

Office of the Chief Auditor Fiscal Year 2021 Annual Report

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



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:

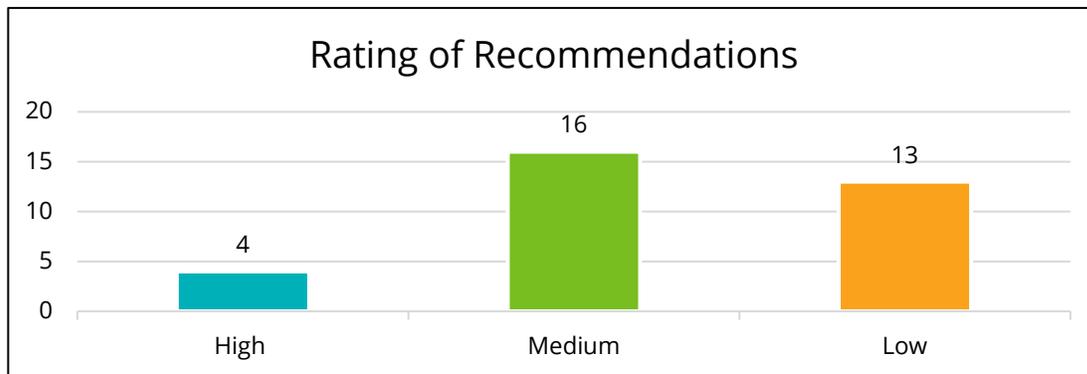
- Authority Board/Audit Committee
- Executive Management
- Auditee

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.

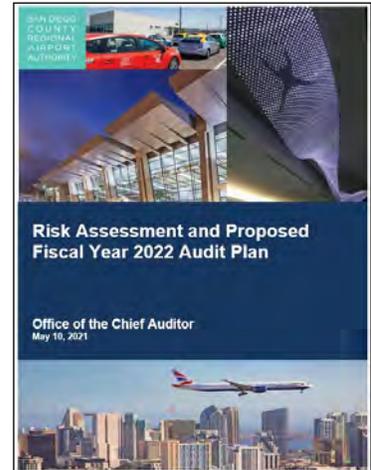


General Audit Activities

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, 15 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	13	3	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

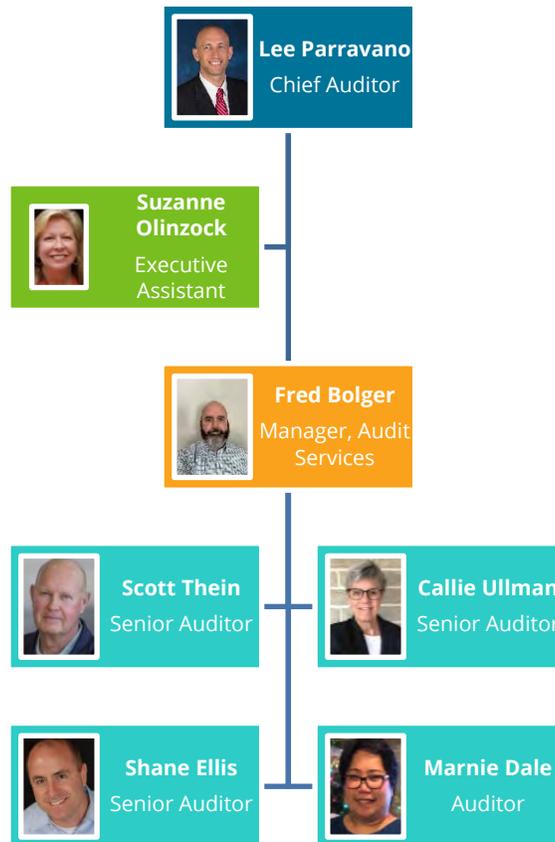
During Fiscal Year 2021, the Audit Committee met six times, occurring on the following dates:

- 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

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	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: 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	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: 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	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: 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	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 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	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: 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	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 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	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 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