

Audit Committee and Special Board Meeting

**Monday, September 13, 2021
10:00 A.M.**

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

Board Members

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

Ex-Officio Board Members

Col. Thomas M. Bedell
Gustavo Dallarda
Gayle Miller

President/CEO

Kimberly J. Becker

This meeting of the Audit Committee of the San Diego County Regional Airport Authority Board will be conducted pursuant to the provisions of California Executive Order N-08-21, which suspends certain requirements of the Ralph M. Brown Act. During the current State of Emergency and in the interest of public health, all Board & Committee members will be participating in the meeting electronically. In accordance with the Executive Order, there will be no members of the public in attendance at the Board Meeting. We are providing alternatives to in-person attendance for viewing and participating in the meeting. In lieu of in-person attendance, members of the public may submit their comments in the following manner.

Comment on Non-Agenda Items

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

Comment on Agenda Items

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

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

Monday, September 13, 2021

- **Step 1:** Fill out the online **Request to Speak Form** to speak during the meeting via teleconference. The form must be submitted by 4 p.m. the day before the meeting or by 4:00 p.m. the Friday before a Monday meeting. After completing the form, you'll get instructions on how to call in to the meeting.
- **Step 2:** Watch the meeting via the Webcast located at the following link, <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=13913>
- **Step 3:** When the Board begins to discuss the agenda item you want to comment on, call in to the conference line, you will be placed in a waiting area. ***Please do not call until the item you want to comment on is being discussed.***
- **Step 4:** When it is time for public comments on the item you want to comment on, Authority Clerk staff will invite you into the meeting and unmute your phone. Staff will then ask you to state your name and begin your comments.

How to Watch the Meeting

You may also view the meeting online at the following link: <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=13913>

Requests for Accessibility Modifications or Accommodations

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

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. ***Please note that agenda items may be taken out of order.*** If comments are made to the Committee without prior notice or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

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

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

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CALL TO ORDER:

ROLL CALL:

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

PRESENTATIONS:

NON-AGENDA PUBLIC COMMENT:

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

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

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the May 10, 2021, regular meeting and the June 21, 2021, special meeting.

2. FISCAL YEAR 2021 ANNUAL REPORT FROM THE AUDIT COMMITTEE:

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

Presented by: Carmen Vann, Audit Committee Chair

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

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

Presented by: Lee Parravano, Chief Auditor

4. ANNUAL REVIEW OF THE CHARTER OF THE AUDIT COMMITTEE:

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed revision to the charter and forward this item to the Board with a recommendation for approval.

Presented by: Lee Parravano, Chief Auditor

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- 5. ANNUAL REVIEW OF THE CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR:**
RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed revision to the charter and forward this item to the Board with a recommendation for approval.
Presented by: Lee Parravano, Chief Auditor
- 6. REVISION TO THE FISCAL YEAR 2022 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**
RECOMMENDATION: Staff recommends that the Audit Committee accept the revised audit plan and forward it to the Board with a recommendation for approval.
(Requires five (5) affirmative votes of the Audit Committee.)
Presented by: Lee Parravano, Chief Auditor
- 7. REVIEW OF AUTHORITY CODE 2.08 – PROHIBITED CONFLICTS OF INTEREST:**
RECOMMENDATION: Information item only.
Presented by: Lee Parravano, Chief Auditor

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

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

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

After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

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

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

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

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE
MINUTES
MONDAY, MAY 10, 2021
BOARD ROOM

CALL TO ORDER: Chair Vann called the Audit Committee Meeting to order at 10:02 a.m., on Monday, May 10, 2021, electronically and via teleconference, pursuant to Executive Order N-29-20, at the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

ROLL CALL:

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

Board Members: Schiavoni

Absent: Committee Members: None

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

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 8, 2021, regular meeting and the April 22, 2021, special meeting.

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

Board Member Vargas joined the meeting at 10:07 a.m.

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

Elizabeth Stewart, Acting Director, Accounting, and Danny Martinez, Engagement Executive, BKD, LLP, provided a presentation titled Required Communication to the Audit Committee Financial and Compliance Audits for the Fiscal Year Ended June 30, 2021, that included the Engagement Team, Planned Scope, Planned Timing, Approach to Planning, Remote Work Strategy, Revisions to Professional Standards, and Consideration of Errors or Fraud. Committee Wong Nickerson requested more information on how the revisions to professional standards will affect the bottom line of the Airport's Income Statement and how it might affect the Debt-Service Coverage Ratio calculation.

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

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

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

Lee Parravano, Chief Auditor, and Fred Bolger, Manager, Audit Services provided a presentation titled Fiscal Year 2021 Third Quarter Report from the Office of the Chief Auditor that included Fiscal Year 2021 Performance Measures, Audits & Consulting Engagements Completed, Audits & Consulting Engagements Completed 3rd Quarter, Number of Recommendations, Auditor Utilization, Audit & Consulting Engagement Budgets, General Audit Activity – Recommendations, General Audit Activity – Ethics Hotline, General Audit Activity – Data Analytics, and Audit Spotlight – Accounts Payable Process.

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

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

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

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

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

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

5. RISK ASSESSMENT AND PROPOSED FISCAL YEAR 2022 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation titled Risk Assessment and Proposed Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor that included Defining the Audit Universe, Identify & Rank Risks, Interpreting the Risk Assessment Results, Top Risks by Division, Audit Plan Development, Audit Resources (Internal), Proposed Audits & Hours, Proposed General Audit Activities & Hours, Proposed Administrative Hours, Proposed Audit Hours by Department, and Proposed Contingent Audits & Hours.

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 Committee Member Van Sambeek and seconded by Board Member Vargas to approve staff's recommendation. Motion carried unanimously noting Committee Member Wong Nickerson as ABSENT.

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

Lee Parravano, Chief Auditor, and Callie Ullman, Senior Auditor, provided a presentation titled Selection of On-Call Construction Audit Services Provider that included Scope of Services, 2021 Construction Audit Services RFP Timeline, Evaluation Panel, Construction Audit Services Proposals Received, Evaluation Criteria, Interviews, Final Evaluation Results, Baker Tilly US, LLP, On-Call Construction Audit Services Agreement, Audit Schedule, and Recommendation.

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

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

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

Lee Parravano, Chief Auditor, provided a presentation titled Fiscal Year 2022 Proposed Budget of the Chief Auditor and Fiscal Year 2023 Proposed Conceptual Budget Expense Summary that included FY 2022 Proposed Budget – FY 2023 Proposed Conceptual Budget Expense Summary; Major Drivers of FY 2022 & FY 2023 Proposed Budgets; and The Chief Auditor (Department), Authority Budget & Debt.

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

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

COMMITTEE MEMBER COMMENTS:

Chair Vann, along with other attendees, acknowledged and thanked Public Member Jack Van Sambeek, whose term ends June 2021, for his years of service on the Audit Committee.

CLOSED SESSION: The Committee recessed into Closed Session at 11:30 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 12:06 p.m. There was no reportable action.

ADJOURNMENT: The meeting adjourned at 12:06 p.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 13th DAY OF SEPTEMBER, 2021.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE AND
SPECIAL BOARD MEETING
MINUTES
MONDAY, JUNE 21, 2021
BOARD ROOM

CALL TO ORDER: Chair Vann called the Special Audit Committee and Board Meetings to order at 10:02 a.m., on Monday, June 21, 2021, electronically and via teleconference, pursuant to Executive Order N-08-21, at the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

ROLL CALL:

Present:	Committee Members:	Blakespear, Casillas Salas, Vann (Chair), Vargas
	Board Members:	Cabrera, Schiavoni, von Wilpert
Absent:	Committee Members:	Lloyd, Van Sambeek, Wong Nickerson
Also Present:	Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel; Tony R. Russell, Director, Board Services/Authority Clerk; Dustin Heick, Assistant Authority Clerk I	

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

- 1. AUDIT COMMITTEE TRAINING – AN EFFECTIVE AUDIT COMMITTEE:**
 Danny Martinez, Engagement Executive, BKD, LLP, provided a presentation titled An Effective Audit Committee that included Purpose, Responsibilities, Importance of an Audit Committee, Best Practices, Emerging Trends, and Navigating the Annual Comprehensive Financial Report.

RECOMMENDATION: Staff recommends that the Audit Committee accept the information.

ACTION: No action taken.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting adjourned at 11:15 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY THIS 13th DAY OF SEPTEMBER, 2021.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

DUSTIN T HEICK
AUTHORITY CLERK I

Staff Report

Meeting Date: September 13, 2021

Subject:

Fiscal Year 2021 Annual Report from the Audit Committee

Recommendation:

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

Background/Justification:

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

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

The Charter of the Audit Committee was most recently revised by Board Resolution No. 2020-0097 on October 1, 2020.

The Chair of the Audit Committee will present the Fiscal Year 2021 Annual Report from the Audit Committee (Attachment A) for review by the Committee during its September 13, 2021, meeting. Any revisions requested by the Audit Committee will be incorporated prior to the report's submittal to the Board for information, during a regularly scheduled Board meeting.

Fiscal Impact:

None

Authority Strategies/Focus Areas:

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

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

Board Members

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

**Ex-Officio Board
Members**

Col. Thomas M. Bedell
Gustavo Dallarda
Gayle Miller

President/CEO

Kimberly J. Becker

September 13, 2021

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

Dear Board Member Cabrera:

The activities and duties performed by the Audit Committee are detailed in this Audit Committee Annual Report for Fiscal Year 2021. A requirement within the Charter of the Audit Committee, the following report is for the period July 1, 2020, through June 30, 2021. My role as Audit Committee Chair commenced on February 1, 2021.

There were a total of six Audit Committee Meetings during Fiscal Year 2021. The COVID-19 environment required that teleconferencing protocols stay in place. Accordingly, all San Diego County Regional Airport Authority (Authority) Audit Committee meetings were held in this manner, managed by the Authority Clerk and Board Services Department during the fiscal year.

All Minutes for the Authority Audit Committee Meeting public sessions are on file with the Authority Clerk's office and may also be found on the San Diego International Airport website www.san.org.

The dates the Audit Committee Meetings took place in Fiscal Year 2021 are listed below, with a brief account providing highlights from each meeting following in the report.

- September 10, 2020 – *Regular Meeting*
- November 16, 2020 – *Regular Meeting*
- February 8, 2021 – *Regular Meeting*
- April 22, 2021 – *Special Meeting (Interviews & Selection of New Public Member)*
- May 10, 2021 – *Regular Meeting*
- June 21, 2021 – *Special Meeting (Audit Committee Member Training)*

September 2020

During the September 10, 2020, Audit Committee Meeting we welcomed a new Public Member to the Committee, Agnes Wong Nickerson.

The September meeting agenda contained items for the Audit Committee's review, including acceptance of the revision to the Audit Plan from the Office of the Chief Auditor (OCA), the Fiscal Year 2020 Annual Report from the OCA, and a review of both the Charter of the Audit Committee and the OCA Charter, each containing revisions that were forwarded to the full Board. A change to the Charter of the Audit Committee updated the number of terms that a public member on the Audit Committee may serve, and a revision to the OCA Charter inserted a requirement for the Office of the Chief Auditor to communicate the results of its Quality Assurance and Improvement Program to the Audit Committee.

November 2020

An important responsibility performed by the Audit Committee is to annually review the Authority's audited financial reports for Fiscal Year Ended June 30 of that year. The November 16, 2020, Audit Committee Meeting was attended by the external auditor BKD, LLP, and a detailed presentation on the following reports was provided for Committee review and discussion.

- Audited Financial Statements for Fiscal Year-ended June 30, 2020
- Compliance (single audit) Report
- Passenger Facility Charge (PFC) Compliance Report
- Customer Facility Charge (CFC) Compliance Report
- Letter to the Board
- 2020 Annual Comprehensive Financial Report

The November 16, 2020, Audit Committee Meeting also included a Closed Session item. Directors from Aviation Security and Public Safety and the Information & Technology Services Departments updated the Audit Committee Members on the sphere and activities related to threats to public services or facilities at the Authority.

February 2021

Appointments to the Board's standing committees, which includes the Audit Committee, routinely take effect on February 1st. The Audit Committee welcomed two new Authority Board Members to the Committee during its February 8, 2021, meeting. A report from the Chief Auditor on the activities of the OCA for the second quarter rounded out the meeting.

April 2021

A Special Audit Committee Meeting took place on April 22, 2021, to interview candidates for a Public Member vacancy, set to occur upon Jack Van Sambeek's term expiring June 30, 2021. With the Audit Committee Meetings continuing to be held by teleconference, the interviews were conducted in this manner. The Audit Committee interviewed three candidates, and upon completing deliberation, selected Gretchen Newsom as the next Public Member, with a term commencing on July 1, 2021.

May 2021

The May 10, 2021, Audit Committee Meeting had a full agenda. Agenda topics included the external auditor's plan for their upcoming financial and compliance audit that starts in June; the Chief Auditor's proposed Fiscal Year 2022 budget; the Chief Auditor's Fiscal Year 2022 Risk Assessment and Audit Plan; and, a presentation on the selection of an on-call construction audit services expert who the OCA will oversee during the course of the Authority's Airport Development Program. The Audit Committee subsequently voted unanimously on the selection of Baker Tilly US, LLP, to provide on-call construction audit services. Estimated cost for the external construction audit firm is \$1.5M over 3-7 years. A Board resolution was adopted and approved on July 1, 2021, for this agenda item.

June 2021

A Special Audit Committee meeting was held on June 21, 2021, observing best practices by providing the Audit Committee Members with training on maintaining an effective Audit Committee. Topics covered the role and responsibilities of an Audit Committee, its purpose and importance, and an overview of the Annual Comprehensive Financial Report, which is submitted for Audit Committee review each year, prior to the Board review. The Audit Committee training was conducted by BKD, LLP.

Audit Committee Members examined numerous documents and reports in preparation for their meetings during Fiscal Year 2021. Every Audit Committee Meeting the Chief Auditor provides required information to the Committee and gives a status on the OCAs activities, including the results of audits performed by the department. The pulse of Authority operations are communicated to the Audit Committee, in part, through the audits performed by the OCA.

In Fiscal Year 2021, Audit Committee Members reviewed, approved, or received as information, the following reports and presentations:

- Fiscal Year 2020 Annual Report of the OCA.
- Fiscal Year 2021 Quarterly Reports and corresponding audit recommendations.
- OCA Audit Reports issued during Fiscal Year 2021, totaling 13.
- OCA Recommendations issued during Fiscal Year 2021, totaling 33.
- Management's progress implementing recommendations issued by the OCA.
- Revisions to the Fiscal Year 2021 OCA Audit Plan.
- Fiscal Year 2022 Risk Assessment, Audit Plan, and Proposed Budget for the OCA.
- Cybersecurity Updates.
- OCA recommendation for on-call construction audit services provider.
- Ethics Program and Confidential Hotline Updates.
- Public Employee Performance Evaluation Goal Setting for the Chief Auditor.

As Audit Committee Chair, the one-on-one preparation with the Chief Auditor, prior to each Audit Committee Meeting, also provides for additional discussion opportunities on operational performance of the Authority and of the Office of the Chief Auditor.

COVID-19 continued to effect and challenge the Airport Authority, and all of us, throughout Fiscal Year 2021. The Audit Committee remained steadfast in carrying out its responsibilities, for which I would like to express my appreciation for their commitment.

Annual Report
from the Audit
Committee

In closing, the Audit Committee had a very busy year and each Committee Member fulfilled their responsibilities with professionalism and commitment. I look forward to the year ahead in our participation together.

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Sincerely,

Carmen Vann
Audit Committee Chair

CV/LP/sro

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

Staff Report

Meeting Date: September 13, 2021

Subject:

Fiscal Year 2021 Annual Report from the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

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

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

The Fiscal Year 2021 Annual Report from the OCA is submitted to the Audit Committee for review (Attachment A). The report provides an account of activities and accomplishments of the OCA during the period July 1, 2020, through June 30, 2021, and includes details on all recommendations completed or in progress during the 4th Quarter of Fiscal Year 2021.

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

Upon review of the Fiscal Year 2021 Annual Report, staff requests the Audit Committee to forward the report to the Board for acceptance.

Meeting Date: September 13, 2021

Fiscal Impact:

None

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

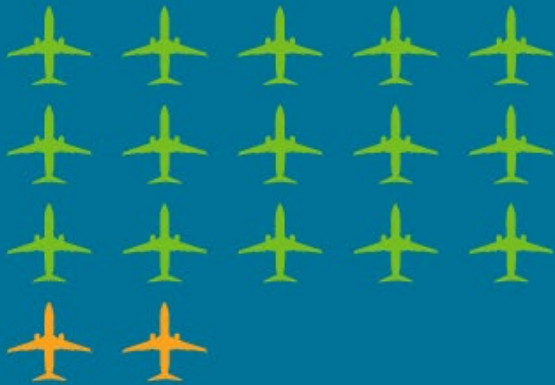
Lee M. Parravano
Chief Auditor

Office of the Chief Auditor Fiscal Year 2021 Annual Report

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

ATTACHMENT A

Audit and Consulting Engagement Progress



■ Completed (88.24%) ■ In Progress (11.76%)

Audit and Consulting Engagements Completed vs. Benchmark & Goal



FY 2021 - By the Numbers

33

Recommendations Issued

4.6

Customer Satisfaction Rating (Out of 5)

86%

Audit and Consulting Engagements Completed within Budget

71%

Auditor Utilization Percentage

100%

Recommendations Accepted by Management



Fiscal Year 2021

ANNUAL REPORT

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Issue Date: September 13, 2021

OFFICE OF THE CHIEF AUDITOR

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Summary

Executive Summary

The purpose of the Fiscal Year 2021 Annual Report is to provide information regarding the activities performed by the Office of the Chief Auditor (OCA) and to communicate required disclosures in conformance with The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*).

Due to the ongoing coronavirus pandemic and changes in Authority operations, the Fiscal Year 2021 Audit Plan was amended and revised several times during the year. In addition to amending the Audit Plan, the pandemic also required the OCA to remain flexible when conducting audit procedures, including interviews, onsite inventory counts, and when requesting documentation. Even though the pandemic posed numerous challenges, staff was able to adapt, and as detailed in this report, to exceed the goals established for the majority of the performance measures.

Performance Measures

For Fiscal Year 2021, six major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Figure 1 below and are presented to the Audit Committee/Board quarterly unless noted otherwise.

Figure 1: Status of Performance Measures as of June 30, 2021

#	Performance Measure	Goal	Actual	Benchmark
1	Conduct engagements that add value measured by:			
	a) Customer Satisfaction Ratings from <ul style="list-style-type: none"> i. Audit Committee/Board (reported annually) ii. Executive Management (reported annually) iii. Auditee 	4.0	i) 4.4 ii) 4.3 iii) 4.6	4.0
	b) Number of Recommendations	25	33	25
2	Percentage of audit and consulting engagements completed	80%	88%	59%
3	Percentage of recommendations accepted	95%	100%	83%
4	Provide tools and training for staff measured by:			
	a) Percentage of staff meeting CPE requirements (reported annually)	100%	100%	99%
	b) Percent of staff with at least one professional certification (reported annually)	100%	86%	40%
	c) Number of non-CPE training hours per staff (reported annually)	6	6.1	n/a
5	Percentage of staff time spent on audit and consulting engagements and general audit activities	70%	71%	70%
6	Percentage of audit and consulting engagements completed within budget	80%	86%	75%

Customer Satisfaction Rating:

The OCA provides surveys to the following three customer categories:

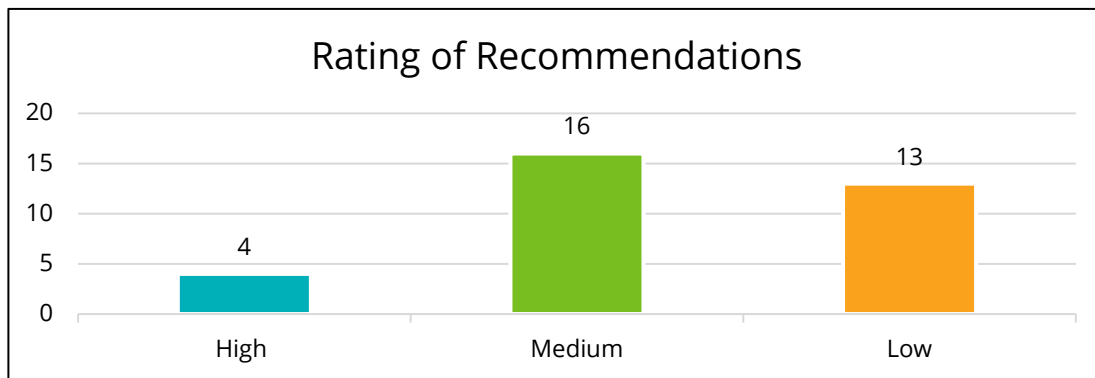
- Authority Board/Audit Committee
- Executive Management
- Auditee

The Authority Board/Audit Committee and Authority Executive Management are surveyed annually, and results are reported annually to the Audit Committee. Whereas, surveys are sent to auditees “post-audit”, following the completion of each audit (or consulting engagement), to obtain customer satisfaction data. These survey results are presented quarterly to the Audit Committee. The OCA tracks each customer category separately; and, in Fiscal Year 2021 received aggregate scores of 4.4, 4.3, and 4.6, respectively, exceeding the goal of 4.0 for each category.

Number of Recommendations:

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. During the fiscal year, the OCA provided 33 recommendations to management to remediate a risk identified. Each of the recommendations are rated based on a qualitative value of risk, identified as Low, Medium, or High. A summary of the ratings are shown in Figure 2 below.

Figure 2: Rating of Recommendations



Percentage of Audit and Consulting Engagements Completed:

The OCA completed 13 audit reports and 2 consulting engagements, or 88%¹, of audit and consulting engagements (15/17 = 88%) on the Fiscal Year 2021 Audit Plan.

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

¹ The 88% is equal to (13 completed audits + 2 consulting engagements) / 17 (20 total audit and consulting engagements minus 3 audits that were approved to be completed in Fiscal Year 2022 – Harbor Police Contract Management, Accounts Receivable / Collections - Abatement Program, and Contractor Monitoring – Engineered Materials Arresting System.) See Appendix A for the Fiscal Year 2021 Audit Plan on June 30, 2021.

Percentage of Recommendations Accepted:

This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. In Fiscal Year 2021, management accepted 100% of all audit recommendations.

Percentage of Staff Meeting Continuing Professional Education (CPE) Requirements:

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

Percentage of Staff with at Least One Professional Certification:

The OCA has six full time auditors. Five of the six full-time auditors have *at least* one professional certification, resulting in a percentage of 86%. A listing of the professional certifications held by the OCA are included in the Administrative section of this report.

Number of Non-Continuing Professional Education Training Hours per Staff:

The OCA provides non-CPE training to audit staff to emphasize or enhance skills on a particular topic. In Fiscal Year 2021 the OCA provided 6.1 hours of training per staff. Training has included topics such as Information Technology Risk Assessments, Presentation Skills, Quality Assurance and Improvements Programs, Audit Reporting, Entity-wide Risk Assessments, and Ethics.

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

This measure tracks the time spent on audit and consulting engagements and general audit activities.² The OCAs goal for Fiscal Year 2021 was 70%. The OCA exceeded the established goal, spending 71% of time on audit and consulting engagements and on general audit activities (68% including the Chief Auditor's time).

Percentage of Audit and Consulting Engagements Completed within Budgeted Time:

This category monitors the efficiency of audit staff in performing audits and consulting engagements. Specifically, audit staff is responsible for the internally prepared budget hours assigned to each audit or consulting engagement. In Fiscal Year 2021, the OCA completed 86% of its projects within the budgeted time, which exceeded the OCAs goal.

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

Audit and Consulting Engagements

The Fiscal Year 2021 Audit Plan had 20 total audit and consulting engagements that were to be initiated. Of these, three engagements were put on hold at the request of the auditee due to COVID-related delays, or were not anticipated to be completed as a result of Authority operations or programs in the fiscal year. These three audits are included in the Fiscal Year 2022 Audit Plan. This left 17 engagements for the OCA to complete.

During Fiscal Year 2021, the OCA completed 15 of those 17 engagements, thus exceeding its goal by completing 88% of engagements. The two audits that were not completed prior the end of the fiscal year have been carried forward to the Fiscal Year 2022 Audit Plan.

Below are highlights from the audits and consulting engagements completed by the OCA during the fourth quarter of Fiscal Year 2021. Audits completed in the first three quarters of the fiscal year were provided to the Audit Committee and Board in the OCAs quarterly activity reports. Also, at the time of their completion, audit reports are distributed electronically by the OCA to specified recipients.

SAN Information Security Program Compliance: The objective of this audit was to evaluate the Information & Technology Services Department's (I&TS) compliance to certain requirements in the SAN Information Security Program. The audit concluded that I&TS is compliant with the majority of the criteria selected for testing. The audit provided three recommendations. The recommendations related to completing two-factor authentication, updating the SAN Information Security Policy, and enhancing communication to users.

Emergency and Sole Source Procurement: The objective of this audit was to determine if the internal controls surrounding Emergency and Sole Source Procurements are adequate and functioning properly. The audit concluded that the internal controls in the Emergency and Sole Source Procurement process are adequate and operating as intended. The audit furnished one recommendation, categorized low, regarding an update to the form used to document a sole source, modifying the approval process to include Procurement, and to maintain a dedicated listing of all sole source purchases made.

Procurement Card Program: The objective of this audit was to determine if Procurement Card purchases complied with Procurement Card Program requirements and Authority Policies. The audit concluded that Procurement Card purchases made during the audit period complied with Program requirements and Authority Policies. The audit did not identify any findings or include any recommendations.

Automobile Citations: The objective of this audit was to determine if automobile citation controls ensure that the Authority collects the appropriate penalties and fees. We found that the Authority was underpaid by approximately \$55,000 (10%) and that approximately 300 (5%) of citations issued were never uploaded to the City of San Diego. Therefore, we

concluded the current controls do not ensure the Authority collects the appropriate penalties and fees. The audit of Automobile Citations provided nine recommendations to strengthen the citation program.

Calculation and Reconciliation of Concession Rents and Fees – Consulting Engagement: The objective of this consulting engagement was to provide assistance to management related to the calculation and reconciliation of concession rents and fees to concessionaires. Due to the impacts of the COVID-19 pandemic on air traffic volumes, the Authority provided financial relief to the concessionaires. As a result of the relief offered, the requirement for a formal reconciliation was changed. The OCAs consulting service provided advice and analysis on the relief offered to concessionaires and the impacts to the reconciliation requirements contained in various agreements.



General Audit Activities

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

Risk Assessment and Audit Plan

The OCA is required to submit a risk-based internal Audit Plan to the Audit Committee annually. Performing the Fiscal Year 2022 Risk Assessment included obtaining input from the Board, Audit Committee, Authority management, and staff. During Fiscal Year 2021, the OCA worked with Authority management to identify and rank the likelihood and impact of a risk event occurring for each Key Work Activity within the Authority. The resulting Fiscal Year 2022 Audit Plan was then developed, based on the results of the Risk Assessment process and the discussions with key stakeholders. The Fiscal Year 2022 Risk Assessment and Audit Plan was submitted to the Audit Committee on May 10, 2021, and subsequently approved by the Board on June 3, 2021.



Construction Activities

Construction audit activity for Fiscal Year 2021 consisted of attending meetings regarding the airport support facilities, the New T1 Terminal & Roadway, and other airport construction projects. Additionally, a request for proposals (RFP) for on-call construction audit services for the Airport Development Program (ADP) was developed by the OCA. The on-call audit services will assist the OCA staff in assessing risks and developing audit programs for the ADP projects. We received fourteen responses to the RFP, of which twelve were considered responsive. The twelve responsive proposals were reviewed by an evaluation panel resulting in the selection of the consulting firm Baker-Tilly U.S. that was approved by the Authority Board of Directors on July 1, 2021. The OCA remains involved with any issues identified by the Airport Design & Construction team and Authority management, providing assistance and attending meetings specific to the aspects of the Authority's construction activities.

Information Technology Meeting Attendance

Information technology's central role to Authority operations makes meeting attendance on this subject a vital activity for the Chief Auditor. Fiscal Year 2021 consisted of attending meetings related to information technology and providing updates to the Audit Committee and Authority management when appropriate regarding safeguards, risk assessments, and the National Institute of Standards and Technology (NIST) cybersecurity framework.

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

Development of Data Analytics

Extensive collaboration with Authority management and key departments that included Revenue Generation & Partnership Development, Information & Technology Services, and the Data Analytics team took place in Fiscal Year 2021 to develop and create a data analytics dashboard and program.

The OCA participated in a meeting with rental car companies informing them of the data analytics program and new monthly reporting requirements. An audit of all rental car companies utilizing data analytics on the submitted reports has been included in the Fiscal Year 2022 Audit Plan.

Ethics Program Activities

The OCA continues to run the Authority's Ethics Program that includes a confidential reporting hotline. During Fiscal Year 2021, four tips/reports were received. One required a preliminary investigation that ended with the complaint being withdrawn. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate.

A summary of the tips/reports received in Fiscal Year 2021 is shown in Figure 3 below.

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

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

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

Fiscal Year 2021 also included ethics training for the Authority. The OCA provides ethics specific training every other year to Authority employees, with the last training completed in Fiscal Year 2019. The Ethics Officer held 22 training sessions with attendees participating electronically, in lieu of in-person training, due to continuing coronavirus health precautions. These presentations were attended by 92.8% of the Authority. During each presentation,

time was allocated for a question and answer session to clarify any items for attendees. One of the training presentations was recorded by the Talent, Culture and Capability (TCC) Department and placed on the Authority’s training site called LMS. TCC will follow-up with the remaining staff that were unable to attend the remote presentations and provide them with a link to LMS.

Recommendation Follow-up

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

During Fiscal Year 2021, the OCA issued 33 recommendations that are being tracked for implementation along with any open recommendations issued during prior fiscal years. Appendix B contains a current status on recommendations *Completed* or *In Progress* as of the fourth quarter. The Audit Committee is updated each quarter on the status of recommendations. The recommendations that have been remediated by management in prior quarters of Fiscal Year 2021 were presented to the Audit Committee on the following Committee Meeting dates: November 16, 2020, February 8, 2021, and May 10, 2021.

Table 1 below shows the number of recommendations that were *Completed* or *In Progress* as of the fourth quarter of Fiscal Year 2021, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, 5 were implemented within the initial timeframe identified when the recommendations were issued. Of the In Progress recommendations, 16 recommendations were still within the initial timeframe identified for implementation. Additionally, 13 of the 19 In Progress recommendations were issued in the fourth quarter of Fiscal Year 2021.

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

Table 1: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
Completed	4	3	-	7
In Progress	10	6	3	19

Quality Assurance and Improvement Program

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

Administrative

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

Qualifications and Training

Proficiency and due care for the OCA are the responsibility of the Chief Auditor. Cumulatively, the OCA has over 100 years of auditing experience. The OCA staff maintain various professional certifications. The types of professional certifications and number of staff with each certification are as follows:

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



Each of these certifications requires that the holder complete a specified number of hours of CPE. As noted above, all CPE requirements were met for all OCA staff during calendar year 2020.⁴

⁴ Some professional organizations track Continuing Professional Education (CPE) by calendar year, not fiscal year. As such, the OCA verifies CPE compliance on a calendar year basis.

Audit Committee Support

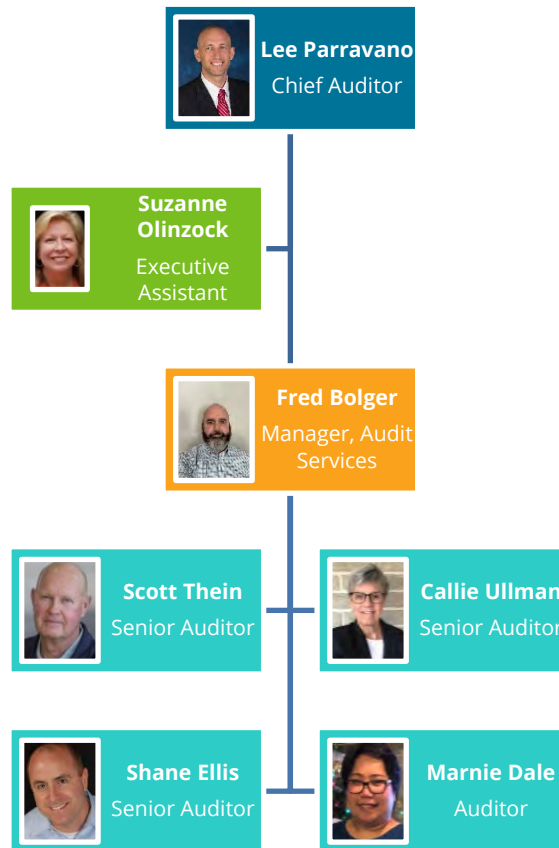
During Fiscal Year 2021, the Audit Committee met six times, occurring on the following dates:

- September 10, 2020
- November 16, 2020
- February 8, 2021
- April 22, 2021 (Special Meeting – Interview and Selection of New Public Members)
- May 10, 2021
- June 21, 2021 (Special Meeting – Audit Committee Training)

Before each regular meeting of the Audit Committee the OCA coordinated all activities relating to agenda preparation and materials required.

Organization Chart

As of June 30, 2021, the OCA organizational structure was as follows. During Fiscal Year 2021, the Intern positions were reduced from two to one position.



Quality Assurance and Improvement Program

Background

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

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

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

External Assessment - Quality Assessment Review

The most recent external assessment of the OCA was performed by the Association of Local Government Auditors (ALGA) for the five year period from July 1, 2013, through June 30, 2018. The peer review was performed in April 2019, with results presented to the Audit Committee during its May 13, 2019, meeting. The peer review 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 next external assessment will be required for the five year period ending June 30, 2023.



In a companion letter, the peer review team identified areas where the OCA excels, and offered observations and suggestions to enhance the OCAs conformance with the *Standards*. The peer review team noted that the OCA has actively addressed and corrected the observations.

Internal Assessment - Ongoing Monitoring

In July 2021, the OCA conducted an assessment of its Fiscal Year 2021 operations, as required by the *Standards* for ongoing monitoring. The results of our ongoing monitoring are provided below.

Scope and Objectives of Ongoing Monitoring

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

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

Results of Ongoing Monitoring

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

QAIP Recommendations Identified

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

1. The OCA should update the *OCA Policies and Procedures Manual* to include new procedures that were implemented for staff; such as, to conduct pre-audit report writing meetings with the Audit Manager and Chief Auditor, as well as, to incorporate the new Brand Toolkit requirements that were introduced Authority-wide in Fiscal Year 2021 (e.g., fonts, colors, and images).

The OCA is in the process of updating its Policies and Procedures to include the new Brand Toolkit requirements and is incorporating the new procedures introduced in Fiscal Year 2021.

2. The OCA is required to review the Charter of the Audit Committee and the Charter for the Office of the Chief Auditor annually, and to recommend amendments as necessary. The OCA reviewed both Charters and compared them to Model Charters issued by the Institute of Internal Auditors (IIA). Staff found that the current Charters contain the applicable guidance provided by the IIA.

However, the Charter of the Audit Committee contains terminology that needs to be updated. Consistent with guidance under development, proposed by the Governmental Accounting Standards Board (GASB), instances referring to the Comprehensive Annual Financial Report (CAFR) should be replaced with Annual Comprehensive Financial Report (ACFR). Therefore, the OCA recommends that the terminology in the Charter of the Audit Committee be updated.

Additionally, terminology in both the Charter of the Audit Committee and the Charter for the Office of the Chief Auditor should be updated to be gender-neutral to reflect the Authority's commitment to promote inclusiveness.

In adherence with the requirements specified, the OCA is submitting both Charters to the Audit Committee for their review on September 13, 2021, and will subsequently forward them to the Board for acceptance.

Appendix A – Fiscal Year 2021 Audit Plan

#	Activity	Status as of 6/30/2021	Over/Under Budget	No. of Recs.
Audit Engagement				
1	Business and Real Estate Agreements – RCC Land Lease	Completed	Under	2
2	Contractor Monitoring - Turner	Completed	Under	-
3	Small Business Development Management	Completed	Under	2
4	Internal Controls in Place While Staff is Working Remotely	Completed	Under	-
5	Formal Bidding and Contracting	Completed	Under	2
6	System Security – SAN Information Policy	Completed	Over	3
7	System Security – AVSEC Penetration Test	In Progress		
8	Harbor Police Contract Management	In Progress ⁵		
9	Emergency & Single Source Purchases	Completed	Under	1
10	Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin. – Auto Citations	Completed	Under	9
11	Commercial Vehicle Licensing, Permitting, & Revenue Collection - GateKeeper	Completed	Under	3
12	Contractor Monitoring - Sundt	Completed	Under	2
13	Accounts Payable	Completed	Over	6
14	Arts Program Administration	Completed	Under	3
15	Enterprise Content Management System (ECMS)	In Progress		
16	P Card Administration	Completed	Under	-
17	Accounts Receivable / Collections - Abatement Program	In Progress ⁶		
18	Contractor Monitoring – Engineered Materials Arresting System	In Progress ⁶		
	Totals			33
Consulting Engagement				
19	COVID-19	Completed	Under	n/a
20	Calculation and Reconciliation of Concession Rents and Fees	Completed	Under	n/a
General Audit				
21	Risk Assessment & Audit Plan	Completed		
22	Construction Meeting Attendance	Completed		
23	Information Technology Meeting Attendance	Completed		
24	Development of Data Analytics	Completed		
25	Ethics Program	Completed		
26	Recommendation Follow-up	Completed		
27	Quality Assurance & Improvement Program	Completed		
Administrative				
28	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	Completed		
29	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	Completed		

⁵ Audit activity was carried forward from Fiscal Year 2020. Audit was put on hold, as requested, until September 2021 due to COVID related delays.

⁶ Audit activity was not anticipated to be completed in Fiscal Year 2021. Was carried forward into Fiscal Year 2022.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2021
Completed						
20-30	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should create a system to track the submission of reports required and follow up in a timely manner with any tenant who has not submitted the required reports.	12/31/2020	4/30/2021	RG&PD worked with Accounting, Finance and Risk to create a responsibility matrix (RACI) to ensure required reports are submitted on a timely basis.
20-33	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should perform periodic analysis of revenues reported and billed to ensure that revenues remitted and rates used to calculate revenues are accurate, complete, and comply with the lease. Additionally, RG&PD should consider performing annual reconciliations for prior fiscal years, and as a result of these reconciliations, remit overpayments and bill underpayments as needed. Lastly, RG&PD should perform annual reconciliations going forward; and, as a result of these reconciliations, remit overpayments or bill underpayments, as needed.	3/31/2021	6/1/2021	RG&PD staff worked with Finance, Accounting, Legal and Auditing to determine current and future reconciliation plans. The determination was made to waive reconciliations for FY20 and FY21 but complete reconciliations going forward.

Appendix B - Status of Recommendations

Fiscal Year 2021 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2021
Completed						
20-37	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	Authority Management should review the staff assignments for lease administration duties and ensure that separation of staff duties is sufficient. A review of the staff's system access and authorizations currently held should also be performed to identify possible conflicts and to make adjustments to these as necessary.	11/30/2020	6/1/2021	RG&PD completed a RACI for staff assignments and to ensure there is a separation of staff duties.
21-14	Audit Report 21008 Issued: March 1, 2021 Title: Contractor Monitoring - Sundt Construction, Inc. Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should more closely review the supporting documentation for all critical documents including amendments and payment applications.	7/1/2021	7/1/2021	ADC staff has completed reviewing its processes related to the review of supporting documentation for all critical documents and has developed ways to strengthen the review process. These are now being implemented in our projects going forward.
21-19	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	Medium	We recommend that the Accounting Department adhere to a standard naming convention for vendor entries to prevent multiple entries of the same vendor.	6/30/2021	6/30/2021	Accounting is adhering to standard naming conventions when setting up vendors, taking into account the information that is provided on the W-9 form.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2021
Completed						
21-21	Audit Report 21002 Issued: April 6, 2021 Title: SAN Information Security Program Compliance Department: INFORMATION & TECHNOLOGY SERVICES	Medium	I&TS should continue its efforts to implement a two-factor authentication for all users requiring remote access via the Authority's VPN.	4/30/2021	4/30/2021	I&TS completed its efforts to implement two-factor authentication for all users requiring remote access via the Authority's VPN.
21-22	Audit Report 21002 Issued: April 6, 2021 Title: SAN Information Security Program Compliance Department: INFORMATION & TECHNOLOGY SERVICES	Low	I&TS should update the SAN-ISP document pertaining to logging requirements and mobile device inventory/ inspections to reflect the operations and needs of the Authority. I&TS should comply with the new updated requirements.	6/30/2021	6/30/2021	I&TS updated the SAN-ISP for logging requirements and mobile device inventory/inspections to reflect operations and needs of the Authority.

Appendix B - Status of Recommendations

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

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2021
In Progress						
21-31	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	High	GT should coordinate with COSD to identify the cause of the \$54,687 in underpayments and the \$26,082 in duplicate fees charged, and work to ensure that the issues are corrected and that the Authority is properly paid for their citations issued.	9/30/2021	3/31/2022	This audit report was issued on the last day of the fiscal year so no follow-up was performed. The following response was provided during the issuance process: 1) GT will attempt to reconcile the cause of the \$54, 687 in underpayments and \$26,082 in duplicate fees charged. 2) GT will examine the current process and include reconciliation steps and analysis in the Monthly Reconciliation SOP to prevent further errors in the future. 3) GT will use the Monthly Reconciliation SOP to analyze the average amount of deficient citation revenue received, and compare that to fees charged for processing, payment plan, NSF, State of CA fees, etc. 4) Going forward, GT will use the monthly reconciliations and KPI examinations to identify trends in citation revenue deficiencies. 5) GT will examine the option to move to a different processor who can specifically identify citation revenue and charges and provide accurate reconciliations.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2021
In Progress						
21-32	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	High	GT should coordinate with COSD to obtain detailed support of the gross figures provided monthly by COSD and reconcile the amounts of citations paid against the amount remitted to the Authority.	9/30/2021	9/30/2021	This audit report was issued on the last day of the fiscal year so no follow-up was performed. The following response was provided during the issuance process: As part of the monthly reconciliation process, GT will request detailed support of the gross figures provided monthly by COSD to reconcile the amounts of citations paid to the amount remitted as citation revenue to the Authority.
21-15	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	High	We recommend that the A/P Accountant role in the Authority's E1 financial system be removed from the Accounting Manager. In addition, we recommend that the Authority determine if E1 has the ability to require that when any changes are made to the VMF, they be approved by another individual.	9/30/2021	9/30/2021	The AP Accountant role in the Authority's E1 financial system has been removed from the Accounting Manager's menu. Accounting is working with the Information and Technology Services Department to determine if E1 has the ability to require that any changes made to the VMF to be approved by another individual.
21-17	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	Medium	We recommend that the Accounting Manager run and review the Vendor Set-Up Verification Report concurrent with the check run process to capture any vendor changes and to verify that these changes are legitimate. In addition, we recommend that the Authority develop a report that captures changes made in E1 to banking information related to employee and Board/Committee Member reimbursements, thus enabling staff to conduct a review of that report concurrent with the check run process.	9/30/2021	9/30/2021	Vendor setup verification report is run concurrent with the check run effective April 27 th . Accounting is currently working on developing a process to review the banking information for employees and Board Members.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2021
In Progress						
21-18	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	Medium	The Accounting Department's A/P Team should perform regular periodic maintenance of the Vendor Master File to identify inactive and duplicate vendors and tag them as inactive.	12/31/2021	12/31/2021	Accounting has been working with I&TS to develop an adhoc BOE report to run and review existing vendors and payment activity. Accounting will need to establish a process and determine a reasonable frequency for completion of this task.
21-25	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should develop written procedures for all components of the automobile citation process. Specifically, GT should develop written procedures for the export/upload process, reconciliations, and appeals process.	9/30/2021	12/31/2021	This audit report was issued on the last day of the fiscal year so no follow-up was performed. The following response was provided during the issuance process: GT will develop Standard Operation Procedures (SOPS) for all aspects of the citation process including a) Issuance, b) Export/Upload, c) Monthly Reconciliations, d) Appeals, and e) Quarterly Management Review.
21-26	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should develop KPIs to measure performance of the automobile citation process, and measure actual performance against KPIs on a regular basis.	9/30/2021	12/31/2021	This audit report was issued on the last day of the fiscal year so no follow-up was performed. The following response was provided during the issuance process: GT will develop the following KPIs - a) % of citations uploaded on-time, b) % of citations with errors, c) % of citations appealed, d) # of citations issued each month, by day, date, and time, with trend analysis, e) \$ amount of citations issued each month, f) type and \$ amount of citations issued each month, g) list of citation infraction type, h) list of uploaded errors and troubleshooting by ticket device, and i) additional KPIs will be developed and reported as identified and warranted.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2021
In Progress						
21-28	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should develop a methodology to reconcile citations issued by the Authority, transferred to the COSD, and citations charged a processing fee; and, implement the reconciliation to be performed monthly and any discrepancies be corrected.	9/30/2021	3/31/2022	This audit report was issued on the last day of the fiscal year so no follow-up was performed. The following response was provided during the issuance process: As part of the monthly reconciliation SOP GT will establish a methodology to reconcile- a) Monthly citations issued by the Authority to those received by COSD, b) Monthly \$ amount of citations issued by the Authority to those received by COSD, and c) Monthly \$ amount of citation fees charged by COSD to # of citations issued to COSD.
21-29	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should analyze the 317 tickets identified that were never received by COSD. GT should either a) resubmit to the COSD for billing, or b) disregard these tickets, considering the length of time elapsed and the impact to cited motorists.	9/30/2021	12/31/2021	This audit report was issued on the last day of the fiscal year so no follow-up was performed. The following response was provided during the issuance process: GT will examine these 317 tickets for disposition to ensure that no payment was received and will disregard the tickets considering the time elapsed and impact to cited motorists.
21-30	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should develop and implement a methodology to review citation fine amounts periodically and adjust the amounts as appropriate.	9/30/2021	12/31/2021	This audit report was issued on the last day of the fiscal year so no follow-up was performed. The following response was provided during the issuance process: As part of the citation issuance SOP, GT will specify that citation amounts are reviewed annually and benchmarked against other County of San Diego agencies and other California Airports.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2021
In Progress						
21-03	Audit Report 20004 Issued October 28, 2020 Title: Formal Bidding/Contracting Process Department: PROCUREMENT	Low	We recommend that Authority Management evaluate and update Authority Policies 5.01 and 5.02 where necessary.	10/15/2021	10/15/2021	Procurement is working in collaboration with Corporate Governance, Development, and the General Counsel’s office to recommend changes to the policies. Final recommendations have been submitted for review.
21-06	Audit Report 18004 Issued: December 8, 2020 Title: Small Business Development Department: SMALL BUSINESS DEVELOPMENT	Low	Small Business Development should examine the cost/benefit of expanding its current software system that monitors DBE and SBE requirements to include LBE, VOSB, and SDVOSB.	6/30/2021	7/30/2021	SBD has added the Veteran Owned Small Business (VOSB) and Service Disabled Veteran Owned Small Business (SDVOSB) directories to B2GNow. The LBE (Local Business Enterprise) migration was completed on June 30 th and is now in the QA stage, once completed it will be moved into development.
21-23	Audit Report 21002 Issued: April 6, 2021 Title: SAN Information Security Program Compliance Department: INFORMATION & TECHNOLOGY SERVICES	Low	We recommend that I&TS update Standard D-08 Computers, Electronic Media & Monitoring to include all of the prohibited actions, and on an annual basis all Authority computer system users be provided with, and acknowledge receipt of, Standard D-08 Computers, Electronic Media & Monitoring.	6/30/2021	7/31/2021	The modified draft Standard D-08 Computers, Electronic Media & Monitoring is under review by organized labor leadership.
21-24	Audit Report 21004 Issued: June 2, 2021 Title: Emergency and Sole Source Procurement Department: PROCUREMENT	Low	The Procurement Department should update the Sole Source Justification Form, modifying the approval process to include Procurement, and maintain a dedicated listing of all sole source purchases made.	9/3/2021	9/3/2021	Procurement is working on updating the Sole Source Justification Form and instructions. The updated form will be presented to Senior Staff and then rolled out Authority-wide.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2021
In Progress						
21-27	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Low	GT should establish a written goal to upload all citations within a specified time period (e.g., 24 or 48 hours). Further, GT should implement a system to measure upload time, identify issues with citation uploads, and troubleshoot issues.	9/30/2021	3/21/2022	This audit report was issued on the last day of the fiscal year so no follow-up was performed. The following response was provided during the issuance process: As part of the Export/Upload SOP, GT will establish a goal to upload all citations within 48 hours of issuance. GT will issue reports on % of citations not uploaded daily and within 48 hours. GT will issue exception reports for citations processing issues and troubleshooting issues.
21-33	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Low	GT should implement a formal documented approval of all decisions reached within the appeals process.	9/30/2021	9/30/2021	This audit report was issued on the last day of the fiscal year so no follow-up was performed. The following response was provided during the issuance process: As part of the Appeals Process SOP, GT will establish and implement a formal, documented approval form for all decisions reached within the appeals process.

Appendix C – Performance Measures Historical Data

Performance Measure	Fiscal Year					
	2016	2017	2018	2019	2020	2021
Customer satisfaction ratings from: i. Audit Committee/Board ii. Executive management iii. Auditee ⁷				i) ii) iii) 4.6	i) 5.0 ii) 4.5 iii) 4.6	i) 4.4 ii) 4.3 iii) 4.6
Number of recommendations	15	17	28	35	37	33
Percentage of audit and consulting engagements completed annually	84%	83%	72%	76%	81%	88%
Percentage of audit recommendations accepted ⁸			100%	100%	100%	100%
Percentage of staff meeting educational requirements ⁹				100%	100%	100%
Number of non-CPE training hours per staff ¹⁰					6.1	6.1
Percentage of staff time spent on audit and consulting engagements and general audit activities ¹¹				71%	70%	71%
Percentage of audit and consulting engagements completed within budget	83%	86%	52%	45%	59%	86%

⁷ This performance measure was added in Fiscal Year 2019. In Fiscal Year 2020 the OCA began sending Audit Committee/Board and Executive Management surveys.

⁸ This performance measure was added in Fiscal Year 2019. Historical information was available for FY 2018 and is included for reference.

⁹ This performance measure was added in Fiscal Year 2019.

¹⁰ This performance measure was added in Fiscal Year 2020.

¹¹ Beginning in Fiscal Year 2019 all staff hours (audit, consulting, general audit hours, and administrative hours) are tracked and accounted for; unlike prior years that excluded certain hours. Therefore, prior year data has been omitted, as it is not comparable to this performance measure. Percentage excludes the Chief Auditor hours.

Appendix D – Disclosures

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

Organizational Independence

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

The OCA reports to the Audit Committee, which provides the independence necessary for the OCA to adequately perform its function.

Impairments to Independence or Objectivity

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

There were no audits or consulting engagements conducted during Fiscal Year 2021 that had any impairment of independence or objectivity in fact or appearance.

Disclosure of Nonconformance

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

During the 2021 Fiscal Year there were no instances in which projects were performed in a manner that did not comply with the *Standards*.

Resolution of Management's Acceptance of Risks

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

There were no such instances related to risk during the 2021 Fiscal Year.

Use of Report

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

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

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

Fiscal Year 2021 Annual Report from the Office of the Chief Auditor

July 1, 2020, through June 30, 2021

Audit Committee Meeting September 13, 2021

Agenda

- FY 2021 Performance Measures
- Engagements Completed in Q4
- General Audit Activities
 - Recommendation Follow-Up
 - Ethics
 - Quality Assurance and Improvement Program (QAIP)
- Audit Spotlight:
Automobile Citations



Fiscal Year 2021 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits & Consulting Engagements Completed	80%	88%	80%
Number of Recommendations	25	33	25
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	70%	71%	70%
Percentage of Audits/Consulting Engagements Completed within Budget	80%	86%	75%
Percentage of Recommendations Accepted	95%	100%	83%
Auditee Satisfaction Rating	4.0	4.6	4.0

Engagements Completed in 4th Quarter

SAN Information Security Program Compliance
 Audit Report No. 21002
 Issue Date: April 8, 2021

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Office of the Chief Auditor

Office of the Chief Auditor
 Emergency and Sole Source Procurement
 Audit Report No. 21004
 Issue Date: June 2, 2021

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 Mary Cañon Sales
 Robert T. Lloyd
 Paul Robinson
 Marc S. Vargas
 Mariam von Wilpert

San-Diego Board Members
 Gustavo Dubois
 Col. Charles S. Dooling
 Gayle Miller

President / CEO
 Kimberly J. Becker

Audit Committee
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 Catherine Blomquist
 Mary Cañon Sales
 Robert T. Lloyd
 Jack Van Santen
 Marc S. Vargas
 Agnes Wong Robinson

Office of the Chief Auditor
 Lee Parravano
 Chief Auditor

Riad Ridger
 Manager,
 Audit Services
 Monica Dale
 Auditor
 Shana Ibb
 Senior Auditor
 Scott Thayer
 Senior Auditor
 Callie O'Brien
 Senior Auditor
 Susanna O'Rourke
 Executive Assistant

Lee Parravano
 Chief Auditor

Office of the Chief Auditor
 Procurement Card Program
 Audit Report No. 21017
 Issue Date: June 21, 2021

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 Senior Auditor
 Scott Thayer
 Senior Auditor
 Callie O'Brien
 Senior Auditor
 Susanna O'Rourke
 Executive Assistant

Lee Parravano
 Chief Auditor

Office of the Chief Auditor
 Automobile Citations
 Audit Report No. 21005
 Issue Date: June 30, 2021

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 Senior Auditor
 Susanna O'Rourke
 Executive Assistant

Lee Parravano
 Chief Auditor

Calculation and Reconciliation of Concession Rents and Fees – Consulting Engagement

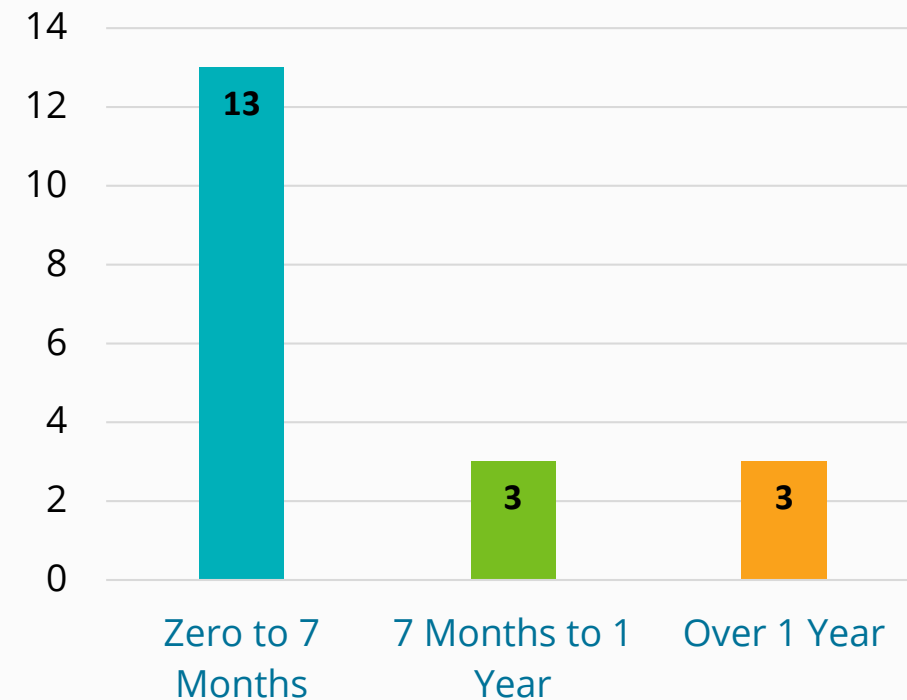
Audit Spotlight

General Audit Activities - Recommendation Follow-Up

Recommendation Follow Up

Status as of June 30, 2021			
Completed	In Progress	Not Accepted	Tracked
7*	19**	-	26

Estimated Implementation Timeframe for In Progress Recommendations

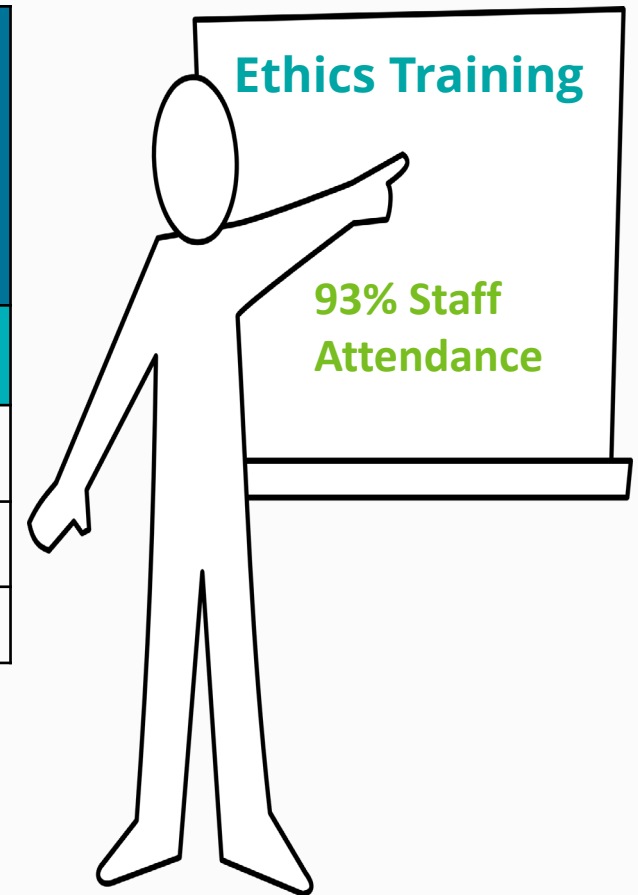


* 5 recommendations were completed within the initial timeframe identified for implementation.

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

General Audit Activities - Ethics

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



General Audit Activities - QAIP

Internal auditing *Standards* require the Office of the Chief Auditor (OCA) to maintain a quality assurance and improvement program (QAIP). The FY 2021 Audit Plan contains hours allocated for a QAIP under General Audit Activities.

One component of a QAIP is examining internal audit processes utilized by the OCA. This is referred to as Ongoing Monitoring.

- Results of Ongoing Monitoring must be communicated annually.



General Audit Activities - QAIP (Cont.)

Results:

The QAIP did not identify any items that would impact audit quality.

Two Recommendations:

1. Update OCA Policies and Procedures.
2. Change terminology in Charter of the Audit Committee from CAFR to ACFR, and change terminology in the Charter of the Audit Committee and Charter for the Office of the Chief Auditor to be gender-neutral.

OCA Response:

1. The OCA is in the process of updating the Policies and Procedures used by audit staff.
2. September 13, 2021, Audit Committee materials contain agenda items to change impacted terminology.

General Audit Activities - QAIP (Cont.)

Annual Required Disclosures

Operational Independence

- No independence issues noted

Impairments to Independence or Objectivity

- No impairments noted

Disclosures of Nonconformance

- No instances noted

Management's Acceptance of Risk

- No items noted

Audit Spotlight - Automobile Citations

Office of the Chief Auditor
Automobile Citations
Audit Report No. 21005
Issue Date: June 30, 2021



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

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Maureen Wilbert, Officer


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Celia Miller, Officer

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Shawn Ellis, Senior Auditor
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Celia Gillman, Senior Auditor
Susanne Dallaire, Executive Auditor

Background



Citations are Issued for:

- Authority Code Violations
- Certain sections of the California Vehicle Code



Contract with the City of San Diego to Administer Citations

- City is required to pay the Authority penalties collected, less fees

Audit Spotlight - Automobile Citations

By the Numbers

18

- Months in Audit Period

5,964

- Number of Citations Issued

\$814,712

- Dollar Amount of Citations Issued

\$495,262

- Dollar Amount Remitted to the Authority

Audit Spotlight - Automobile Citations

Collaboration & Assistance



SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Ground Transportation

Identification in Risk Assessment
Highlighted areas for improvement



The City of
SAN DIEGO

Parking Staff

Processes, Procedures & Detailed
Support

Audit Spotlight - Automobile Citations

Citation Payment Cycle

Performed by the Authority



Authority cites motorists



Citations are uploaded to the COSD

Performed by the City of San Diego



Authority citations are merged into COSD database



Motorists pay citation to COSD



COSD calculates Authority share of citations



COSD remits amounts to Authority

Audit Spotlight - Automobile Citations

Audit Objective

To determine if automobile citation controls ensure that the Authority collects the appropriate penalties and fees.

Citation Payment Cycle

Performed by the Authority



Authority cites motorists



Citations are uploaded to the COSD



Authority citations are merged into COSD database



Motorists pay citation to COSD



COSD calculates Authority share of citations



COSD remits amounts to Authority

Audit Spotlight - Automobile Citations

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Ground
Transportation

Strengths Identified

1. Adequate Separation of Duties (Issuance to Disposition)
2. Procedures for Issuance of Citations
3. Management Review of Citations Issued
4. Low Number of Citations are Appealed

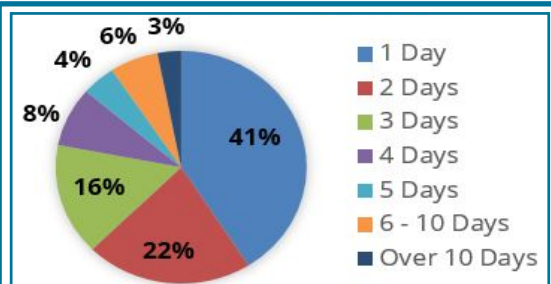
Audit Spotlight - Automobile Citations



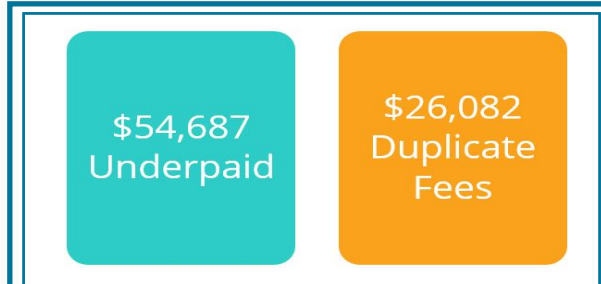
1. Formal management of program could be improved



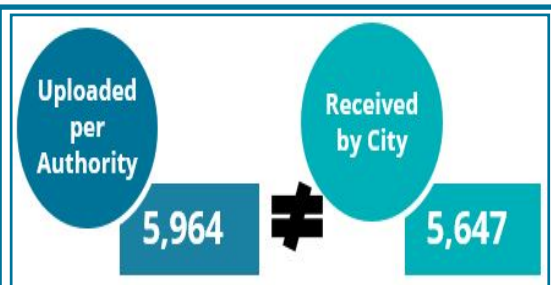
4. Citation penalty amounts have not been updated and lag behind others



2. Citations are not sent timely to the City



5. Amounts remitted by City are not reconciled with citations paid



3. Citations sent to the City are not reconciled to citations received



6. No formal approval of citations appealed

6 Findings - All Accepted by Management

Audit Spotlight - Automobile Citations

Conclusion



The Authority was underpaid by approximately \$55,000 (10%) and approximately 300 (5%) of citations were never uploaded to the City.

Therefore, the current controls do not ensure that the Authority collects the appropriate penalties and fees.

Scope Limitation



The City handles citation administration for multiple agencies, including the Authority. As such, the Authority's records are commingled with other agencies. The OCA did not request access to all City records, as tickets issued/collected for other agencies are outside the jurisdiction of the OCA.

Data obtained from the City was evaluated, but, the OCA could not verify the completeness or accuracy of the data received from the City.

Questions?

Staff Report

Meeting Date: September 13, 2021

Subject:

Annual Review of the Charter of the Audit Committee

Recommendation:

Staff recommends that the Audit Committee accept the proposed revision to the charter and forward this item to the Board with a recommendation for approval.

Background/Justification:

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

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

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

On September 10, 2020, the most recent revision to the Charter of the Audit Committee was performed and subsequently approved by Board Resolution No. 2020-0097 on October 1, 2020. Changes included updating the number of terms that a public member on the Audit Committee may serve and details on compensation to Audit Committee Members.

A review performed by staff this year included researching the Institute of Internal Auditors (IIA) guidance on model charters. Staff found that the current Charter of the Audit Committee contains the applicable guidance provided by the IIA. However, the Charter of the Audit Committee contains terminology that needs to be updated. Consistent with guidance under development by the Governmental Accounting Standards Board (GASB), the *Comprehensive Annual Financial Report* (CAFR) should be referred to as the *Annual*

Meeting Date: September 13, 2021

Comprehensive Financial Report (ACFR). Therefore, the OCA recommends that the terminology in the Charter of the Audit Committee be updated. Other changes include updating terminology to be gender-neutral and inclusive. A redlined version of the Charter of the Audit Committee is provided in Attachment A, for your reference. A version with all changes incorporated is provided in Attachment B.

Fiscal Impact:

None

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

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

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

CHARTER OF THE AUDIT COMMITTEE

ORGANIZATIONAL PRINCIPLES

Purpose

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

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

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

Mandate

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

Authority

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

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

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

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

The Committee is empowered to:

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

Composition of the Committee

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

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

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

The Chair and Vice-Chair of the Committee

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

Terms of Office

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

Quorum and Voting

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

OPERATIONAL PRINCIPLES

Committee Values

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

Communications

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

Work Plan

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

Meeting Agenda

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

Information Requirements

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

Executive Sessions

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

Preparation and Attendance

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

Conflict(s) of Interest

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

Orientation and Training

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

OPERATIONAL PROCEDURES AND RESPONSIBILITIES

Meetings

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

Minutes

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

Required Attendance

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

Remuneration of Committee Members

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

Responsibilities

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

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

Values and Ethics

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

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

ORGANIZATIONAL GOVERNANCE

To obtain reasonable assurance with respect to the Authority's governance process, the Committee shall review and provide advice on the governance process established and

maintained within the organization and the procedures to ensure that they are operating as intended.

Risk Management

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

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

Fraud

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

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

Control

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

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

Compliance

The Committee shall:

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

OVERSIGHT OF THE INTERNAL AUDIT FUNCTION

Office of the Chief Auditor

To obtain reasonable assurance with respect to work of the Office of the Chief Auditor, 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 Audit Plan; and

- Review the Office of the Chief Auditor's performance relative to its Audit Plan.

Internal Audit Engagement and Follow Up

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

Standards Conformance

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

OVERSIGHT OF THE EXTERNAL AUDIT FUNCTION AND OTHER EXTERNAL ASSURANCE PROVIDERS

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

The Committee shall:

- Advise the Authority Board on the engagement of each external auditor;
- Review the external auditors' proposed audit team composition, audit scope and approach, including coordination of audit efforts with the Office of the Chief Auditor;

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

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

Financial Statements and Public Accountability Reporting

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

The Committee shall:

- Review the scope of audits, including obtaining assurances from the external auditor that the specific audit was conducted in a manner consistent with generally accepted accounting standards;
- Review with management and the external auditors the results of audit engagements, including difficulties encountered;
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional regulatory pronouncements, and understand their impact on the financial statements;
- Review the annual financial statements, ~~Comprehensive~~—Annual ~~Comprehensive~~ Financial Report (ACFR)(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; and
- Review matters required to be communicated by the external auditor to the Committee under generally accepted auditing standards.

OTHER DUTIES AND RESPONSIBILITIES

In addition, the Committee shall:

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

REPORTING REQUIREMENTS

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

The report should include:

- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- A summary of management's progress in addressing the results of internal and external audit reports;
- 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. 2020-0097 dated October 1, 2020]

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

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

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

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

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

CHARTER OF THE AUDIT COMMITTEE

ORGANIZATIONAL PRINCIPLES

Purpose

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

- Values and ethics;
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- Financial statements and public accountability reporting.

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Mandate

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

Authority

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

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

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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.
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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:

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The Chair and Vice-Chair of the Committee

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

Terms of Office

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

Quorum and Voting

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

OPERATIONAL PRINCIPLES

Committee Values

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

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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.

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Executive Sessions

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

Preparation and Attendance

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

Conflict(s) of Interest

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

Orientation and Training

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

OPERATIONAL PROCEDURES AND RESPONSIBILITIES

Meetings

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

Minutes

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

Required Attendance

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

Remuneration of Committee Members

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

Responsibilities

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

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

Values and Ethics

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

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

ORGANIZATIONAL GOVERNANCE

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

Risk Management

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

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

Fraud

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

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

Control

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

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

Compliance

The Committee shall:

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

OVERSIGHT OF THE INTERNAL AUDIT FUNCTION

Office of the Chief Auditor

To obtain reasonable assurance with respect to work of the Office of the Chief Auditor, 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 Audit Plan; and

- Review the Office of the Chief Auditor's performance relative to its Audit Plan.

Internal Audit Engagement and Follow Up

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

Standards Conformance

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

OVERSIGHT OF THE EXTERNAL AUDIT FUNCTION AND OTHER EXTERNAL ASSURANCE PROVIDERS

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

The Committee shall:

- Advise the Authority Board on the engagement of each external auditor;
- Review the external auditors' proposed audit team composition, audit scope and approach, including coordination of audit efforts with the Office of the Chief Auditor;

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

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

Financial Statements and Public Accountability Reporting

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

The Committee shall:

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

- Review other financial reports, as necessary, issued by the Authority in accordance with generally accepted accounting and/or audit standards and the corresponding external auditor's reports; and
- Review matters required to be communicated by the external auditor to the Committee under generally accepted auditing standards.

OTHER DUTIES AND RESPONSIBILITIES

In addition, the Committee shall:

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

REPORTING REQUIREMENTS

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

The report should include:

- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- A summary of management's progress in addressing the results of internal and external audit reports;
- 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. 2020-0097 dated October 1, 2020]

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

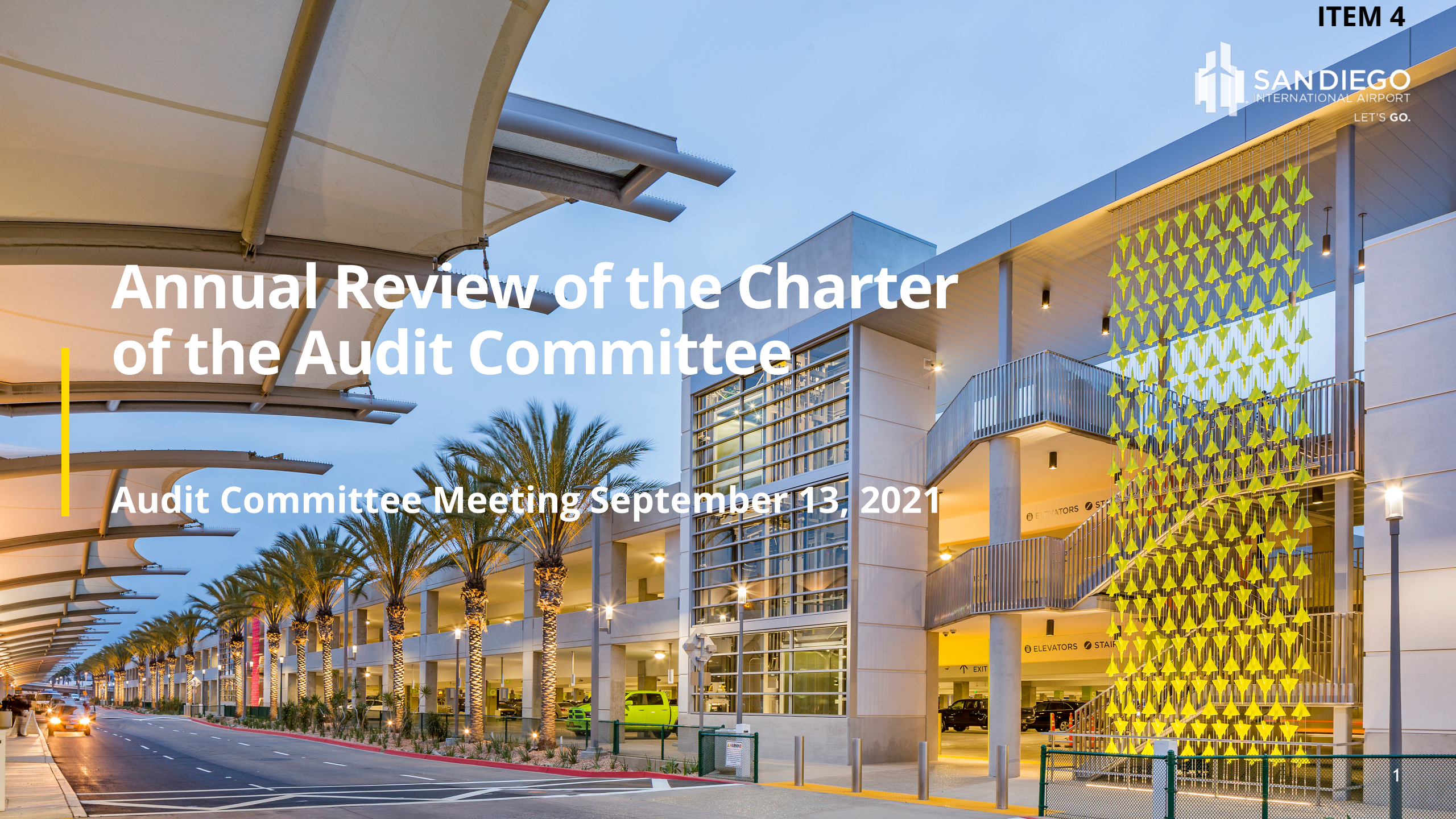
[Amended by Resolution No. 2010-0023 dated March 4, 2010]

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

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

Annual Review of the Charter of the Audit Committee

Audit Committee Meeting September 13, 2021



Revision Requested

The Charter of the Audit Committee contains terminology that needs to be updated.

Changes Requested

1. The Comprehensive Annual Financial Report (CAFR) should be referred to as the Annual Comprehensive Financial Report (ACFR).
2. Terminology used should be gender-neutral.

Questions?

Staff Report

Meeting Date: September 13, 2021

Subject:

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

Recommendation:

Staff recommends that the Audit Committee accept the proposed revision to the charter and forward this item to the Board with a recommendation for approval.

Background/Justification:

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

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

The Audit Committee's review of the Charter for the Office of the Chief Auditor has led to subsequent revisions; including the most recent revision that inserted a requirement for the OCA to communicate the results of its Quality Assurance and Improvement Program to the Audit Committee. These changes were incorporated and approved by Board Resolution No. 2020-0098 on October 1, 2020.

An annual review performed by staff this year included researching the Institute of Internal Auditors (IIA) guidance on model charters. Staff found that the current Charter for the Office of the Chief Auditor contains the applicable guidance provided by the IIA. However, the Charter for the Office of the Chief Auditor contains terminology that needs to be updated to be gender-neutral. A redlined version of the Charter of the Audit Committee is provided in Attachment A for your reference. A version with all changes incorporated is provided in Attachment B.

Meeting Date: September 13, 2021

Fiscal Impact:

None

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

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~~the Chief Auditor's 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.
- 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~~an auditor's 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.
- 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:

CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

- 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.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audits, consulting services, or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable by the Authority.

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

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

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

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

Responsibility

The Chief Auditor has the responsibility to:

- Submit, at least annually, a risk-based internal Audit Plan for review to Authority executive management. The risk-based internal Audit Plan will also be submitted to the Audit Committee for review and forwarded to the Board for approval.
- Communicate to the Audit Committee and Authority executive management the impact of resource limitations on the Audit Plan, if applicable.
- Communicate any fraud or illegal acts that the Chief Auditor becomes aware of that could affect the Authority. The 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. The process for a confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters shall be carried out through the Office of the Chief Auditor.
- Review and adjust the nature of the internal Audit Plan, as necessary, in response to changes in the Authority's business risks, operations, programs, systems, and controls.
- The Audit Plan may be adjusted to accommodate for special requests by the Audit Committee or Authority management.
- Changes to the Audit Plan will occur after consultation with the Chair of the Audit Committee. Changes to the Audit Plan will be presented to the Audit Committee for review and forwarded to the Board for approval.
- Communicate to the Audit Committee and Authority executive management any significant interim changes to the Audit Plan.
- Ensure that each engagement contained in the Audit Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work

programs and testing results, and the communication of recommendation(s) to appropriate parties.

- Follow up on audit engagement findings and the corrective actions taken, and report periodically to the Audit Committee and Authority executive management any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure that the Office of the Chief Auditor collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements in the Charter for the Office of the Chief Auditor.
- Ensure trends and emerging issues that could impact the Authority are considered and communicated to the Audit Committee and Authority executive management as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to the Office of the Chief Auditor's Policies and Procedures / Office Manual designed to guide the Office of the Chief Auditor.
- Ensure adherence to the Authority's relevant policies and procedures, unless such policies conflict with the Charter for the Office of the Chief Auditor.
- Ensure conformance with the IIA *Standards*.

Quality Assurance and Improvement Program

The Office of the Chief Auditor will maintain a quality assurance and improvement program that covers all aspects of the Office of the Chief Auditor. The program will include an evaluation of the Office of the Chief Auditor's conformance with the IIA *Standards* and an evaluation of whether internal auditors apply The Institute of Internal Auditor's Code of Ethics in their conduct. The program will also assess the efficiency and effectiveness of the Office of the Chief Auditor and identify opportunities for improvement.

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

CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

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

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

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

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

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

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

Purpose and Mission

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

Authority

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

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- 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.

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CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

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- 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.
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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.

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- 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.
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- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure that the Office of the Chief Auditor collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements in the Charter for the Office of the Chief Auditor.
- Ensure trends and emerging issues that could impact the Authority are considered and communicated to the Audit Committee and Authority executive management as appropriate.
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- 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.

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CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

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

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

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

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

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

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

Audit Committee Meeting September 13, 2021



Revision Requested

The Charter for the Office of the Chief Auditor contains terminology that needs to be updated.

Change Requested

Revise terminology to be gender-neutral.

Questions?

Staff Report

Meeting Date: September 13, 2021

Subject:

Revision to the Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee accept the revised Audit Plan and forward it to the Board with a recommendation for approval. (Requires five (5) affirmative votes of the Audit Committee.)

Background/Justification:

The Charter for the Office of the Chief Auditor, instituted by Board Resolution No. 2003-062 on October 2, 2003, and most recently amended on October 1, 2020, per Board Resolution No. 2020-0098, defines the role and requirements of the Office of the Chief Auditor (OCA).

As directed in the Charter, the Chief Auditor shall submit, at least annually, a risk-based Audit Plan to the Audit Committee and to Authority executive management, and shall review and adjust the Audit Plan, as necessary, responding to changes in business risks, operations, special requests, programs, systems, and controls. All changes to the Audit Plan shall be communicated to the Audit Committee prior to being submitted to the Board for approval.

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

The OCAs initial Audit Plan for Fiscal Year 2022 was approved by the Audit Committee during its May 10, 2021, meeting, and was subsequently approved on June 3, 2021, by Board Resolution No. 2021-0063.

During the first quarter of Fiscal Year 2022 a review of the Audit Plan was undertaken by the OCA. A revision to adjust the allocation of audit hours to reflect the OCAs current operational requirements is requested at this time. The proposed changes include:

Meeting Date: September 13, 2021

- 1) Removing 260 Audit Hours designated for Tenant Lease Administration and Management related to rental car concessions and Customer Facility Charge (CFC)/ Transportation Facility Charge (TFC) reporting.
- 2) Adding 260 Audit Hours to complete the audit for Records Management related to the Enterprise Content Management System (ECMS), which was carried forward from Fiscal Year 2021.

The proposed revision to the Fiscal Year 2022 Audit Plan is provided as Attachment A. The Fiscal Year 2022 Audit Plan with all changes incorporated is provided as Attachment B.

Fiscal Impact:

The Chief Auditor Department's adopted Operating Expense Budget for Fiscal Year 2022 and conceptually approved budget for Fiscal Year 2023 meet the allotted budget requirements for the proposed revision to the Fiscal Year 2022 Audit Plan.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Staff Report

Meeting Date: September 13, 2021

Page 3 of 3

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan September 13, 2021

ATTACHMENT A

Key Work Activity	Objective ¹	Original Estimated Hours	Change Requested	Revised Hours
Audit Hours				
Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable.	400	-	400
System Security ²	To evaluate the Authority's security posture by performing penetration testing of the Authority's Aviation Security and Public Safety's system.	120	-	120
Records Management ²	To determine if access rights in the Authority's Enterprise Content Management System (ECMS) are appropriate.	30	260	290
Accounts Receivable / Collections ²	To determine if the rent abatement program was properly administered and in compliance with applicable Federal requirements of the COVID-19 relief acts.	400	-	400
Contractor Monitoring ²	To determine if the Engineered Materials Arresting System (EMAS) project was properly monitored and managed.	140	-	140
Harbor Police Contract Management	To determine if Harbor Police costs and services are appropriate related to the Fiscal Year 2020 True-Up.	500	-	500
Tenant Lease Administration and Management	To determine if the concessions, Customer Facility Charge (CFC)/ Transportation Facility Charge (TFC) reported to the Authority are accurate for all Airport rental car companies.	1,400	(260)	1,140
System Security	To evaluate the Authority's security posture by performing penetration testing of the Authority's website.	325	-	325
Employee Training and Development	To determine if employee trainings are administered appropriately.	525	-	525
Tenant Lease Administration & Management	To determine if terminal airport space is managed and billed appropriately.	525	-	525
Airfield Operations Management	To determine the gate software (Amadeus) matches Airline landing fees reported.	500	-	500
To be Determined	To initiate audits related to construction activities based on a Risk Assessment(s) performed by the External Construction Auditor.	1,203	-	1,203
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	473	-	473
Total Audit Hours		6,541	-	6,541

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

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

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan September 13, 2021

ATTACHMENT A

Key Work Activity	Objective ³	Original Estimated Hours	Change Requested	Revised Hours
General Audit Hours				
Risk Assessment and Audit Plan ⁴	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	212	-	212
Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the Construction Auditor.	380	-	380
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	80	-	80
Development of Data Analytics	Develop a data analytics program for in terminal concessions or other programs.	220	-	220
Ethics Hotline ⁴	To review ethics policies and investigate reported incidents.	210	-	210
Recommendation Follow-up ⁴	To verify that internal and external audit recommendations have been implemented as intended.	140	-	140
Quality Assurance & Improvement Program ⁴	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	320	-	320
Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180	-	180
	Total General Audit Hours	1,742	-	1,742
Administrative Hours				
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,189	-	2,189
Administrative - Benefit	Vacation, Holiday Time and Other Time Off.	2,008	-	2,008
	Total Administrative	4,197	-	4,197
	Total Hours	12,480	-	12,480

³ Objective may change based on the preliminary survey performed by the OCA.

⁴ Required activity in the Charter for the Office of the Chief Auditor.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan September 13, 2021

ATTACHMENT A

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

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

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan September 13, 2021

ATTACHMENT B

Key Work Activity	Objective ¹	Hours
Audit Hours		
Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable.	400
System Security ²	To evaluate the Authority's security posture by performing penetration testing of the Authority's Aviation Security and Public Safety's system.	120
Records Management ²	To determine if access rights in the Authority's Enterprise Content Management System (ECMS) are appropriate.	290
Accounts Receivable / Collections ²	To determine if the rent abatement program was properly administered and in compliance with applicable Federal requirements of the COVID-19 relief acts.	400
Contractor Monitoring ²	To determine if the Engineered Materials Arresting System (EMAS) project was properly monitored and managed.	140
Harbor Police Contract Management	To determine if Harbor Police costs and services are appropriate related to the Fiscal Year 2020 True-Up.	500
Tenant Lease Administration and Management	To determine if the concessions, Customer Facility Charge (CFC)/ Transportation Facility Charge (TFC) reported to the Authority are accurate for all Airport rental car companies.	1,140
System Security	To evaluate the Authority's security posture by performing penetration testing of the Authority's website.	325
Employee Training and Development	To determine if employee trainings are administered appropriately.	525
Tenant Lease Administration & Management	To determine if terminal airport space is managed and billed appropriately.	525
Airfield Operations Management	To determine the gate software (Amadeus) matches Airline landing fees reported.	500
To be Determined	To initiate audits related to construction activities based on a Risk Assessment(s) performed by the External Construction Auditor.	1,203
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	473
Total Audit Hours		6,541

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Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan September 13, 2021

ATTACHMENT B

Key Work Activity	Objective ³	Hours
General Audit Hours		
Risk Assessment and Audit Plan ⁴	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	212
Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the Construction Auditor.	380
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	80
Development of Data Analytics	Develop a data analytics program for in terminal concessions or other programs.	220
Ethics Hotline ⁴	To review ethics policies and investigate reported incidents.	210
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Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180
	Total General Audit Hours	1,742
Administrative Hours		
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	Total Administrative	4,197
	Total Hours	12,480

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Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan September 13, 2021

ATTACHMENT B

Key Work Activity	Objective ⁵	Hours
Contingent Audit Hours		
Airport Ground Transportation Operations Management	To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate.	500
OCIP	To determine if the Owner Controlled Insurance Program (OCIP) is administered appropriately.	500
Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450
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Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
TNC Contract Administration & Revenue Collection	To determine if the Transportation Network Companies (TNC) Contract is administered appropriately.	475
Employee Parking Card and Policy Administration	To determine if Parking Cards are administered appropriately.	550
Leaves of Absence / Catastrophic Leave	To determine if leaves of absence are administered appropriately.	525
Innovation Lab Operations	To determine if the Innovation Lab is administered appropriately.	600
	Total Contingent Audit Hours	5,100

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

Revision to the Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor

Audit Committee Meeting September 13, 2021

Reasons for Revision

Hours Added

Description	Hours
Records Management - ECMS	260
Total	260

Hours Removed

Description	Hours
Tenant Lease Administration and Management – Rental Car	(260)
Total	(260)

Questions?

Staff Report

Meeting Date: September 13, 2021

Subject:

Review of Authority Code 2.08 – Prohibited Conflicts of Interest

Recommendation:

Information item only.

Background/Justification:

The San Diego County Regional Airport Authority was created on January 1, 2003, through California State legislation as an independent agency to manage the day-to-day operations of San Diego International Airport.

An appointed Board of nine members governs the Airport Authority. The Board and its Committees are guided by California legislation in the Public Utilities Codes (PUC).

The PUC established the Audit Committee and outlined its responsibilities. The PUC charges the Audit Committee with oversight responsibilities for reviewing ethical behavior at the Authority (PUC 170018(e)).

In addition, the Charter of the Audit Committee further outlines the requirement for the Committee to oversee established ethics Policies, Codes, and practices at the Authority. The Charter states that the Audit 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”

During the Office of the Chief Auditor’s preparation for Authority-wide Ethics Training as part of the Ethics Program, we noted that a requirement in Authority Code Article 2, Section 2.08(f)(1) is no longer necessary. Code Section 2.08 states that:

Meeting Date: September 13, 2021

“As soon as a Board Member or Employee has a disqualifying conflict of interest, he or she shall: (1) Promptly file with the Ethics Officer a signed statement disclosing the nature and extent of the conflict of interest;

The Authority has other existing mechanisms in place to document conflicts of interest that may arise. Currently, Code Section 2.08 already contains a requirement for Board Members to set forth any disqualification in the official record during a Board Meeting. Further, Code Article 2, Ethics, Section 2.30 contains the model conflicts of interest code language provided by the California Fair Political Practices Commission (FPPC) that identifies officials and employees within the Authority who make governmental decisions based on their positions, and requires them to disclose their financial interests on a Statement of Economic Interest (Form 700). Additionally, any person directly involved with the selection or letting of Authority contracts and agreements are required to sign a statement that they have no potential or actual conflict of interest with the prospective consultants or supplier of goods.

Staff's review of Authority Code 2.08 included discussions with Authority Management, and a review of the conflict of interest codes from the San Diego Unified Port District and the City of San Diego.

In conclusion, staff recommends that the requirement in Article 2, Section 2.08(f) that directs Board Members and Employees to promptly file with the Ethics Officer, a signed statement disclosing the nature and extent of the conflict of interest, be removed from Section 2.08(f). Staff considers conflict of interest disclosures are adequately being fulfilled by other Code Sections or operational requirements.

A redline version of Authority Code 2.08, showing staff's recommended change, is provided in Attachment A for your reference and information. Other changes include punctuation and an update to a citation, as indicated. Staff's requested revision will be incorporated and forwarded to the Board for approval during an upcoming Authority-wide revision of Policies and Codes, which may include changes reflecting inclusive language as part of the Diversity Equity Inclusion initiatives at the Authority.

Fiscal Impact:

None

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

CODES

- ARTICLE 2 - ETHICS**
PART 2.0 - ETHICS AND CONDUCT
SECTION 2.08 - PROHIBITED CONFLICTS OF INTEREST
-

(a) The Authority is required to adopt a Conflict of Interest Code pursuant to Section 87300 of the California Government Code. The Authority's Conflict of Interest Code is contained in Authority Code Section 2.30. The Conflict of Interest Code incorporates many of the provisions of the California Political Reform Act (California Govt. Code §§ 81000-9101~~4~~5) ("California Political Reform Act") pertaining to conflicts of interest.

(b) This Ethics Code incorporates and makes applicable to the Board members and Employees: (1) the Authority's Conflict of Interest Code; and (2) the provisions of the California Political Reform Act, and (3) the regulations of the California Fair Political Practices Commission pertaining to conflicts of interest, including, but not limited to, California Government Code § 84308, which governs any Board member who is running or has run for elective office. In some instances, the provisions of this Ethics Code may be more restrictive than the provisions of the California Political Reform Act or the regulations of the California Fair Political Practices Commission. The provisions of this Ethics Code shall apply in such cases.

(c) By way of summary, a conflict of interest occurs when a Board member or Employee, acting in an official capacity, makes, participates in making or in any way attempts to use his or her official position to influence a decision of the Authority in which he or she knows or has reason to know that he or she has a financial interest. Financial interests include:

(1) A business entity in which a Board member or Employee or an immediate family member has an investment or holds a management position;

(2) Real property in which a Board member or Employee or an immediate family member owns an interest; and

(3) Any person or entity that is a source of income, gifts or loans to a Board member, Employee or an immediate family member.

(d) Notwithstanding a conflict of interest, certain exceptions contained within the California Political Reform Act and the regulations of the California Fair Political Practices Commission may result in the official or Employee not being disqualified.

(e) If a disqualifying conflict exists, the Board member or Employee must be disqualified from making, participating in making or attempting to use his or her official position in any way to influence the Authority's decision which involves that financial interest.

(f) Every Board member and Employee of the Authority is responsible for knowing the conflict of interest rules and knowing when he or she has a disqualifying conflict of interest. However, Board members and Employees may consult the Authority's Ethics Officer, General Counsel or such other authorized individual designated by the Authority ethics officer ("**Ethics Officer**") when faced with a conflict of interest issue. As soon as a Board member or Employee has a disqualifying conflict of interest, he or she shall:

~~(1) — Promptly file with the Ethics Officer a signed statement disclosing the nature and extent of the conflict of interest;~~

(~~1~~) Immediately stop participating further in the matter;

(~~2~~) If an Employee, notify his or her supervisor about the disqualification; and

(~~3~~) If a Board member, set forth the disqualification in the official record of the Authority.

(g) The Authority may prepare supplementary material regarding the applicable conflict of interest rules and distribute such material to Board members and officials and Employees.

[Amended by Resolution No. 2019-0015 dated February 7, 2019.]

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]

Review of Authority Code 2.08 – Prohibited Conflicts of Interest

Audit Committee Meeting September 13, 2021



Revision Requested

Background

During preparation to provide Authority-wide Ethics Training, we noted a requirement that is no longer necessary

Requirements – Code Section 2.08 (f)

As soon as a Board member or Employee has a disqualifying conflict of interest, he or she shall:

- ~~(1) Promptly file with the Ethics Officer a signed statement disclosing the nature and extent of the conflict of interest;~~
- (2) Immediately stop participating further in the matter;
- (3) If an Employee, notify his or her supervisor about the disqualification; and
- (4) If a Board member, set forth the disqualification in the official record of the Authority.

Questions?