

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## Board Members

C. April Boling  
Chairman

Greg Cox

Jim Desmond

Mark Kersey

Robert T. Lloyd

Paul Robinson

Johanna Schiavoni

Michael Schumacher

Mark B. West

## SPECIAL AUDIT COMMITTEE and SPECIAL BOARD MEETING \*

### AGENDA

Thursday, September 12, 2019  
10:00 A.M.

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

## Ex-Officio Board Members

Cory Binns

Col. Charles B. Dockery

Gayle Miller

## President / CEO

Kimberly J. Becker

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

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

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

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

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

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

**CALL TO ORDER:**

**PLEDGE OF ALLEGIANCE:**

**ROLL CALL:**

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

**NON-AGENDA PUBLIC COMMENT:**

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

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

**NEW BUSINESS:**

**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the May 13, 2019, regular meeting.

**2. FISCAL YEAR 2019 ANNUAL REPORT FROM THE AUDIT COMMITTEE:**

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

Presented by: Paul Robinson, Audit Committee Chair

**3. ANNUAL REVIEW OF THE CHARTER OF THE AUDIT COMMITTEE:**

RECOMMENDATION: Information item only.

Presented by: Lee Parravano, Chief Auditor

**4. ANNUAL REVIEW OF THE CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR:**

RECOMMENDATION: Information item only.

Presented by: Lee Parravano, Chief Auditor

**5. AMEND AUTHORITY POLICY 1.50 – GOVERNANCE AND COMMITTEES:**

RECOMMENDATION: Staff recommends that the Audit Committee request the Board to amend Policy 1.50 to specify the number of terms that public members may serve on the Audit Committee to two full terms, and that the current Audit Committee Public Members are allowed to serve out their current terms through to completion.

Presented by: Lee Parravano, Chief Auditor; Tony Russell, Director, Authority Clerk

**COMMITTEE MEMBER COMMENTS:**

**ADJOURNMENT:**

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

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

**Additional Meeting Information**

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

For your convenience, the agenda is also available to you on our website at [www.san.org](http://www.san.org).

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

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

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**AUDIT COMMITTEE MEETING**  
**MINUTES**  
**MONDAY, May 13, 2019**  
**BOARD ROOM**

**CALL TO ORDER:** Chair Robinson called the Audit Committee Meeting to order at 10:06 a.m., on Monday, May 13, 2019, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

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

**ROLL CALL:**

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

Absent: Committee Members: Van Sambeek

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

**NON-AGENDA PUBLIC COMMENT:**

KAMRAN HAMIDI, SAN DIEGO, provided a presentation and spoke about new technology for taxi providers to display payment information.

**NEW BUSINESS:**

**1. APPROVAL OF MINUTES:**

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

**ACTION: Moved by Board Member West and seconded by Board Member Schiavoni to approve the minutes of February 11, 2019. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT and Committee Member Hollingworth and Board Member Lloyd's ABSTENTION.**

**ACTION: Moved by Board Member West and seconded by Board Member Schiavoni to approve the minutes of March 25, 2019. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT and Committee Members Hollingworth and Tartre's ABSTENTION.**

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

David Coleman, Partner, BKD, LLP, provided a presentation on the required communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year ended June 30, 2019, that included the Engagement Team; Overview; Planned Scope; Planned Timing; Approach to Planning; Revisions to Professional Standards; and Consideration of Errors or Fraud.

In response to concern expressed by Committee Member Hollingworth regarding the lack of an opinion provided by BKD on internal controls, Mr. Coleman stated that the Authority is not required to obtain an opinion on internal controls. He stated that the Audit Committee would be informed if there were concerns, and will provide additional information to the Committee regarding the internal control testing performed.

In response to Board Member Schiavoni's inquiry regarding the external auditor partner rotation, Kathy Kiefer, Senior Director, Finance & Asset Management, stated that a new partner will be introduced at the November 2019 Audit Committee meeting and that at the first 2020 meeting of the Audit Committee, there will be a discussion on who the partner staffing will be.

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

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

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

Lee Parravano, Chief Auditor, and Paula Ward, CPA, Association of Local Government and Auditors (ALGA), provided a presentation on the results from the Quality Assessment Review (QAR) of the Office of the Chief Auditor that included: Purpose of a QAR; QAR Requirements; QAR Team; QAR Testing Timeline; QAR Results; QAR Strengths Identified; and QAR Observations.

In response to Committee Member Tartre regarding when a review of staff efficiencies gets performed, Ms. Ward stated that would need to be a separate consulting engagement, and noted the QAR observations have already been addressed and corrected by the Office of the Chief Auditor.

Lee Parravano, Chief Auditor, stated that staff would provide the Committee with information from the Association of Local Government Auditors (ALGA) Survey.

In response to Board Member West regarding what improvements to the internal audit process are planned, Mr. Parravano stated that staff will perform peer reviews in exchange for this QAR, and will determine whether there are process improvements that can be incorporated into the audit programs.

In response to Board Member Schiavoni's inquiry on optimal time for considering another peer review assessment efficiency audit, Ms. Ward provided her opinion that two years should be allowed, to give sufficient time under the new Chief Auditor.

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

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

4. **FISCAL YEAR 2019 THIRD QUARTER ACTIVITY REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:** Fred Bolger, Manager, Audit Services, presented the Fiscal Year 2019 Third Quarter Activity Report and Audit Recommendations that included the Fiscal Year 2019 Performance Measures; Audit Plan Completion – Projects; Audit Plan Completion – Hours; Revenue/Savings Identified; Auditor Utilization; Project Budgets; Recommendation Acceptance; Recommendation Follow-Up; Customer Satisfaction, and Summary of Ethics Inquiries.

In response to Committee Member Tartre regarding the financial cost when audits are over budget, the benefit relative to the hours spent on the audits; and, whether there is a plan to address the backlog of audits to be performed going into the next fiscal year, Lee Parravano, Chief Auditor, stated that the number of staff hours spent on an audit depends on the nature of the audit and the subject risk. He stated that steps have been taken to implement a Risk and Control Matrix as a way to identify the audit scope and to standardize the steps for an audit plan to be conducted.

Board Member West recommended that staff review the questions in the Customer Satisfaction Survey and reduce the number asked, to make it more meaningful.

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

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

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

Lee Parravano, Chief Auditor, provided a presentation on the reasons for the revision to the Fiscal Year 2019 Audit Plan that included the requirement to reflect the change in responsibilities of the Aircraft Rescue and Fire Fighting Billings audit and the San Diego Unified Port District Billings audit, and to reflect the request from the Accounting Department for training on the reconciliation process.

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

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

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

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2020 Risk Assessment and Proposed Audit Plan of the OCA that included Risk Assessment Methodology; Risk Assessment Framework; Definition of the Audit Universe; Identifying and Ranking Risks; Interpreting the Risk Assessment Results; and Audit Plan Development.

Committee Member Hollingworth suggested being mindful of the overhead costs charged to the Authority by other agencies, to minimize potential cost overruns.

Lee Parravano, Chief Auditor, stated that staff plans to utilize what other agencies have included in their billings, for further review and to analyze potential errors noted or areas of concern.

In response to concern expressed by Chair Robinson regarding the City Fire Department staff overhead costs, Kim Becker, President/CEO, noted that the fire department charges a blended rate for firefighters and officers working at the Airport.

Board Member West recommended there be a tracking process on the overhead charges.

In response to Committee Member Tartre on the Risk Assessment Process, Mr. Parravano stated that staff identifies the higher risk audits to make best use of how audit hours are spent.



In response to Committee Member Tartre regarding percentage of proposed administrative staff time, Mr. Parravano noted that the administrative time hours includes vacation and hours allocated to utilizing data analytics. He stated that staff is developing procedures to improve the audit process.

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

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

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

Lee Parravano, Chief Auditor, provided information on the Fiscal Year 2020 Proposed Budget and Fiscal Year 2021 Proposed Conceptual Budget Expense Summary.

In response to Committee Member Tartre regarding the increase in benefit expenses listed in FY2018 to FY2019, Scott Brickner, Vice President/CFO, noted that the increase in benefits is primarily related to an increase in the retirement mortality rate benefit. He stated that there is a chance that the cost of the retirement benefit may decrease in the future due to the change in retirement benefits for employees hired after 2013.

Committee Member Tartre requested that more information on the benefit expenses be provided next year.

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

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

**CLOSED SESSION:** The Committee recessed into Closed Session at 11:38 a.m. to discuss Item 8.

**8. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**  
(Government Code Section 54957)  
Title: Chief Auditor

**REPORT ON CLOSED SESSION:** The Committee adjourned out of Closed Session at 12:45 p.m. There was no reportable action.

**COMMITTEE MEMBER COMMENTS:** None. **ADJOURNMENT:** The meeting adjourned at 12:45 p.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, 2019.

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LEE PARRAVANO  
CHIEF AUDITOR

ATTEST:

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LINDA GEHLKEN  
ASSISTANT AUTHORITY CLERK I

## **AUDIT COMMITTEE**

Meeting Date: **SEPTEMBER 12, 2019**

### **Subject:**

**Fiscal Year 2019 Annual Report from the Audit Committee**

### **Recommendation:**

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

### **Background/Justification:**

The Audit Committee's authority, role, duties, and oversight responsibilities are presented in the Charter of the Audit Committee, and further detailed in Authority Policy Article 1, Section 1.50 (5)(c)(ii).

The Charter of the Audit Committee was instituted by Board Resolution No. 2003-061 on October 2, 2003, and was most recently revised by Board Resolution No. 2018-0116 on October 4, 2018.

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

The Audit Committee's Annual Report for the period July 1, 2018, through June 30, 2019, is presented for review as Attachment A.

Any revisions requested by the Audit Committee during its September 12, 2019, meeting will be incorporated prior to the report's submittal to the Board.

### **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.

**Application of Inclusionary Policies:**

Not applicable

**Prepared by:**

LEE M. PARRAVANO  
CHIEF AUDITOR

**Board Members**

C. April Boling  
Chairman

September 12, 2019

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

April Boling, Chairman  
San Diego County Regional Airport Authority  
P.O. Box 82776  
San Diego, CA 92138-2776

Dear. Ms. Boling:

**Ex-Officio Board Members**

Cory Binns  
Col. Charles B. Dockery  
Gayle Miller

This communication is the Audit Committee's Fiscal Year 2019 Annual Report detailing activities and duties performed by the Audit Committee for the period July 1, 2018, through June 30, 2019.

**President / CEO**

Kimberly J. Becker

Six Audit Committee Meetings were held during Fiscal Year 2019. The meeting minutes for these public sessions are on file with the San Diego County Regional Airport Authority (Authority) Clerk's office and may also be found on the San Diego International Airport website [www.san.org](http://www.san.org). The Audit Committee Meetings that took place in Fiscal Year 2019 are listed below.

- September 10, 2018 – *Regular Meeting*
- November 5, 2018 – *Regular Meeting*
- November 5, 2018 – *Special Meeting (Audit Committee Training)*
- February 11, 2019 – *Regular Meeting*
- March 25, 2019 – *Special Meeting (Process and Selection of the External Auditor)*
- May 13, 2019 – *Regular Meeting*

Fiscal Year 2019 began the first full year for Mr. Lee Parravano as the new Chief Auditor. Lee joined the Authority on April 4, 2018. During Fiscal Year 2019, an examination of adherence to Authority Codes and Policies, Charters, *IIA Standards*, regulations, and procedure manuals, etc., not only covered the Office of the Chief Auditor (OCA), but encompassed a thorough examination of the Charter of the Audit Committee. As a result, the Audit Committee performs its responsibilities with a renewed confidence that was provided as a result of this work, and the corresponding revisions to procedures, to align with best practices.

Of note, on November 5, 2018, the Audit Committee was provided with training presented by the accounting firm BKD, LLP, which was designed to increase the Audit Committee's knowledge on effective Audit Committee practices. Due to the significant role that the Audit Committee has in monitoring and reducing risk to the Authority, offering periodic training is a practice that will be made routine going forward.

A review of the Authority's audited financials is an important part of the Audit Committee's

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from the Audit  
Committee

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responsibilities. The Authority's financial audit for Fiscal Year Ended June 30, 2018, was performed by BKD, LLP. The following audited financial reports were presented by BKD, LLP, on November 5, 2018, to the Audit Committee:

- Audited Financial Statements
- Compliance (single audit) Report
- Passenger Facility Charge (PFC) Compliance Report
- Customer Facility Charge (CFC) Compliance Report
- Report to the Audit Committee
- 2018 Comprehensive Annual Financial Report (CAFR)

The Audit Committee understands the execution of Authority operations, in part, through the audits performed by the OCA. During Audit Committee Meeting open discussions the Committee reviewed 29 audit reports issued by the OCA and 35 recommendations provided to Authority management in Fiscal Year 2019.

On May 13, 2019, the Audit Committee received the results of the Quality Assessment Review of the OCA for the five (5) year period from July 1, 2013, through June 30, 2018. This external quality assessment evaluated the OCAs conformance with internal audit *Standards*. The external quality assessment determined that the OCA is providing reasonable assurance of compliance with the *Standards*. This is the highest level of conformance an internal audit function can achieve.

The Audit Committee obtains assurance with respect to the adequacy and effectiveness of the Authority's internal controls, including the Authority's responsiveness to risks within its Information Technology (IT) system of networks and systems. The Audit Committee has received updates and information from the Chief Auditor, certain IT staff, and Authority management regarding IT related matters.

Additionally, the Audit Committee reviewed, approved, or received as information, the following reports and presentations during Fiscal Year 2019:

- Fiscal Year 2018 Annual Report of the OCA
- Fiscal Year 2019 Quarterly Reports and corresponding audit recommendations
- OCA Audit Reports issued during Fiscal Year 2019, totaling 29
- OCA Recommendations issued during Fiscal Year 2019, totaling 35
- Revisions to the Fiscal Year 2019 OCA Audit Plan
- Fiscal Year 2020 Risk Assessment, Audit Plan, and Proposed Budget for the OCA
- Cybersecurity Updates
- Ethics Program and Confidential Hotline Updates
- Public Employee Performance Evaluation Goal Setting for the Chief Auditor

Annual Report  
from the Audit  
Committee

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The Audit Committee will continue to perform its responsibilities to obtain the greatest assurance that best practices are in place throughout the Authority and are being practiced.

Sincerely,

Paul Robinson  
Audit Committee Chair

PR/LP/sro

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

## **AUDIT COMMITTEE**

Meeting Date: **SEPTEMBER 12, 2019**

### **Subject:**

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

### **Recommendation:**

Information item only.

### **Background/Justification:**

The Charter of the Audit Committee is forwarded to the Audit Committee on an annual basis 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 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.

The Board adopted Resolution No. 2003-061 on October 2, 2003, instituting the Charter of the Audit Committee. Subsequent revisions to the Charter of the Audit Committee took place as follows:

June 13, 2006, the first revision was approved by the Audit and Performance Monitoring Committee; and approved by Board Resolution No. 2006-0080 dated July 6, 2006.

February 8, 2010, the Charter of the Audit Committee was revised during a regular meeting of the Audit Committee to expand upon, update, and to reflect then-current operational practices; and approved by Board Resolution No. 2010-0023 on March 4, 2010.

September 10, 2018, during a regular meeting of the Audit Committee, the Charter of the Audit Committee was revised to incorporate relevant sections of the Public Utilities Code, model pertinent Audit Committee practices, and to reflect the current operational practices (Attachment A). Board Resolution No. 2018-0116 approved these changes on October 4, 2018.

At this time, there are no revisions recommended by Staff for the Charter of the Audit Committee.

### **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.

**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 Audit Committee Charter 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, or the President/CEO or his/her 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, or the President/CEO or his/her designee.

The Committee may engage independent advisor(s), subject to Authority Board approval, that it deems necessary to execute its responsibilities and shall be provide 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.

### **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 formal 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 his/her 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.

### **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 insight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by management and the Authority Board; 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
- Establish procedures for the receipt, retention, investigation, and treatment of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters. The Committee shall maintain a process for the confidential, anonymous submission of such complaints by Authority employees and other individuals.

### **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, the Committee shall provide the following oversight functions:

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

- Review, and forward to the Authority Board for approval, the Charter of the Office of the Chief Auditor at least annually. The Charter should be reviewed to 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
- 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.

#### ***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***

- 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 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 audit engagements and evaluate what additional actions, if any, should be taken.

***Standards Conformance***

- 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, 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, 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 recommendation 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 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;
- Review the reasonableness of fees, the quality of any prior audits, the composition of the audit team; evaluate the experience and qualifications of the external auditor's lead partner and the senior members of the audit team; examine the results of the audit firm's last internal quality-control or peer review, any issues raised by the annual auditor's report, the status of any significant regulatory or litigation problems that may affect the external auditor, and the amount of non-audit services provided by the audit firm;



- Advise the Authority Board when any major staffing change occurs in the audit firm engaged as the principal external auditor, when any other 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;
- Review the external auditor's most recent internal quality-control or peer review report. The external auditor shall report any steps taken to deal with issues identified in the internal quality-control or peer review report. The external auditor shall also submit such a report to the Committee promptly after any review, inquiry, or investigation referred to it by the Committee, any Authority Board member, or the President/CEO; and
- 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, Comprehensive Annual Financial Report (CAFR), 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;
- Review internal control reports (management letters) submitted by the external auditor; and
- Review matters required to be communicated by the external auditor to the Committee, including but not limited to, any difficulties encountered in the course of the work, any restriction on the scope of the external auditor's activities, or on access to requested information, and any significant disagreements with management.

## **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;
- 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. 2018-0116 dated October 4, 2018]

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

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

## **AUDIT COMMITTEE**

Meeting Date: **SEPTEMBER 12, 2019**

### **Subject:**

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

### **Recommendation:**

Information item only.

### **Background/Justification:**

The Charter for the Office of the Chief Auditor (OCA) is forwarded to the Audit Committee on an annual basis in accordance with best practices, the OCAs Quality Assurance and Improvement Program, and requirements included in the Charter of the Audit Committee and Charter for the OCA.

The Charter for the OCA establishes the purpose, authority, and responsibilities of the OCA. The Charter for the OCA was first adopted by Board approved Resolution No. 2003-062 on October 2, 2003. The Charter for the OCA has subsequently been amended as follows:

June 1, 2004, the Audit and Performance Monitoring Committee revised the Charter for the OCA pertaining to the Committee's approval authority of the external auditor's work program and to define the Chief Auditor's role in reviewing both the draft and the final submission of the external auditor's annual financial statements.

March 4, 2010, per Board Resolution No. 2010-0022R, the Charter for the OCA was amended to reflect operational practices covering the review and approval of amendments to the OCA Audit Plan, the retention of audit work papers, the request to access Authority information and records, and the process for handling responses to audit recommendations, amongst others.

September 4, 2014, per Board Resolution No. 2014-0089, the Charter for the OCA was amended to reflect operational practices and to incorporate recommendations provided by an External Quality Control Review related to consulting services performed by the OCA.

September 10, 2018, during a regular meeting of the Audit Committee, the Charter for the OCA was revised to incorporate model Charter practices and to reflect current operational procedures (Attachment A). Board Resolution No. 2018-0117 approved these changes on October 4, 2018.

Staff has no revisions to recommend at this time to the Charter for the OCA.

**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.

**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 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 his/her employment agreement.

The Chief Auditor will report directly to the Board through the Audit Committee.

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.

## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

- 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 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.

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively, and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement matters to others.

The Office of the Chief Auditor will have no direct operational responsibility or authority over any of the activities audited. Accordingly, the Office of the Chief Auditor will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair his/her 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.

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 impairment of independence or objectivity, in fact or appearance, to appropriate parties.

## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

- 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 being 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.

### **Scope of Internal Audit Activities**

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 assessments 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 are in compliance with Authority policies, procedures and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Authority.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have credibility.
- Resources and assets are acquired economically, used efficiently, 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.

## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

- 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 audit engagements 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 Audit committee Charter 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 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 Chief Auditor shall report the irregularities to the Chair of the Audit Committee, the General Counsel, and the President/Chief Executive Officer. Where one or more of the aforementioned persons is or is believed to be a responsible or culpable party, the Chief Auditor shall report the matter to the full Board in Closed Session called for that purpose in accordance with the requirements of the Ralph M. Brown Act.
- 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.



## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

- 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 of the Office of the Chief Auditor Charter.
- 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 Manual/Desk 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 Office of the Chief Auditor Charter.
- 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 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.

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

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

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

**AUDIT COMMITTEE**

Meeting Date: **SEPTEMBER 12, 2019**

**Subject:**

**Amend Authority Policy 1.50 – Governance and Committees**

**Recommendation:**

Staff recommends that the Audit Committee request the Board to amend Policy 1.50 to specify the number of terms that public members may serve on the Audit Committee to two full terms, and that the current Audit Committee Public Members are allowed to serve out their current terms through to completion.

**Background/Justification:**

The State of California Public Utilities Code Division 17, San Diego County Regional Airport Authority [170000 – 170084], legislated the creation of the Airport Authority and outlined the foundation from which the Authority Codes and Policies were initially adopted by the Interim Authority Board of Directors on September 20, 2002.

The Authority has a responsibility to promote public policies consistent with the Authority's mandates and objectives and, as such, has performed numerous reviews and updates to its Codes and Policies.

Policy 1.50 – Governance and Committees established the guidelines and principles defining the San Diego County Regional Airport Authority governance practices. On April 4, 2019, the Board adopted Resolution No. 2019-0034 approving the most recent revision to Policy 1.50, in order to reflect current operations of the Airport and the Authority, and to ensure consistency with applicable Federal, State, and local laws and regulations.

Section 170018 of the Public Utilities Code and Authority Policy 1.50 (5)(c)(ii) describe the Audit Committee and its composition, function, oversight responsibilities, meeting administration, and appointment procedures, including the requirements for the appointment of public members to the Audit Committee.

Additionally, Policy 1.20 – Formation of Board Committees established the Board's power to create committees and to determine their purpose, duties, frequency of meetings, adherence with Roberts Rules of Order and applicable laws of the State of California, designate members, among others.

Upon a policy review by the Office of the Chief Auditor (OCA) of Policy 1.20, Policy 1.50, and the Charter of the Audit Committee, it was noted that there is no directive on the length of time that a public member may serve on the Audit Committee.

Best practice favors a recurring change of all committee members. Establishing a term limit for public members will align Authority Policy with best practices and will allow for revolving membership similar to Authority Board Members that serve on the Audit Committee.

Staff recommends that the Audit Committee request the Board to amend Policy 1.50 to specify the number of terms that a public member may serve on the Audit Committee. We recommend a maximum of two full terms, and that the current Audit Committee Public Members are allowed to serve out their current terms through to completion.

The proposed revision to Policy 1.50 is provided to the Audit Committee for review, with changes highlighted in red in Attachment A.

Upon Board approval of a revision to Policy 1.50, staff will proceed with updating the Policy and carrying out the recruitment of future Audit Committee Public Members when warranted at the completion of term limits.

**Fiscal Impact:**

Anticipated impact to operating expenses will be for the recruitment of new public members (media, advertisement) as warranted when existing Audit Committee Public Member terms end. The current and succeeding Board Services/Authority Clerk’s fiscal year budget, approved by the Board is sufficiently funded for the recruitment of new public members.

**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.

**Application of Inclusionary Policies:**

Not Applicable

**Prepared by:**

LEE M. PARRAVANO  
CHIEF AUDITOR

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**POLICIES**

**ARTICLE 1 - ADMINISTRATION AND GOVERNANCE**  
**PART 1.5 - GOVERNANCE**  
**SECTION 1.50 - GOVERNANCE AND COMMITTEES**

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**PURPOSE:** To establish the principles and practices for the governance of the San Diego County Regional Airport Authority (“**Authority**”).

**POLICY STATEMENT:**

- (1) Establishment of Governance Principles and Practices. The Authority is committed to being and operating as a world-class organization, and to that end shall adopt, implement and maintain best-in-class governance principles and practices.
- (2) Adoption of Governance Policy. It is in the best interests of the Authority and the public that it serves to adopt this policy to supplement the San Diego County Regional Airport Authority Act, as amended (“**Authority Act**”), to delineate the respective roles, duties and responsibilities of:
  - (a) The Board of Directors (“**Board**”);
  - (b) The Board’s Executive Committee (“**Executive Committee**”); and
  - (c) The President/Chief Executive Officer (“**President/CEO**”).
- (3) Considerations. This policy has been developed based on the following considerations:
  - (a) Review of best-in-class governance principles and practices that have been developed and tested in practice by respected airport authorities and other governmental entities;
  - (b) A desire to meet the needs of the public that the Authority serves, and the individuals and businesses that use the Authority’s facilities or interact with the Authority; and
  - (c) A recognition that the delineation of the respective roles, duties and responsibilities of the Board, the Executive Committee, the President/CEO and the Authority’s officers and employees is essential to ensure the transparent, efficient and harmonious operation of the Authority, and the achievement of the purposes for which the Authority was created.

**POLICY SECTION NO. 1.50**

(4) Objectives. The objectives of this policy are to:

- (a) Establish principles and practices to facilitate communication and coordination among the Board, the Executive Committee, the President/CEO and the Authority's officers and employees with respect to the Authority's vision, mission, policy and management;
- (b) Establish clear, appropriate roles and functions of the Board, the Executive Committee, the President/CEO and the Authority's officers and employees;
- (c) Provide for the Board's exercise of its authority to set the policies and direction of the Authority and to monitor and evaluate the management of the Authority by the President/CEO and the Authority's officers and employees, without impeding or interfering with the proper conduct of the Authority's operations and affairs;
- (d) Provide for appropriate interface and liaison with other government agencies, particularly: (1) the consolidated agency comprised of the San Diego Association of Governments (SANDAG), the Metropolitan Transit Development Board (MTDB) and the North County Transit Development Board (NCTD) as referenced in Public Utilities Code §132350.2, and (2) the San Diego Unified Port District;
- (e) Implement governance principles and practices that are subject to periodic review and modification in order to evolve with the Authority's needs and operations; and
- (f) Through the foregoing, facilitate communication, coordination and cooperation within the Authority, and achieve transparency and accountability in governance, and the confidence of the public in the integrity and responsibility of the Authority.

(5) Board.

- (a) Role. The Board's role is to establish, in collaboration with the President/CEO and the Authority's officers and employees through an open, public process, the vision, long-term strategy and goals for the Authority and to provide leadership to attain them.

The Board should refrain from participating in the day-to-day operations of the Authority.

- (i) In the case of Board Members or committees requesting information or assistance without Board authorization, the request must not require more than two hours of staff time, be approved by the President/CEO and copied to all Board Members.

In consultation with the Board Member, the President/CEO can decline (or disallow) such requests that require, in the President/CEO's opinion, a material amount of staff time or funds, or are disruptive.

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- (ii) Decision or instruction of individual Board Members or committees is binding when specifically authorized by the Board.
  - (iii) The Board should refrain from evaluating, either formally or informally, any staff other than the President/CEO, the General Counsel, or the Auditor. Board feedback on all other employee performance or behavior should be given directly to the President/CEO and not to the employee.
- (b) Responsibilities. The Board's specific duties and responsibilities include the following:
- (i) **Vision and Mission:**
    - Formulate, set and evaluate on a periodic basis the vision, long-term strategy and goals for the Authority; and
    - May commission planning, engineering, economic, and other studies to provide information to the Board for making decisions about the location, design, management, and other features of future airports.
  - (ii) **Policy, Administration and Management:**
    - Appoint a representative to the San Diego Association of Governments, in accordance with P.U.C. §132351.4(a)(2)(A). Such representative shall serve until recalled or replaced by the Board. Such representative shall represent the Authority's views on maintaining a strong focus and commitment to meeting the public transportation needs of the San Diego region, setting transit funding criteria and recommending transit funding levels, and the discharge of transit responsibilities resulting from consolidation;
    - Maintain and promote open, collaborative relations with all local, regional, state and federal governmental agencies with which it may interact, including the San Diego Unified Port District with which the Authority is a neighbor, and a colleague in economic development and environmental protection, for the benefit of the San Diego region. The Board may appoint one or more Directors to serve as Board liaison(s) with the governing board of another agency, but without any power to make agreements on behalf of the Authority or to direct Authority staff activity;
    - Adopt and amend the objectives and service priorities for the Authority and provide guidance to the President/CEO on these matters;
    - Adopt and amend the Authority's Policies and Codes from time to time;
    - Assess on a periodic basis the effectiveness of the Authority's Policies and Codes, and add new or amend existing Policies and Codes accordingly;

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- Review recommendations from the President/CEO and the Authority's officers and employees with respect and care, and consider the implications and future consequences of Board policy decisions;
- Review and approve contracts and the making of other major commitments in accordance with the Policies and Codes of the Authority;
- Review and approve the Authority's operating and capital budget and monitor the Authority's financial performance;
- Monitor the performance by the Authority by maintaining effective dialogue and communications with the President/CEO;
- Collaborate with the President/CEO in establishing performance standards for the Authority and its officers and employees;
- Appraise, on a periodic basis, the performance of the President/CEO and provide clear written feedback to the President/CEO; and
- Respect the President/CEO's role and responsibility to implement executive responsibilities for the Authority, and therefore avoid micro-management and intervention in specific management and administrative matters of the Authority.

(c) Standing Board Committees. The Board shall have the following standing committees with the following functions:

(i) *Finance Committee* – The Finance Committee will oversee the financial performance and condition of the Authority and review the operating and capital budget and financial plan, and major financial policies or actions of the Authority. The Finance Committee shall meet at least quarterly each year.

(ii) *Audit Committee* – The Audit Committee shall consist of four Board members and three members of the public. Pursuant to a selection policy, appointment procedures, and conflict-of-interest standards established by the Board, the Audit Committee shall oversee the initial screening and recommendation process for the selection of the public members.

(A) Appointed Public Members. The Board shall appoint the three public members as voting members of the Audit Committee for staggered three-year terms. **Public members may serve a maximum of two full terms.** The appointed public members shall be from among the following categories of persons, with no more than one appointee from each category at any one time:

- (I) A professional with experience in the field of public finance and budgeting.



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

(B) Compensation. The three voting public members appointed to the Audit Committee pursuant to the above categories shall be paid for attending Audit Committee meetings at the same rate as that paid for Board members.

(C) Other Members. The Board may appoint other persons to serve as non-voting, non-compensated *ex officio* members on the Audit Committee. The length of the term of office for each such appointment shall be determined by the Board at the time of appointment.

(D) Role of Committee. The Audit 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 cash flows, capital expenditures, regulatory compliance, and operations.

(E) Meetings. The Audit Committee shall meet a minimum of four times per year and shall, at a minimum, do all the following:

- (I) Regularly review the Authority's accounting, audit, and performance monitoring processes;
- (II) At the time of contract renewal, recommend to the Executive Committee and the full 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;

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- (III) Advise the Executive Committee and the Board regarding the selection of the external auditor;
- (IV) Be responsible for oversight and monitoring of internal and external audit functions, and monitoring performance of, and internal compliance with, Authority policies and procedures;
- (V) Be responsible for overseeing the annual audit by the external auditors and any internal audits; and
- (VI) Make recommendations to the full Board regarding paragraphs (I) to (VI), inclusive;
- (VII) Evaluate the Auditor and make recommendations to the Executive Personnel and Compensation Committee and/or the Board regarding his or her performance and compensation.

(F) Voting. Each member of the Audit Committee shall be a voting member. An affirmative vote by at least five members of the Audit Committee shall be required for approval of the annual internal and external audits, including performance monitoring, the auditor's annual audit plan for each fiscal year submitted to the Board for approval, and actions recommending or approving debt financing for the Authority. [P.U.C. §170018]

- (iii) *Executive Personnel and Compensation Committee* – This Executive Personnel and Compensation Committee will evaluate the President/CEO, Auditor and General Counsel and make recommendations to the Board concerning their compensation. In addition, the Executive Personnel and Compensation Committee will review and make recommendations regarding Board Member compensation.
- (iv) *Executive Committee* – The Executive Committee's role is to monitor the Authority's implementation of the administrative policy that has been established by the Board and to support the President/CEO in carrying out strategies and policies set by the Board. The Executive Committee's specific duties and responsibilities shall be:

(a) **Monitor Authority Implementation of Board Policy:**

- The Executive Committee, through the monthly meetings discussed below, will monitor the Authority's implementation of the administrative policy of the Authority as such policy shall be set by the Board and will report any relevant matters to the full Board, together with any policy recommendations, at a public

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meeting of the Board. Provided, however, that neither the Executive Committee, nor any member of the Executive Committee, will be or become involved in the direct operation of the airports under the jurisdiction of the Authority or be included in the chain of command of any such airport or the Authority for emergency purposes; and

- Undertake such other duties as the Board may delegate or assign from time-to-time.

**(b) Conduct Monthly Public Meeting with President/CE) and Executive Staff:**

- The Executive Committee will conduct a monthly meeting with the President/CEO and the executive staff to monitor the Authority's implementation of the administrative policy established by the Board. These Executive Committee meetings shall be open to the public, except as otherwise expressly permitted under the Ralph M. Brown Act; and
- Submit any and all policy recommendations to the full Board for consideration at a public meeting of the Board.

(v) *Capital Improvement Program Oversight Committee* – This committee will oversee the implementation of the Capital Improvement Program (“CIP”) to include the investigation and evaluation of the physical/functional, financial, environmental, community aspects, inter-governmental coordination, and public communication/outreach related to all CIP activities.

**(6) President/CEO.**

(a) Role. The President/CEO's role is to: (i) support the Board in the planning and implementation of the vision, long-term strategy and goals of the Authority, (ii) carry out the overall strategy and Policies and Codes duly adopted by the Board, and (iii) manage and direct the Authority's personnel, operations, finances and facilities.

(b) Responsibilities. The President/CEO's specific duties and responsibilities include the following:

i. **Vision and Mission:**

- Assist in the planning and analysis of, ~~and~~ make recommendations for, and implement the vision, long-term strategy and goals as established by the Board; and

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- Provide executive leadership to the officers and employees of the Authority to implement the Authority's vision, long-term strategy and goals as established by the Board.
- ii. **Policy, Administration and Management:**
  - Manage and direct the Authority's operations, finances and facilities professionally, efficiently and fairly;
  - Administer and carry out the Authority's Policies and Codes, and provide appropriate information and make recommendations to the Board regarding the possible need for new Policies and Codes or amendments to existing Policies and Codes;
  - Ensure that the Board is fully supported in its responsibility to adopt a comprehensive plan on the future development of San Diego's regional international airport, including, but not limited to, expansion of the existing airport site and other development options available to address future Airport needs;
  - Perform such other functions that may be set forth in the Authority's other Policies and Codes, or that are necessary for the management and operations of the facilities and airports under the jurisdiction of the Authority;
  - Manage the Authority's programs and services in a manner that is consistent with the Board's vision, long-term strategy, goals, guidelines, Policies and Codes;
  - Direct the communications and inter-governmental relations strategy of the Authority, and the manner in which it is carried out;
  - Prepare and recommend to the Board the Authority's operating and capital budget and financial plan;
  - Maintain effective dialogue and communications with the Board;
  - Provide appropriate information to the Board to facilitate the Board's assessment of the Authority's programs and services;
  - Manage and coordinate the Authority's officers and employees to maintain high standards of professional conduct and to promote the accomplishment of organizational goals with efficiency and economy of resource use;
  - Monitor and evaluate the Authority's officers, employees and independent contractors to, among other things, ensure that the officers, employees and

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independent contractors maintain appropriate performance standards, are attentive to citizen concerns and are responsive to complaints and inquiries;

- Support the Board in its appraisal of managerial and organizational performance;
- Appoint all officers and employees of the Authority, other than the Authority's General Counsel and Auditor; and
- Maintain and promote open, collaborative relations with all local, regional, state and federal governmental agencies with which the Authority may interact, including the San Diego Unified Port District with which the Authority is a neighbor, and a colleague in economic development and environmental protection, for the benefit of the San Diego region.

(7) General Principles of Governance. The Board and the Executive Committee, in discharging their respective powers, duties and responsibilities under this Policy and under any other applicable laws, Policies or Codes, shall act in accordance with the following:

- (a) Exercise their respective business judgment to act in what they reasonably believe to be in the best interests of the Authority's constituents and the public that the Authority serves;
- (b) Act in accordance with the highest ethical standards as set forth in the Authority's other Policies and Codes;
- (c) Ensure that other existing and planned future commitments do not interfere with their commitments, duties and responsibilities to the Authority;
- (d) Except in extraordinary circumstances, attend all duly noticed meetings and spend the time needed and meet as frequently as necessary to properly discharge their powers, duties and responsibilities;
- (e) Except in extraordinary circumstances, attend any appropriate Board orientation programs, and review Board orientation documentation and other materials that may be distributed to the Board from time to time;
- (f) Listen with due regard to the input of each member of the Board and the Executive Committee, as the case may be, and not attempt to dominate the discussions or the decision-making process of the Board and the Executive Committee, as the case may be; and
- (g) Comply with requirements of law applicable to the Board and the Executive Committee, as the case may be, under all relevant laws (including the Authority Act) and the Authority's other Policies and Codes.

(8) General Provisions - Committees.

- (a) Each standing committee of the Board shall include an Executive Committee member.
- (b) All standing committee appointments shall be for one-year terms, except as otherwise prescribed or modified by the Board in its sole discretion.
- (c) The Board may establish or maintain additional standing or *ad hoc* Board committees from time to time as necessary or appropriate in accordance with the Authority's Policies and Codes.

(9) Periodic Evaluation. The Board shall review this policy on a periodic basis to ascertain whether any modification is required to meet the then-current needs of the Authority and to maintain consistency with the best-in-class governance principles and practices of other airport authorities and governmental entities.

[Amended by Resolution No. 2019-0034 dated April 4, 2019.]  
[Amended by Resolution No. 2013-0132 dated December 12, 2013]  
[Amended by Resolution No. 2012-0133 dated December 13, 2012]  
[Amended by Resolution No. 2011-0052 dated May 5, 2011]  
[Amended by Resolution No. 2010-0008 dated February 4, 2010]  
[Amended by Resolution No. 2009-0038 dated April 2, 2009]  
[Amended by Resolution No. 2009-0009 dated February 5, 2009]  
[Amended by Resolution No. 2008-0029 dated March 6, 2008]  
[Amended by Resolution No. 2007-0085 dated July 5, 2007]  
[Amended by Resolution No. 2006-0080 dated July 6, 2006]  
[Amended by Resolution No. 2004-0033 dated April 5, 2004]  
[Amended by Resolution No. 03-060 dated October 2, 2003]  
[Amended by Resolution No.03-005R dated February 6, 2003]  
[Adopted by Resolution No. 2002-2 dated November 25, 2002.]



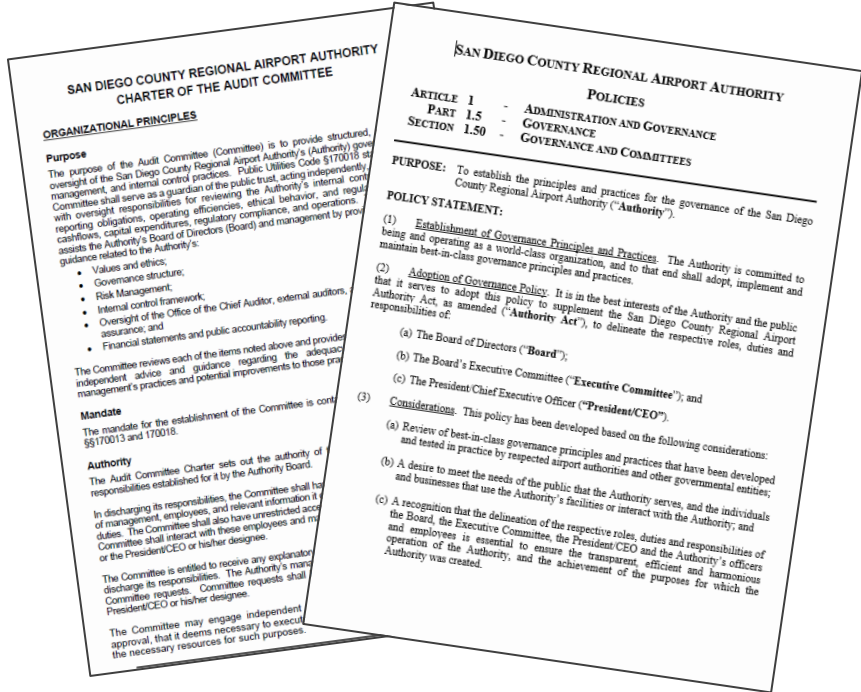
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LET'S **GO.**

## Amend Authority Policy 1.50 - Governance and Committees

Audit Committee Meeting  
September 12, 2019

# Current Charter & Policy



The Charter of the Audit Committee & Policy 1.50 do not contain a limit on the length of time that a public member may serve on the Audit Committee.



# Best Practice

The Institute of Internal Auditors report states:

“It is important that audit committees maintain institutional memory while providing new perspectives and fresh insights...Generally, terms less than two years are too short. Terms of greater than eight years may be too long.”



# Recommended Change

## ***Policy 1.50 (5)(c)(ii)(A)- Recommended Change in Red:***

(A) Appointed Public Members. The Board shall appoint the three public members as voting members of the Audit Committee for staggered three-year terms. **Public members may serve a maximum of two full terms.** The appointed public members shall be from among the following categories of persons, with no more than one appointee from each category at any one time:

***\*\*\*Current Public Members are allowed to serve out their current terms through to completion.\*\*\****

# QUESTIONS?