parravano*  
Lee Parravano  
Chief Auditor

## Self Performance

**Office of the Chief Auditor**  
Terminal & Roadways Project  
Self-Performance Work  
Audit Report No. 23014  
Issue Date: February 22, 2024



**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

**Board Members**  
Gil Cabrera  
Chair  
Whitney Benzian  
Lidia S. Martinez  
Rafael Perez  
Esther C. Sanchez  
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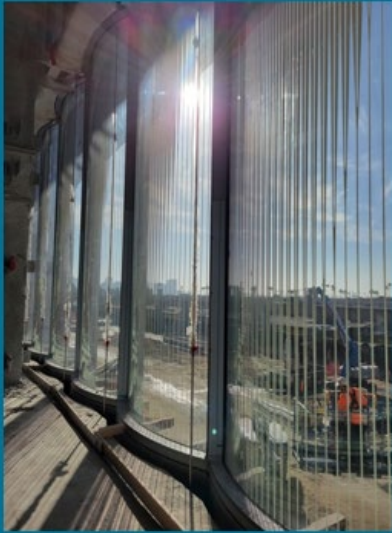
**Office of the Chief Auditor**  
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Senior Auditor

*Lee Parravano*  
Lee Parravano  
Chief Auditor



# Audit Spotlight - Terminal & Roadways Project Insurance

**Office of the Chief Auditor**  
Terminal and Roadways Project Insurance  
Audit Report No. 23011  
Issue Date: December 31, 2023



Lee Parravano  
Chief Auditor

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

**Board Members**  
Gil Cabrera  
Chair  
Mary Castiles Salas  
Lidia S. Martinez  
Paul McManis  
Rafael Perez  
Eduar C. Sanchez  
James Sly  
Marri von Wilpert

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Audit Services  
Marrisa Dale  
Auditor  
Shane Ellis  
Senior Auditor  
Scott Thwin  
Senior Auditor  
Caleb Uelman  
Senior Auditor  
Suzanne Clincock  
Executive Assistant

## Background

The Contract requires the JV to obtain insurance and specifies that:

1. Reimbursable costs are limited to premiums
2. Other unspecified costs are allowable only if written prior approval is obtained
3. Insurance deductibles are non-reimbursable

OCIP in place November 19, 2021

Approx \$11.4M of insurance was paid during audit period

# Audit Spotlight - Terminal & Roadways

## Project Insurance

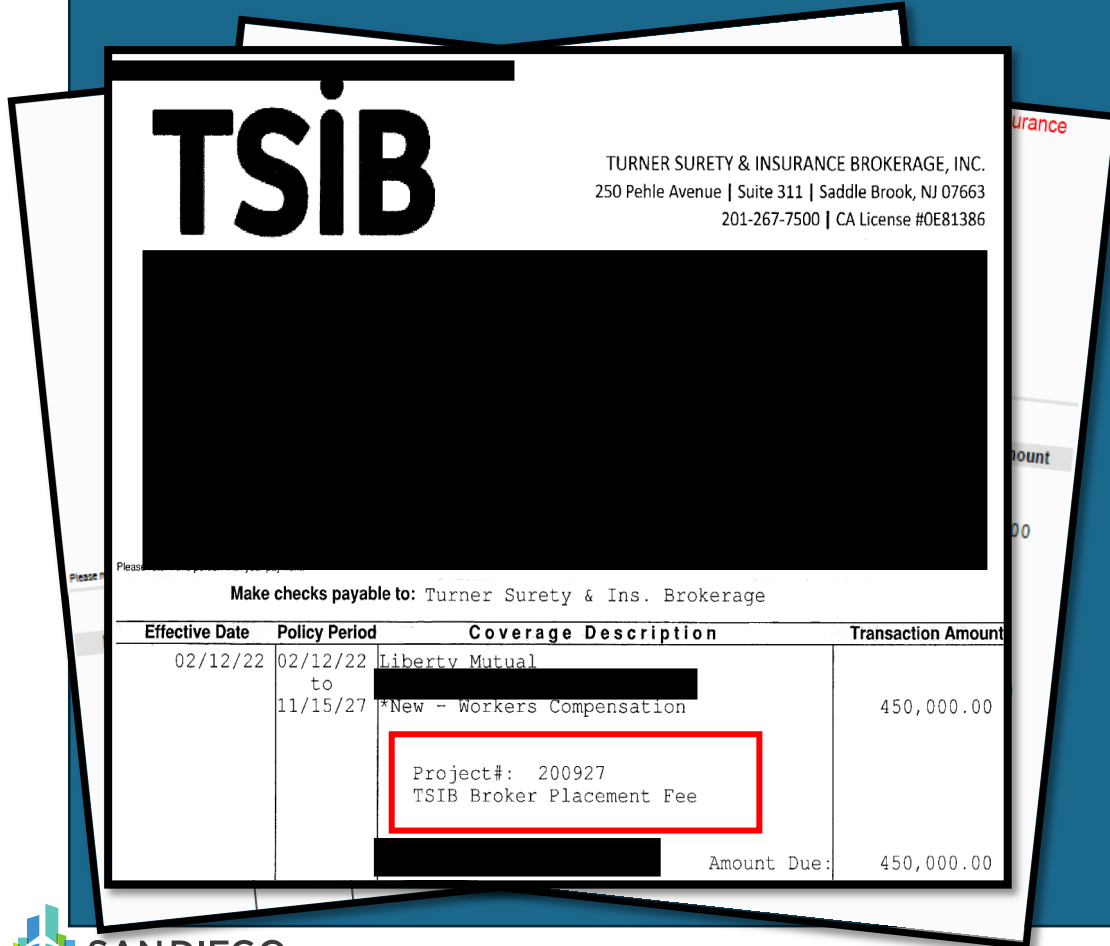


### Objective

Determine if:

1. The JV obtained the insurance coverage required
2. Insurance costs were
  - a) Supported
  - b) Accurate
  - c) Allowable

# Audit Spotlight - Terminal & Roadways Project Insurance



## Finding #1

The Authority was incorrectly charged:

1. \$990,000 for Placement Fees
2. \$300,000 for workers comp. deductible

**Total of \$1,290,000**

\*\*\* Audit Fees of \$82,413 may also be assessed due to overcharges

# Audit Spotlight - Terminal & Roadways

## Project Insurance

### Finding #2



#### Background

Project is part of a Master Rolling Insurance Program for General Liability, Excess Liability and Workers Comp that is administered by the JV.

- Master Rolling Insurance Program costs billed are based on an allocation of total Turner insurance costs.
- \$2.6M in insurance costs were attributable to the Master Rolling Insurance Program.
- OCIP went into place November 19, 2021.

# Audit Spotlight - Terminal & Roadways Project Insurance

## Finding #2 Continued

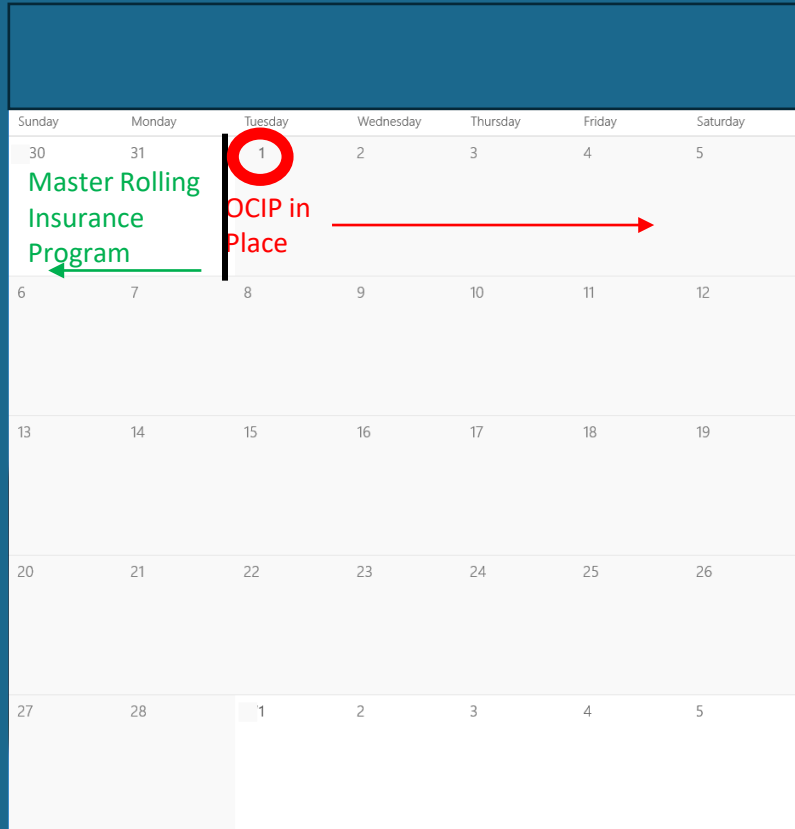


### Insufficient documentation

Supporting documentation for \$2.6M was insufficient at time of reimbursement request.

- A. OCA received additional backup
  - i. \$1.7M was confirmed from a third party
  - ii. \$0.9M the OCA was unable to verify allocation amounts → No Opinion from OCA on \$.9M

# Audit Spotlight - Terminal & Roadways Project Insurance



## Finding #2 Continued

### Duplicate Coverages / Incorrect Billings

- A. \$144,915 for Administration Fees
- B. \$1,244,855 for insurance coverage after OCIP
- C. \$4,216 for insurance coverage after CCIP
- D. (\$31,513) for premiums owed to JV that were never billed
- E. (\$370,363) credit received from JV based on JVs examination

**Net of \$992,110 Due to Authority for Duplicate/Incorrect Billings**

# Audit Spotlight - Terminal & Roadways

## Project Insurance



### Conclusion

1. The JV obtained the insurance coverage required.
2. We identified areas for improvement surrounding the allowability and accuracy of insurance costs billed and the related supporting documentation.

A large commercial airplane is flying in the upper left quadrant of the frame against a sky filled with soft, pinkish-orange clouds. Below the plane, a city skyline is visible, featuring numerous high-rise buildings. In the foreground, there is a body of water and a line of green trees. The overall scene is captured during the "golden hour" of sunset.

# Questions?



## Audit Committee Report

**Meeting Date: May 6, 2024**

**Subject:**

**Revision to the Fiscal Year 2024 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 5, 2023, per Board Resolution No. 2023-0086, 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 the 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 Audit Plan for Fiscal Year 2024 was initially accepted by the Audit Committee during its May 8, 2023, meeting, and was subsequently approved on June 1, 2023, by Board Resolution No. 2023-0041.

During the first quarter of Fiscal Year 2024 a review of the Audit Plan was undertaken by the OCA and a revision was requested to precisely account for the audits that carried over from Fiscal Year 2023 and to adjust the allocation of audit hours to reflect the OCAs operational requirements. The revision to the Fiscal Year 2024 Audit Plan was approved by the Board on December 7, 2023, by Resolution No. 2023-0100.

Meeting Date: May 6, 2024

During the second quarter of Fiscal Year 2024 a revision to the Fiscal Year 2024 Audit Plan was requested to add and remove audits due to operational requirements. The second revision to the Fiscal Year 2024 Audit Plan was approved by the Board on March 7, 2024, by Resolution No. 2024-0021.

Upon continued appraising of the operational requirements within the Authority and the OCA, a revision to the Fiscal Year 2024 Audit Plan is requested; and includes:

- Add an audit of Tenant Lease Administration and Management – 2% Surcharge.
- Distribute the unallocated time listed as “To Be Determined – Construction” toward the newly added audit above.
- Reduce the time listed for Tenant Lease Administration and Management – ABRM. This audit is expected to carry forward to Fiscal Year 2025 and the OCA will not utilize all the planned hours in Fiscal Year 2024.

Staff requests that the Audit Committee accept the proposed revision to the Audit Plan and forward it to the Board for subsequent approval. The proposed revision to the Fiscal Year 2024 Audit Plan is provided as Attachment A. The Fiscal Year 2024 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 2024 and conceptually approved budget for Fiscal Year 2025 have been sufficiently funded to meet the allotted budget requirements for the proposed revision to the Fiscal Year 2024 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 2024  
Proposed Audit Plan May 6, 2024

ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
<b>Audit Hours</b>				
Tenant Lease Administration and Management <sup>2</sup>	To determine if fiscal year 2023 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for Airport Rental Car Companies.	348	-	348
Turner-Flatiron Self Perform Work <sup>2</sup>	To determine if work self-performed by Turner-Flatiron complies with the agreement. <sup>3</sup>	204	-	204
Harbor Police Contract Mgmt. <sup>2</sup>	To determine if selected Harbor Police costs and services are appropriate and equitable for the fiscal years 2018, 2019, and 2020.	100	-	100
Employee Benefits <sup>2</sup>	To determine if employee payroll deductions are administered appropriately.	250	-	250
Accounts Payable <sup>2</sup>	To determine if the controls for Paymode X are appropriate.	200	-	200
Contractor Monitoring <sup>2</sup>	To determine if the construction of the new administration building is properly managed.	40	-	40
Turner-Flatiron Insurance <sup>2</sup>	To determine if insurance billed is appropriate and complies with the agreement. <sup>3</sup>	250	-	250
Tenant Lease Administration and Management	To determine if fiscal year 2024 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for Airport rental car companies. <sup>4</sup>	500	-	500
Tenant Lease Administration and Management	To determine in terminal concessionaires are complying with selected elements of their contracts.	550	-	550
Tenant Lease Administration and Management	To determine if appropriate internal controls in the property management software (ABRM) are appropriate and if data is accurate. <sup>4</sup>	550	(150)	400
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450	-	450
Tenant Lease Administration and Management	To determine if Budget Rent a Car accurately paid concessions and Customer Facility Charges (CFC).	250	-	250

<sup>1</sup> Objective may change based on the preliminary survey performed by the OCA.

<sup>2</sup> Audit activity has been carried forward from fiscal year 2023.

<sup>3</sup> This audit is being performed in partnership with the external construction audit firm, Baker Tilly. The hours listed are the hours for OCA staff only and do not include the hours for Baker Tilly.

<sup>4</sup> Audit activity is planned to occur in both fiscal year 2024 and 2025. Activity is anticipated to be completed in fiscal year 2025.

Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan May 6, 2024

ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
Tenant Lease Administration and Management	To determine if Fast Track Rent a Car accurately paid concessions and Transportation Facility Charges (TFC).	350	-	350
Small Business Management	To determine if Small Business Management is managed appropriately.	550	-	550
Tenant Lease Administration and Management	To determine if Fox Rent a Car accurately paid concessions and Customer Facility Charges (CFC).	650	-	650
Tenant Lease Administration and Management	To determine if High Flying Foods accurately paid rent based on Gross Receipts related concessions in Package 7.	600	-	600
Tenant Lease Administration and Management	To determine if the food and beverage concessionaire 2% surcharge is administered appropriately.	-	460	460
To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	310	(310)	-
<b>Total Audit Hours</b>		<b>6,152</b>	-	<b>6,152</b>
<b>Consulting Hours</b>				
Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract.	200	-	200
<b>Total Consulting Hours</b>		<b>200</b>	-	<b>200</b>

Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan May 6, 2024

ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
<b>General Audit Hours</b>				
Risk Assessment and Audit Plan <sup>5</sup>	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	252	-	252
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	-	380
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed.	20	-	20
Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200	-	200
Ethics Program <sup>5</sup>	To review ethics policies, perform training, and investigate reported incidents.	300	-	300
Recommendation Follow-up <sup>5</sup>	To verify that internal and external audit recommendations have been implemented as intended.	160	-	160
Quality Assurance & Improvement Program <sup>5</sup>	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	350	-	350
	<b>Total General Audit Hours</b>	<b>1,662</b>	-	<b>1,662</b>
<b>Administrative Hours</b>				
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,290	-	2,290
Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,176	-	2,176
	<b>Total Administrative Hours</b>	<b>4,466</b>	-	<b>4,466</b>
	<b>Total Hours</b>	<b>12,480</b>	-	<b>12,480</b>

<sup>5</sup> Required activity in the Charter for the Office of the Chief Auditor or Charter of the Audit Committee.

Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan May 6, 2024

ATTACHMENT A

Key Work Activity	Objective <sup>6</sup>	Prior Estimated Hours	Change Requested	Revised Hours
<b>Contingent Audit Hours</b>				
Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for a selected Airport Rental Car Company.	400	-	400
Diversity & Inclusion	To determine if the Diversity & Inclusion Program is accurately tracking metrics and best practices.	500	-	500
Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450	-	450
Accounts Payable	To determine if the controls related to the Accounts Payable automated payment files are appropriate.	450	-	450
Tenant Lease Administration and Management	To determine if the food and beverage concessionaire surcharge is administered appropriately.	450	(450)	-
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650	-	650
Tenant Lease Administration and Management	To determine if airport lounge concession contracts are administered appropriately.	500	-	500
Asset Management	To determine if computer imaging is administered appropriately.	500	-	500
Parking Management Contract Administration	To determine if Dynamic Pricing is being managed appropriately.	550	-	550
TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475	-	475
Curfew Violations	To determine if curfew violations are administered appropriately.	450	-	450
Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525	-	525
Advertising	To determine if the concessions marketing program is managed appropriately.	500	-	500
Parking Management Contract Administration	To determine if the close out process for parking management contract is administered appropriately.	600	-	600

<sup>6</sup> Objective may change based on the preliminary survey performed by the OCA.

Office of the Chief Auditor  
 Fiscal Year 2024  
 Proposed Audit Plan May 6, 2024

ATTACHMENT A

Key Work Activity	Objective <sup>7</sup>	Prior Estimated Hours	Change Requested	Revised Hours
<b>Contingent Audit Hours</b>				
ARFF Management	To determine if costs included in ARFF billings are appropriate.	500	-	500
Air Service Management	To determine if fuel rights are administered appropriately.	500	-	500
Tenant Lease Administration and Management	To determine the operations of a new SDIA Rental Car Company Agreement holder.	400	-	400
	<b>Total Contingent Audit Hours</b>	<b>8,400</b>	<b>(450)</b>	<b>7,950</b>

<sup>7</sup> Objective may change based on the preliminary survey performed by the OCA.



Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan May 6, 2024

ATTACHMENT B

Key Work Activity	Objective <sup>1</sup>	Revised Hours
<b>Audit Hours</b>		
Tenant Lease Administration and Management <sup>2</sup>	To determine if fiscal year 2023 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for Airport Rental Car Companies.	348
Turner-Flatiron Self Perform Work <sup>2</sup>	To determine if work self-performed by Turner-Flatiron complies with the agreement. <sup>3</sup>	204
Harbor Police Contract Mgmt. <sup>2</sup>	To determine if selected Harbor Police costs and services are appropriate and equitable for the fiscal years 2018, 2019, and 2020.	100
Employee Benefits <sup>2</sup>	To determine if employee payroll deductions are administered appropriately.	250
Accounts Payable <sup>2</sup>	To determine if the controls for Paymode X are appropriate.	200
Contractor Monitoring <sup>2</sup>	To determine if the construction of the new administration building is properly managed.	40
Turner-Flatiron Insurance <sup>2</sup>	To determine if insurance billed is appropriate and complies with the agreement. <sup>3</sup>	250
Tenant Lease Administration and Management	To determine if fiscal year 2024 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for Airport rental car companies. <sup>4</sup>	500
Tenant Lease Administration and Management	To determine in terminal concessionaires are complying with selected elements of their contracts.	550
Tenant Lease Administration and Management	To determine if appropriate internal controls in the property management software (ABRM) are appropriate and if data is accurate. <sup>4</sup>	400
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450
Tenant Lease Administration and Management	To determine if Budget Rent a Car accurately paid concessions and Customer Facility Charges (CFC).	250
Tenant Lease Administration and Management	To determine if Fast Track Rent a Car accurately paid concessions and Transportation Facility Charges (TFC).	350

<sup>1</sup> Objective may change based on the preliminary survey performed by the OCA.

<sup>2</sup> Audit activity has been carried forward from fiscal year 2023.

<sup>3</sup> This audit is being performed in partnership with the external construction audit firm, Baker Tilly. The hours listed are the hours for OCA staff only and do not include the hours for Baker Tilly.

<sup>4</sup> Audit activity is planned to occur in both fiscal year 2024 and 2025. Activity is anticipated to be completed in fiscal year 2025.

Office of the Chief Auditor  
 Fiscal Year 2024  
 Proposed Audit Plan May 6, 2024

ATTACHMENT B

Key Work Activity	Objective <sup>1</sup>	Revised Hours
Small Business Management	To determine if Small Business Management is managed appropriately.	550
Tenant Lease Administration and Management	To determine if Fox Rent a Car accurately paid concessions and Customer Facility Charges (CFC).	650
Tenant Lease Administration and Management	To determine if High Flying Foods accurately paid rent based on Gross Receipts related concessions in package 7.	600
Tenant Lease Administration and Management	To determine if the food and beverage concessionaire 2% surcharge is administered appropriately.	460
	<b>Total Audit Hours</b>	<b>6,152</b>
<b>Consulting Hours</b>		
Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract.	200
	<b>Total Consulting Hours</b>	<b>200</b>

Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan May 6, 2024

ATTACHMENT B

Key Work Activity	Objective <sup>1</sup>	Revised Hours
<b>General Audit Hours</b>		
Risk Assessment and Audit Plan <sup>5</sup>	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	252
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
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed.	20
Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200
Ethics Program <sup>5</sup>	To review ethics policies, perform training, and investigate reported incidents.	300
Recommendation Follow-up <sup>5</sup>	To verify that internal and external audit recommendations have been implemented as intended.	160
Quality Assurance & Improvement Program <sup>5</sup>	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	350
	<b>Total General Audit Hours</b>	<b>1,662</b>
<b>Administrative Hours</b>		
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,290
Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,176
	<b>Total Administrative Hours</b>	<b>4,466</b>
	<b>Total Hours</b>	<b>12,480</b>

<sup>5</sup> Required activity in the Charter for the Office of the Chief Auditor or Charter of the Audit Committee.

Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan May 6, 2024

ATTACHMENT B

Key Work Activity	Objective <sup>6</sup>	Revised Hours
<b>Contingent Audit Hours</b>		
Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for a selected Airport Rental Car Company.	400
Diversity & Inclusion	To determine if the Diversity & Inclusion Program is accurately tracking metrics and best practices.	500
Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450
Accounts Payable	To determine if the controls related to the Accounts Payable automated payment files are appropriate.	450
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
Tenant Lease Administration and Management	To determine if airport lounge concession contracts are administered appropriately.	500
Asset Management	To determine if computer imaging is administered appropriately.	500
Parking Management Contract Administration	To determine if Dynamic Pricing is being managed appropriately.	550
TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475
Curfew Violations	To determine if curfew violations are administered appropriately.	450
Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525
Advertising	To determine if the concessions marketing program is managed appropriately.	500
Parking Management Contract Administration	To determine if the close out process for parking management contract is administered appropriately.	600
ARFF Management	To determine if costs included in ARFF billings are appropriate.	500
Air Service Management	To determine if fuel rights are administered appropriately.	500
Tenant Lease Administration and Management	To determine the operations of a new SDIA Rental Car Company Agreement holder.	400
<b>Total Contingent Audit Hours</b>		<b>7,950</b>

<sup>6</sup> Objective may change based on the preliminary survey performed by the OCA.

# Revision to the Fiscal Year 2024 Audit Plan of the Office of the Chief Auditor

Audit Committee Meeting May 6, 2024

# Reasons for Revision

Description	Hours
Tenant Lease Administration and Management – 2% Surcharge*	460
<b>Total</b>	<b>460</b>

\* Was a Contingent Audit on FY 2024 Audit Plan

Description	Hours
Tenant Lease Administration and Management – ABRM	(150)
To Be Determined - Construction	(310)
<b>Total</b>	<b>(460)</b>

Questions?

## Audit Committee Report

**Meeting Date: May 6, 2024**

**Subject:**

**Risk Assessment and Proposed Fiscal Year 2025 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 subsequent to the Committee review and acceptance, sent to the San Diego County Regional Airport Authority Board for approval.

The Fiscal Year 2025 Proposed Audit Plan was prepared by the OCA based on the following elements: a comprehensive Risk Assessment; input from the Board Members and Audit Committee Members; input from Authority management; and the review of staff resources available. Details on the Risk Assessment methodology are included in Attachment A.

The proposed OCA Fiscal Year 2025 Audit Plan (Attachment 1) will be presented during the regularly scheduled meeting of the Audit Committee on May 6, 2024. The Fiscal Year 2025 Audit Plan, and any subsequent revisions, require five (5) affirmative votes of the Audit Committee prior to Board approval.

**Fiscal Impact:**

A proposed Fiscal Year 2025 Operating Budget for the OCA to execute the Fiscal Year 2025 Audit Plan is \$1,490,000. In addition, the OCA will continue to augment its staff for audit work pertaining to the New T1 by utilizing the consulting services of a professional on-call construction audit service provider with expertise in large construction projects. The estimated cost for New T1 construction auditing is approximately \$1,500,000 over a seven-year period and is funded from the Airport Development Program capital budget. The proposed budget for New T1 construction auditing is \$300,000 in Fiscal Year 2025.



## 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.

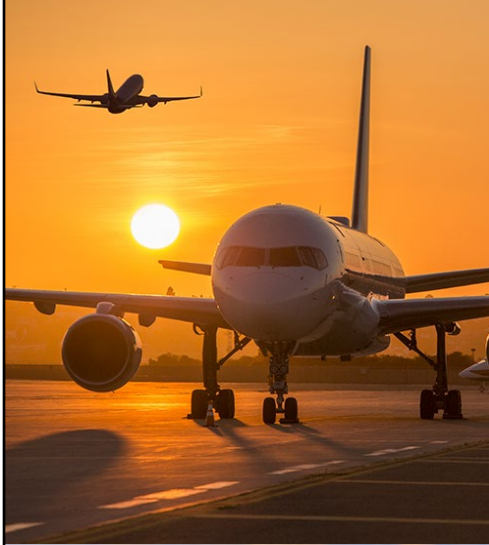
### Application of Inclusionary Policies:

Not Applicable

### Prepared by:

Lee M. Parravano  
Chief Auditor

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY



# Risk Assessment and Proposed Fiscal Year 2025 Audit Plan

Office of the Chief Auditor  
May 6, 2024

## Office of the Chief Auditor

### Risk Assessment and Proposed Fiscal Year 2025 Audit Plan

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#### 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 OCA Audit Plan for Fiscal Year 2025. 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 2025 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

After the framework is adopted, the next step is to define the audit universe. The audit universe is a listing of all the potential audits that can be performed for the Authority. The list of potential audits is created by surveying Authority management and asking them to provide a list of all the Key Work Activities within their specific departments. 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.

For the New Terminal 1 Development (New T1), in Fiscal Year 2022 the OCA began a multi-year partnership with an on-call construction audit service provider (Baker Tilly, U.S., LLP) to audit the related construction activities. Baker Tilly is performing individual Risk Assessments

## Office of the Chief Auditor

### Risk Assessment and Proposed Fiscal Year 2025 Audit Plan

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on each specific package of the New T1. Internal auditing *Standards* require the OCA to ensure proper coverage and minimize the duplication of effort. Therefore, in compliance with the *Standards*, the OCA is utilizing Baker Tilly's individualized risk assessments to prioritize potential construction audit activities based on the level of risk. Key Work Activities for the Development Division in charge of the New T1 were excluded from this assessment.

#### IDENTIFYING AND RANKING RISKS

The next step is to identify and rank major risks associated with each Key Work Activity. To achieve this, a management questionnaire that was developed by the OCA 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.

**Table 1**

Risk Factor	Description
<b>Likelihood</b>	
Complexity of Operations or Regulations	What is the <b>likelihood</b> of something going wrong due to the complexity of this Key Work Activity?
Change / Stability	What is the <b>likelihood</b> 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?
<b>Impact</b>	
Fiscal Impact	What is the dollar <b>impact</b> if something were to go wrong with this Key Work Activity?
Travel Experience Impact	How would a traveler be <b>impacted</b> if something were to go wrong with this Key Work Activity?
Strategic / Operational Impact	How would the Authority's Strategic Objectives be <b>impacted</b> if something were to go wrong with this Key Work Activity?
Reputation	How would the Authority's reputation be <b>impacted</b> if something were to go wrong with this Key Work Activity?

Management scored the level of risk/control on each of their department's Key Work Activities 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**.

## Office of the Chief Auditor

### Risk Assessment and Proposed Fiscal Year 2025 Audit Plan

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#### 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 the results of previous audits/ consulting engagements/ risk assessments. 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 Authority 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 these factors. The proposed Fiscal Year 2025 Audit Plan is included as **Attachment 1**.

#### **AUDIT RESOURCES**

The Audit Plan is highly dependent upon the nature of the risks identified and the availability of internal audit resources. Such availability becomes identified through the budgeting process and examination of audit resources. The Fiscal Year 2025 budget for the OCA includes six full-time auditors and one executive assistant. Currently, the executive assistant position is vacant. 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	Staff	Hours per Staff	Hours Available
Full Time Auditors	6	2,080	12,480
Hours for Fiscal Year 2025 Audit Plan			<b>12,480</b>

Actual hours incurred will be monitored for the purpose of budgeting future audit activities. In the event 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.

Fiscal Year 2025 resources also include the OCAs continuing partnership with the outside construction auditing firm, Baker Tilly. Baker Tilly will assist the OCA in conducting audit construction activities related to the New T1. The OCA plans to utilize Baker Tilly to supplement current staff capabilities and the Proposed Audit Plan in Attachment 1. Audits conducted by Baker Tilly are based on Risk Assessments performed and will only occur after

## Office of the Chief Auditor

### Risk Assessment and Proposed Fiscal Year 2025 Audit Plan

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the OCA has approved the scope and associated costs. The OCAs proposed construction auditing costs for the Fiscal Year 2025 capital budget includes approximately \$300,000 to perform audits related to the New T1.

#### **CONTINGENT AUDIT ACTIVITIES**

The OCA has also included contingent audit activities for the Proposed Fiscal Year 2025 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 2025, they will be considered when developing the Fiscal Year 2026 Audit Plan. Contingent audit activities are included as **Attachment 2**.

To provide flexibility, the Chief Auditor may request to 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 revisions that have the potential for significant financial savings and issues of integrity in the workplace. The Board must approve any amendment, which requires five (5) affirmative votes of the Audit Committee prior to Board approval.

Division	Key Work Activity	Objective <sup>1</sup>	Estimated Hours
<b>Audit Hours</b>			
Revenue Generation and Partnership Development	Tenant Lease Administration and Management <sup>2</sup>	To determine if fiscal year 2024 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for Airport Rental Car Companies. <i>Audit Engagement #24005</i>	300
Revenue Generation and Partnership Development	Tenant Lease Administration and Management <sup>2</sup>	To determine if appropriate internal controls in the property management software (ABRM) are appropriate. <i>Audit Engagement #24008</i>	500
Revenue Generation and Partnership Development	Tenant Lease Administration and Management	To determine if data is accurate in the property management software (ABRM). <i>Audit Engagement #25001</i>	500
Revenue Generation and Partnership Development	Tenant Lease Administration and Management	To determine if Sixt Rent a Car accurately paid concessions and Customer Facility Charges (CFC). <i>Audit Engagement #25002</i>	450
Revenue Generation and Partnership Development	Tenant Lease Administration and Management	To determine if Enterprise Rent a Car accurately paid concessions and Transportation Facility Charges (TFC). <i>Audit Engagement #25003</i>	350
Revenue Generation and Partnership Development	Tenant Lease Administration and Management <sup>3</sup>	To determine if fiscal year 2025 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for Airport rental car companies. <i>Audit Engagement #25004</i>	350
Finance	System Security	To evaluate the Authority's security posture by performing testing of the Aviation Security and Public Safety's system. <i>Audit Engagement #25005</i>	300
Operations	Harbor Police Contract Mgmt.	To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2022 and 2023. <i>Audit Engagement #25006</i>	550
Operations	ARFF Management	To determine if costs included in ARFF billings are appropriate. <i>Audit Engagement #25007</i>	500

<sup>1</sup> Objective may change based on the preliminary survey performed by the OCA.

<sup>2</sup> Audit activity has been carried forward from fiscal year 2024.

<sup>3</sup> Audit activity will continue into fiscal year 2025.

Office of the Chief Auditor  
Proposed Fiscal Year 2025 Audit Plan

ATTACHMENT 1

Division	Key Work Activity	Objective <sup>1</sup>	Estimated Hours
Finance	Accounts Payable <sup>3</sup>	To determine if the controls related to the Accounts Payable automated payment files are appropriate. <i>Audit Engagement #25008</i>	100
Operations	Parking Management Contract Administration	To determine if the parking management contract is administered appropriately. <i>Audit Engagement #25009</i>	600
Revenue Generation and Partnership Development	Tenant Lease Administration and Management	To determine if Hertz Rent a Car accurately paid concessions and Customer Facility Charges (CFC). <i>Audit Engagement #25010</i>	300
Development	To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	600
N/A	To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	551
<b>Total Audit Hours</b>			<b>5,951</b>
<b>Consulting Hours</b>			
Operations / Finance	Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract. <i>Consulting Engagement #24011-C</i>	200
Revenue Generation and Partnership Development	Tenant Lease Administration and Management	To provide management assistance with a new Rent a Car Company related to reporting and payment of concession fees and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC). <i>Consulting Engagement #24012-C</i>	50
<b>Total Consulting Hours</b>			<b>250</b>



Division	Key Work Activity	Objective <sup>1</sup>	Estimated Hours
<b>General Audit Hours</b>			
N/A	Risk Assessment and Audit Plan <sup>4</sup>	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	252
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.	300
N/A	Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200
N/A	Ethics Program <sup>4</sup>	To review ethics policies, perform training, and investigate reported incidents.	450
N/A	Recommendation Follow-up <sup>4</sup>	To verify that internal and external audit recommendations have been implemented as intended.	160
N/A	Quality Assurance & Improvement Program <sup>4</sup>	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	380
		<b>Total General Audit Hours</b>	<b>1,742</b>
<b>Administrative Hours</b>			
N/A	Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,361
N/A	Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,176
		<b>Total Administrative Hours</b>	<b>4,537</b>
		<b>Total Hours</b>	<b>12,480</b>

<sup>4</sup> Required activity in the Charter for the Office of the Chief Auditor or Charter of the Audit Committee.

Office of the Chief Auditor  
Fiscal Year 2025 Contingent Audit Activities

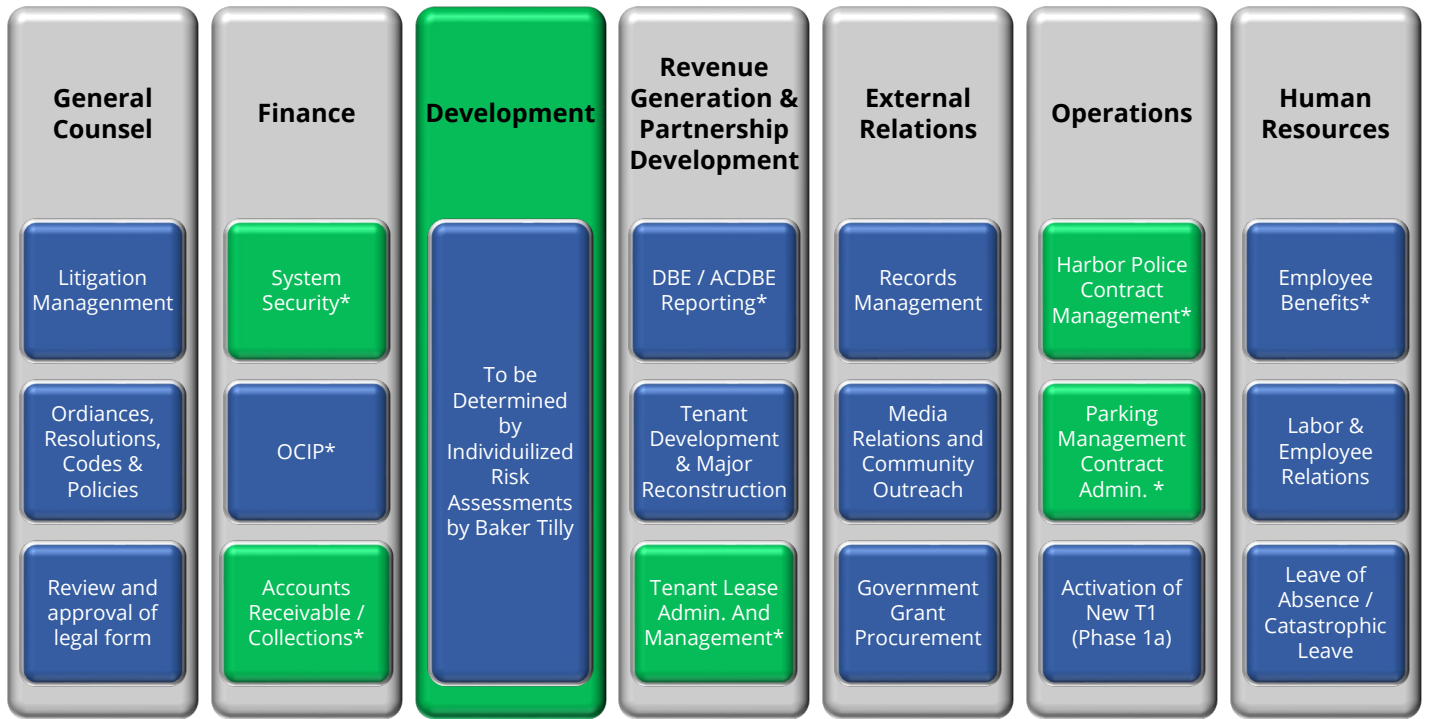
ATTACHMENT 2

Division	Key Work Activity	Objective <sup>5</sup>	Estimated Hours
Revenue Generation and Partnership Development	Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for a selected Airport Rental Car Company.	400
Operations	Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
Revenue Generation and Partnership Development	Tenant Lease Administration and Management	To determine if the close out process for in terminal concession contracts are administered appropriately.	600
Operations	Parking Management Contract Administration	To determine if Dynamic Pricing is being managed appropriately.	550
Operations	TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475
Talent, Culture & Capability	Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525
Revenue Generation and Partnership Development	Advertising	To determine if the concessions marketing program is managed appropriately.	500
Operations	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.	500
Revenue Generation and Partnership Development	Tenant Lease Administration and Management	To determine the operations of a new SDIA Rental Car Company Agreement holder.	400

<sup>5</sup> Objective may change based on the preliminary survey performed by the OCA.

Office of the Chief Auditor  
Fiscal Year 2025 Contingent Audit Activities

Division	Key Work Activity	Objective	Estimated Hours
Finance	P Card Administration	To determine if the Authority's P Cards are administered appropriately.	500
Operations	Contract Security Personnel Management	To determine if the contract for the Authority's security personnel is administered appropriately.	550
Operations	Runway Maintenance	To determine if the contract for airfield paving is administered appropriately.	500
Revenue Generation and Partnership Development	Tenant Lease Administration and Management	To determine if the contract for advertising is administered appropriately.	500
		<b>Total Contingent Audit Hours</b>	<b>6,650</b>



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

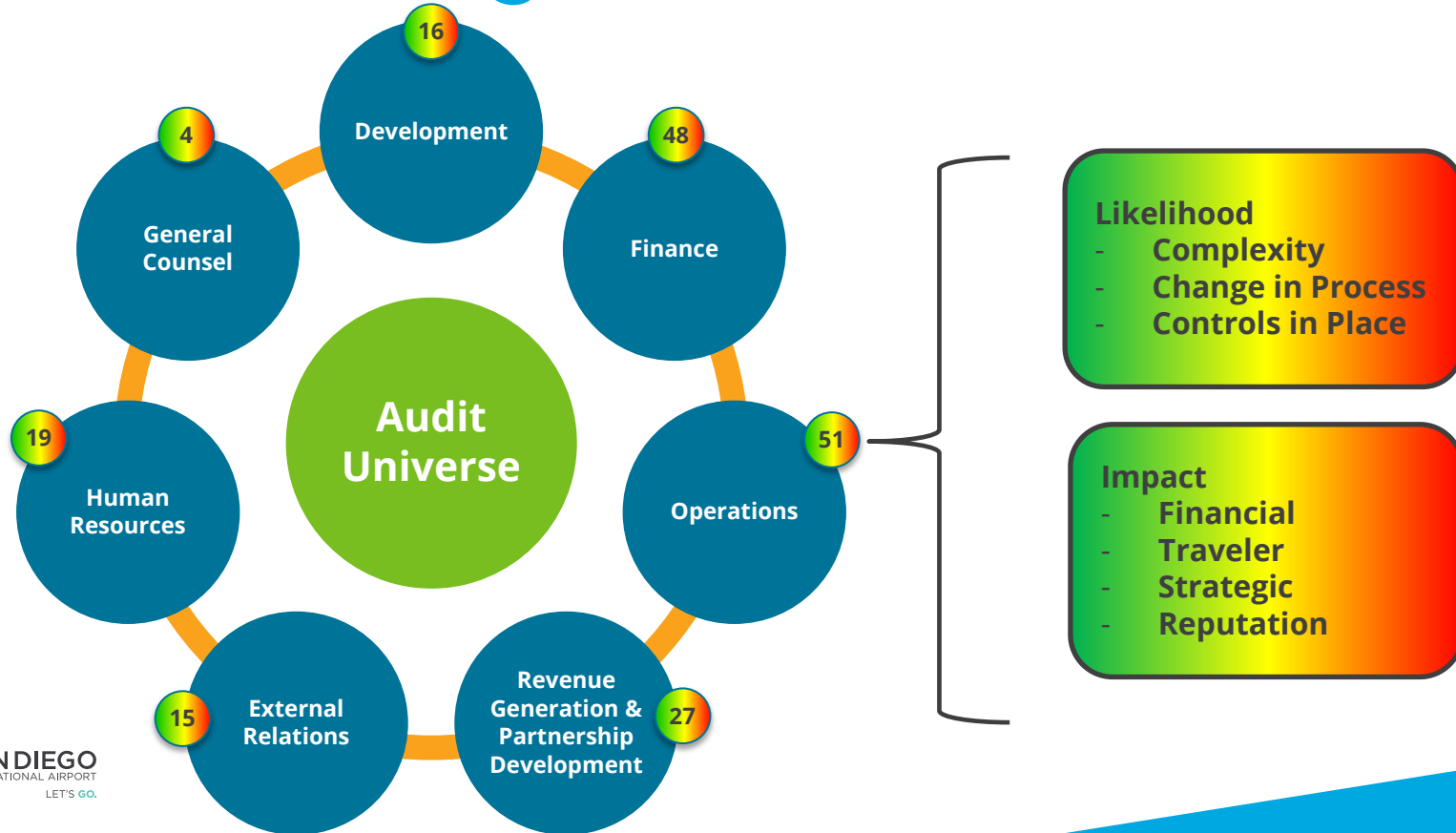
Indicates this Key Work Activity or components of this Key Work Activity are included in the Fiscal Year 2025 Audit Plan.

# Risk Assessment and Proposed Fiscal Year 2025 Audit Plan of the Office of the Chief Auditor

# Defining the Audit Universe



# Defining the Audit Universe



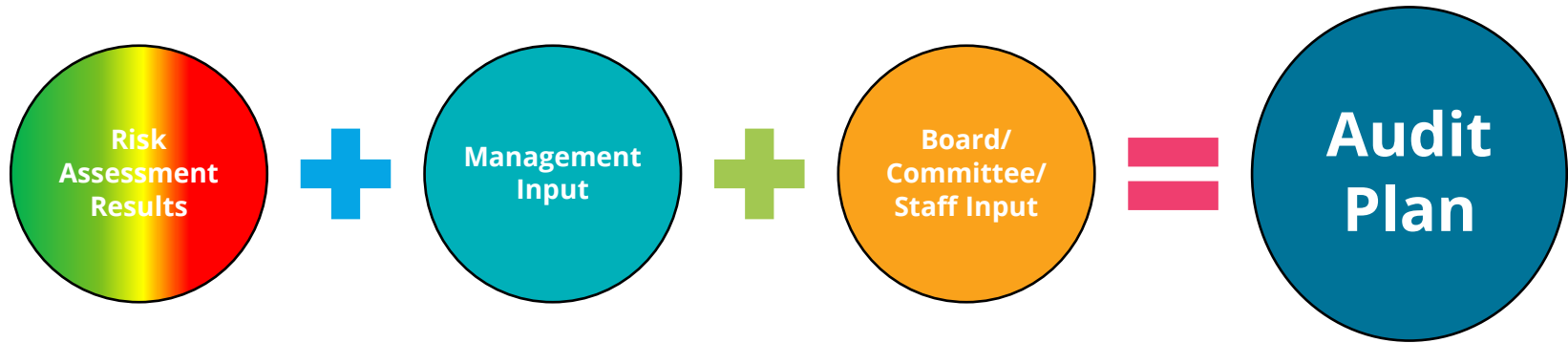
# Interpreting the Risk Assessment Results

Key Work Activity	Assessment Likelihood	Assessment Impact
Records Management	Medium	Low
Social Media	Low to Medium	Low to Medium
Maintain Authority Agreements, Contracts, and Leases	Medium	Low
Manage Conflict of Interests Filings	Medium	Low



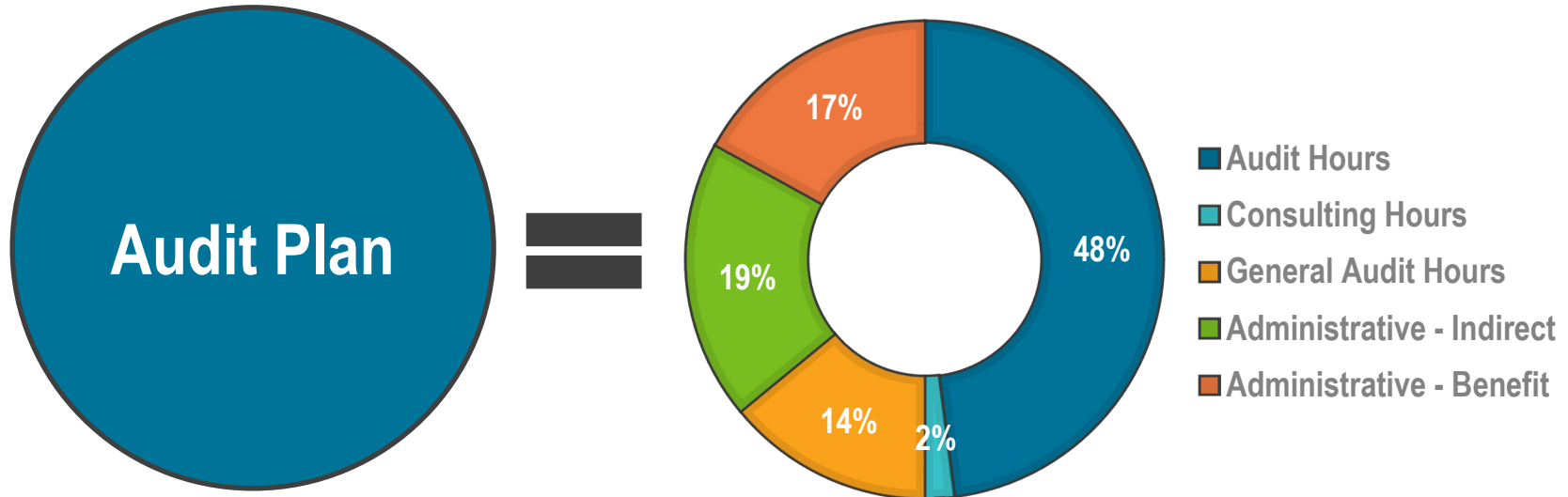


# Audit Plan Development

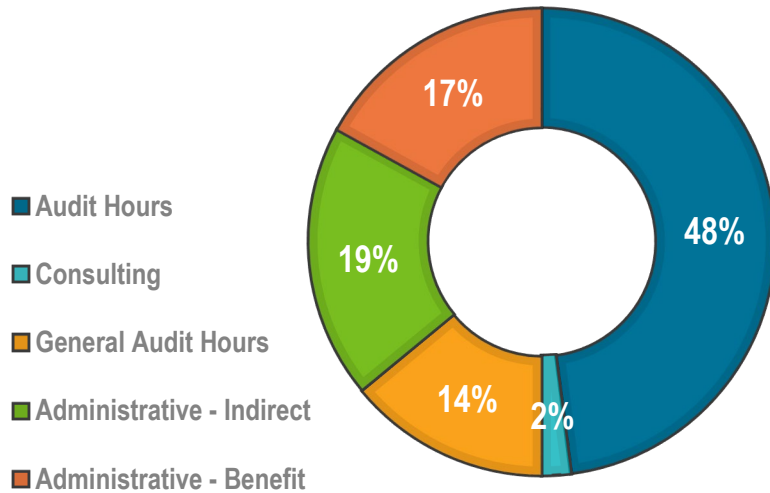


# Audit Resources (Internal)

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

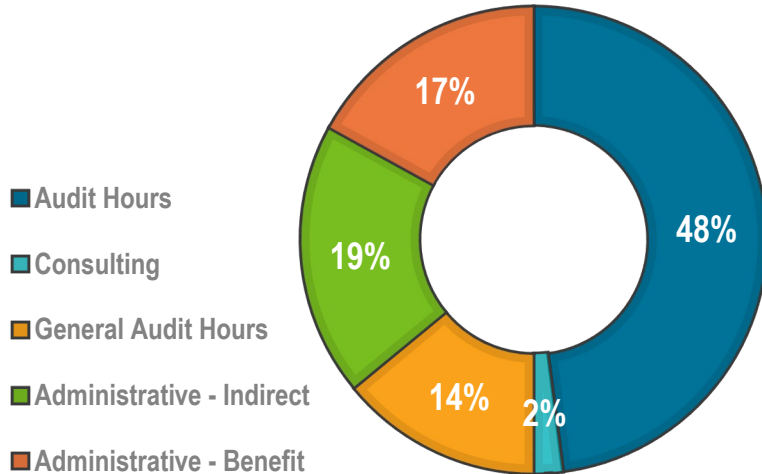


# Proposed Audit Plan & Hours



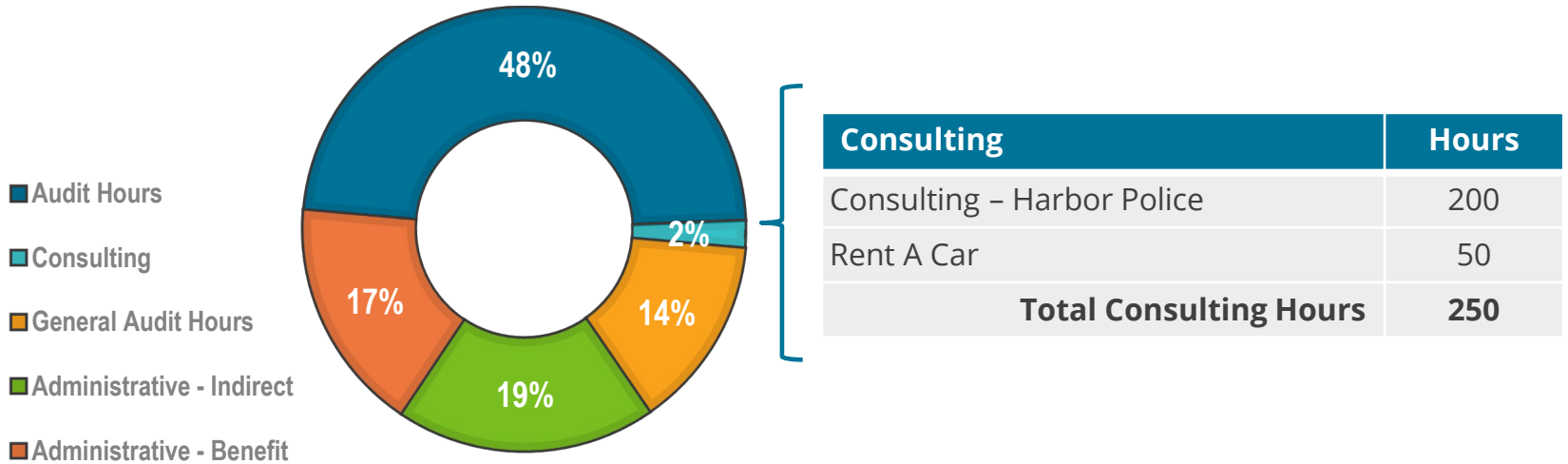
Audit	Hours
Tenant Lease Administration and Management – Audit of Rent A Car Companies FY 2024	300
Property Management Software – ABRM Internal Controls	500
Property Management Software – ABRM Data	500
Sixt Rent A Car	450
Enterprise Rent A Car	350
Tenant Lease Administration and Management – Audit of Rent A Car Companies FY 2025	350

# Proposed Audit Plan & Hours

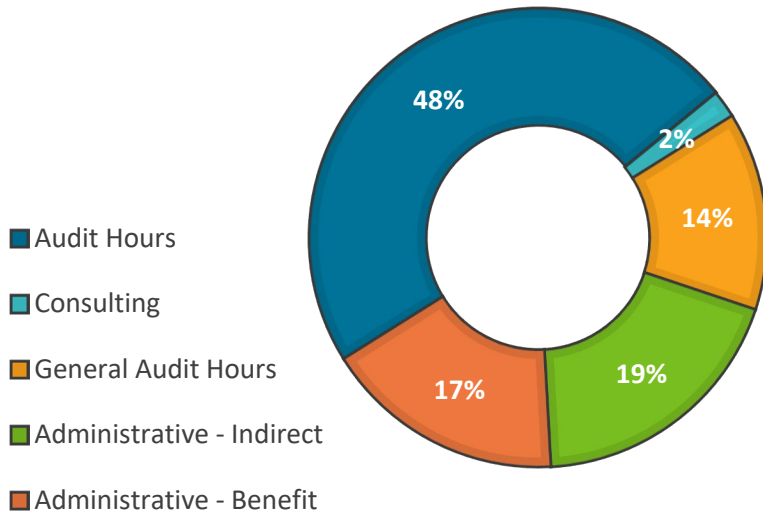


Audit	Hours
System Security – Aviation Security & Public Safety	300
Harbor Police – Fiscal Year 2022 & 2023	550
ARFF Management	500
Accounts Payable Automation	100
Parking Management	600
Hertz Rent A Car	300
To Be Determined – Construction	600
To Be Determined - Other	551
<b>Total Audit Hours</b>	<b>5,951</b>

# Proposed Audit Plan & Hours



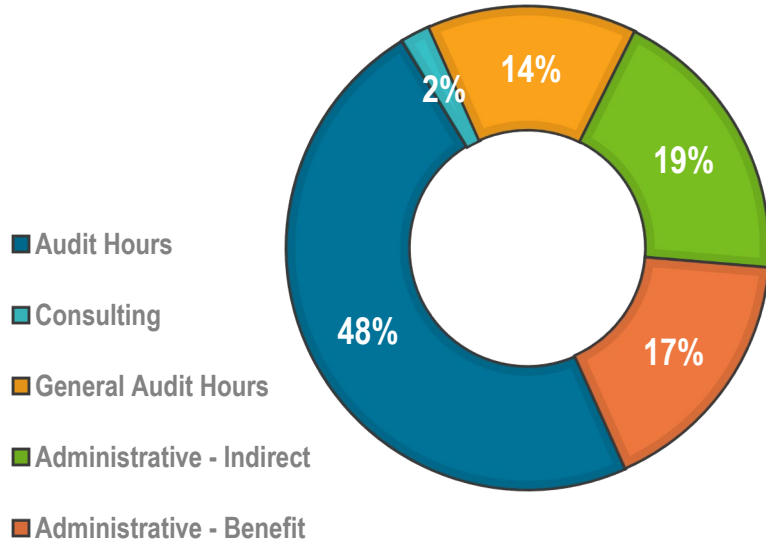
# Proposed Audit Plan & Hours



General Audit	Hours
Construction Activities	300
Risk Assessment & Proposed Audit Plan*	252
Development of Data Analytics	200
Ethics Program*	450
Recommendation Follow-up *	160
Quality Assurance & Improvement Program*	380
<b>Total General Audit Hours</b>	<b>1,742</b>

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

# Proposed Audit Plan & Hours



General & Administrative Activity	Hours
Administrative - Indirect (Meetings, CPE, Other)	2,361
Administrative - Benefit (Vacation & Holiday)	2,176
<b>Total General &amp; Administrative Hours</b>	<b>4,537</b>

# Proposed Contingent Audits & Hours

Audit	Hours
Tenant Lease Administration and Management – Rent A Car Co. To Be Determined	400
Rental Car Shuttle Service Contract Administration	650
Tenant Lease Administration and Management – In Terminal Concession Close Out	600
Parking Management Contract Administration - Dynamic Pricing	550
TNC Contract Administration & Revenue Collection	475
Leaves of Absence / Catastrophic Leave	525
Advertising – Concessions Marketing	500
Automobile Citations	500
Tenant Lease Administration and Management – New Rent A Car Co.	400
P Card Administration	500
Contract Security Personnel Management	550
Airfield Paving	500
Tenant Lease Administration and Management – Advertising Contract	500
<b>Total Contingent Hours</b>	<b>6.650</b>



# QUESTIONS?

## Audit Committee Report

**Meeting Date:** May 6, 2024

**Subject:**

**Fiscal Year 2025 Proposed Budget of the Chief Auditor and Fiscal Year 2026 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 2025-2026 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 2025-2026 Budget process, which was initiated by the Authority's Finance Division on January 25, 2024, the Chief Auditor created a Proposed 2025 Budget and a Proposed 2026 Conceptual Budget for the Office of the Chief Auditor (OCA). The OCAs proposed budgets contain the anticipated expenditures and headcount necessary to carry out its duties in the coming fiscal years.

The Fiscal Year 2025 Proposed Budget and 2026 Proposed Conceptual Budget will be presented to the Audit Committee for review on May 6, 2024. The accompanying presentation provides the budgets in detail by line item.

Subsequent to the May 6 Audit Committee Meeting, the OCAs proposed budgets will be forwarded for inclusion with the Authority's overall budget to the Budget Workshop scheduled for May 16, 2024, for approval by the Board.

The Authority is preparing to issue new debt in late Fiscal Year 2025 or early Fiscal Year 2026 for the New T1-related construction projects, other capital projects, and potential debt refinancing. Any new debt is approved by the Board.

**Fiscal Impact:**

The proposed Fiscal Year 2025 Operating Budget for the Office of the Chief Auditor to execute the Fiscal Year 2025 Audit Plan is \$1,490,000. In addition, the OCA will continue to augment its staff for audit work pertaining to the New T1 by utilizing the consulting services of a professional on-call construction audit service provider with expertise in large

construction projects. The estimated cost for New T1 construction auditing is approximately \$1,500,000 over a seven-year period and is funded from the ADP capital budget. The proposed budget for New T1 construction auditing is \$300,000 in Fiscal Year 2025.

## 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

# Fiscal Year 2025 Proposed Budget of the Chief Auditor and Fiscal Year 2026 Proposed Conceptual Budget Expense Summary

Audit Committee Meeting May 6, 2024

# FY 2025 Proposed Budget - FY 2026 Proposed Conceptual Budget Expense Summary

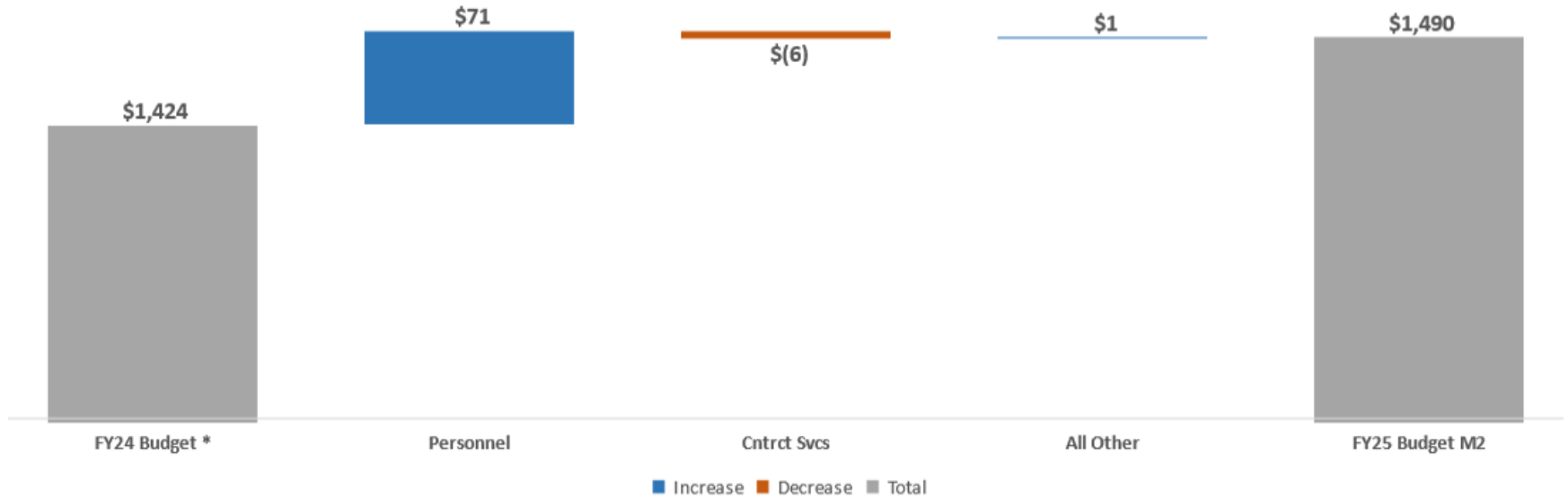
(in thousands)

	FY 2023 Actuals	FY 2024 Budget	FY 2025 Budget	Inc / (Dec) FY25 Proposed vs FY24 Budget	% Change	FY 2026 Conceptual Budget	Inc / (Dec) FY26 Conceptual vs FY25 Budget	% Change
<b>Operating Expenses</b>								
Salaries & Wages	\$ 955	\$ 952	\$ 1,001	\$ 50	5.2%	\$ 1,037	\$ 36	3.6%
Benefits	400	390	411	21	5.5%	445	\$ 33	8.0%
<b>Total Personnel Costs</b>	<b>1,355</b>	<b>1,342</b>	<b>1,413</b>	<b>71</b>	<b>5.3%</b>	<b>1,482</b>	<b>69</b>	<b>4.9%</b>
Contractual Services	25	31	25	(6)	-19.4%	25	-	0.0%
Utilities	0	0	0	0	5.0%	0	-	0.0%
Operating Supplies	0	1	0	(0)	-76.0%	0	-	0.0%
Employee Development	14	29	30	1	3.5%	30	0	1.1%
Business Development	4	5	5	0	1.7%	6	0	4.3%
Equipment Rentals and Repairs	15	16	17	0	3.0%	17	1	3.6%
<b>Total Non-Personnel Costs</b>	<b>60</b>	<b>82</b>	<b>77</b>	<b>(5)</b>	<b>-5.9%</b>	<b>78</b>	<b>1</b>	<b>1.5%</b>
<b>Total Operating Expenses</b>	<b>1,415</b>	<b>1,424</b>	<b>1,490</b>	<b>66</b>	<b>4.7%</b>	<b>1,560</b>	<b>70</b>	<b>4.7%</b>
<b>Non-Operating Expenses</b>	-	-	-	-	0.0%	-	-	0.0%
<b>Total Expenses</b>	<b>1,415</b>	<b>1,424</b>	<b>1,490</b>	<b>66</b>	<b>4.7%</b>	<b>1,560</b>	<b>70</b>	<b>4.7%</b>
<b>Equipment Outlay Expenditures</b>	-	-	-	-	0.0%	-	-	0.0%
<b>Total Authority Expenses Incl Equip Outlay</b>	<b>\$ 1,415</b>	<b>\$ 1,424</b>	<b>\$ 1,490</b>	<b>\$ 66</b>	<b>4.7%</b>	<b>\$ 1,560</b>	<b>\$ 70</b>	<b>4.7%</b>

\*\*\*Numbers may not foot due to rounding

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

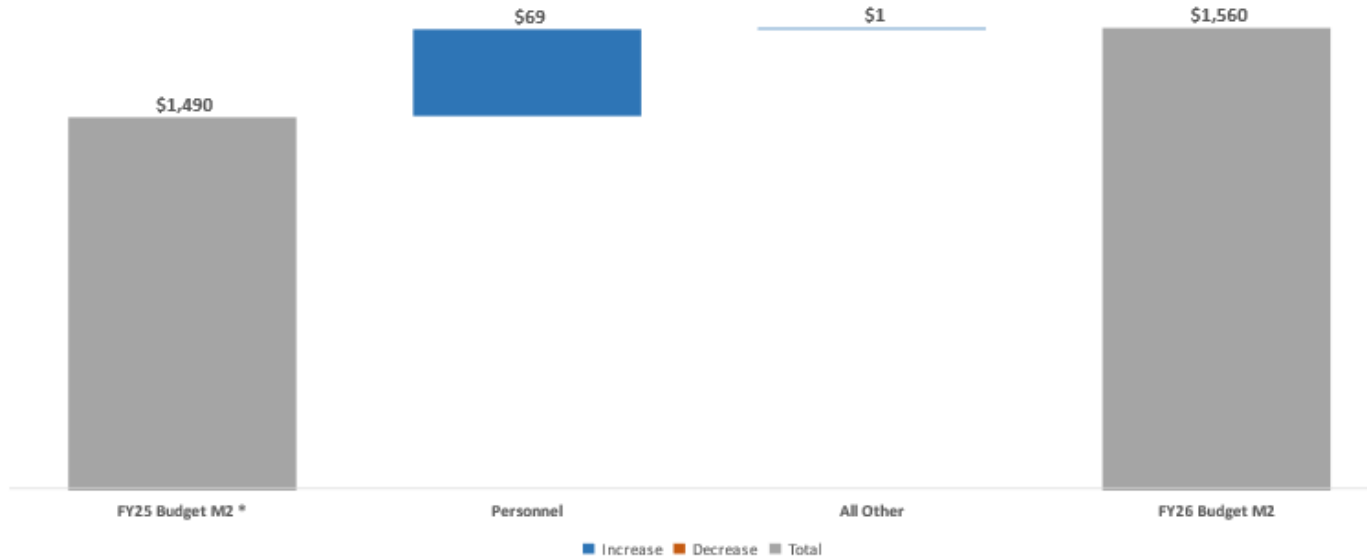
# Major Drivers of Fiscal Year 2025 Proposed Budget



(in Thousands)

\* Budget starting point not indicative of scale

# Major Drivers of Fiscal Year 2025 Proposed Budget & 2026 Conceptual Budget



(in Thousands)  
\* Budget starting point not indicative of scale

# Chief Auditor, Authority Budget, & Debt



- 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 capital costs.
- Staff is preparing to issue new debt in late FY 2025 or early FY2026 for the New T1 and other capital projects and potential debt refinancing.



Questions?