

Audit Committee and Special Board Meeting Agenda

Monday, February 5, 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)
Whitney Benzian
Lidia S. Martinez
Monica Montgomery Steppe
Rafael Perez
Esther C. Sanchez
James Sly
Steve Vaus
Marni von Wilpert

Ex-Officio Board Members

Col. Thomas Bedell
Gayle Miller
Everett Townsend

President/CEO

Kimberly J. Becker

Monday, February 5, 2024

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Huerta, Newsom (Chair), Montgomery Steppe, 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 November 13, 2023, regular meeting.
- 2. FISCAL YEAR 2024 SECOND 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)
- 3. 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)

Audit Committee Agenda

Monday, February 5, 2024

CLOSED SESSION:

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:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Monday, February 5, 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.

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

You may also reach the SDCRAA Building by using public transit via the San Diego MTS System, Route 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, NOVEMBER 13, 2023
BOARD ROOM

CALL TO ORDER: Chair Newsom called the Audit Committee Meeting to order at 10:00 a.m., on Monday, November 13, 2023, 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, Martinez, Newsom (Chair), Perez,
Sanchez, Wong Nickerson

Absent: Committee Members: Casillas Salas

Also Present: Kimberly J. Becker, President/CEO; Lee Kaminetz, General Counsel;
Tony R. Russell, Director, Board Services/Authority Clerk; Sonja Banks,
Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT: None.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the September 11, 2023, regular meeting.

ACTION: Moved by Board Member Perez and seconded by Board Member Martinez to approve staff's recommendation. Motion carried unanimously noting Committee Members Huerta and Wong Nickersons' ABSTENTION and Board Member Casillas Salas as ABSENT

2. EXTERNAL AUDITORS' REPORTS FOR FISCAL YEAR ENDED JUNE 30, 2023: A) AUDITED FINANCIAL STATEMENTS, B) SINGLE AUDIT REPORTS, C) PASSENGER FACILITY CHARGES COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) LETTER TO THE BOARD:

Liz Stewart, Director, Accounting, and Rachel Ormsby, Director & Lead Audit Engagement Executive, FORVIS, provided a presentation that included Audit Results for Year ended June 30, 2023, Financial Highlights, Required Communications, Report Findings, and Industry Developments.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance. *(Requires five (5) affirmative votes of the Audit Committee.)*

ACTION: Moved by Board Member Sanchez and seconded by Committee Member Wong Nickerson to approve staff's recommendation. Motion carried unanimously noting Board Member Casillas Salas as ABSENT.

3. REVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2023:

Liz Stewart, Director, Accounting, provided an overview of the Annual Comprehensive Financial Report.

RECOMMENDATION: Staff recommends that the Audit Committee review this item and forward it to the Board with a recommendation for acceptance. *(Requires five (5) affirmative votes of the Audit Committee.)*

ACTION: Moved by Committee Member Wong Nickerson and seconded by Board Member Sanchez to approve staff's recommendation. Motion carried unanimously noting Board Member Casillas Salas as ABSENT.

4. FISCAL YEAR 2023 ANNUAL REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, and Shane Ellis, Senior Auditor, provided, a presentation that included Fiscal Year 2023 Performance Measures, General Audit Activities, and Audit Spotlight-Rental Car Companies-FY 2022.

RECOMMENDATION: Staff recommends that the Audit Committee review this item and forward it to the Board with a recommendation for acceptance. *(Requires five (5) affirmative votes of the Audit Committee.)*

ACTION: Moved by Board Member Martinez and seconded by Board Member Sanchez to approve staff's recommendation. Motion carried unanimously noting Board Member Casillas Salas as ABSENT.

5. FISCAL YEAR 2024 FIRST QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor provided a presentation that included Fiscal Year 2024 Performance Measures, General Audit Activity-Recommendation Follow up, Ethics, and Administrative activities.

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

ACTION: Moved by Board Member Sanchez and seconded by Committee Member Huerta to approve staff's recommendation. Motion carried unanimously noting Board Member Casillas Salas as ABSENT.

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

Fred Bolger, Manager, Audit Services, provided a presentation 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 Perez and seconded by Board Member Sanchez to approve staff's recommendation. Motion carried unanimously noting Board Member Casillas Salas as ABSENT.

COMMITTEE MEMBER COMMENTS:

CLOSED SESSION: The Committee recessed into Closed Session at 10:57 a.m. to discuss item 7.

7. 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 Committee adjourned out of Closed Session at 11:50 a.m. There was no reportable action.

ADJOURNMENT: The meeting adjourned out of Closed Session at 11:50 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY THIS 5th DAY OF FEBRUARY 2024.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

Audit Committee Report

Meeting Date: February 5, 2024

Subject:

Fiscal Year 2024 Second 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 Second 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 October 1, 2023, through December 31, 2023, and includes details on all recommendations completed or in progress during the second quarter.

A presentation by the OCA on its second quarter activities will be provided to the Audit Committee on February 5, 2024. Upon review of the Fiscal Year 2024 Second Quarter Report, staff requests that the Audit Committee forward the report to the Board for acceptance.

Fiscal Impact:

None

Audit Committee Report

Meeting Date: February 5, 2024

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 2nd Quarter Report

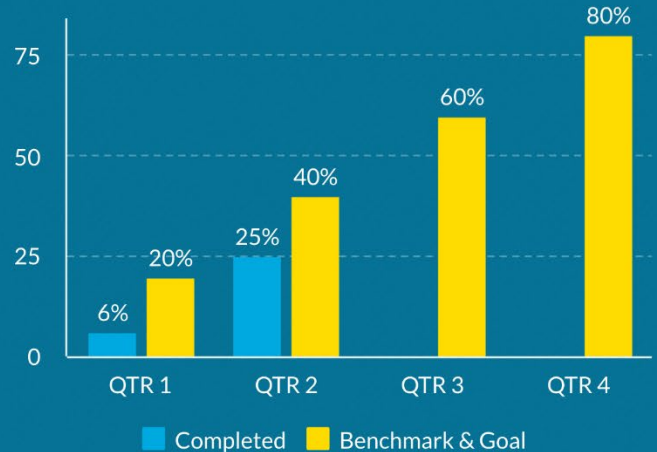


Audit Engagement Progress



■ Completed (25%)
 ■ In Progress (56.25%)
 ■ Not Started (18.75%)

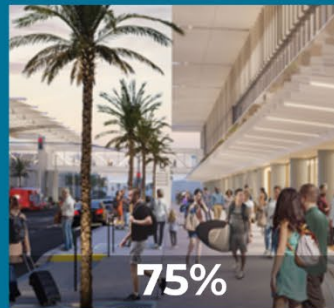
Audit Engagements Completed vs. Benchmark & Goal



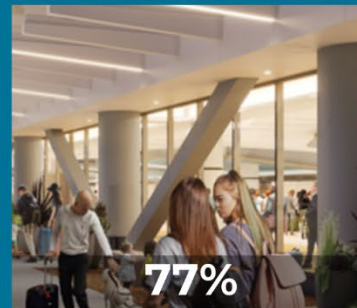
By The Numbers



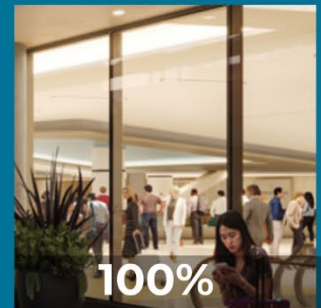
4.6
Customer
Satisfaction
Rating



75%
Engagements
Completed Under
Budget



77%
Auditor Utilization
Percentage



100%
Recommendations
Accepted By
Management



Fiscal Year 2024

Second Quarter Report

Issue Date: February 5, 2024

OFFICE OF THE CHIEF AUDITOR

Second Quarter Summary

Executive Summary

During the second quarter, the Office of the Chief Auditor (OCA) continued work on the Fiscal Year 2024 Audit Plan. The quarter was very busy with the OCA completing and issuing three audit reports. The OCA also began utilizing TeamMate+, our new cloud-based audit software for projects and activities. Details on all activities included in the Audit Plan are described 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 1.¹

Table 1: Status of Performance Measures as of December 31, 2023

#	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	40%	25%	40%
3	Percentage of recommendations accepted	95%	100%	95%
4	Percentage of staff time spent on audit and consulting engagements and general audit activities	76%	77%	76%
5	Percentage of audit and consulting engagements completed within budget	70%	75%	66%

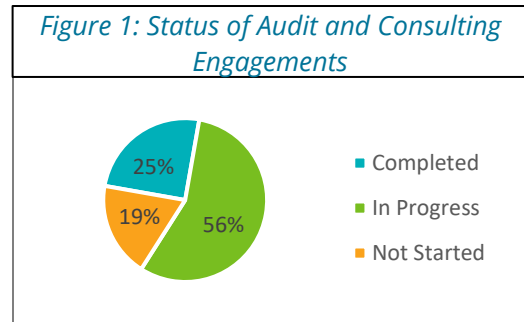
Customer Satisfaction Rating:

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.

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

Percentage of Audit and Consulting Engagements Completed:

As of the second quarter, the OCA completed four audit engagements, or 25%, of audit and consulting engagements (4/16 = 25%) that are planned to be completed in the Fiscal Year 2024 Audit Plan.² In addition to the four engagements completed, the OCA had 9³ engagements (56%) in progress as of the end of the second quarter, as shown in Figure 1. The engagements completed in the second 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 second 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.⁴ The OCAs goal is for staff to spend 76% of their working hours⁵ on audit engagements, consulting engagements, and general audit activities. The OCA is currently exceeding the goal established, spending 77% 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 second quarter of Fiscal Year 2024, the OCA completed 75% of its projects within the budgeted time, exceeding the benchmark and the OCAs goal.

² 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.

³ The audit identified as “Tenant Lease Administration and Management – FY2024 Rental Car Companies” is not counted in the 9 audits in progress as it will be carried forward, as anticipated, into Fiscal Year 2025, when required data is captured to complete the audit.

⁴ Appendix A details all planned activities in these categories for Fiscal Year 2024.

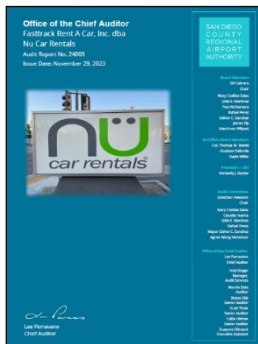
⁵ Excludes Time Off (e.g., Holidays, Paid Time off).

Audit Engagements Issued

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



Avis Budget Car Rental, LLC: The objective of this audit was to determine if Avis Budget Car Rental, LLC accurately paid concession fees under the Budget brand. We determined that the calculation, reporting, and payment of concession fees were generally accurate. However, we recalculated the amount of concession fees due and found that Budget underpaid concession fees by \$81,824. The audit identified one finding and provided one recommendation.



Fasttrack Rent A Car, Inc. dba Nu Car Rentals: The objective of this audit was to determine if Fasttrack Rent A Car dba Nu Car Rentals (Fasttrack) accurately paid concession fees and Transportation Facility Charges (TFC). We determined that the calculation and payment of concession fees and TFCs were inaccurate. We recalculated the amount of concession fees and TFCs due and determined that concession fees were underpaid by \$228,901 and TFCs were overpaid by \$11,884. The audit identified four findings and provided seven recommendations.



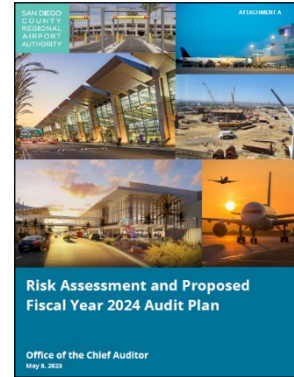
Paymode-X: The objective of this audit was to determine if the internal controls for Paymode-X are appropriate, operating as designed, and are appropriately monitored. Audit work found that management has developed appropriate policies and procedures for the management of Paymode-X and the internal controls surrounding Paymode-X were appropriate, operating as designed, and are appropriately monitored. The audit did not identify any findings or provide any recommendations. However, we did identify an opportunity to strengthen the internal controls in place by further segregating duties.

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 required⁶ 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 2024 Audit Plan was amended during the second quarter, at the November Audit Committee meeting, to account for the audits that carried over from Fiscal Year 2023 and to adjust the allocation of audit hours to reflect the OCAs current operational requirements.



Construction Activities

Construction audit activity for the second quarter of Fiscal Year 2024 included continued work with Baker Tilly, U.S., LLP (Baker Tilly) on the Turner-Flatiron Self-Perform Work audit and the Terminal and Roadways Project Insurance audit. The OCA continues to work on the audit of Small Business Management. 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 the second quarter, 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 are summarized in the

⁶ 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 SECOND QUARTER REPORT

prior section titled Audit Engagements Issued. These audits identified approximately \$300,000 in revenue due to the Authority.

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 reporting hotline. During the first two quarters of Fiscal Year 2024, the OCA received 18 tips/reports. 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 second 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

	Number of Tips / Reports Received	Investigation Initiated by OCA	Investigation Results Supported Code Violation
Category			
Human Resource, Diversity, and Workplace Respect	16	-	-
Business Integrity	2	-	-
Total	18	-	-

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 second quarter of Fiscal Year 2024, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, one of the five was implemented within the initial timeframe identified when the

FISCAL YEAR 2024 SECOND QUARTER REPORT

recommendations were issued. Of the In Progress recommendations, five recommendations were still within the initial timeframe identified for implementation.

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 ⁷
Completed	2	4	-	6
In Progress	6	5	5	16

Quality Assurance and Improvement Program

The Institute of Internal Auditors' (IIA) *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 report quality. Full results are 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 *International Standards for the Professional Practice of Internal Auditing (Standards)* and the Code of Ethics. Full results are included in the Fiscal Year 2023 OCA Annual Report as part of the November 13, 2023, Audit Committee Meeting materials. The OCA continues to monitor its activities and report on performance measures each quarter. Those results are presented in quarterly reports to the Audit Committee.

The External Assessment will be performed by the Association of Local Government Auditors (ALGA). The onsite portion of the Assessment is scheduled to be performed January 29, 2024, through February 2, 2024. The results will be provided to the Audit Committee and Board when completed which is anticipated to occur shortly after the onsite portion of the External Assessment is completed.

⁷ Recommendation(s) contained in confidential audit reports are not included in Table 3 or in Appendix B. They are tracked separately by the OCA.

Administrative

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 \$650,000 through the end of the second quarter, which represents 47% of the Fiscal Year 2024 budget. No unexpected or large outlays occurred within the department during the two 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 second quarter, staff attended training on topics that included fraud detection, cybersecurity, ethics, and ESG.

Procedural/Supervisory

One Audit Committee meeting took place during the second quarter, which occurred November 13, 2023. The meeting contained all regularly scheduled agenda items, of which the OCA assisted in coordination with the Committee Chair and Board Services.

TeamMate+

During the second quarter, the OCA began utilizing TeamMate+, our new cloud-based audit software. The new software, once fully integrated, should increase the productivity and collaboration within the department. As new audit projects and activities are started, they are launched on the TeamMate+ platform. The OCA anticipates that all audit projects and activities will be on the Teammate+ platform by the end of the fiscal year.

Use of Report

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

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

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

FISCAL YEAR 2024 SECOND QUARTER REPORT

Appendix A – Fiscal Year 2024 Audit Plan

#	Activity	Status as of 12/31/2023	Over/ Under Budget
Audit			
1	Tenant Lease Admin. & Management – FY 2023 Rental Car Companies	In Progress	
2	Turner-Flatiron Self Perform Work	In Progress	
3	Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs	In Progress	
4	Employee Benefits – Payroll Deductions	In Progress	
5	Accounts Payable – Paymode X	Completed	Over
6	Contractor Monitoring – Administration Building	Completed	Under
7	Turner-Flatiron Insurance	In Progress	
8	Tenant Lease Admin. & Management – FY 2024 Rental Car Companies ⁸	In Progress	
9	System Security	Not Started	
10	Harbor Police Contract Management – Fiscal Year 2022 Costs	Not Started	
11	Tenant Lease Admin. & Management - In Terminal Concessionaire Compliance	In Progress	
12	Tenant Lease Admin. & Management – ABRM Internal Controls	Not Started	
13	Account Provisioning / Deprovisioning	In Progress	
14	Tenant Lease Admin. & Management – Budget	Completed	Under
15	Tenant Lease Admin. & Management – Fast Track	Completed	Under
16	Small Business Management	In Progress	
	To Be Determined – Construction	N/A	
	To Be Determined - Discretionary	N/A	
	Total		
Consulting			
17	Harbor Police Contract Management	In Progress	
General Audit			
16	Risk Assessment & Audit Plan	In Progress	
17	Construction Meeting Attendance & Coordination	In Progress	
18	Information Technology Meeting Attendance	In Progress	
19	Development of Data Analytics	In Progress	
20	Fraud, Waste, Abuse, and Ethics Program	In Progress	
21	Recommendation Follow-up	In Progress	
22	Quality Assurance & Improvement Program	In Progress	
Administrative			
24	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	In Progress	
25	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	In Progress	

⁸ 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

Fiscal Year 2024 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2023
Completed						
23-12	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend GT and ACE run SKIDATA on active mode, when the system upgrade/update is completed, to prevent the risk of system circumvention and possible loss of revenues.	7/31/2023	10/31/2023	(1) Ace upgraded the Skidata system from Version 10 to Version 15 on 03/31/23. (2) All of the ALPR cameras at entry and exit lanes were replaced on 07/01/23. (3) Ace Parking has been running Skidata on "Active Mode" since 10/31/2023.
23-16	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend that ACE develop a standard operating procedure to perform a nightly license plate inventory.	6/30/2024	12/1/2023	(1) Ace has developed an SOP to perform a nightly license plate inventory. SOP implemented on 12/01/23. (2) Ace now performs a nightly manual license plate inventory. (3) Ace has integrated a Mobile ALPR vehicle to perform weekly License Plate Inventories. Weekly mobile ALPR inventories began on 12/01/23. (3) The nightly and weekly License Plate inventories are compared against Skidata as required by the SOP.

Appendix B - Status of Recommendations

Fiscal Year 2024 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2023
Completed						
23-17	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend ACE develop a standard operating procedure to regularly perform a reconciliation of open tickets versus license plates of vehicles parked at T2PP and close out any tickets where an entry and a legitimate exit is found.	7/31/2023	12/1/2023	(1) Ace has developed an SOP to perform a reconciliation of open tickets vs. license plates of vehicles parked at the T2PP. SOP implemented on 12/01/2023. (2) Ace has developed an SOP to close out any tickets where an entry and a legitimate exit is found. SOP implemented on 12/01/23.
23-15	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Low	We recommend GT continue to monitor the wayfinding and available space signage repair part supply issues and provide support to ACE as needed.	8/31/2023	12/31/2023	(1) GT and Ace continually monitor the wayfinding and available space signage functionality. (2) Ace has added an item for wayfinding and available space signage to the daily facility inspection SOP. (3) All inoperable signs are being repaired as parts become available from the supplier.
23-35	Audit Report 24003 Issued: November 29, 2023 Title: Fastrack Rent A Car, Inc. dba Nu Car Rentals Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	RG&PD should request Fastrack to refund the \$25,534 of Port fees back to their rental car customers.	12/19/2023	12/26/2023	RG&PD sent the Audit to Fastrack and requested Fastrack to refund the fees.

Appendix B - Status of Recommendations

Fiscal Year 2024 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2023
Completed						
23-29	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing Department: AIRPORT DESIGN & CONSTRUCTION	Low	We recommend that ADC consider charging the JV the audit costs in the amount of \$65,251.	1/5/2024	12/31/2023	ADC has reviewed this recommendation with the ELT and given the insignificant findings from this audit, we have elected not to charge the JV for the audit.

Appendix B - Status of Recommendations

Fiscal Year 2024 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2023
In Progress						
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	4/30/2024	This work is ongoing with the implementation of ABRM which should be completed March/April of 2024.
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	4/30/2024	This work is ongoing with the implementation of ABRM which should be completed March/April of 2024.
23-25	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC review the documentation supporting CIP Change Orders to verify the necessity of the Internal Form and the External Form to eliminate or revise the forms as determined necessary. Forms that have spaces for signature should be completed as designed.	1/31/2024	1/31/2024	ADC continues to update Change Order processes and continues to review forms that are used. This process is in progress.

Appendix B - Status of Recommendations

Fiscal Year 2024 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2023
In Progress						
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 clarification into the draft updated ADC procedures that will be published upon the completion of the ADC change order process update.
23-32	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	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	2/28/2024	RG&PD is in agreement with this recommendation and will invoice Fasttrack.
23-33	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	2/28/2024	RG&PD is in agreement with this recommendation and will invoice Fasttrack.

Appendix B - Status of Recommendations

Fiscal Year 2024 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2023
In Progress						
23-34	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	1/31/2024	RG&PD will meet with Fastrack to provide training on the accounts that are considered concessionable and non-concessionable per the Concession Agreement.
23-36	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 Fastrack in the amount of \$11,884 for the overpayment of TFCs during the audit period.	12/19/2023	2/28/2024	RG&PD will complete this step after Fastrack questions have been answered and provided training.
23-37	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 Fastrack to refund car rental customers \$50,957 for the over collection of TFCs.	12/19/2023	2/28/2024	RG&PD sent the Audit report to Fastrack and will follow up.

Appendix B - Status of Recommendations

Fiscal Year 2024 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2023
In Progress						
23-38	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	2/28/2024	The LOC amount will be reviewed as recommended.
23-39	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	2/28/2024	On 1/3/24, an E-1 request was sent to Accounting to invoice Avis-Budget for \$81,824.
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	1/31/2024	The JV credited \$512 for staff costs in a past pay application and will be crediting \$5,068.80 for consultants in a future pay application. JV has provided documentation to justify remainder. ***This recommendation will be reclassified as completed after the OCA traces the credits into the pay application billing(s).

Appendix B - Status of Recommendations

Fiscal Year 2024 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2023
In Progress						
22-33	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION	High	We recommend that ADC notify the JV of the \$4,814 overcharge for holiday and paid time-off for the JV staff and the \$12,917 overcharge for the consultants to determine the most appropriate method to receive the total incorrectly billed to the Authority.	10/1/2023	1/31/2024	The JV credited \$1,110.64 for holiday costs in a past pay application. JV has provided documentation to justify remainder. ***This recommendation will be reclassified as completed after the OCA traces the credits into the pay application billing(s).
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	1/31/2024	The JV invoiced \$1,750 in a past pay application. ***This recommendation will be reclassified as completed after the OCA traces the credits into the pay application billing(s).
23-28	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend that ADC notify the JV of the overcharge of \$2,594 for holiday time for the JV staff. Additionally, we recommend ADC request all holiday policies, and other records as necessary, from each consultant listed above with the total of \$4,475 to determine if the Authority's approved labor billing rates already included holiday pay and are duplications. Reimbursement should be requested for duplicate costs.	1/5/2024	1/31/2024	The JV credited \$2,594 for staff costs in a past pay application and will provide \$545 credit for consultant overcharge in a future pay application. The JV provided justification for remainder of consultants. ***This recommendation will be reclassified as completed after the OCA traces the credits into the pay application billing(s).

Appendix B - Status of Recommendations

Fiscal Year 2024 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2023
23-31	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should determine the most appropriate way to receive the overbilling of \$752 for the unapproved rates.	1/5/2024	1/31/2024	The JV provided a credit for \$752 in a past pay application. ***This recommendation will be reclassified as completed after the OCA traces the credits into the pay application billing(s).



Fiscal Year 2024 Second Quarter Report from the Office of the Chief Auditor

October 1, 2023, through December 31, 2023

Audit Committee Meeting February 5, 2024



Agenda

- Performance Measures
- General Audit Activities
 - Recommendation Follow-Up
 - Ethics
 - QAIP
- Audit Spotlight: Car Rental Companies Data Analytics Project - Nu Car and Budget

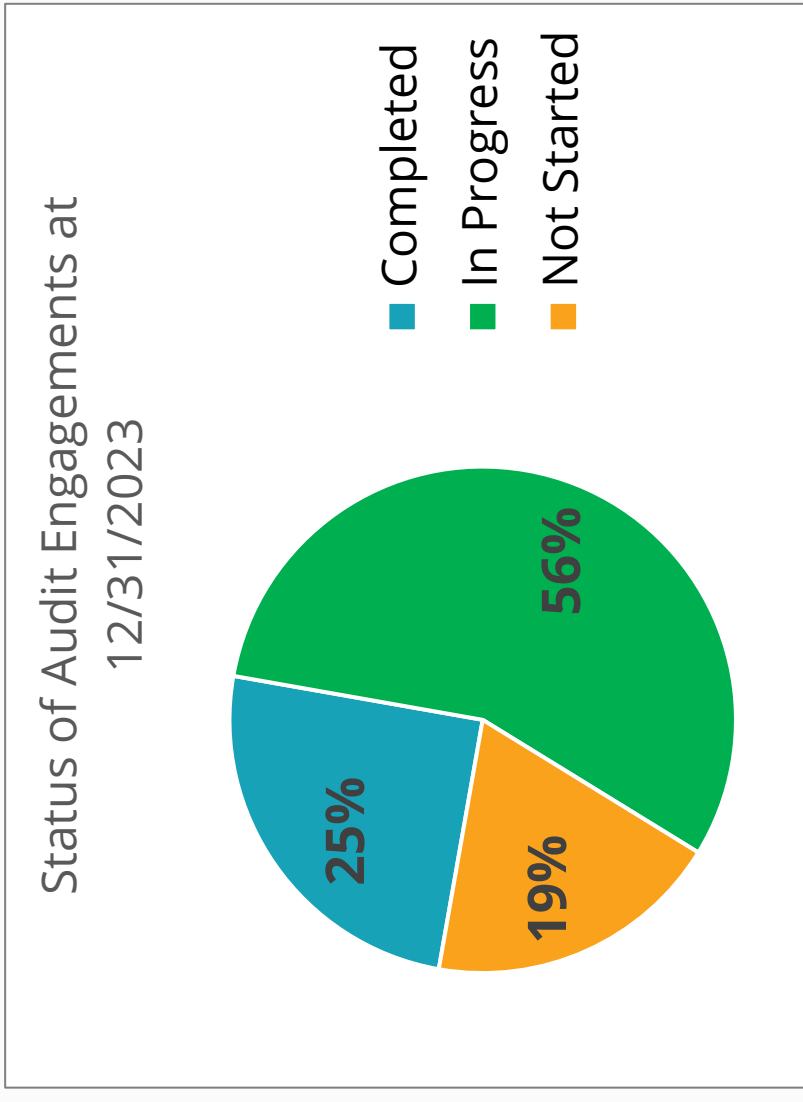
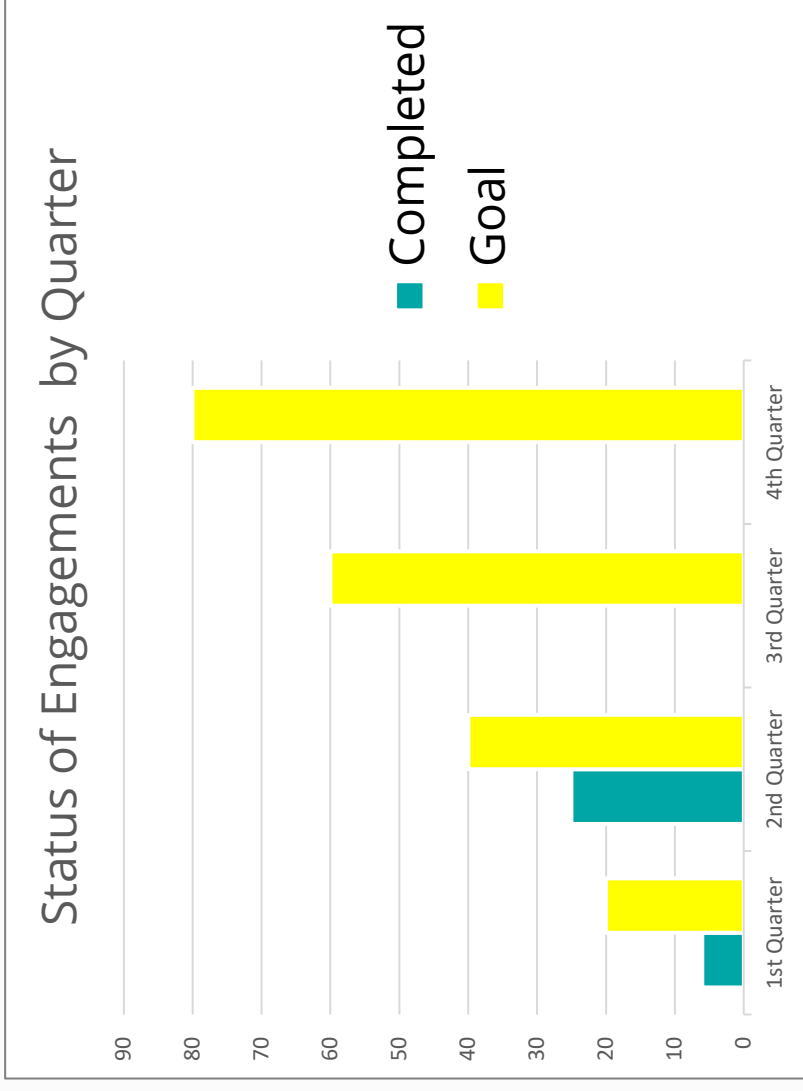


Fiscal Year 2024 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Customer Satisfaction Rating from Auditee	4.0	4.6	4.0
Percentage of Audit and Consulting Engagements Completed	40%	25%	40%
Percentage of Recommendations Accepted	95%	100%	95%
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	76%	77%	76%
Percentage of Audits and Consulting Engagements Completed within Budget	70%	75%	66%

Performance Measures - Additional Details

Percentage of Engagements Completed



General Audit Activity - Recommendation Follow-Up

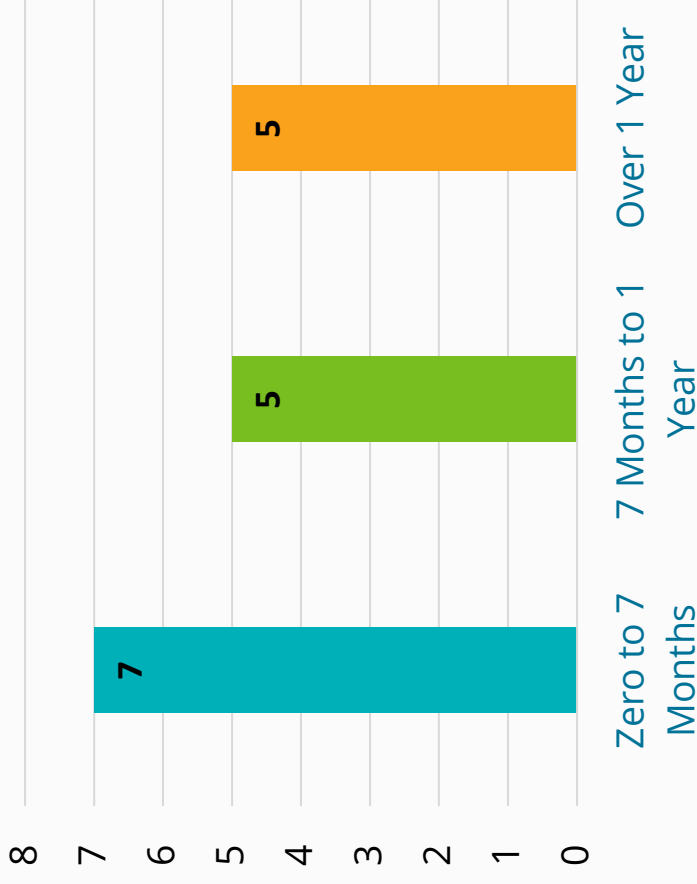
Recommendation Follow Up

Status as of December 31, 2023			
Completed	In Progress	Not Accepted	Tracked
6*	16**	-	22

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

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

Estimated Implementation Timeframe for In Progress Recommendations



General Audit Activity - Ethics

	Number of Tips / Reports Received as of Dec. 31, 2023	Full Investigation Initiated by OCA	Investigation Results Supported Code Violation (Ethics or Workplace)
Category			
Human Resource, Diversity, and Workplace Respect	16	-	-
Business Integrity	2		
Total	18	-	-

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
 - Required annually
 - Focus is audit quality
- Self Assessments
 - Required periodically
 - Focus is conformance with *Standards* and Code of Ethics

External Assessments:

- Required every 5 years by a qualified independent assessor
- Focus is conformance with *Standards* and Code of Ethics



Audit Spotlight - Rental Car Companies Data Analytics Project - Nu Car and Budget

Background

Rental Car Companies Audit FY 2022 - Issued June 2023

- Concession Fee = 10%
- CFC/TFC = \$9/\$3.41 per rental day



Audit Spotlight - Rental Car Companies Data Analytics Project - Nu Car and Budget

NU Car

Objective & Scope

Determine if the Authority was correctly paid for FY 2020-2023:

- Concession Fee of 10%
- Transportation Facility Charges (TFC) of \$3.41

Results

- Underpaid Concession Fees \$228,901
- Overpaid TFCs \$11,884
- Over collected TFCs from customers \$50,957*
- Improper Port fees collected \$25,534*
- Cost of the audit may be assessed \$61,444

* Amounts do not impact Authority. Amounts are due back to customers.



Audit Spotlight - Rental Car Companies Data Analytics Project - Nu Car and Budget

Budget Rent A Car

Objective & Scope

Determine if the Authority was correctly paid Concession Fees of 10% for FY 2022.

Results

- Two concessionable accounts were incorrectly excluded from the Concession Fee calculation
- Concession Fees were underpaid by \$81,824





Questions?



SAN DIEGO
INTERNATIONAL AIRPORT
LET'S GO.

Audit Committee Report

Meeting Date: February 5, 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. That revision to the Fiscal Year 2024 Audit Plan was approved by the Board on December 7, 2023, by Resolution No. 2023-0100.

Upon continued appraisal during the Second Quarter of the operational requirements within both the Authority and the OCA, another revision to the Fiscal Year 2024 Audit Plan is requested; and includes:

Meeting Date: February 5, 2024

- Add two audits:
 1. Tenant Lease Administration and Management – Fox Rent a Car
 2. Tenant Lease Administration and Management – High Flying Foods Package 7
- Remove two audits:
 1. System Security – Virtual Private Network access
 2. Harbor Police Contract Management -Harbor Police Fiscal Year 2022 Costs
- Distribute the unallocated time listed as “To Be Determined” toward the new audits and other audits.

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 February 5, 2024

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Audit Hours				
Tenant Lease Administration and Management ²	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.	300	48	348
Turner-Flatiron Self Perform Work ²	To determine if work self-performed by Turner-Flatiron complies with the agreement. ³	154	50	204
Harbor Police Contract Mgmt. ²	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 ²	To determine if employee payroll deductions are administered appropriately.	250	-	250
Accounts Payable ²	To determine if the controls for Paymode X are appropriate.	200	-	200
Contractor Monitoring ²	To determine if the construction of the new administration building is properly managed.	40	-	40
Turner-Flatiron Insurance ²	To determine if insurance billed is appropriate and complies with the agreement. ³	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. ⁴	500	-	500
System Security	To evaluate the Authority's security posture by performing testing of the Authority's Virtual Private Network access.	350	(350)	-
Harbor Police Contract Mgmt.	To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2022.	425	(425)	-
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.	550	-	550

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

² Audit activity has been carried forward from fiscal year 2023.

³ 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.

⁴ 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 February 5, 2024

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
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
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
To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	360	(50)	310
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	523	(523)	-
	Total Audit Hours	6,152	-	6,152
Consulting Hours				
Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract.	200	-	200
	Total Consulting Hours	200	-	200

Office of the Chief Auditor
Fiscal Year 2024
Proposed Audit Plan February 5, 2024

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
General Audit Hours				
Risk Assessment and Audit Plan ⁵	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 ⁵	To review ethics policies, perform training, and investigate reported incidents.	300	-	300
Recommendation Follow-up ⁵	To verify that internal and external audit recommendations have been implemented as intended.	160	-	160
Quality Assurance & Improvement Program ⁵	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
	Total General Audit Hours	1,662	-	1,662
Administrative Hours				
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
	Total Administrative Hours	4,466	-	4,466
	Total Hours	12,480	-	12,480

⁵ 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 February 5, 2024

ATTACHMENT A

Key Work Activity	Objective ⁶	Prior Estimated Hours	Change Requested	Revised Hours
Contingent Audit Hours				
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

⁶ Objective may change based on the preliminary survey performed by the OCA.

Office of the Chief Auditor
 Fiscal Year 2024
 Proposed Audit Plan February 5, 2024

ATTACHMENT A

Key Work Activity	Objective ⁷	Prior Estimated Hours	Change Requested	Revised Hours
Contingent Audit Hours				
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
	Total Contingent Audit Hours	8,400	-	8,400

⁷ Objective may change based on the preliminary survey performed by the OCA.

Office of the Chief Auditor
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ATTACHMENT B

Key Work Activity	Objective ¹	Revised Hours
Audit Hours		
Tenant Lease Administration and Management ²	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 ²	To determine if work self-performed by Turner-Flatiron complies with the agreement. ³	204
Harbor Police Contract Mgmt. ²	To determine if selected Harbor Police costs and services are appropriate and equitable for the fiscal years 2018, 2019, and 2020.	100
Employee Benefits ²	To determine if employee payroll deductions are administered appropriately.	250
Accounts Payable ²	To determine if the controls for Paymode X are appropriate.	200
Contractor Monitoring ²	To determine if the construction of the new administration building is properly managed.	40
Turner-Flatiron Insurance ²	To determine if insurance billed is appropriate and complies with the agreement. ³	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. ⁴	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.	550
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

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

² Audit activity has been carried forward from fiscal year 2023.

³ 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.

⁴ 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
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ATTACHMENT B

Key Work Activity	Objective ¹	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
To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	310
	Total Audit Hours	6,152
Consulting Hours		
Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract.	200
	Total Consulting Hours	200

Office of the Chief Auditor
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Proposed Audit Plan February 5, 2024

ATTACHMENT B

Key Work Activity	Objective ¹	Revised Hours
General Audit Hours		
Risk Assessment and Audit Plan ⁵	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 ⁵	To review ethics policies, perform training, and investigate reported incidents.	300
Recommendation Follow-up ⁵	To verify that internal and external audit recommendations have been implemented as intended.	160
Quality Assurance & Improvement Program ⁵	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
	Total General Audit Hours	1,662
Administrative Hours		
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
	Total Administrative Hours	4,466
	Total Hours	12,480

⁵ 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 February 5, 2024

ATTACHMENT B

Key Work Activity	Objective ⁶	Revised Hours
Contingent Audit Hours		
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
Tenant Lease Administration and Management	To determine if the food and beverage concessionaire surcharge is administered appropriately.	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
Total Contingent Audit Hours		8,400

⁶ 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 February 5, 2024

Reasons for Revision

Description	Hours
Tenant Lease Administration and Management – Fox Rent a Car	650
Tenant Lease Administration and Management – High Flying Foods Package 7	600
Tenant Lease Administration and Management – Rent a Car Companies Fiscal Year 2023	48
Turner-Flatiron Self Perform Work	50
Total	1,348

Description	Hours
System Security – Virtual Private Network Access	(350)
Harbor Police Contract Management – Fiscal Year 2022	(425)
To Be Determined	(523)
To Be Determined - Construction	(50)
Total	(1,348)

Questions?