

## Audit Committee and Special Board Meeting Agenda

**Monday, September 9, 2024**  
**10:00 A.M.**

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

### 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. R. Erik Herrmann  
Michele Perrault  
Everett Townsend

### President/CEO

Kimberly J. Becker

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 the Office of the Authority Clerk, and are available for public inspection.

**\*NOTE:** This Committee Meeting is also 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. This Committee meeting is also noticed as a Special Meeting of the Board to comply with the Brown Act, since sometimes more than a quorum of the Board may be in attendance.

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.**

Monday, September 9, 2024

## CALL TO ORDER:

## PLEDGE OF ALLEGIANCE:

## ROLL CALL:

Committee Members: Huerta, Vaus, Montgomery Steppe, Newsom (Chair), Perez, Sanchez, 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 called by the Committee.

## NEW BUSINESS:

### 1. **APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the May 6, 2024, regular meeting.

### 2. **FISCAL YEAR 2024 ANNUAL REPORT FROM THE AUDIT COMMITTEE:**

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

Presented by: Gretchen Newsom, Audit Committee Chair

### 3. **GLOBAL INTERNAL AUDIT STANDARDS UPDATE**

RECOMMENDATION: Information item only.

Presented by: Lee Parravano, Chief Auditor

### 4. **FISCAL YEAR 2024 ANNUAL 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. ***(Requires five (5) affirmative votes of the Audit Committee.)***

Presented by: Fred Bolger, Manager Audit Services; Marnie Dale, Auditor

Monday, September 9, 2024

- 5. ANNUAL REVIEW OF THE CHARTER OF THE AUDIT COMMITTEE:**  
RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed revision to the Charter and forward it to the Board with a recommendation for approval.  
Presented by: Lee Parravano, Chief Auditor
- 6. ANNUAL REVIEW OF THE CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR:**  
RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed revision to the Charter and forward it to the Board with a recommendation for approval.  
Presented by: Lee Parravano, Chief Auditor
- 7. REVISION TO THE FISCAL YEAR 2025 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

## 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

## REPORT ON CLOSED SESSION:

## COMMITTEE MEMBER COMMENTS:

## ADJOURNMENT:

Monday, September 9, 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 called 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.

**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 Board meeting, parking is available in the Airport Administration Building Parking Lot (entrance on the east side of McCain Road).**

**Bring your ticket to the first-floor receptionist for validation.**

**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, MAY 6, 2024**  
**BOARD ROOM**

**CALL TO ORDER:** Chair Newsom called the Audit Committee Meeting to order at 10:00 a.m., on Monday, May 6, 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, Montgomery Steppe, Newsom (Chair), Perez, Sanchez, Vaus, Wong Nickerson

Absent:                      Committee Members:              None

Also Present:              Scott Brickner, Vice President/Treasurer/CFO; Amy Gonzalez, General Counsel; Shawna Morales, Assistant Authority Clerk II; Sonja Banks, Assistant Authority Clerk I

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

**NEW BUSINESS:**

**1.      APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the February 5, 2024, regular meeting and March 25, 2024, special meeting.

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

*Board Member Sanchez arrived at 10:07 a.m.*

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

Elizabeth Stewart, Director, Accounting, and Blake Roe, Colleague Partner, Plante Moran, provided a presentation that included National Airport Practices by numbers; Engagement Team; Scope of Audit; Audit Timeline; Required Communications; and Audit Plan.

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

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

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

Lee Parravano, Chief Auditor, and Scott Thein, Senior Auditor, provided a presentation that included Quality Assessment Review Purpose and Review Period, often referred to as a Peer Review. As a result of the review, it was the opinion that the 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, the highest level of performance that an internal audit office can receive.

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

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

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

Lee Parravano, Chief Auditor, and Fred Bolger, Manager, Audit Services provided a presentation on the Fiscal Year 2024 Third Quarter Report that included Performance Measures; General Audit Activity-Recommendation Follow-up, Fraud, Waste, Abuse and Ethics; QAIP (Quality Assurance and Improvement Program); and Audit Spotlight – Terminal & Roadways Project Insurance.

Committee Member Wong Nickerson recommended additional controls and training in response to audit findings of funds due to the Authority for duplicate/incorrect billing.

Bob Bolton, Director, Airport Design and Construction, reported that Mike Carmichael, Program Control Manager, has been hired to be responsible for the scope, budget, and schedule of work to efficiently run projects.

Chair Newsom requested status on the return of funds and a follow-up report to the committee.

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 Montgomery Steppe to approve staff's recommendation. Motion carried unanimously.**

**5. 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, which is to add one audit of the 2% Surcharge Program as a follow-up audit to a completed audit from 2022.

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 Huerta to approve staff's recommendation. Motion carried unanimously.**

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

Lee Parravano, Chief Auditor provided a presentation on the Risk Assessment and Proposed Fiscal Year 2025 Audit Plan of the Office of the Chief Auditor that included Defining the Audit Universe; Interpreting the Risk Assessment Results; Audit Plan Development; Audit Resources (Internal); Proposed Audit Plan; and Proposed Contingent Audits and Hours.

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.)***

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

**7. FISCAL YEAR 2025 PROPOSED BUDGET OF THE CHIEF AUDITOR AND FISCAL YEAR 2026 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:**

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2025 Proposed Budget of the Chief Auditor and Fiscal Year 2026 Proposed Conceptual Budget Expense Summary that also included the Major Drivers of the Fiscal Year 2025 and 2026 Proposed Budgets.

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.)***

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

**COMMITTEE MEMBER COMMENTS:**

**CLOSED SESSION:** The Committee recessed into Closed Session at 10:53 a.m. to discuss item 8 and 9.

**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

**REPORT ON CLOSED SESSION:** The Committee adjourned out of Closed Session at 11:27 a.m. There was no reportable action.

**ADJOURNMENT:** The meeting adjourned at 11:27 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY THIS 9<sup>th</sup> DAY OF SEPTEMBER 2024.

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LEE PARRAVANO  
CHIEF AUDITOR

ATTEST:

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SHAWNA MORALES  
ASSISTANT AUTHORITY CLERK II

## Audit Committee Report

**Meeting Date: September 9, 2024**

**Subject:**

**Fiscal Year 2024 Annual Report from the Audit Committee**

**Recommendation:**

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

**Background/Justification:**

The Charter of the Audit Committee was instituted by Board Resolution No. 2003-061 on October 2, 2003, and states the Audit Committee's authority, role, duties, and oversight responsibilities. These duties and responsibilities are further detailed in Authority Policy Article 1, Section 1.50 (5)(c)(ii).

Annually, in accordance with the Charter of the Audit Committee, the Committee shall provide a summary report to the Board on its activities and recommendations covering how it discharged its duties and met its oversight responsibilities during the previous year.

The Charter of the Audit Committee was most recently revised by Board Resolution No. 2021-0108 on October 7, 2021.

During its September 9, 2024, meeting, the Chair of the Audit Committee will present the Fiscal Year 2024 Annual Report from the Audit Committee (Attachment A) for review by the Committee Members. Any revisions requested by the Audit Committee will be incorporated prior to the report's submittal to the Board during a regularly scheduled Board meeting.

**Fiscal Impact:**

None

## Authority Strategies/Focus Areas:

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

### Strategies

- Community Strategy    Customer Strategy    Employee Strategy    Financial Strategy    Operations Strategy

### Focus Areas

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

### Environmental Review:

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

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

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

### Application of Inclusionary Policies:

Not Applicable

### Prepared by:

Lee M. Parravano  
Chief Auditor

**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  
Michelle Perrault  
Everett Townsend

**President/CEO**

Kimberly J. Becker

September 9, 2024

Gil Cabrera, Board Chair  
San Diego County Regional Airport Authority  
P.O. Box 82776  
San Diego, CA 92138-2776

Dear Chair Cabrera:

The Charter of the Audit Committee states the purpose and responsibilities of the Audit Committee including a requirement to annually report to the Authority Board on its activities performed the previous year. This report provides a summary of the work accomplished by the Audit Committee during Fiscal Year 2024, covering the period from July 1, 2023, through June 30, 2024.

WORK PERFORMED

During Fiscal Year 2024, the Audit Committee's activities included reviewing required communications from the Office of the Chief Auditor (OCA), reviewing required communications from the Authority's previous external auditor (FORVIS), recommending a new external audit firm (Plante Moran), and reviewing the Charter of the Audit Committee and the Charter for the Office of the Chief Auditor.

Audit Committee members examined numerous documents and reports pertaining to the activities completed by the OCA. The Audit Committee also received quarterly updates from the OCA which included discussions on internal audits performed and the progress made by Authority management to implement recommendations issued by the OCA.

During Fiscal Year 2024, the Audit Committee members reviewed, approved, or received as information reports and presentations listed here:

- OCA Fiscal Year 2023 Annual Report.
- OCA Fiscal Year 2024 Quarterly Reports and corresponding audit findings and recommendations.
- OCA Audit Reports issued during Fiscal Year 2024, totaling 11.
- OCA recommendations issued during Fiscal Year 2024, totaling 24.
- Management's progress to implement recommendations issued by the OCA.

- Revisions to the Fiscal Year 2024 OCA Audit Plan.
- OCA Fiscal Year 2025 Risk Assessment and Audit Plan.
- OCA Fiscal Year 2025 proposed budget.
- Status on construction audit services.
- Ethics Program and confidential hotline updates.
- Public employee performance evaluation goal setting for the Chief Auditor.
- Results of the Quality Assessment Review of the Office of the Chief Auditor.

Required communications from the external auditor are presented annually during the regularly scheduled May and November Audit Committee Meetings, as a routine. This coincides with the Authority's audit of its financial statements by the external auditor for the fiscal year ending June 30 of that year. The results of the financial audit are presented to the Audit Committee prior to a full review by the Authority Board.

On November 13, 2023, the previous external auditor, FORVIS, gave a detailed presentation to the Audit Committee on the audited financial statements for Fiscal Year-ended June 30, 2023. The reports below were submitted, reviewed, and accepted by the Audit Committee, then forwarded to the Authority Board.

- Audited Financial Statements
- Single Audit Reports
- Passenger Facility Charge (PFC) Compliance Report
- Customer Facility Charge (CFC) Compliance Report
- Letter to the Board
- 2023 Annual Comprehensive Financial Report

The contract for external audit services had expired with completion of the Fiscal Year 2023 audit. As a result, the Authority issued a Request for Proposal in January 2024 to select a new external auditor. On March 25, 2024, the Audit Committee reviewed the evaluation process conducted by staff to select a new external auditor. The Committee concurred with staff's recommendation and nominated Plante Moran to serve as the Authority's new external auditor.

On May 6, 2024, Plante Moran gave a detailed presentation to the Audit Committee on the engagement team, scope, timeline, required communications, and other information related to the Fiscal Year-ended June 30, 2024, financial and compliance audits.

## MONITORING AND AUDIT RECOMMENDATIONS

Key to the Audit Committee's monitoring of the Authority's operations are communications from the Chief Auditor and communications from the external auditor during semiannual meeting attendance, as noted previously.

The Audit Committee is regularly informed of the progress made by Authority management toward implementing the recommendations issued by the OCA. At each Committee Meeting, the OCA presents the status of audit report recommendations, specifically, whether implementation is still pending, the length of time a recommendation has been open, or whether the recommendation was completed.

## MEETINGS HELD

The Audit Committee met five times in Fiscal Year 2024. The Audit Committee Meeting dates were as follows:

- September 11, 2023 – *Regular Meeting*
- November 13, 2023 – *Regular Meeting*
- February 5, 2024 – *Regular Meeting*
- March 25, 2024 – *Special Meeting (Recommendation of new external auditor)*
- May 6, 2024 – *Regular Meeting*

Minutes of the Audit Committee meetings are on file with the Authority Clerk and may also be found on the San Diego International Airport website [www.san.org](http://www.san.org).

## GOVERNANCE DEVELOPMENTS

As a required oversight function of the Audit Committee, the *Charter for the Office of the Chief Auditor* and the *Charter of the Audit Committee* are reviewed annually by the Audit Committee in accordance with best practices, and:

- The Office of the Chief Auditor's Quality Assurance and Improvement Program.
- The requirements that are specified within each of the Charters.

This supervision over the Charters by the Audit Committee ensures that any changes in Authority governance processes, financial, risk management, or developments in internal auditing practices (mandatory and professional), etc. are accurately reflected and that the Charters are revised as needed.

The annual review performed by staff during Fiscal Year 2024 determined that no revisions were necessary for the Charter of the Audit Committee. The Charter for the Office of the Chief Auditor required one revision to remove the outdated reporting processes for fraudulent or illegal acts. The current reporting process is already included in Authority Code 2.16.

In January 2024, the Institute of Internal Auditors introduced new Global Internal Audit Standards which will guide the work performed the OCA. The new Global Internal Audit Standards are effective January 2025. The Committee will be updated on the relevant changes and the measures being taken by the OCA to comply with the new Standards at an upcoming Committee meeting.

On July 1, 2023, we welcomed the Audit Committee's new Public Member, Claudia Huerta. Claudia Huerta was formally appointed for a 3-year term, which commenced July 1, 2023. Additionally, I accepted the re-appointment of Audit Committee Chair during the June 6, 2024, Board Meeting.

In closing, I look forward to the year ahead as the Audit Committee continues to perform its monitoring responsibilities, with diligence, and to effectively contribute to the success of the Authority.

Sincerely,

Gretchen Newsom  
Audit Committee Chair  
Public Member

GN/LP

cc: SDCRAA Board Members  
SDCRAA Audit Committee Members  
Kimberly J. Becker, President/CEO

# Global Internal Audit Standards Update

Audit Committee Meeting September 9, 2024



# Agenda

- Background
- International Professional Practices Framework
- Global Internal Audit Standards
- Major Changes
- Domain III - Governing
  - Principle 6 - Authorized by Audit Committee/Board
  - Principle 7 - Positioned Independently
  - Principle 8 - Overseen by the Audit Committee/Board



# Background

An effective Office of the Chief Auditor (OCA) will enhance:



The Audit Committee's ability to exercise its oversight responsibilities.



Executive Management's ability to achieve Authority objectives.



The Authority's ability to create, protect, and sustain value.



Thus, the Audit Committee, executive management, and the OCA have a partnership in driving organizational success.



**All three parties must support each other to enable success.**

# Background

## Enabling an effective OCA



Is key to successful achievement of Authority objectives.



Appropriate governance arrangements enable the OCA to fulfill expectations.



The Audit Committee and executive management are essential to the OCA's success.



“Essential conditions” build an effective partnership between the Audit Committee, executive management and the Chief Auditor.

# International Professional Practices Framework (IPPF)

Mandatory Elements from 2017 IPPF



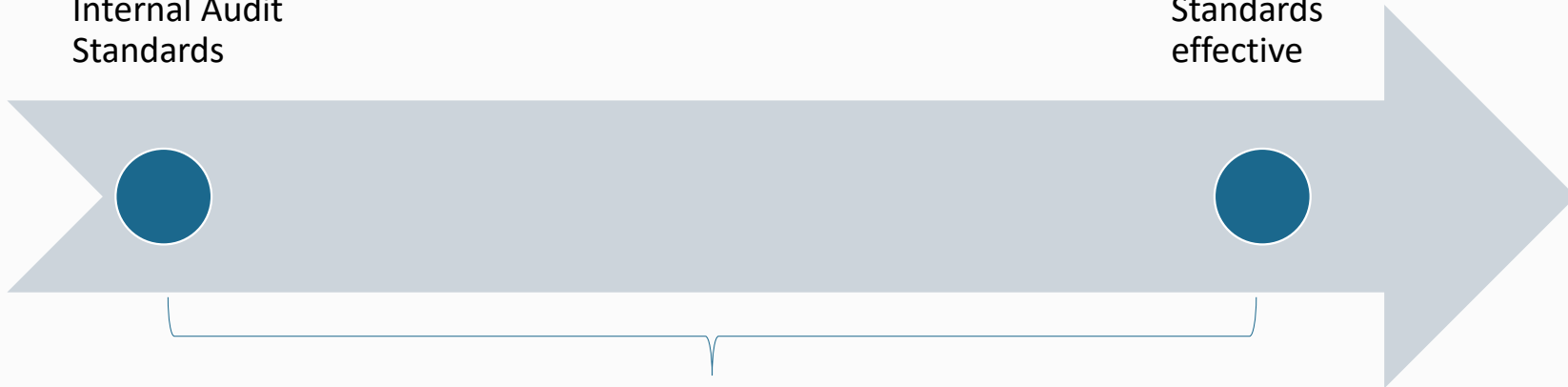
# Global Internal Audit Standards

January 9,  
2024

- IIA releases the Global Internal Audit Standards

January 9,  
2025

- New Global Internal Audit Standards effective



January 9, 2024 – January 9, 2025

- Transition period – Old Standards still in place, early adoption encouraged

# Global Internal Audit Standards

## Why New Standards?

"To make our guiding principles and standards more simply structured with greater clarity and alignment of their elements. Members sought more practical guidance that could be applicable regardless of an internal audit function's sector, size, industry, or maturity level."

"We were further called to develop standards that could be used to communicate, educate, and advocate for our profession."

Naohiro Mouri, IASB Chair and J. Michael Peppers, IASB Immediate Past Chair, "The Journey to the New Standards", *Internal Auditor*, a Publication of the IIA, February 2024, pp29

# Major Changes - Structure

## I. Purpose of Internal Auditing

### II. Ethics and Professionalism

- 5 Principles
- 13 Standards

### III. Governing

- 3 Principles
- 9 Standards

### IV. Managing

- 4 Principles
- 16 Standards

### V. Performance

- 3 Principles
- 14 Standards

# Domain 3 - Governing

Requires a discussion of new responsibilities and “essential conditions”

## Essential Conditions:

- Activities of the Board/Audit Committee and executive management that enable the internal audit function’s success.

### Board/Audit Committee

- Role & Responsibility for Authorizing the OCA
- Establish & Protect OCA independence
- Oversee the OCAs Performance

### Executive Management

- Implement Board/Audit Committee’s decision to support and promote structures and process that enable an effective internal audit function.



# Domain 3: Principle 6 - Authorized by the Audit Committee/ Board

Determine the appropriate authority, role, and responsibilities of the OCA - internal audit mandate

✓ Included in the new Charter for the Office of the Chief Auditor (Agenda Item 6).

Approve charter, plan, budget, and resource plan

✓ Charter approved annually in Sept., budget approved annually in May, resource plan is discussed with the budget & Audit Plan in May.

Ensure the Chief Auditor reports to a level that allows the OCA to fulfill its mandate

✓ Chief Audit reports directly to Audit Committee/Board.

Specify the OCA should have unrestricted access to data, records, information, personnel, and physical properties

✓ Included in the new Charter for the Office of the Chief Auditor Charter (Agenda Item 6).

Inquire whether any restrictions exist that limit the OCA's ability to carry out its responsibilities

✓ No restrictions present.

Meet periodically with the Chief Auditor in private

✓ Chief Auditor meets in closed session, as needed, subject to the Brown Act.

# Domain 3: Principle 7 - Positioned Independently

A direct reporting relationship with the Chief Auditor and the OCA.

✓ The Chief Auditor reports directly to the Audit Committee/Board (PUC 170018, 170026).

Authorize the appointment and removal of the Chief Auditor.

✓ PUC 170026

Engage with executive management to appoint a qualified, competent Chief Auditor to manage the OCA.

✓ PUC 170026. OCA met with executive management prior to appointment.

Provide input to support the Chief Auditor's performance evaluation and remuneration.

✓ PUC 170026, Audit Committee reviews the Chief Auditor's performance annually.

Approve Chief Auditor's roles or responsibilities beyond the scope of internal auditing.

✓ Not Applicable

Establish appropriate safeguards if Chief Auditor roles and responsibilities impair the OCA's independence.

✓ Not Applicable

# Domain 3: Principle 8 - Overseen by the Audit Committee/ Board

Obtain the Committee/Board's perspective on organizational strategies, objectives, and risks to assist the Chief Auditor with determining internal audit priorities.

✓ Chief Auditor meets with all Audit Committee members and Board Chair annually.

Set expectations with the Chief Auditor for a) The frequency of communications, b) The criteria for determining which issues should be escalated to the Audit Committee/Board, and c) The process for escalating matters.

✓ PUC 170018 (Audit Committee meets 4 times a year)  
✓ Currently, the OCA reports all, non-trivial, findings to Audit Committee.

Discuss with the Chief Auditor any disagreements with executive management or other stakeholders.

✓ Management's formal response contains "Agree/Disagree" statement for all findings.

# Domain 3: Principle 8 - Overseen by the Audit Committee/ Board (Continued)

Collaborate with executive management to ensure internal audit has sufficient resources. Consider the impact of insufficient resources and engage with executive management and Chief Auditor if resources are insufficient.

- ✓ OCA budget/resources approved annually by Audit Committee.
- ✓ Not Applicable for Insufficient resources.

Discuss the Quality Assurance and Improvement Program (QAIP) with the Chief Auditor.

- ✓ The results of the QAIP are reported to the Audit Committee annually in September, or as completed.

Approve the OCA's performance objectives at least annually.

- ✓ Approved annually in May

## Domain 3: Principle 8 - Overseen by the Audit Committee/ Board (Continued)

Assess the effectiveness and efficiency of the OCA.

✓ Done in connection with performance above. Benchmarks are established for each KPI.

Discuss an External Quality Assessment (EQA) of the OCA conducted by an independent, qualified assessor or assessment team.

✓ Last EQA performed in January/February 2024 for period 6/30/2018 – 6/30/2023.  
✓ OCA provides details to Audit Committee prior to engaging EQA.

Collaborate with the Chief Auditor to determine the scope and frequency of the EQA.

✓ OCA provides a pre-attestation to Audit Committee prior to engaging EQA

Review and approve the OCA's plan for an EQA.

✓ Audit Committee reviews and approves/modifies OCA recommendation.

## Domain 3: Principle 8 - Overseen by the Audit Committee/ Board (Continued)

Receive EQA results from the assessor.

✓ OCA provides results when completed. Last completed January/February 2024.

Review and approve the Chief Auditor's plans to address deficiencies and opportunities for improvement.

✓ Not Applicable. Last EQA reported no deficiencies or opportunities for improvement.

Approve a timeline for action plan completion and monitor progress.

✓ Not Applicable

# Future Changes

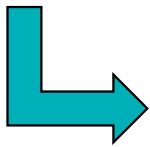
## IPPF upcoming releases



Quality Assessment Manual (July –September 2024)



New Practice Guides (July – December 2024)



**OCA will be incorporating new guidance throughout the year**



# Questions?



## Audit Committee Report

**Meeting Date: September 09, 2024**

**Subject:**

**Fiscal Year 2024 Annual 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. ***(Requires five (5) affirmative votes of the Audit Committee.)***

**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.

Additionally, the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (*Standards*) requires the Office of the Chief Auditor to make disclosures to the Audit Committee and Board at least annually.

The Fiscal Year 2024 Annual Report from the Office of the Chief Auditor is submitted to the Audit Committee as Attachment A. The report describes the activities and accomplishments of the OCA during the period July 1, 2023, through June 30, 2024, and includes details on all recommendations completed or in progress during the 4th Quarter of Fiscal Year 2024.

In addition, the report provides required disclosures in conformance with the *Standards* or as required in the Charter for the Office of the Chief Auditor.

Staff requests that the Audit Committee review the Fiscal Year 2024 Annual Report and forward the report to the Board for acceptance.

# Audit Committee Report

Meeting Date: September 09, 2024

## 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 Annual Report

ATTACHMENT A

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY



## Audit Engagement Progress

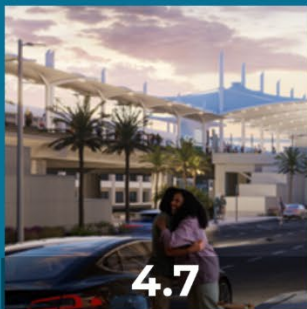


■ Completed (75%) 
 ■ In Progress (18.75%) 
 ■ Not Started (6.25%)

## Audit Engagements Completed vs. Benchmark & Goal



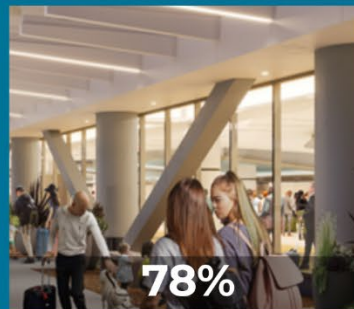
## By The Numbers



Customer  
Satisfaction  
Rating



Engagements  
Completed Under  
Budget



Auditor Utilization  
Percentage



Recommendations  
Accepted By  
Management



# Fiscal Year 2024

## ANNUAL REPORT

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY

**Issue Date: September 09, 2024**

**OFFICE OF THE CHIEF AUDITOR**

*Table of Contents*

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## Summary

### Executive Summary

The purpose of the Fiscal Year 2024 Annual Report is to provide information regarding the activities performed by the Office of the Chief Auditor (OCA) and to communicate required disclosures in conformance with The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*).<sup>1</sup>

Fiscal Year 2024 was a very productive year for the OCA. Aside from the continued audit assurances, the OCA had several notable accomplishments. In Fiscal Year 2024 we continued our partnership with the outside construction auditing firm Baker Tilly to provide assurances related to the New Terminal 1, transitioned to a new cloud-based audit software, completed an external Quality Assurance Review with no findings, and we issued our second continuous auditing engagement using data analytics on Rental Car Companies which examined over 1 million rental transactions.

### Performance Measures

For Fiscal Year 2024, six major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Table 1 below and are presented to the Audit Committee/Board quarterly unless noted otherwise.

*Table 1: Status of Performance Measures as of June 30, 2024*

#	Performance Measure	Goal	Actual	Benchmark
1	Customer Satisfaction Ratings from: <ul style="list-style-type: none"> <li>i. Audit Committee/Board (reported annually)</li> <li>ii. Executive Management (reported annually)</li> <li>iii. Auditee</li> </ul>	4.0	i) 5.0 ii) 5.0 iii) 4.7	4.0
2	Percentage of audit and consulting engagements completed.	80%	75%	80%
3	Percentage of recommendations accepted.	95%	100%	95%
4	Provide tools and training for staff measured by the percentage of staff meeting CPE requirements (reported annually).	100%	100%	93%
5	Percentage of staff time spent on audit and consulting engagements and general audit activities.	76%	78%	76%
6	Percentage of audit and consulting engagements completed within budget.	70%	75%	66%

<sup>1</sup>The *Standards* referenced are the 2017 International Standards for the Professional Practice of Internal Auditing. The Global Internal Audit Standards (GIAS) were issued January 9, 2024, and are effective January 9, 2025.

### *Customer Satisfaction Rating*

The OCA sends surveys to the following three customer categories:

- Authority Board/Audit Committee
- Executive Management
- Auditee

Each survey contains multiple questions, and each response is utilized by the OCA to gauge the performance of audits and activities completed. The OCA gauges customer satisfaction based on scores received on the question, “How would you rate your level of satisfaction with the Office of the Chief Auditor?”. Annually, in the 4<sup>th</sup> Quarter, the Authority Board, Audit Committee, and the Authority’s Executive Management are surveyed. Auditees are sent a “post-audit” survey questionnaire following the completion of each audit (or consulting engagement). Survey results from the auditees are presented quarterly to the Audit Committee and Board. The OCA tracks each customer category separately. For Fiscal Year 2024 aggregate category scores of 5.0, 5.0, and 4.7, respectively, were received, which exceeded the goal of 4.0 for each category.

### *Percentage of Audit and Consulting Engagements Completed*

The OCA completed 11 audits and 1 consulting engagement for a total of 12 completed engagements. This represents 75%<sup>2</sup>, of audit and consulting engagements on the Fiscal Year 2024 Audit Plan. For the status of all Fiscal Year 2024 Audit Plan activities on June 30, 2024, see 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. In Fiscal Year 2024, management accepted 100% of all audit recommendations.

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

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

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

This measure tracks the time spent on audit and consulting engagements and general audit activities.<sup>3</sup> The OCAs goal is for staff to spend 76% of their working hours<sup>4</sup> on audit engagements, consulting engagements, and general audit activities. For Fiscal Year 2024, the OCA spent 78% of working time on audit engagements, consulting engagements, and general audit activities, exceeding the goal established.

---

<sup>2</sup> The 75% is equal to 12 completed engagements divided by 16 total engagements anticipated to be completed in Fiscal Year 2024 (18 total audit and consulting engagements minus 2 audits that were approved to be completed in Fiscal Year 2025: 1.) Tenant Lease Administration & Management – FY 2024 Rental Car Companies, 2.) Tenant Lease Administration & Management – ABRM Internal Controls).

<sup>3</sup> Appendix A details all planned activities in these categories for Fiscal Year 2024.

<sup>4</sup> Time Off (e.g., Holidays, Paid Time off) has been excluded from this calculation.

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

This category monitors the efficiency of audit staff in performing audits and consulting engagements. Specifically, audit staff is responsible for the internally prepared budget hours assigned to each audit or consulting engagement. In Fiscal Year 2024, the OCA completed 75% of its projects within the budgeted time, exceeding the benchmark and the OCAs goal.



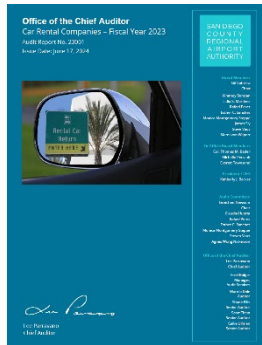
## Audit and Consulting Engagements

The Fiscal Year 2024 Audit Plan had 18 total audit and consulting engagements that were to be initiated. Of these, two engagements were not anticipated to be completed in the fiscal year<sup>5</sup>. These two engagements are included in the Fiscal Year 2025 Audit Plan. This left 16 engagements for the OCA to complete.

During Fiscal Year 2024, the OCA completed 12 of the 16 total engagements. This resulted in the OCA completing 75% of engagements, falling short of its 80% goal. All audits not completed in Fiscal Year 2024 will carry over to the Fiscal Year 2025 Audit Plan for completion. An agenda item included in the September 09, 2024, Audit Committee meeting will add the audits to the Fiscal Year 2025 Audit Plan.

Below are highlights from the audits completed by the OCA during the fourth quarter of Fiscal Year 2024. Audits completed in the first three quarters were provided to the Audit Committee and Board in the OCAs quarterly activity reports. Also, when completed, audit reports are distributed electronically by the OCA to specified recipients.

### Tenant Lease Admin. & Management - FY 2023 Rental Car Companies: Together with the

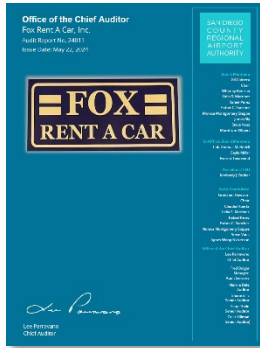


Authority's Business Intelligence Department, the OCA developed a continuous auditing program using data analytics to examine financial data received each month from seven Car Rental Companies (CRCs). Continuous auditing enables the Authority to detect potential issues earlier through automated real time reporting on critical information. The objective of this audit was to determine if concession fees, and Customer Facility Charges (CFCs) and Transportation Facility Charges (TFCs) were accurately paid in all material respects. In total over \$69 million of concessions and CFCs/TFCs were collected by the Authority from these seven CRC. This audit examined over 1 million rental

transactions. The audit concluded that concession fees and CFCs/TFCs were materially accurate for four of the seven CRCs. One of the three CRCs outside of the materiality range established by the OCA has been included in the FY2025 Audit Plan for more comprehensive testing. The other two CRCs were not recommended for an audit due to other mitigating information. The audit provided three recommendations, all of which were accepted by management.

<sup>5</sup> One of the audits cannot be completed due to the reporting deadline requirements of the auditee and the other audit was not ready for auditor review by the end of the year.

**Tenant Lease Admin. & Management - Fox Rent A Car (Fox):** The objective of this audit



was to determine if Fox accurately paid concession fees and CFCs for the audit period. The audit determined that Fox underpaid concession fees by \$174,782 and CFCs by \$21,429 due to the misclassification of Airport Customers as Non-Airport Customers. The audit had five recommendations, which were all accepted by management.

**Tenant Lease Admin. & Management - Terminal Concessions Compliance:** The objective



of this audit was to determine if In-Terminal Concessionaires complied with selected standards of operation of their Lease Agreements and if Revenue Generation & Partnership Development Department (RG&PD) had functioning processes in place to ensure compliance. Audit work determined that Concessionaires complied with three (3) of the five (5) standards tested and that RG&PD actively monitors the Concessionaires but identified two areas for improvement: 1) monitoring of Street Pricing for retail concessions, and 2) concessionaire's compliance with the hours of operations requirement. The audit provided three recommendations, all of which were accepted by management.

**Tenant Lease Admin. & Management - 2% Surcharge Program:** The objective of the audit



was to determine if In-Terminal Food and Beverage (F&B) concessionaires participating in the 2% Surcharge Program (Program) were complying with the Program requirements. Approximately \$4 million of surcharges were paid to local San Diego region employees over the audit period. The audit found that the F&B concessionaires complied with the requirements of the Program and properly applied the surcharge to F&B purchases and disbursed the surcharge funds to their employees. No recommendations were identified.

**HPD Consulting:** The objective of this engagement was to provide management assistance related to the recommendations included in the draft audit report No. 20002. The OCA assisted management in Fiscal Year 2024 and appreciated the opportunity to collaborate with management. The OCA did not make any management decisions or perform any management functions during this engagement. An additional engagement to assist management in Fiscal Year 2025 is included in the Fiscal Year 2025 Audit Plan.

## General Audit Activities

In addition to performing audit and consulting engagements, the OCA is involved in other general audit activities that do not result in a formal audit report/opinion being issued. The OCA is either 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. See Appendix A for a listing of all General Audit Activities.

### Risk Assessment and Audit Plan

The OCA is required to submit a risk-based internal Audit Plan to the Audit Committee annually. Performing the Fiscal Year 2025 Risk Assessment included obtaining input from the Board, Audit Committee, Authority Management, and staff. During Fiscal Year 2024, the OCA worked with Authority Management to identify and rank the likelihood and impact of a risk event occurring for each Key Work Activity within the Authority. The resulting Fiscal Year 2025 Audit Plan was then developed, based on the results of the Risk Assessment process and the discussions with key stakeholders. The Fiscal Year 2025 Risk Assessment and Audit Plan was submitted to the Audit Committee on May 6, 2024, and subsequently approved by the Board on June 6, 2024.



### Construction Activities

Construction audit activities for Fiscal Year 2024 consisted of attending meetings regarding the New T1 Terminal & Roadway, the Airport Administration Building, the Airside Improvements, and other airport construction projects. Audits of the New Administration Building, the Terminals and Roadway Project (Insurance), and the Turner-Flatiron Self Perform Work (Self-Perform) were completed as part of the Fiscal Year 2024 OCA Audit Plan. The Insurance and Self-Perform audits were completed in partnership with Baker Tilly, the on-call construction audit consultant.

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

<sup>6</sup> Requirements are dictated by the Charter for the Office of the Chief Auditor, Charter of the Audit Committee, or the 2017 International Standards for the Professional Practice of Internal Auditing.

### Information Technology Meeting Attendance

Information technology's central role to Authority operations makes meeting attendance on this subject a vital activity for the Chief Auditor.

### Development of Data Analytics

As discussed in the Audits and Consulting Engagements section of this report, the OCA partnered with the Authority's Business Intelligence Department to develop a continuous auditing program using data analytics to examine financial data from Rental Car Companies. The OCA is building off the success of this audit to improve the process and decrease the level of effort needed to analyze the data received. The Tenant Lease Admin. & Management – FY 2023 Rental Car Companies audit analyzed over 1 million rental transactions.

Due to the success of the continuous auditing program using data analytics for car rentals, the OCA is planning to expand its data analytics development to other areas within the Authority.

### 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 Fiscal Year 2024, the OCA received 5 tips/reports that were considered FWA&E related and 38 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. In 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.

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<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.

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

Category	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>			
Business Integrity	2	1	1
Human Resource, Diversity, and Workplace Respect	2	-	-
Misuse or Misappropriation of Assets	1	1	1*
<b>Total Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>	<b>5</b>	<b>2</b>	<b>2</b>
<b>Non-Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>			
Human Resource, Diversity, and Workplace Respect	26	-	-
Environment, Health, and Safety	1	-	-
Business Integrity	6	-	-
Other	5	-	-
<b>Total Non-Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>	<b>38</b>	<b>-</b>	<b>-</b>
<b>Total Hotline Tips/Reports</b>	<b>43</b>	<b>2</b>	<b>2</b>

\*The OCA did not conclude this was due to fraud.

### 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 C). 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.

The Audit Committee is updated each quarter on the status of recommendations. The recommendations that have been remediated by management in prior quarters of Fiscal Year 2024 were presented to the Audit Committee on the following Committee Meeting dates: November 13, 2023, February 5, 2024, and May 6, 2024.

Table 4 below shows the number of recommendations that were *Completed* or *In Progress* as of the fourth quarter of Fiscal Year 2024, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, eight were implemented within the initial timeframe identified when the recommendations were

issued. Of the In Progress recommendations, six 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 4: Recommendations with Estimated/Actual Implementation Timeframe*

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
Completed	12	2	2	16
In Progress	3	4	3	10

**Quality Assurance and Improvement Program**

The Institute of Internal Auditors' (IIA) 2017 *Standards* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP). Comprehensive details are included under the *Quality Assurance and Improvement Program* section of this report.

## Administrative

The activities that reside within the Administrative classification of the Fiscal Year 2024 Audit Plan include meeting attendance by the OCA, holiday and vacation time, and the fulfillment of Continuing Professional Education (CPE) requirements.

### Qualifications and Training

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

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



Each of these certifications requires that the holder complete a specified number of hours of CPE. As noted above, all CPE requirements were met for all OCA staff during calendar year 2024.<sup>8</sup>

<sup>8</sup> Professional organizations track Continuing Professional Education (CPE) either by calendar year or a fiscal year. The OCA verifies CPE compliance on a calendar year basis.

### **Audit Committee Support**

During Fiscal Year 2024, the Audit Committee met five times on the following dates:

- September 11, 2023 – *Regular Meeting*
- November 13, 2023 – *Regular Meeting*
- February 5, 2024 – *Regular Meeting*
- March 25, 2024 – *Special Meeting (Recommendation of new external auditor)*
- May 6, 2024 – *Regular Meeting*

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

### **Outside Activities**

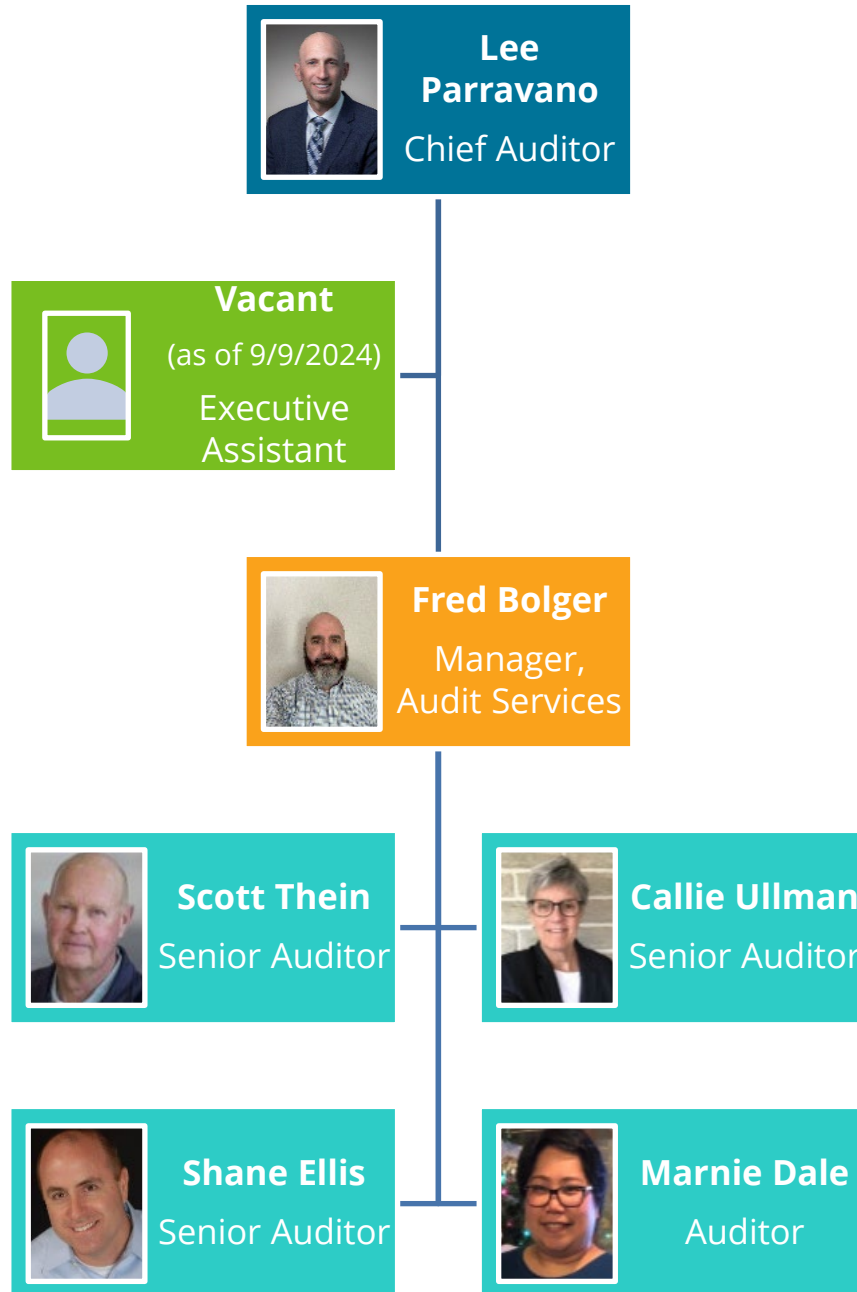
In addition to the services provided to the Authority, OCA staff are involved in various audit related organizations and activities in their personal time. As of June 30, 2024, OCA staff members served on the following community groups:

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



### Organization Chart

As of June 30, 2024, the OCA organizational structure was as follows.



## Quality Assurance and Improvement Program

### Background

The 2017 Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*) require the OCA to maintain a Quality Assurance and Improvement Program that includes external assessments and internal (self) assessments.

- **External Assessment:** Known as a Quality Assessment Review (QAR), or peer review; must be conducted at least once every five years by an independent assessor or an assessment team from outside the organization that is qualified in the practice of internal auditing, as well as the quality assessment process. QAR results are required to be reported to the Board.
- **Internal Assessment:** Comprised of two interrelated parts, 1) ongoing monitoring, and 2) periodic self-assessments. The results of a periodic self-assessment and the level of conformance to the 2017 *Standards* must be reported to the Board at the completion of the self-assessment. The results of ongoing monitoring are required to be reported to the Board at least annually.

The 2017 *Standards* also contain other mandatory reporting requirements as documented in Appendix B.

### External Assessment - Quality Assessment Review

The most recent external assessment of the OCA was performed by the Association of Local Government Auditors (ALGA) for the five-year period from July 1, 2018, through June 30, 2023. The external assessment was performed in January 2024, with results presented to the Audit Committee during its May 6, 2024, meeting. The external assessment determined that the OCA is providing reasonable assurance of compliance with the 2017 *Standards*. This is the highest level of conformance an internal audit function can achieve. The external assessment did not issue a letter for improvement. The next external assessment will be required for the five-year period ending June 30, 2028.



### Internal Assessment – Self-Assessment & Ongoing Monitoring

In July and August of 2024, the OCA conducted ongoing monitoring related to Fiscal Year 2024 operations, as required by the 2017 *Standards*. The last Self-Assessment was performed in July and August 2023 in connection with the External Assessment performed by ALGA, noted above. The results of the Self-Assessment were shared with the Audit Committee in September 2023. The results of Ongoing Monitoring are provided below.

### Scope and Objectives of Ongoing Monitoring

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

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

### Results of Ongoing Monitoring

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

### QAIP Recommendations/Corrective Actions Plans Identified

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

1. The IIA, on January 9, 2024, issued a newly developed International Professional Practices Framework (IPPF) which includes the new Global Internal Audit Standards (GIAS). The new GIAS is effective starting January 9, 2025, and early implementation is encouraged. The GIAS will be the new guide for the worldwide professional practice of internal auditing and will serve as the basis of evaluating the quality of the internal audit function. To comply with the new GIAS, the OCA recommends incorporating changes required by the new GIAS by updating the following:
  - a. Charter for the Office of the Chief Auditor and Audit Committee to incorporate changes required by the GIAS.
  - b. The OCAs Policies and Procedures Manual
  - c. The OCAs Quality Control checklists (report, wrap-up, etc.)
  - d. Disclosures for the Internal Audit function
2. The OCA identified potential process improvements that could be implemented to improve items such as workpaper referencing and documentation. The OCA is exploring implementing the potential process improvements.

Appendix A – Fiscal Year 2024 Audit Plan

#	Activity	Status as of 6/30/2024	Over/Under Budget
<b>Audit</b>			
1	Tenant Lease Admin. & Management – FY 2023 Rental Car Companies	Completed	Under
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>9</sup>	In Progress	
9	Tenant Lease Admin. & Management - In Terminal Concessionaire Compliance	Completed	Under
10	Tenant Lease Admin. & Management – ABRM Internal Controls <sup>9</sup>	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	Completed	Under
16	Tenant Lease Admin. & Management – High Flying Foods Package 7	In Progress	
17	Tenant Lease Admin. & Management – 2% Surcharge	Completed	Under
<b>Consulting</b>			
18	Harbor Police Contract Management	Completed	Under
<b>General Audit</b>			
19	Risk Assessment & Audit Plan	Completed	
20	Construction Meeting Attendance & Coordination	Completed	
21	Information Technology Meeting Attendance	Completed	
22	Development of Data Analytics	Completed	
23	Fraud, Waste, Abuse, and Ethics Program	Completed	
24	Recommendation Follow-up	Completed	
25	Quality Assurance & Improvement Program	Completed	
<b>Administrative</b>			
26	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	Completed	
27	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	Completed	

<sup>9</sup> Audit engagement was not anticipated to be completed in Fiscal Year 2024 and was carried forward to Fiscal Year 2025.

## Appendix B – Disclosures

---

The following items are being disclosed in conformance with the 2017 *Standards*.

### **Purpose, Authority, & Responsibility**

The 2017 International Professional Practices Framework (IPPF) Standard 2060 requires the OCA to periodically report on the OCA's purpose, authority & responsibility. These are included in the Charter for the OCA and are listed below for reference.

#### Purpose

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

#### Authority

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

#### Responsibility

The responsibilities of the Office of the Chief Auditor are outlined in the Charter for the Office of the Chief Auditor. They include but are not limited to submitting a risk-based Audit plan, communicating any fraud or illegal acts that could affect the Authority, ensuring engagements are executed and communicating the results to appropriate parties, following up on engagement findings and recommendations, and ensuring compliance with the 2017 *Standards*.

### **Organizational Independence**

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

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

### Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed based on the 2017 International Professional Practices Framework (IPPF) Standard 1130.

- ✓ There were no audits or consulting engagements conducted during Fiscal Year 2024 that had any impairment of independence or objectivity in fact or appearance.

### Disclosure of Nonconformance

Occasionally, circumstances require the completion of projects/engagements in a manner that is not consistent with the 2017 *Standards*. When this occurs, the OCA must disclose the non-conformance and the impact to senior management and the Board.

- ✓ During Fiscal Year 2024 there were no instances in which projects were performed in a manner that did not comply with the 2017 *Standards*.

### Resolution of Management's Acceptance of Risks

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

- ✓ There were no such instances related to risk during the 2024 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

### Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
<b>Completed</b>						
24-18	Audit Report 24011 Issued: May 22, 2024 Title: Fox Rent A Car, Inc.  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should communicate with Fox how to correctly calculate concession fees and classify Airport versus Non-Airport Customers.	7/15/2024	6/30/2024	RG&PD and OCA met with Fox to discuss audit findings and Non-Airport customers.
24-01	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	6/30/2024	Invoice issued in the amount of \$228,901 and Fasttrack has not paid. Termination letter sent 8/1/24 with termination date 8/15/24.
24-17	Audit Report 24011 Issued: May 22, 2024 Title: Fox Rent A Car, Inc.  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should request the Accounting Department to issue an invoice to Fox in the amount of \$174,782 for the underpayment of concession fees.	7/15/2024	6/30/2024	Invoice issued in the amount of \$174,782 for underpayment of concession fees.

### Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
<b>Completed</b>						
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	6/30/2024	MAG adjustments completed on 6/30/24. Amendments to correct SF were executed by 1/31/24.
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	6/30/2024	Invoices issued in the amounts of \$27,224 and \$34,220. Tenant has not paid. Second Termination letter sent 8/1/24 with termination date 8/15/24.
24-19	Audit Report 24011 Issued: May 22, 2024 Title: Fox Rent A Car, Inc.  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request the Accounting Department to issue an invoice to Fox in the amount of \$21,429 for the underpayment of CFCs during the audit period.	7/15/2024	6/30/2024	Invoice issued in the amount of \$21,429 for underpayment of CFCs.



**Appendix C - Status of Recommendations**

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
<b>Completed</b>						
24-21	Audit Report 24011 Issued: May 22, 2024 Title: Fox Rent A Car, Inc.  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should consider charging Fox interest, and the full cost of conducting the audit, in the amounts of \$47,955, and \$60,336 respectively.	7/15/2024	6/30/2024	Invoices issued in the amounts of \$47,955 and \$60,336.
24-22	Audit Report 23001 Issued: June 17, 2024 Title: Car Rental Companies - Fiscal Year 2023  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should evaluate the data provided by the OCA, and collaborate with the OCA, to determine if any other Agreement requirements should be included in the proposed audit scope for Hertz.	6/30/2024	6/30/2024	RG&PD has no additional Tenants or requirements that we feel need to be audited.
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	Paid by the JV within Pay App #43.

**Appendix C - Status of Recommendations**

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
<b>Completed</b>						
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	RG&PD and OCA communicated via a series of meetings the concessionable and non-concessionable accounts to tenant.
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	Credit issued in the amount of \$11,884 and applied to FT account.

**Appendix C - Status of Recommendations**

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
<b>Completed</b>						
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	Request issued to FastTrack to refund customers.
24-14	Audit Report 24004 Issued: April 30, 2024 Title: In-Terminal Concession Lease Compliance  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	We recommend that RG&PD review the Annual Pricing Submittals and/or Market Basket surveys with adequate frequency to ensure that Terminal pricing is consistent with “Street Pricing” standards.	9/1/2024	6/30/2024	RGPD has a procedure in place for annual pricing submittals to be remit by March 1 of every year at a minimum. All retail pricing submittals for 2023 and 2024 have been received and reviewed; only 1 tenant is undergoing final confirmation. RGPD is in the initial stages of developing a Quality Assurance Program intended be in place concurrent with New T1 opening.

**Appendix C - Status of Recommendations**

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
<b>Completed</b>						
24-15	Audit Report 24004 Issued: April 30, 2024 Title: In-Terminal Concession Lease Compliance  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	We recommend that RG&PD staff periodically check actual opening and closing times for Concessionaires to ensure compliance to required operating hours.	9/1/2024	6/30/2024	Staff continues to conduct site walks three times a week to ensure units are adhering to hours of operations. Closures during normal operating hours are rare now. The unit having the most difficulty with staff (Be Relax) is now permanently closed. RGPD now receives reports from the Business Intelligence team which uses sensor technology that tracks movement in areas near concessions at all hours of the day.
24-20	Audit Report 24011 Issued: May 22, 2024 Title: Fox Rent A Car, Inc.  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request Fox to refund car rental customers \$29,160 for the over collection of CFCs.	7/15/2024	6/30/2024	Request issued to Fox to refund customers.

**Appendix C - Status of Recommendations**

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
<b>Completed</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	LOC (security deposit) amount reviewed per agreement. RG&PD has requested a new LOC multiple times in writing and has not received it. Second Termination letter sent 8/1/24 with termination date 8/15/24.

**Appendix C - Status of Recommendations**

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
<b>In Progress</b>						
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	8/30/2024	JV to process credit of \$4,216.00 (the remaining unpaid and/or unsupported charges) in the July 2024 pay app.
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	12/31/2024	ADC has met with the JV to discuss the issue identified. Staff will continue to work with the JV to resolve the matter.
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	12/31/2024	ADC has met with the JV to discuss the issue identified. Staff will continue to work with the JV to resolve the matter.

**Appendix C - Status of Recommendations**

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 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	11/30/2024	This work is ongoing with the implementation of ABRM which should be completed by November of 2024.
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	12/31/2024	ADC has met with the JV to discuss the issue identified. Staff will continue to work with the JV to resolve the matter.
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	8/30/2024	JV to process credit of \$1,414.64 (the remaining unpaid and/or unsupported charges) in the July 2024 pay app.

**Appendix C - Status of Recommendations**

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
<b>In Progress</b>						
24-16	Audit Report 24004 Issued: April 30, 2024 Title: In-Terminal Concession Lease Compliance  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	We recommend that RG&PD implement and document a procedure to guide changing the hours of operation.	9/1/2024	9/30/2024	RGPD will have written procedure in the Department file by 9/30/24.
24-23	Audit Report 23001 Issued: June 17, 2024 Title: Car Rental Companies - Fiscal Year 2023  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	RG&PD should educate CRCs on how to accurately report gross revenues, exclusions to gross revenue, Concessionable Revenues, concession fees due, and CFCs/TFCs on the summary reports.	8/15/2024	9/30/2024	RCC Workshop in development to discuss multiple items with corporate and local RAC representatives.
24-24	Audit Report 23001 Issued: June 17, 2024 Title: Car Rental Companies - Fiscal Year 2023  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	RG&PD should educate CRCs on the specific requirements set forth in Section 5.2, including submitting Annual Reports by August 31 of each year, and that the Annual Reports must include an opinion by a CPA.	8/15/2024	9/30/2024	RCC Workshop in development to discuss multiple items with corporate and local RAC representatives.



**Appendix C - Status of Recommendations**

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
<b>In Progress</b>						
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	12/31/2024	ADC has met with the JV to discuss the issue identified. Staff will continue to work with the JV to resolve the matter.

# Fiscal Year 2024 Annual Report from the Office of the Chief Auditor

July 1, 2023, through June 30, 2024

Audit Committee Meeting September 9, 2024

# Agenda

- Fiscal Year 2024 Performance Measures
- General Audit Activities
  - Recommendation Follow-Up
  - Fraud, Waste, Abuse, & Ethics
  - Quality Assurance and Improvement Program (QAIP)
- Audit Spotlight: Fox Rent A Car



# Fiscal Year 2024 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Customer Satisfaction Rating from Auditee	4.0	4.7	4.0
Percentage of Audit and Consulting Engagements Completed	80%	75%	80%
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%	75%	66%

# General Audit Activities - Recommendation Follow-Up

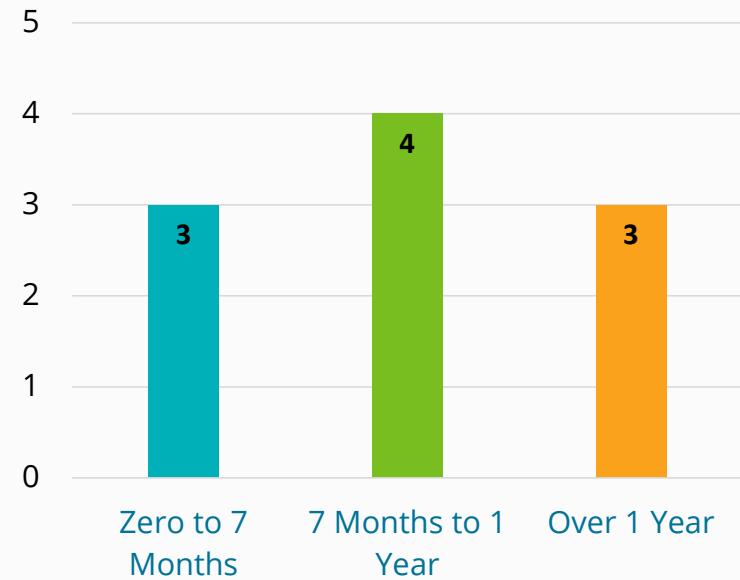
## Recommendation Follow Up

Status as of June 30, 2024			
Completed	In Progress	Not Accepted	Tracked
16*	10**	-	26

\* 8 recommendations were completed within the initial timeframe identified for implementation.

\*\* 6 recommendations are still within the initial timeframe identified for implementation.

## Estimated Implementation Timeframe for In Progress Recommendations



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

Category	Number of Tips / Reports Received as of June 30, 2024	Investigation Initiated by OCA	Tip/Report was Investigated and was Substantiated
Fraud, Waste, Abuse, & Ethics Tips/Reports			
Business Integrity	2	1	1
Human Resource, Diversity, and Workplace Respect	2	-	-
Misuse or Misappropriation of Assets	1	1	1*
<b>Total Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>	<b>5</b>	<b>2</b>	<b>2</b>

\*The OCA did not conclude this was due to fraud.

# 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
    - **Performed July-August 2024**
- Self Assessments
  - Required periodically
  - Focus is conformance with *Standards*
    - **Results Included on November 2023 Agenda**

## External Assessments:

- Required every 5 years by a qualified independent assessor
- Focus is conformance with *Standards*
  - **Results Included on May 2024 Agenda**



# General Audit Activities - QAIP (Cont.)

## Ongoing Monitoring :

Ongoing Monitoring: The OCA did not identify any items that would impact audit quality.

## Two Recommendations:

1. The OCA should make changes to comply with newly issued Global Internal Audit Standards. Examples include Charters, Policies & Procedures, Quality Control Checklists, Disclosures.
2. Potential Process Improvements – Consider workpaper referencing and documentation.

## *OCA Response:*

1. The OCA has begun implementing the new GIAS.
2. The OCA has begun implementing potential process improvements.



# General Audit Activities - QAIP (Cont.)

## Required Disclosures

### Disclosure of OCA Purpose, Authority, & Responsibility

- ✓ Included in Fiscal Year 2024 Annual Report

### Operational Independence

- ✓ No independence issues noted

### Impairments to Independence or Objectivity

- ✓ No impairments noted

### Disclosures of Nonconformance

- ✓ No instances noted


### Management's Acceptance of Risk

- ✓ No items noted

# Audit Spotlight - Fox Rent A Car

## Background

Office of the Chief Auditor  
Fox Rent A Car, Inc.  
Audit Report No. 24011  
Issue Date: May 22, 2024



**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

**Board Members**  
 Chair  
 Whitney Benoit  
 Lidia S. Martinez  
 Rafael Perez  
 Esther C. Sanchez  
 Monica Montgomery Steppe  
 James Sly  
 Sieve Vaus  
 Marni von Wilpert

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

**President / CEO**  
 Kimberly J. Becker

**Audit Committee**  
 Gretchen Newsom  
 Chair  
 Claudia Huerta  
 Lidia S. Martinez  
 Rafael Perez  
 Esther C. Sanchez  
 Monica Montgomery Steppe  
 Sieve 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 Thern**  
 Senior Auditor

**Celia Urquiza**  
 Senior Auditor

*Lee Parravano*  
 Lee Parravano  
 Chief Auditor

Fox provides rental car services from the Rental Car Center.

In exchange, Fox must remit:

- 10% of Concessionable Revenue on "Airport Customers"
- Consolidated Facilities Charge (CFC) of \$9 per day, for the first 5 days of each rental transaction.

Fox was previously not included in the OCA's Data Analytics Project.

Description	Amount Paid (FY 21-23)
Concession Fee	\$2,988,050
Customer Facility Charge	3,430,989
<b>Total</b>	<b>\$6,419,039</b>

# Audit Spotlight - Fox Rent A Car



## Objective

Determine if Fox accurately paid Concession Fees and CFCs.

## Scope

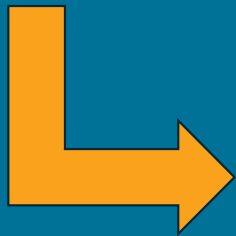
Audit period of July 1, 2020 – June 30, 2023.

# Audit Spotlight - Fox Rent A Car

## Conclusion

Fox inaccurately reported Concessionable Revenue which resulted in:

- Underpayment of Concession Fees of \$174,782
- Underpayment of Customer Facility Charges of \$29,160



Underpayment was due to misclassification of Airport Customers as Non-Airport Customers



# Audit Spotlight - Fox Rent A Car

## Other Findings

- Inaccurate CPA Reports for 2 Fiscal Years
- Net overcollection of CFCs from customers of \$20,076
- Authority can assess:
  - Interest of \$47,955
  - Cost of Audit \$60,336

**Fox will be included in the  
OCA's Data Analytics in FY 2024**



Questions?

## Audit Committee Report

**Meeting Date: September 9, 2024**

**Subject:**

**Annual Review of the Charter of the Audit Committee**

**Recommendation:**

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

**Background/Justification:**

The Charter of the Audit Committee describes the Audit Committee's purpose, mandate and authority, including oversight of the internal and external auditors, compliance and regulatory duties; and provides guidelines and procedures on how the Audit Committee conducts its business.

Board Resolution No. 2003-061 was adopted on October 2, 2003, and instituted the Charter of the Audit Committee. Subsequent revisions to the Charter were made in order to reflect changes in operating practices and to meet guidelines for best practices.

The Charter of the Audit Committee is annually reviewed by the Audit Committee in accordance with best practices, the Office of the Chief Auditor's Quality Assurance and Improvement Program, and the requirements specified in the Audit Committee's Charter.

The last revision to the Charter of the Audit Committee was made in September 2021 and subsequently approved by Board Resolution No. 2021-0108 on October 7, 2021. Changes included updating terminology within the Charter for it to be gender-neutral and inclusive.

The annual review performed by staff this year has determined that the Charter of the Audit Committee should be updated to incorporate language from the new Global Internal Audit Standards and remove certain language related to legal, ethical, or fraudulent acts. The current process for handling legal, ethical, or fraudulent acts is already included in Authority Code 2.16. Removing the language from the Charter related to legal, ethical, or fraudulent acts will ensure a conflict does not exist between the Authority Code and the Charter of the Audit Committee. The Authority Codes can be found at <https://www.san.org/Airport-Authority/codes-policies>.

# Audit Committee Report

Meeting Date: September 9, 2024

A redlined version of the Charter of the Audit Committee is provided in Attachment A. A version with all changes incorporated is provided in Attachment B.

## Fiscal Impact:

None

## Authority Strategies/Focus Areas:

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

### Strategies

- Community Strategy    Customer Strategy    Employee Strategy    Financial Strategy    Operations Strategy

### Focus Areas

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

## Environmental Review:

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

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

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

## Application of Inclusionary Policies:

Not Applicable

## Prepared by:

Lee M. Parravano  
Chief Auditor



# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## CHARTER OF THE AUDIT COMMITTEE

### ORGANIZATIONAL PRINCIPLES

#### **Purpose**

The purpose of the Audit Committee (Committee) is to provide structured, systematic oversight of the San Diego County Regional Airport Authority's (Authority) governance, risk management, and internal control practices. Public Utilities Code §170018 states that the Committee shall serve as a guardian of the public trust, acting independently, and charged with oversight responsibilities for reviewing the Authority's internal controls, financial reporting obligations, operating efficiencies, ethical behavior, and regular attention to cashflows, capital expenditures, regulatory compliance, and operations. The Committee assists the Authority's Board of Directors (Board) and management by providing advice and guidance related to the Authority's:

- Values and ethics;
- Governance structure;
- Risk Management;
- Internal control framework;
- Oversight of the Office of the Chief Auditor, external auditors, and other providers of assurance; and
- Financial statements and public accountability reporting.

The Committee reviews each of the items noted above and provides the Authority Board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

#### **Mandate**

The mandate for the establishment of the Committee is contained in Public Utilities Code §§170013 and 170018.

#### **Authority**

The Charter of the Audit Committee sets out the authority of the Committee to carry out the responsibilities established for it by the Authority Board.

In discharging its responsibilities, the Committee shall have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The Committee shall also have unrestricted access to records, data, and reports. The Committee shall interact with these employees and management through the Chief Auditor, the President/CEO, or a designee.

The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Authority's management and staff should cooperate with Committee requests. Committee requests shall be directed to the Chief Auditor, the President/CEO, or a designee.

The Committee may engage independent advisor(s), subject to Authority Board approval, that it deems necessary to execute its responsibilities and shall be provided the necessary resources for such purposes.

The Committee is empowered to:

- Recommend to the Authority Board or the appropriate Board committee the appointment and compensation of the external auditor.
- Oversee all audit and non-audit services performed by internal and external auditors.
- Review any disagreements between management and the external auditor regarding financial reporting and other matters.
- Review all auditing and non-auditing services performed by auditors.

### **Composition of the Committee**

The composition of the Committee is specified in Public Utilities Code §§170013 and 170018. Public Utilities Code §170013 states that the Authority Board shall appoint a seven-member Committee consisting of four members of the Authority Board and the three public members appointed pursuant to Public Utilities Code §170018. Each member of the Committee shall be a voting member. The Authority Board shall select the three public members from among the following categories of persons, with no more than one appointee from each category at any one time:

- A professional with experience in the field of public finance and budgeting;
- An architect or civil engineer licensed to practice in this state;
- A professional with experience in the field of real estate or land economics;
- A person with experience in managing construction of large-scale public works projects;
- A person with public or private sector executive level decision making experience;
- A person who resides within the airport influence area of the San Diego International Airport; and
- A person with experience in environmental justice as it pertains to land use.

The Authority Board may appoint other persons to serve as nonvoting, non-compensated, *ex officio* members on the Committee. In appointing the public members to the Committee, the Authority Board shall provide for selection policies, appointment procedures, conflict-of-interest policies, length-of-term policies, and policies for providing compensation, if any.

## **The Chair and Vice-Chair of the Committee**

The Authority Board Chair shall designate the Chair and Vice-Chair of the Committee.

## **Terms of Office**

The public members shall be appointed by the Authority Board for staggered three-year terms. Public members may serve a maximum of two full terms.

## **Quorum and Voting**

Four (4) Committee members are required to be present to have a quorum. Pursuant to Public Utilities Code §170018, an affirmative vote by at least five members of the Committee shall be required for approval of the annual internal and external audits, including performance monitoring, the auditor's annual Audit Plan, and actions recommending or approving debt financing for the Authority.

## **OPERATIONAL PRINCIPLES**

### **Committee Values**

The Committee shall conduct itself in accordance with the code of values and ethics of the Authority as outlined in Authority Policy Article 2 and Authority Code Article 2. The Committee expects that management and staff of the Authority shall adhere to these requirements.

### **Communications**

The Committee expects that all communication with management and staff of the Authority as well as with any external assurance providers shall be direct, open, and complete.

### **Work Plan**

The Committee chair shall collaborate with senior management and the Chief Auditor to establish a work plan to ensure that the responsibilities of the Committee are scheduled and carried out.

### **Meeting Agenda**

The Committee chair shall establish agendas for Committee meetings in consultation with Committee members, management, and the Chief Auditor.

### **Information Requirements**

The Committee shall establish and communicate its requirements for information, including the nature, extent, and timing of information. Information related to or to be discussed at a Committee meeting shall be provided to the Committee at least one week prior to the Committee meeting.

### **Executive Sessions**

The Committee may schedule and hold, if necessary, private sessions with the Chief Auditor, external assurance providers, and others who the Committee may deem appropriate. These Executive Sessions shall be subject to the Ralph M. Brown Act.

### **Preparation and Attendance**

Committee members are obligated to prepare for and participate in Committee meetings.

### **Conflict(s) of Interest**

Committee members shall adhere to the Authority's Code of ethics and conduct as outlined in Authority Code Article 2. Additionally, it is the responsibility of Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee as outlined in Authority Code Section 2.30. If there is any question as to whether Committee member(s) should recuse themselves from a vote, the Committee member should consult with the General Counsel.

### **Orientation and Training**

Committee members shall receive orientation training on the purpose and mandate of the Committee and the Authority's objectives. A process of continuing education shall be established.

## **OPERATIONAL PROCEDURES AND RESPONSIBILITIES**

### **Meetings**

The Committee shall meet as often as it determines is necessary, but not less frequently than four times per year. All meetings shall be subject to the Ralph M. Brown Act.

### **Minutes**

Minutes and other relevant documentation of all meetings held shall be prepared in accordance with applicable law and/or other applicable requirements.

### **Required Attendance**

The Chief Auditor or the Chief Auditor's designee is required to attend Committee meetings. Additionally, the Committee may require any officer or employee of the Authority, including the external auditor, to attend any meeting of the Committee, or to meet with any members of, or consultants to, the Committee.

## **Remuneration of Committee Members**

Payment rates and allowances for Committee members' time and/or services are established formally in Authority Policy 1.20.

## **Responsibilities**

Pursuant to Public Utilities Code §170018 the Committee shall, at a minimum:

- (1) Regularly review the Authority's accounting, audit, and performance monitoring processes;
- (2) At the time of contract renewal, recommend to the appropriate committee and the Authority Board its nomination for an external auditor and the compensation of that auditor, and consider at least every three years, whether there should be a rotation of the audit firm or the lead audit partner to ensure continuing auditor independence;
- (3) Advise the appropriate committee and the Authority Board regarding the selection of the auditor;
- (4) Be responsible for oversight and monitoring of internal and external audit functions, and monitoring performance of, and internal compliance with, authority policies and procedures;
- (5) Be responsible for overseeing the annual audit by the external auditors and any internal audits; and
- (6) Make recommendations to the full Authority Board regarding paragraphs (1) to (5), inclusive.

## **Values and Ethics**

To obtain reasonable assurance with respect to the Authority's values and ethics practices, the Committee shall:

- Review and assess the policies, procedures, and practices established by the Authority to monitor compliance with the code of conduct and ethical policies by all employees of the Authority as outlined in Authority Policy Article 2 and Authority Code Article 2;
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all employees of the Authority; and
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct ~~and identify and deal with any legal or ethical violations.~~

## **ORGANIZATIONAL GOVERNANCE**

To obtain reasonable assurance with respect to the Authority's governance process, the Committee shall review and provide advice on the governance process established and maintained within the organization and the procedures to ensure that they are operating as intended.

## Risk Management

To obtain reasonable assurance with respect to the Authority's risk management, the Committee shall:

- Periodically review the Authority's risk profile;
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by management and the Authority Board;
- Provide oversight of the adequacy of the combined assurance being provided; and
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

## Fraud

To obtain reasonable assurance with respect to the Authority's procedures for the prevention and detection of fraud, the Committee shall:

- Oversee management's arrangements for the prevention and deterrence of fraud;
- ~~Ensure that appropriate action is taken against known perpetrators of fraud;~~
- Inquire with management and internal and external auditors to ensure the Authority has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected; and
- The Committee shall oversee a process for the confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters; as maintained and carried out through the Office of the Chief Auditor.

## Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of the Authority's controls in responding to risks within the Authority's governance, operations, and information systems, the Committee shall:

- Consider the effectiveness of the Authority's control framework, including information technology security and control;
- Review and provide advice on the controls within the Authority; and
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to management and the Authority Board.

## Compliance

The Committee shall:

- Review the effectiveness of the systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance; and
- Review the observations and conclusions of internal and external auditors and the findings of regulatory agencies.

## **OVERSIGHT OF THE INTERNAL AUDIT FUNCTION**

### **Office of the Chief Auditor**

To obtain reasonable assurance with respect to work of the Office of the Chief Auditor and to establish, maintain, and ensure that the Office of the Chief Auditor has sufficient authority to fulfill its duties, the Committee shall provide the following oversight functions:

#### ***Office of the Chief Auditor Charter and Resources***

- Discuss with the Chief Auditor and/or executive management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Office of the Chief Auditor.
- Discuss with the Chief Auditor other topics that should be included in the Charter for the Office of the Chief Auditor.
- Review, and forward to the Authority Board for approval, the Charter ~~of for~~ the Office of the Chief Auditor at least annually which includes the Office of the Chief Auditor's mandate, scope, and type of internal audit services. The Charter should be reviewed to consider changes affecting the Authority, such as employment of a new Chief Auditor or changes in the type, severity, and interdependencies of risks to the Authority. ~~ensure that it accurately reflects the Office of the Chief Auditor's purpose, authority, and responsibility, consistent with the mandatory guidance of The Institute of Internal Auditors' (IIA) International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the Authority and reflects developments in the professional practice of internal auditing; and~~
- Review the proposed budget of the Office of the Chief Auditor.
- Make appropriate inquiries of the Chief Auditor to determine whether scope or resource limitations are appropriate.
- Advise the Authority Board about increases and decreases to the requested resources to achieve the internal Audit Plan and evaluate whether any additional resources are needed permanently or should be provided through outsourcing.
- Review the Office of the Chief Auditor's expenses.
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**Chief Auditor Performance**

- Advise the Authority Board regarding the qualifications and recruitment, appointment, replacement, reassignment, or dismissal of the Chief Auditor;
- Provide input to the Authority Board or the Executive Personnel and Compensation Committee related to evaluating the performance of the Chief Auditor; and
- Recommend, as needed, to the Authority Board or the Executive Personnel and Compensation Committee the appropriate compensation of the Chief Auditor.

**Internal Audit Strategy and Plan**

- Ensure the Chief Auditor has unrestricted access to and communicates and interacts directly with the Audit Committee.
- Review and provide input on the Office of the Chief Auditor’s strategic plan, objectives, performance measures, and outcomes;
- Review and approve the risk-based proposed Audit Plan and make recommendations concerning internal audit special request audits, investigations, and the internal audit resources necessary to achieve the Audit Plan; and
- Review the Office of the Chief Auditor’s performance relative to its Audit Plan.

**Internal Audit Engagement and Follow Up**

- Review internal audit reports and other communications to management;
- Review and track management’s action plans to address the results of audits performed by internal audit;
- Review and advise management on the results of any special investigations;
- Inquire of the Chief Auditor, or others, whether any internal audit engagements or non-audit engagements have been completed, but not reported to the Committee; if so, inquire whether any matters of significance arose from such work; and
- Inquire of the Chief Auditor, or others, whether any evidence of fraud has been identified during internal audits or consulting engagements and evaluate what additional actions, if any, should be taken.

**Standards Conformance with Global Internal Audit Standards**

- ~~Inquire of the Chief Auditor about steps taken to ensure that the Office of the Chief Auditor conforms to The IIA’s International Standards for the Professional Practice of Internal Auditing (Standards);~~
- ~~Ensure that the Office of the Chief Auditor has a quality assurance and improvement program has been established and review the results annually, and that the results of these periodic assessments performed are presented to the Committee;~~
- Ensure that the Office of the Chief Auditor has an external quality assurance review performed every five years;



## CHARTER OF THE AUDIT COMMITTEE

- Review the results of the independent external quality assurance review and monitor the implementation of the Office of the Chief Auditor's action plans to address any recommendations; and
- Advise the Authority Board about any recommendations for the continuous improvement of the Office of the Chief Auditor.

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**OVERSIGHT OF THE EXTERNAL AUDIT FUNCTION AND OTHER EXTERNAL ASSURANCE PROVIDERS**

To obtain reasonable assurance with respect to the work of the external assurance providers, the Committee shall meet with the external assurance providers during the planning phase of the audit engagement, the presentation of the audited financial statements, and the discussion of the results of audit engagements and recommendations for management.

The Committee shall:

- Advise the Authority Board on the engagement of each external auditor;
- Review the external auditors' proposed audit team composition, audit scope and approach, including coordination of audit efforts with the Office of the Chief Auditor;
- Provide input with regard to audit engagement fees and terms, as well as all non-audit engagements with the external auditor;
- Review the performance of the external auditors;
- Inquire with the external auditors about their relationships with the Authority, including non-audit services provided to the Authority. The Committee is responsible for discussing the information with the external auditors to review and confirm their independence;
- Hold regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters. These meetings are subject to the Ralph M. Brown Act;
- Advise the Authority Board when any significant development or action occurs with respect to the external auditor, or when it is determined it is necessary to do so to protect and preserve the interests of the Authority;
- Monitor management's progress on action plans;
- Consider at least every three (3) years whether there should be a rotation of the lead audit partner or the audit firm itself.

To obtain reasonable assurance that management has acted on the results of internal and external audit engagements, the Committee shall regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audits.

**Financial Statements and Public Accountability Reporting**

The Committee is responsible for the oversight of the independent audit of the Authority's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory, compliance, and ethics.

The Committee shall:

- Review the scope of audits, including obtaining assurances from the external auditor that the specific audit was conducted in a manner consistent with generally accepted accounting standards;
- Review with management and the external auditors the results of audit engagements, including difficulties encountered;
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional regulatory pronouncements, and understand their impact on the financial statements;
- Review the annual financial statements, Annual Comprehensive Financial Report (ACFR), and other reports issued and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;
- Review other financial reports, as necessary, issued by the Authority in accordance with generally accepted accounting and/or audit standards and the corresponding external auditor's reports; and
- Review matters required to be communicated by the external auditor to the Committee under generally accepted auditing standards.

### **OTHER DUTIES AND RESPONSIBILITIES**

In addition, the Committee shall:

- Perform other activities related to this Charter as requested by the Authority Board;
- Institute special investigations as needed;
- Regularly evaluate its performance and that of its individual members; and
- Review, at least annually, its Charter and recommend any proposed changes to the Authority Board for approval.

### **REPORTING REQUIREMENTS**

The Committee shall report to the Authority Board annually, summarizing the Committee's activities and recommendations. The report may be delivered during a Committee meeting attended by the Authority Board or during a regularly scheduled meeting of the Authority Board.

The report should include:

- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- A summary of management's progress in addressing the results of internal and external audit reports;

## CHARTER OF THE AUDIT COMMITTEE

- Details of meetings, including the number of meetings held during the relevant period; and
- Information required, if any, by new or emerging governance developments.

The Committee may report to the Authority Board at any time regarding any other matter it deems of sufficient importance.

[Amended by Resolution No. 2024-XXX dated XXXXX X, 202X]

[Amended by Resolution No. 2021-0108 dated October 7, 2021]

[Amended by Resolution No. 2020-0097 dated October 1, 2020]

[Amended by Resolution No. 2018-0116 dated October 4, 2018]

[Amended by Resolution No. 2010-0023 dated March 4, 2010]

[Amended by Resolution No. 2006-0080 dated July 6, 2006]

[Adopted by Resolution No. 2003-061 dated October 2, 2003]

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## CHARTER OF THE AUDIT COMMITTEE

### ORGANIZATIONAL PRINCIPLES

#### **Purpose**

The purpose of the Audit Committee (Committee) is to provide structured, systematic oversight of the San Diego County Regional Airport Authority's (Authority) governance, risk management, and internal control practices. Public Utilities Code §170018 states that the Committee shall serve as a guardian of the public trust, acting independently, and charged with oversight responsibilities for reviewing the Authority's internal controls, financial reporting obligations, operating efficiencies, ethical behavior, and regular attention to cashflows, capital expenditures, regulatory compliance, and operations. The Committee assists the Authority's Board of Directors (Board) and management by providing advice and guidance related to the Authority's:

- Values and ethics;
- Governance structure;
- Risk Management;
- Internal control framework;
- Oversight of the Office of the Chief Auditor, external auditors, and other providers of assurance; and
- Financial statements and public accountability reporting.

The Committee reviews each of the items noted above and provides the Authority Board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

#### **Mandate**

The mandate for the establishment of the Committee is contained in Public Utilities Code §§170013 and 170018.

#### **Authority**

The Charter of the Audit Committee sets out the authority of the Committee to carry out the responsibilities established for it by the Authority Board.

In discharging its responsibilities, the Committee shall have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The Committee shall also have unrestricted access to records, data, and reports. The Committee shall interact with these employees and management through the Chief Auditor, the President/CEO, or a designee.

The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Authority's management and staff should cooperate with Committee requests. Committee requests shall be directed to the Chief Auditor, the President/CEO, or a designee.

The Committee may engage independent advisor(s), subject to Authority Board approval, that it deems necessary to execute its responsibilities and shall be provided the necessary resources for such purposes.

The Committee is empowered to:

- Recommend to the Authority Board or the appropriate Board committee the appointment and compensation of the external auditor.
- Oversee all audit and non-audit services performed by internal and external auditors.
- Review any disagreements between management and the external auditor regarding financial reporting and other matters.
- Review all auditing and non-auditing services performed by auditors.

### **Composition of the Committee**

The composition of the Committee is specified in Public Utilities Code §§170013 and 170018. Public Utilities Code §170013 states that the Authority Board shall appoint a seven-member Committee consisting of four members of the Authority Board and the three public members appointed pursuant to Public Utilities Code §170018. Each member of the Committee shall be a voting member. The Authority Board shall select the three public members from among the following categories of persons, with no more than one appointee from each category at any one time:

- A professional with experience in the field of public finance and budgeting;
- An architect or civil engineer licensed to practice in this state;
- A professional with experience in the field of real estate or land economics;
- A person with experience in managing construction of large-scale public works projects;
- A person with public or private sector executive level decision making experience;
- A person who resides within the airport influence area of the San Diego International Airport; and
- A person with experience in environmental justice as it pertains to land use.

The Authority Board may appoint other persons to serve as nonvoting, non-compensated, *ex officio* members on the Committee. In appointing the public members to the Committee, the Authority Board shall provide for selection policies, appointment procedures, conflict-of-interest policies, length-of-term policies, and policies for providing compensation, if any.

## **The Chair and Vice-Chair of the Committee**

The Authority Board Chair shall designate the Chair and Vice-Chair of the Committee.

## **Terms of Office**

The public members shall be appointed by the Authority Board for staggered three-year terms. Public members may serve a maximum of two full terms.

## **Quorum and Voting**

Four (4) Committee members are required to be present to have a quorum. Pursuant to Public Utilities Code §170018, an affirmative vote by at least five members of the Committee shall be required for approval of the annual internal and external audits, including performance monitoring, the auditor's annual Audit Plan, and actions recommending or approving debt financing for the Authority.

## **OPERATIONAL PRINCIPLES**

### **Committee Values**

The Committee shall conduct itself in accordance with the code of values and ethics of the Authority as outlined in Authority Policy Article 2 and Authority Code Article 2. The Committee expects that management and staff of the Authority shall adhere to these requirements.

### **Communications**

The Committee expects that all communication with management and staff of the Authority as well as with any external assurance providers shall be direct, open, and complete.

### **Work Plan**

The Committee chair shall collaborate with senior management and the Chief Auditor to establish a work plan to ensure that the responsibilities of the Committee are scheduled and carried out.

### **Meeting Agenda**

The Committee chair shall establish agendas for Committee meetings in consultation with Committee members, management, and the Chief Auditor.

### **Information Requirements**

The Committee shall establish and communicate its requirements for information, including the nature, extent, and timing of information. Information related to or to be discussed at a Committee meeting shall be provided to the Committee at least one week prior to the Committee meeting.

### **Executive Sessions**

The Committee may schedule and hold, if necessary, private sessions with the Chief Auditor, external assurance providers, and others who the Committee may deem appropriate. These Executive Sessions shall be subject to the Ralph M. Brown Act.

### **Preparation and Attendance**

Committee members are obligated to prepare for and participate in Committee meetings.

### **Conflict(s) of Interest**

Committee members shall adhere to the Authority's Code of ethics and conduct as outlined in Authority Code Article 2. Additionally, it is the responsibility of Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee as outlined in Authority Code Section 2.30. If there is any question as to whether Committee member(s) should recuse themselves from a vote, the Committee member should consult with the General Counsel.

### **Orientation and Training**

Committee members shall receive orientation training on the purpose and mandate of the Committee and the Authority's objectives. A process of continuing education shall be established.

## **OPERATIONAL PROCEDURES AND RESPONSIBILITIES**

### **Meetings**

The Committee shall meet as often as it determines is necessary, but not less frequently than four times per year. All meetings shall be subject to the Ralph M. Brown Act.

### **Minutes**

Minutes and other relevant documentation of all meetings held shall be prepared in accordance with applicable law and/or other applicable requirements.

### **Required Attendance**

The Chief Auditor or the Chief Auditor's designee is required to attend Committee meetings. Additionally, the Committee may require any officer or employee of the Authority, including the external auditor, to attend any meeting of the Committee, or to meet with any members of, or consultants to, the Committee.



### **Remuneration of Committee Members**

Payment rates and allowances for Committee members' time and/or services are established formally in Authority Policy 1.20.

### **Responsibilities**

Pursuant to Public Utilities Code §170018 the Committee shall, at a minimum:

- (1) Regularly review the Authority's accounting, audit, and performance monitoring processes;
- (2) At the time of contract renewal, recommend to the appropriate committee and the Authority Board its nomination for an external auditor and the compensation of that auditor, and consider at least every three years, whether there should be a rotation of the audit firm or the lead audit partner to ensure continuing auditor independence;
- (3) Advise the appropriate committee and the Authority Board regarding the selection of the auditor;
- (4) Be responsible for oversight and monitoring of internal and external audit functions, and monitoring performance of, and internal compliance with, authority policies and procedures;
- (5) Be responsible for overseeing the annual audit by the external auditors and any internal audits; and
- (6) Make recommendations to the full Authority Board regarding paragraphs (1) to (5), inclusive.

### **Values and Ethics**

To obtain reasonable assurance with respect to the Authority's values and ethics practices, the Committee shall:

- Review and assess the policies, procedures, and practices established by the Authority to monitor compliance with the code of conduct and ethical policies by all employees of the Authority as outlined in Authority Policy Article 2 and Authority Code Article 2;
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all employees of the Authority; and
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct.

### **ORGANIZATIONAL GOVERNANCE**

To obtain reasonable assurance with respect to the Authority's governance process, the Committee shall review and provide advice on the governance process established and maintained within the organization and the procedures to ensure that they are operating as intended.

## **Risk Management**

To obtain reasonable assurance with respect to the Authority's risk management, the Committee shall:

- Periodically review the Authority's risk profile;
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by management and the Authority Board;
- Provide oversight of the adequacy of the combined assurance being provided; and
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

## **Fraud**

To obtain reasonable assurance with respect to the Authority's procedures for the prevention and detection of fraud, the Committee shall:

- Oversee management's arrangements for the prevention and deterrence of fraud;
- Inquire with management and internal and external auditors to ensure the Authority has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected; and
- The Committee shall oversee a process for the confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters; as maintained and carried out through the Office of the Chief Auditor.

## **Control**

To obtain reasonable assurance with respect to the adequacy and effectiveness of the Authority's controls in responding to risks within the Authority's governance, operations, and information systems, the Committee shall:

- Consider the effectiveness of the Authority's control framework, including information technology security and control;
- Review and provide advice on the controls within the Authority; and
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to management and the Authority Board.

## **Compliance**

The Committee shall:

- Review the effectiveness of the systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance; and
- Review the observations and conclusions of internal and external auditors and the findings of regulatory agencies.

## **OVERSIGHT OF THE INTERNAL AUDIT FUNCTION**

### **Office of the Chief Auditor**

To obtain reasonable assurance with respect to work of the Office of the Chief Auditor and to establish, maintain, and ensure that the Office of the Chief Auditor has sufficient authority to fulfill its duties, the Committee shall provide the following oversight functions:

#### ***Office of the Chief Auditor Charter and Resources***

- Discuss with the Chief Auditor and/or executive management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Office of the Chief Auditor.
- Discuss with the Chief Auditor other topics that should be included in the Charter for the Office of the Chief Auditor.
- Review, and forward to the Authority Board for approval, the Charter for the Office of the Chief Auditor at least annually which includes the Office of the Chief Auditor's mandate, scope, and type of internal audit services. The Charter should be reviewed to consider changes affecting the Authority, such as employment of a new Chief Auditor or changes in the type, severity, and interdependencies of risks to the Authority.
- Review the proposed budget of the Office of the Chief Auditor.
- Make appropriate inquiries of the Chief Auditor to determine whether scope or resource limitations are appropriate.
- Advise the Authority Board about increases and decreases to the requested resources to achieve the internal Audit Plan and evaluate whether any additional resources are needed permanently or should be provided through outsourcing.
- Review the Office of the Chief Auditor's expenses.

#### ***Chief Auditor Performance***

- Advise the Authority Board regarding the qualifications and recruitment, appointment, replacement, reassignment, or dismissal of the Chief Auditor;
- Provide input to the Authority Board or the Executive Personnel and Compensation Committee related to evaluating the performance of the Chief Auditor; and

- Recommend, as needed, to the Authority Board or the Executive Personnel and Compensation Committee the appropriate compensation of the Chief Auditor.

***Internal Audit Strategy and Plan***

- Ensure the Chief Auditor has unrestricted access to and communicates and interacts directly with the Audit Committee.
- Review and provide input on the Office of the Chief Auditor's strategic plan, objectives, performance measures, and outcomes;
- Review and approve the risk-based proposed Audit Plan and make recommendations concerning internal audit special request audits, investigations, and the internal audit resources necessary to achieve the Audit Plan; and
- Review the Office of the Chief Auditor's performance relative to its Audit Plan.

***Internal Audit Engagement and Follow Up***

- Review internal audit reports and other communications to management;
- Review and track management's action plans to address the results of audits performed by internal audit;
- Review and advise management on the results of any special investigations;
- Inquire of the Chief Auditor, or others, whether any internal audit engagements or non-audit engagements have been completed, but not reported to the Committee; if so, inquire whether any matters of significance arose from such work; and
- Inquire of the Chief Auditor, or others, whether any evidence of fraud has been identified during internal audits or consulting engagements and evaluate what additional actions, if any, should be taken.

***Conformance with Global Internal Audit Standards***

- Ensure a quality assurance and improvement program has been established and review the results annually;
- Ensure that the Office of the Chief Auditor has an external quality assurance review performed every five years;
- Review the results of the independent external quality assurance review and monitor the implementation of the Office of the Chief Auditor's action plans to address any recommendations; and
- Advise the Authority Board about any recommendations for the continuous improvement of the Office of the Chief Auditor.

## **OVERSIGHT OF THE EXTERNAL AUDIT FUNCTION AND OTHER EXTERNAL ASSURANCE PROVIDERS**

To obtain reasonable assurance with respect to the work of the external assurance providers, the Committee shall meet with the external assurance providers during the planning phase of the audit engagement, the presentation of the audited financial statements, and the discussion of the results of audit engagements and recommendations for management.

The Committee shall:

- Advise the Authority Board on the engagement of each external auditor;
- Review the external auditors' proposed audit team composition, audit scope and approach, including coordination of audit efforts with the Office of the Chief Auditor;
- Provide input with regard to audit engagement fees and terms, as well as all non-audit engagements with the external auditor;
- Review the performance of the external auditors;
- Inquire with the external auditors about their relationships with the Authority, including non-audit services provided to the Authority. The Committee is responsible for discussing the information with the external auditors to review and confirm their independence;
- Hold regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters. These meetings are subject to the Ralph M. Brown Act;
- Advise the Authority Board when any significant development or action occurs with respect to the external auditor, or when it is determined it is necessary to do so to protect and preserve the interests of the Authority;
- Monitor management's progress on action plans;
- Consider at least every three (3) years whether there should be a rotation of the lead audit partner or the audit firm itself.

To obtain reasonable assurance that management has acted on the results of internal and external audit engagements, the Committee shall regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audits.

### **Financial Statements and Public Accountability Reporting**

The Committee is responsible for the oversight of the independent audit of the Authority's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory, compliance, and ethics.

The Committee shall:

- Review the scope of audits, including obtaining assurances from the external auditor that the specific audit was conducted in a manner consistent with generally accepted accounting standards;
- Review with management and the external auditors the results of audit engagements, including difficulties encountered;
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional regulatory pronouncements, and understand their impact on the financial statements;
- Review the annual financial statements, Annual Comprehensive Financial Report (ACFR), and other reports issued and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;
- Review other financial reports, as necessary, issued by the Authority in accordance with generally accepted accounting and/or audit standards and the corresponding external auditor's reports; and
- Review matters required to be communicated by the external auditor to the Committee under generally accepted auditing standards.

### **OTHER DUTIES AND RESPONSIBILITIES**

In addition, the Committee shall:

- Perform other activities related to this Charter as requested by the Authority Board;
- Institute special investigations as needed;
- Regularly evaluate its performance and that of its individual members; and
- Review, at least annually, its Charter and recommend any proposed changes to the Authority Board for approval.

### **REPORTING REQUIREMENTS**

The Committee shall report to the Authority Board annually, summarizing the Committee's activities and recommendations. The report may be delivered during a Committee meeting attended by the Authority Board or during a regularly scheduled meeting of the Authority Board.

The report should include:

- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- A summary of management's progress in addressing the results of internal and external audit reports;

## CHARTER OF THE AUDIT COMMITTEE

- Details of meetings, including the number of meetings held during the relevant period; and
- Information required, if any, by new or emerging governance developments.

The Committee may report to the Authority Board at any time regarding any other matter it deems of sufficient importance.

[Amended by Resolution No. 2024-XXX dated XXXXX X, 202X]

[Amended by Resolution No. 2021-0108 dated October 7, 2021]

[Amended by Resolution No. 2020-0097 dated October 1, 2020]

[Amended by Resolution No. 2018-0116 dated October 4, 2018]

[Amended by Resolution No. 2010-0023 dated March 4, 2010]

[Amended by Resolution No. 2006-0080 dated July 6, 2006]

[Adopted by Resolution No. 2003-061 dated October 2, 2003]

# Annual Review of the Charter of the Audit Committee

Audit Committee Meeting September 9, 2024



# Annual Review of the Charter of the Audit Committee

## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY CHARTER OF THE AUDIT COMMITTEE

### ORGANIZATIONAL PRINCIPLES

#### **Purpose**

The purpose of the Audit Committee (Committee) is to provide structured, systematic oversight of the San Diego County Regional Airport Authority's (Authority) governance, risk management, and internal control practices. Public Utilities Code §170018 states that the Committee shall serve as a guardian of the public trust, acting independently, and charged with oversight responsibilities for reviewing the Authority's internal controls, financial reporting obligations, operating efficiencies, ethical behavior, and regular attention to cashflows, capital expenditures, regulatory compliance, and operations. The Committee assists the Authority's Board of Directors (Board) and management by providing advice and guidance related to the Authority's:

- Values and ethics;
- Governance structure;

Authority Charter

## Annual Review Required

The Charter of the Audit Committee requires an annual review.

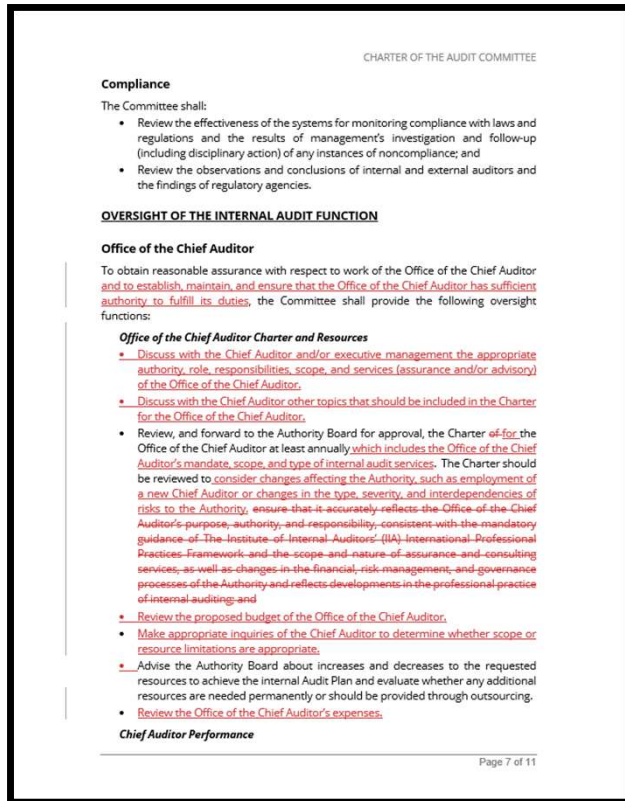
### Compare Charter of the Audit Committee to Model Charter

- Several changes needed due to Global Internal Audit Standards (GIAS)

### Review for Other Changes

- Two changes identified due to process updates

# Annual Review of the Charter of the Audit Committee



## Changes needed due to GIAS Oversight of the Internal Audit Function

### Significant Additions

The Audit Committee shall:

- Ensure the OCA has sufficient authority to fulfill its duties
- Discuss the appropriate roles, responsibilities, scope, and services provided by OCA
- Review the OCA mandate
- Review the OCAs budget & expenses
- Inquire with the Chief Auditor if there are scope or resource limitations
- Ensure OCA has unrestricted access to Committee

### Significant Deletions

- References to old *Standards*

# Annual Review of the Charter of the Audit Committee

## Changes needed for process updates

### Related to Processes for Ethical or Fraudulent activities

Authority Code 2.16 already contains detailed procedures for dealing with ethical or fraudulent activities.

- Removing wording from Charter to ensure no conflicts between Code and Charter.

#### **Fraud**

To obtain reasonable assurance with respect to the Authority's procedures for the prevention and detection of fraud, the Committee shall:

- Oversee management's arrangements for the prevention and deterrence of fraud;
- ~~Ensure that appropriate action is taken against known perpetrators of fraud;~~
- Inquire with management and internal and external auditors to ensure the Authority has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected; and
- The Committee shall oversee a process for the confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters; as maintained and carried out through the Office of the Chief Auditor.

#### **Values and Ethics**

To obtain reasonable assurance with respect to the Authority's values and ethics practices, the Committee shall:

- Review and assess the policies, procedures, and practices established by the Authority to monitor compliance with the code of conduct and ethical policies by all employees of the Authority as outlined in Authority Policy Article 2 and Authority Code Article 2;
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all employees of the Authority; and
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct ~~and identify and deal with any legal or ethical violations.~~

Questions?

## Audit Committee Report

**Meeting Date: September 9, 2024**

**Subject:**

**Annual Review of the Charter for the Office of the Chief Auditor**

**Recommendation:**

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

**Background/Justification:**

The Charter for the Office of the Chief Auditor establishes the purpose, authority, and responsibilities of the Office of the Chief Auditor (OCA). The Charter was first adopted on October 2, 2003, by Board approved Resolution No. 2003-062.

An annual review of the Charter for the Office of the Chief Auditor is done in accordance with best practices, the OCAs Quality Assurance and Improvement Program, and requirements that are included in the Charter of the Audit Committee and the Charter for the OCA.

The most recent revision to the Charter for the Office of the Chief Auditor was approved by Board Resolution No. 2023-0086 on October 5, 2023.

The annual review performed by staff this year has determined that revisions are required. The Charter for the Office of the Chief Auditor should be updated to incorporate language included in the new Model Internal Audit Charter published by the Institute of Internal Auditors. The new Model Internal Audit Charter includes relevant language from the new Global Internal Audit Standards.

A redlined version of the Charter of the Office of the Chief Auditor is provided in Attachment A for your reference. A version with all changes incorporated is provided in Attachment B.

# Audit Committee Report

Meeting Date: September 9, 2024

## Fiscal Impact:

None

## Authority Strategies/Focus Areas:

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

### Strategies

- Community Strategy    Customer Strategy    Employee Strategy    Financial Strategy    Operations Strategy

### Focus Areas

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

## Environmental Review:

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

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

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

## Application of Inclusionary Policies:

Not Applicable

## Prepared by:

Lee M. Parravano  
Chief Auditor

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

### **Purpose and Mission**

The purpose of the ~~San Diego County Regional Airport Authority's (Authority) Office of the Chief Auditor is to strengthen the San Diego County Regional Airport Authority's (Authority) ability to create, protect, and sustain value by providing the Board of Directors (Board), Audit Committee, and executive management provide with independent, risk-based, and objective assurance and consulting services designed to add value and improve the Authority's operations advice, insight, and foresight.~~

~~The Mission of the Office of the Chief Auditor is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Office of the Chief Auditor helps the Authority accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes enhances the Authority's:~~

- ~~• Successful achievement of its objectives.~~
- ~~• Governance, risk management, and control processes.~~
- ~~• Decision-making and oversight.~~
- ~~• Reputation and credibility with its stakeholders.~~
- ~~• Ability to serve the public interest.~~

~~The Office of the Chief Auditor is most effective when:~~

- ~~• Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor's (IIA) Global Internal Audit Standards, which are set in the public interest.~~
- ~~• The Office of the Chief Auditor is independently positioned with direct accountability to the Board and Audit Committee.~~
- ~~• Internal auditors are free from undue influence and committed to making objective assessments.~~

### **Commitment to Adhering to the Global Internal Audit Standards**

~~The Office of the Chief Auditor will adhere to the mandatory elements of the IIA's International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Auditor will report periodically to the Authority's Audit Committee/Board and executive management regarding the Office of the Chief Auditor's conformance with the Standards, which will be assessed through a quality assurance and improvement program.~~

### **Authority**

~~The Chief Auditor shall be accountable to the Board of Directors (hereinafter "the Board") under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement.~~

## **Mandate**

~~The Chief Auditor shall be accountable to the Board under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement. The Office of the Chief Auditor assists the Audit Committee in discharging the duties described in Public Utilities Code §170018. The Office of the Chief Auditor also assists executive management in achieving Authority objectives. To assist the Audit Committee/Board and executive management, the Office of the Chief Auditor will perform assurance and advisory services on Authority activities. Services include, but are not limited to, reviews of internal controls, operating effectiveness, operating efficiencies, ethical behavior, expenditures, and compliance with Authority Code's, Policies, Standards, and procedures. The sections below provide further details on the mandate of the Office of the Chief Auditor.~~

## **Authority**

~~The Office of the Chief Auditor's authority is created by its direct reporting relationship to the Chief Auditor will report directly to the Board through the Audit Committee. Such authority allows for unrestricted access to the Board and Audit Committee.~~

~~The Board/Audit Committee authorizes the Office of the Chief Auditor to:~~

- ~~• Have full, free, and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out any engagement except for legally privileged and/or legally confidential information internal audit responsibilities. All contracts with outside contractors and subcontractors shall provide for auditor access to all relevant personnel, financial and performance-related records, property, and equipment where Authority funds were expended or Authority facilities were used. Internal auditors are accountable for confidentiality and safeguarding records and information.~~
- ~~• Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, required to accomplish audit objectives, and issue communications to accomplish objectives. reports.~~
- ~~• Obtain assistance from the necessary personnel of the Authority, as well as and other specialized services from within or outside the Authority, in order to complete the audit engagement, subject to budget limitations and the contracting policies of the Authority. A contractor performing an audit should have no financial or other interests in the affairs of the Authority, any member~~



~~of the Board, or its officers~~ internal audit services. Assistance from other departments within the Authority will be coordinated with executive management.

~~To establish, maintain, and assure that the Office of the Chief Auditor has sufficient authority to fulfill its duties, the Audit Committee will:~~

- ~~• Review, and forward to the Board for approval, the Office of the Chief Auditor Charter.~~
- ~~• Review, and forward to the Board for approval, the risk-based Internal Audit Plan.~~
- ~~• Review, and forward to the Board for approval, the Office of the Chief Auditor's budget and resource plan.~~
- ~~• Receive communication from the Chief Auditor on the Office of the Chief Auditor's performance relative to its Audit Plan and other matters.~~
- ~~• Provide recommendations to the Board regarding the appointment and removal of the Chief Auditor.~~
- ~~• Make appropriate inquiries of Authority management and the Chief Auditor to determine whether there is inappropriate or scope limitations pertaining to the Chief Auditor's Office.~~

~~The Chief Auditor will have unrestricted access to, and communicate and interact directly with the Audit Committee, including private meetings without management present.~~

~~The Audit Committee authorizes the Office of the Chief Auditor to:~~

- ~~• Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement except for legally privileged and/or legally confidential information. All contracts with outside contractors and subcontractors shall provide for auditor access to all relevant personnel, financial and performance related records, property, and equipment where Authority funds were expended or Authority facilities were used.~~
- ~~• Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.~~
- ~~• Obtain assistance from the necessary personnel of the Authority, as well as other specialized services from within or outside the Authority, in order to complete the audit engagement, subject to budget limitations and the contracting policies of the Authority. A contractor performing an audit should have no financial or other interests in the affairs of the Authority, any member of the Board, or its officers.~~

### **Standards for the Professional Practice of Internal Auditing**

~~The Office of the Chief Auditor will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The Chief Auditor will report periodically to the Authority's Audit Committee and executive management regarding the Office of the Chief Auditor's conformance to the Code of Ethics and the *Standards*.~~

### **Independence, Organizational Position, and Reporting Relationships of the Chief Auditor**

~~The Chief Auditor will ensure that the Office of the Chief Auditor remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Auditor determines that independence or objectivity may be impaired, in fact or appearance, the details of the impairment will be disclosed to appropriate parties.~~

#### **Changes to Mandate of the Office of the Chief Auditor or Charter**

~~Circumstances may justify a follow-up discussion between the Chief Auditor, Board or Audit Committee, and executive management on the Office of the Chief Auditor's mandate or other aspects of the Charter for the Office of the Chief Auditor. Such circumstances may include, but are not limited to:~~

- ~~• A significant change in the Global Internal Audit Standards.~~
- ~~• A significant reorganization within the organization.~~
- ~~• Significant changes in the Chief Auditor, Board or Audit Committee, and/or executive management.~~
- ~~• Significant changes to the Authority's strategies, objectives, risk profile, or the environment in which the Authority operates.~~
- ~~• New laws or regulations that may affect the nature and/or scope of internal audit services.~~

## **Chief Auditor Roles and Responsibilities**

### **Ethics and Professionalism**

The Chief Auditor will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Authority and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture at the Authority.
- Report Authority behavior that is inconsistent with the Authority's ethical expectations, as described in applicable codes, policies, and procedures.

### **Objectivity**

The Chief Auditor will ensure that the Office of the Chief Auditor remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit engagement selection, scope, procedures, frequency, timing, and report content communication. If the Chief Auditor determines that independence or objectivity may be impaired, in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal ~~a~~Auditors will maintain an unbiased mental attitude that allows them to perform engagements ~~objectively~~objectively, and in such ~~a manner~~ that they believe in their work product, ~~that do not quality-compromise quality,s are made,~~ and ~~that they~~ do not subordinate their judgement on audit matters to others, in fact or appearance.

The Office of the Chief Auditor will have no direct operational responsibility or authority over any of the activities ~~audited~~they review. Accordingly, the Office of the Chief Auditor will not implement internal controls, develop procedures, install systems, ~~prepare records,~~ or engage in ~~any~~ other activities ~~sy~~ that may impair ~~an auditor's~~their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties.
- Initiating or approving transaction(s) external to the Office of the Chief Auditor.
- Directing the activities of any Authority employee not employed by the Office of the Chief Auditor, except to the extent that such employees have been appropriately assigned to auditing teams or to ~~otherwise~~ assist internal auditors.

## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

~~Where the Office of the Chief Auditor has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.~~

Internal Auditors will:

- Disclose ~~any~~ impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually, such as the Chief Auditor, Board or Audit Committee, management or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information ~~about the activity or process being examined.~~
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and unduly influenced by their own interests or by others in forming judgements.

~~The Chief Auditor will confirm to the Audit Committee, at least annually, the organizational independence of the Office of the Chief Auditor.~~

~~The Chief Auditor will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.~~

### **Responsibility**

The Chief Auditor has the responsibility to:

- Submit, a ~~At least annually, develop~~ a risk-based internal Audit Plan for review ~~to that considers the input of the Audit Committee/Board Authority and executive management. Discuss the Audit Plan with the Audit Committee and executive management and submit the Audit Plan to the~~ The risk-based internal Audit Plan will also be submitted to the Audit Committee for review and forwarded to the Board for approval.
- Communicate to the Audit Committee and Authority executive management the impact of resource limitations on the Audit Plan to the Audit Committee/Board and executive management, ~~if applicable.~~
- ~~Communicate any fraud or illegal acts that the Chief Auditor becomes aware of that could affect the Authority. The process for a confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters shall be carried out through the Office of the Chief Auditor.~~
- Review and adjust the nature of the internal Audit Plan, as necessary, in response to changes in the Authority's business risks, operations, programs, systems, and controls.
- ~~The Audit Plan may be adjusted to accommodate for special requests by the Audit Committee or Authority management.~~
- Changes to the Audit Plan will occur after consultation with the Chair of the Audit Committee. Changes to the Audit Plan will be presented to the Audit Committee for review and forwarded to the Board for approval.

- ~~Communicate to~~with the Audit Committee/Board and Authority executive management ~~if there are significant~~ any significant interim changes to the Audit Plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with Global Internal Audit Standards.  
~~that each engagement contained in the Audit Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of recommendation(s) to appropriate parties.~~
- Follow up on audit engagement findings and confirm ~~the implementation corrective~~of recommendations or action plans and communicate the results of internal audit services to the Audit Committee/Board and executive management quarterly and for each engagement as appropriate. ~~actions taken, and report periodically to the Audit Committee and Authority executive management any corrective actions not effectively implemented.~~  
~~Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.~~
- Ensure that the Office of the Chief Auditor collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the in the Charter requirements for the Office of the Chief Auditor mandate.
- Identify and ~~Ensure~~consider trends and emerging issues that could impact the Authority ~~are considered~~ and communicated to the Audit Committee/Board and Authority executive management as appropriate.
- Ensure~~Consider~~ emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to the Office of the Chief Auditor's Policies and Procedures / Office Manual designed to guide the Office of the Chief Auditor.  
~~Ensure adherence to the Authority's relevant policies and procedures, unless such policies conflict with the Charter for the Office of the Chief Auditor or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee or Board and executive management.~~
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to executive management and if necessary escalated to the Audit Committee or Board.  
~~Ensure conformance with the IIA Standards.~~

## Scope ~~and Types~~ of Internal Audit Activities

~~The scope of internal audit services covers Authority activities, including all the Authority's operations, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board, Audit Committee, and management on the adequacy and effectiveness of governance, risk management, and control processes for the Authority.~~

~~The nature and scope of advisory services may be agreed with executive management, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management. The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Authority.~~

Internal audit ~~assessme~~engagements ~~may~~ include evaluating whether:

- Risks relating to the achievement of the Authority's strategic objectives are appropriately identified and managed.
- The actions of the Authority's officers, directors, employees, and contractors ~~or other relevant parties comply with the Authority's policies, procedures, codes, are in compliance with Authority policies, procedures and~~ applicable laws, regulations, and governance standards.
- The results of operations ~~and/or~~ programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively, ~~and~~ efficiently, ~~ethically, and equitably.~~
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Authority.
- ~~The integrity of~~ information and the means used to identify, measure, analyze, classify, and report such information ~~are~~is reliable ~~and have credibility.~~
- Resources and assets are acquired economically, used efficiently ~~and~~ ~~sustainably~~, and protected adequately.

~~The Chief Auditor will report periodically to the Audit Committee and Authority executive management regarding:~~

- ~~The Office of the Chief Auditor's purpose, authority, and responsibility.~~
- ~~The Office of the Chief Auditor's Audit Plan and performance relative to its Audit Plan.~~

- ~~• The Office of the Chief Auditor's conformance with the Institute of Internal Auditor's Code of Ethics and Standards, and action plans to address any significant conformance issues.~~
- ~~• Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.~~
- ~~• Results of audits, consulting services, or other activities.~~
- ~~• Resource requirements.~~
- ~~• Any response to risk by management that may be unacceptable by the Authority.~~

~~The Chief Auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.~~

~~The Chief Auditor will assist the Audit Committee to ensure its responsibilities listed in the Charter of the Audit Committee are met.~~

~~The Office of the Chief Auditor may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Office of the Chief Auditor does not assume management responsibility.~~

~~Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during audits or consulting engagements. These opportunities will be communicated to the appropriate level of management.~~

## **Responsibility**

~~The Chief Auditor has the responsibility to:~~

- ~~• Submit, at least annually, a risk-based internal Audit Plan for review to Authority executive management. The risk-based internal Audit Plan will also be submitted to the Audit Committee for review and forwarded to the Board for approval.~~
- ~~• Communicate to the Audit Committee and Authority executive management the impact of resource limitations on the Audit Plan, if applicable.~~
- ~~• Communicate any fraud or illegal acts that the Chief Auditor becomes aware of that could affect the Authority. The process for a confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters shall be carried out through the Office of the Chief Auditor.~~



- ~~Review and adjust the nature of the internal Audit Plan, as necessary, in response to changes in the Authority's business risks, operations, programs, systems, and controls.~~
- ~~The Audit Plan may be adjusted to accommodate for special requests by the Audit Committee or Authority management.~~
- ~~Changes to the Audit Plan will occur after consultation with the Chair of the Audit Committee. Changes to the Audit Plan will be presented to the Audit Committee for review and forwarded to the Board for approval.~~
- ~~Communicate to the Audit Committee and Authority executive management any significant interim changes to the Audit Plan.~~
- ~~Ensure that each engagement contained in the Audit Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of recommendation(s) to appropriate parties.~~
- ~~Follow up on audit engagement findings and the corrective actions taken, and report periodically to the Audit Committee and Authority executive management any corrective actions not effectively implemented.~~
- ~~Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.~~
- ~~Ensure that the Office of the Chief Auditor collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements in the Charter for the Office of the Chief Auditor.~~
- ~~Ensure trends and emerging issues that could impact the Authority are considered and communicated to the Audit Committee and Authority executive management as appropriate.~~
- ~~Ensure emerging trends and successful practices in internal auditing are considered.~~
- ~~Establish and ensure adherence to the Office of the Chief Auditor's Policies and Procedures / Office Manual designed to guide the Office of the Chief Auditor.~~
- ~~Ensure adherence to the Authority's relevant policies and procedures, unless such policies conflict with the Charter for the Office of the Chief Auditor.~~
- ~~Ensure conformance with the IIA Standards.~~

### **Quality Assurance and Improvement Program**

~~The Office of the Chief Auditor will maintain a quality assurance and improvement program that covers all aspects of the Office of the Chief Auditor. The program will~~

CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

~~include an evaluation of the Office of the Chief Auditor's conformance with the IIA Standards and an evaluation of whether internal auditors apply The Institute of Internal Auditor's Code of Ethics in their conduct. The program will also assess the efficiency and effectiveness of the Office of the Chief Auditor and identify opportunities for improvement.~~

~~The Office of the Chief Auditor will communicate to executive management and the Audit Committee on the Office of the Chief Auditor's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Authority.~~

[Amended by Resolution No. 2024-XXXX dated XXXXXXX X, 2024]

[Amended by Resolution No. 2023-0086 dated October 5, 2023]

[Amended by Resolution No. 2021-0109 dated October 7, 2021]

[Amended by Resolution No. 2020-0098 dated October 1, 2020]

[Amended by Resolution No. 2018-0117 dated October 4, 2018]

[Amended by Resolution No. 2014-0089 dated September 4, 2014]

[Amended by Resolution No. 2010-0022R dated March 4, 2010]

[Adopted by Resolution No. 2003-062 dated October 2, 2003]

# **SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

## **CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR**

### **Purpose**

The purpose of the Office of the Chief Auditor is to strengthen the San Diego County Regional Airport Authority's (Authority) ability to create, protect, and sustain value by providing the Board of Directors (Board), Audit Committee, and executive management with independent, risk-based, and objective assurance advice, insight, and foresight.

The Office of the Chief Auditor enhances the Authority's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The Office of the Chief Auditor is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor's (IIA) Global Internal Audit Standards, which are set in the public interest.
- The Office of the Chief Auditor is independently positioned with direct accountability to the Board and Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

### **Commitment to Adhering to the Global Internal Audit Standards**

The Office of the Chief Auditor will adhere to the mandatory elements of the IIA's International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Auditor will report periodically to the Authority's Audit Committee/Board and executive management regarding the Office of the Chief Auditor's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

### **Mandate**

The Chief Auditor shall be accountable to the Board under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement. The Office of the Chief Auditor assists the Audit Committee in discharging the duties described in

Public Utilities Code §170018. The Office of the Chief Auditor also assists executive management in achieving Authority objectives. To assist the Audit Committee/Board and executive management, the Office of the Chief Auditor will perform assurance and advisory services on Authority activities. Services include, but are not limited to, reviews of internal controls, operating effectiveness, operating efficiencies, ethical behavior, expenditures, and compliance with Authority Code's, Policies, Standards, and procedures. The sections below provide further details on the mandate of the Office of the Chief Auditor.

### **Authority**

The Office of the Chief Auditor's authority is created by its direct reporting relationship to the Board through the Audit Committee. Such authority allows for unrestricted access to the Board and Audit Committee.

The Board/Audit Committee authorizes the Office of the Chief Auditor to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish objectives.
- Obtain assistance from the necessary personnel of the Authority and other specialized services from within or outside the Authority to complete internal audit services. Assistance from other departments within the Authority will be coordinated with executive management.

### **Independence, Organizational Position, and Reporting Relationships**

#### **Changes to Mandate of the Office of the Chief Auditor or Charter**

Circumstances may justify a follow-up discussion between the Chief Auditor, Board or Audit Committee, and executive management on the Office of the Chief Auditor's mandate or other aspects of the Charter for the Office of the Chief Auditor. Such circumstances may include, but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the Chief Auditor, Board or Audit Committee, and/or executive management.
- Significant changes to the Authority's strategies, objectives, risk profile, or the environment in which the Authority operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## **Chief Auditor Roles and Responsibilities**

### **Ethics and Professionalism**

The Chief Auditor will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Authority and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture at the Authority.
- Report Authority behavior that is inconsistent with the Authority's ethical expectations, as described in applicable codes, policies, and procedures.

### **Objectivity**

The Chief Auditor will ensure that the Office of the Chief Auditor remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Chief Auditor determines that objectivity may be impaired, in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgement on audit matters to others, in fact or appearance.

The Office of the Chief Auditor will have no direct operational responsibility or authority over any of the activities they review. Accordingly, the Office of the Chief Auditor will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties.
- Initiating or approving transaction(s) external to the Office of the Chief Auditor.
- Directing the activities of any Authority employee not employed by the Office of the Chief Auditor, except to the extent that such employees have been appropriately assigned to auditing teams or to assist internal auditors.

Internal Auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually, such as the Chief Auditor, Board or Audit Committee, management or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

The Chief Auditor has the responsibility to:

- At least annually, develop a risk-based internal Audit Plan that considers the input of the Audit Committee/Board and executive management. Discuss the Audit Plan with the Audit Committee and executive management and submit the Audit Plan to the Audit Committee for review and forward to the Board for approval.
- Communicate the impact of resource limitations on the Audit Plan to the Audit Committee/Board and executive management, if applicable.
- Review and adjust the internal Audit Plan, as necessary, in response to changes in the Authority's business risks, operations, programs, systems, and controls.
- Changes to the Audit Plan will occur after consultation with the Chair of the Audit Committee. Changes to the Audit Plan will be presented to the Audit Committee for review and forwarded to the Board for approval.
- Communicate with the Audit Committee/Board and Authority executive management if there are significant interim changes to the Audit Plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with Global Internal Audit Standards.
- Follow up on audit engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee/Board and executive management quarterly and for each engagement as appropriate.
- Ensure that the Office of the Chief Auditor collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the requirements for the Office of the Chief Auditor mandate.
- Identify and consider trends and emerging issues that could impact the Authority and communicate to the Audit Committee/Board and Authority executive management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to the Office of the Chief Auditor's Policies and Procedures / Office Manual designed to guide the Office of the Chief Auditor.

- Ensure adherence to the Authority's relevant policies and procedures unless such policies conflict with the Charter for the Office of the Chief Auditor or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee or Board and executive management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to executive management and if necessary escalated to the Audit Committee or Board.

## **Scope and Types of Internal Audit Activities**

The scope of internal audit services covers Authority activities, including all the Authority's operations, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board, Audit Committee, and management on the adequacy and effectiveness of governance, risk management, and control processes for the Authority.

The nature and scope of advisory services may be agreed with executive management, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Authority's strategic objectives are appropriately identified and managed.
- The actions of the Authority's officers, directors, employees, and contractors or other relevant parties comply with the Authority's policies, procedures, codes, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Authority.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

[Amended by Resolution No. 2024-XXXX dated XXXXXXXX X, 2024]  
[Amended by Resolution No. 2023-0086 dated October 5, 2023]  
[Amended by Resolution No. 2021-0109 dated October 7, 2021]  
[Amended by Resolution No. 2020-0098 dated October 1, 2020]  
[Amended by Resolution No. 2018-0117 dated October 4, 2018]  
[Amended by Resolution No. 2014-0089 dated September 4, 2014]  
[Amended by Resolution No. 2010-0022R dated March 4, 2010]  
[Adopted by Resolution No. 2003-062 dated October 2, 2003]



# Annual Review of the Charter for the Office of the Chief Auditor

Audit Committee Meeting September 9, 2024

# Annual Review of the Charter for the Office of the Chief Auditor

## Annual Review Required

The Charter for the Office of the Chief Auditor requires an annual review.

### Compare Charter for the OCA to Model Charter

- Substantial changes required due to new Global Internal Audit Standards (GIAS)

### Review for Other Changes

- Not applicable

#### SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

##### Purpose and Mission

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

##### Authority

The Chief Auditor shall be accountable to the Board of Directors (hereinafter "the Board") under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment contract.

Old Charter for the OCA

#### Internal Audit Charter for [name of organization]

##### Purpose

The purpose of the internal audit function is to strengthen [name of organization]'s ability to create, protect, and sustain value by providing the [governing body] and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances [name of organization]'s:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the

Model Charter

# Purpose Statement

## New Purpose Statement for Internal Auditors

...“To strengthen the San Diego County Regional Airport Authority’s (Authority) ability to create, protect, and sustain value by providing the Board of Directors (Board), Audit Committee, and management with independent, risk-based, and objective assurance advice, insight, and foresight.”

The Office of the Chief Auditor enhances the Authority’s:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The Office of the Chief Auditor is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor’s (IIA) Global Internal Audit Standards, which are set in the public interest.
- The Office of the Chief Auditor is independently positioned with direct accountability to the Board and Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

# Mandate

**Internal Audit Mandate determine the appropriate authority, role, and responsibilities of the OCA**

## **Mandate**

The Chief Auditor shall be accountable to the Board under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement. The Office of the Chief Auditor assists the Audit Committee in discharging the duties described in Public Utilities Code §170018. The Office of the Chief Auditor also assists management in achieving Authority objectives. To assist the Audit Committee/Board and management, the Office of the Chief Auditor will perform assurance and advisory services on Authority activities. Services include, but are not limited to, reviews of internal controls, operating effectiveness, operating efficiencies, ethical behavior, expenditures, and compliance with Authority Code's, Policies, Standards, and procedures.

# Other Essential Conditions

Essential Conditions are activities of the Board/Audit Committee and executive management that enable the internal audit function's success.



The new Charter for the Office of the Chief Auditor incorporates the essential conditions.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR**

**Purpose**

The purpose of the Office of the Chief Auditor is to strengthen the San Diego County Regional Airport Authority's (Authority) ability to create, protect, and sustain value by providing the Board of Directors (Board), Audit Committee, and management with independent, risk-based, and objective assurance advice, insight, and foresight.

The Office of the Chief Auditor enhances the Authority's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The Office of the Chief Auditor is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor's (IIA) Global Internal Audit Standards, which are set in the public interest.
- The Office of the Chief Auditor is independently positioned with direct accountability to the Board and Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

**Commitment to Adhering to the Global Internal Audit Standards**

The Office of the Chief Auditor will adhere to the mandatory elements of the IIA's International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Auditor will report periodically to the Authority's Audit Committee and executive management regarding the Office of the Chief Auditor's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

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Questions?

## Audit Committee Report

**Meeting Date: September 9, 2024**

**Subject:**

**Revision to the Fiscal Year 2025 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 2025 was initially accepted by the Audit Committee during its May 6, 2024, meeting, and was subsequently approved on June 6, 2024, by Board Resolution No. 2024-0042.

During the first quarter of Fiscal Year 2025 a review of the Audit Plan was undertaken by the OCA. At this time, a revision is requested. The proposed revision precisely accounts for the audits that carried over from Fiscal Year 2024 and adjusts the allocation of audit hours to reflect the OCAs current operational requirements.

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

# Audit Committee Report

Meeting Date: September 9, 2024

2025 Audit Plan is provided as Attachment A. The Fiscal Year 2025 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 2025 and conceptually approved budget for Fiscal Year 2026 have been sufficiently funded to meet the allotted budget requirements for the proposed revision to the Fiscal Year 2025 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 2025  
Proposed Audit Plan September 9, 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 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	-	300
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	-	500
Tenant Lease Administration and Management	To determine if data is accurate in the property management software (ABRM). <i>Audit Engagement #25001</i>	500	-	500
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	-	450
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	(350)	-
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	-	350
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	-	300
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	(550)	-
ARFF Management	To determine if costs included in ARFF billings are appropriate. <i>Audit Engagement #25007</i>	500	-	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  
Fiscal Year 2025  
Proposed Audit Plan September 9, 2024

ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
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	-	100
Parking Management Contract Administration	To determine if the parking management contract is administered appropriately. <i>Audit Engagement #25009</i>	600	-	600
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	-	300
Account Provisioning /De-Provisioning <sup>2</sup>	To determine if account provisioning and de-provisioning are performed timely. <i>Audit Engagement #24009</i>	-	250	250
Tenant Lease Administration and Management <sup>2</sup>	To determine if High Flying Foods accurately paid rent based on Gross Receipts related concessions in Package 7. <i>Audit Engagement #24012</i>	-	300	300
Small Business Management <sup>2</sup>	To determine if Small Business Management is managed appropriately. <i>Audit Engagement #24001</i>	-	300	300
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. <i>Audit Engagement #20002</i>	-	50	50
To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	600	-	600
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	551	(200)	351
<b>Total Audit Hours</b>		<b>5,951</b>	<b>(200)</b>	<b>5,751</b>

Office of the Chief Auditor  
 Fiscal Year 2025  
 Proposed Audit Plan September 9, 2024

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<b>Consulting Hours</b>				
Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract. <i>Consulting Engagement #24011-C</i>	200	-	200
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	-	50
<b>Total Consulting Hours</b>		<b>250</b>	<b>-</b>	<b>250</b>

Office of the Chief Auditor  
Fiscal Year 2025  
Proposed Audit Plan September 9, 2024

ATTACHMENT A

<b>General Audit Hours</b>				
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	-	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.	300	-	300
Development of Data Analytics	Develop a data analytics program for inter-terminal concessions or other programs.	200	-	200
Ethics Program <sup>4</sup>	To review ethics policies, perform training, and investigate reported incidents.	450	-	450
Recommendation Follow-up <sup>4</sup>	To verify that internal and external audit recommendations have been implemented as intended.	160	-	160
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	200	580
	<b>Total General Audit Hours</b>	<b>1,742</b>	<b>200</b>	<b>1,942</b>
<b>Administrative Hours</b>				
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,361	-	2,361
Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,176	-	2,176
	<b>Total Administrative Hours</b>	<b>4,537</b>	-	<b>4,466</b>
	<b>Total Hours</b>	<b>12,480</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  
Proposed Audit Plan September 9, 2024

ATTACHMENT A

Key Work Activity	Objective <sup>5</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
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 the close out process for in terminal concession contracts are administered appropriately.	600	-	600
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
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
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	-	500
Tenant Lease Administration and Management	To determine the operations of a new SDIA Rental Car Company Agreement holder.	400	-	400

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

Office of the Chief Auditor  
 Fiscal Year 2025  
 Proposed Audit Plan September 9, 2024

ATTACHMENT A

Key Work Activity	Objective	Prior Estimated Hours	Change Requested	Revised Hours
<b>Contingent Audit Hours</b>				
P Card Administration	To determine if the Authority's P Cards are administered appropriately.	500	-	500
Contract Security Personnel Management	To determine if the contract for the Authority's security personnel is administered appropriately.	550	-	550
Runway Maintenance	To determine if the contract for airfield paving is administered appropriately.	500	-	500
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	550
Tenant Lease Administration and Management	To determine if the contract for advertising is administered appropriately.	500	-	500
	<b>Total Contingent Audit Hours</b>	<b>6,650</b>	<b>550</b>	<b>7,200</b>

Office of the Chief Auditor  
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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 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
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
Tenant Lease Administration and Management	To determine if data is accurate in the property management software (ABRM). <i>Audit Engagement #25001</i>	500
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
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
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
ARFF Management	To determine if costs included in ARFF billings are appropriate. <i>Audit Engagement #25007</i>	500
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
Parking Management Contract Administration	To determine if the parking management contract is administered appropriately. <i>Audit Engagement #25009</i>	600
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
Account Provisioning /De-Provisioning <sup>2</sup>	To determine if account provisioning and de-provisioning are performed timely. <i>Audit Engagement #24009</i>	250
Tenant Lease Administration and Management <sup>2</sup>	To determine if High Flying Foods accurately paid rent based on Gross Receipts related concessions in Package 7. <i>Audit Engagement #24012</i>	300

<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.

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ATTACHMENT B

Key Work Activity	Objective <sup>1</sup>	Revised Hours
Small Business Management <sup>2</sup>	To determine if Small Business Management is managed appropriately. <i>Audit Engagement #24001</i>	300
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. <i>Audit Engagement #20002</i>	50
To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	600
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	351
	<b>Total Audit Hours</b>	<b>5,751</b>
<b>Consulting Hours</b>		
Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract. <i>Consulting Engagement #24011-C</i>	200
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>



Office of the Chief Auditor  
Fiscal Year 2025  
Proposed Audit Plan September 9, 2024

ATTACHMENT B

Key Work Activity	Objective <sup>1</sup>	Revised Hours
<b>General Audit Hours</b>		
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
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
Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200
Ethics Program <sup>4</sup>	To review ethics policies, perform training, and investigate reported incidents.	450
Recommendation Follow-up <sup>4</sup>	To verify that internal and external audit recommendations have been implemented as intended.	160
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.	580
	<b>Total General Audit Hours</b>	<b>1,942</b>
<b>Administrative Hours</b>		
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,361
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>4</sup> Required activity in the Charter for the Office of the Chief Auditor or Charter of the Audit Committee.

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Proposed Audit Plan September 9, 2024

ATTACHMENT B

Key Work Activity	Objective <sup>5</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
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 the close out process for in terminal concession contracts are administered appropriately.	600
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
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
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
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  
 Proposed Audit Plan September 9, 2024

ATTACHMENT B

Key Work Activity	Objective	Revised Hours
P Card Administration	To determine if the Authority's P Cards are administered appropriately.	500
Contract Security Personnel Management	To determine if the contract for the Authority's security personnel is administered appropriately.	550
Runway Maintenance	To determine if the contract for airfield paving is administered appropriately.	500
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
Tenant Lease Administration and Management	To determine if the contract for advertising is administered appropriately.	500
	<b>Total Contingent Audit Hours</b>	<b>7,200</b>

# Revision to the Fiscal Year 2025 Audit Plan of the Office of the Chief Auditor

Audit Committee Meeting September 9, 2024

# Reasons for Revision

Description	Hours
Account Provisioning/De-Provisioning	250
High Flying Foods Package 7	300
Small Business Management	300
HPD 2018-2020	50
Quality Assurance & Improvement Program	200
<b>Total</b>	<b>1,100</b>

Description	Hours
Enterprise RAC	(350)
Harbor Police Contract Management*	(550)
To Be Determined	(200)
<b>Total</b>	<b>(1,100)</b>

\* Added to Contingent Audits

Questions?