

# Office of the Chief Auditor Fiscal Year 2024 Annual Report

ATTACHMENT A

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY

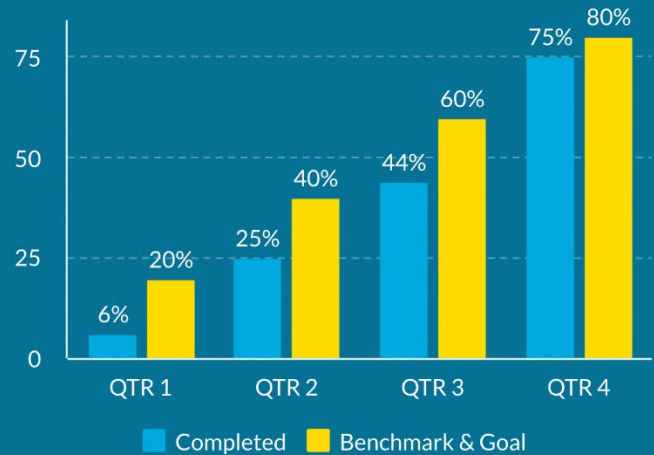


## Audit Engagement Progress

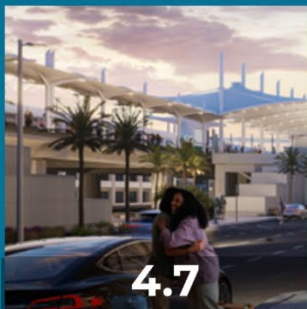


■ Completed (75%) ■ In Progress (18.75%)  
■ Not Started (6.25%)

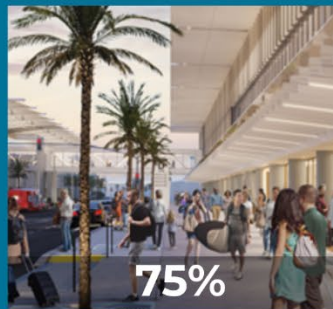
## Audit Engagements Completed vs. Benchmark & Goal



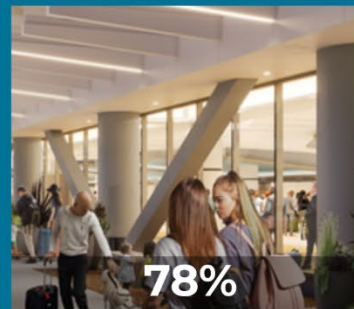
## By The Numbers



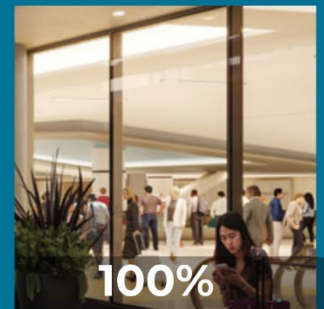
Customer  
Satisfaction  
Rating



Engagements  
Completed Under  
Budget



Auditor Utilization  
Percentage



Recommendations  
Accepted By  
Management



# Fiscal Year 2024

## ANNUAL REPORT

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY

**Issue Date: September 09, 2024**

**OFFICE OF THE CHIEF AUDITOR**

*Table of Contents*

---

Summary .....	1
Audit and Consulting Engagements.....	4
General Audit Activities .....	6
Administrative.....	10
Quality Assurance and Improvement Program .....	13
Appendix A - Fiscal Year 2024 Audit Plan .....	15
Appendix B - Disclosures .....	16
Appendix C - Status of OCA Recommendations .....	18



## Summary

### Executive Summary

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

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

### Performance Measures

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

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

#	Performance Measure	Goal	Actual	Benchmark
1	Customer Satisfaction Ratings from: i. Audit Committee/Board (reported annually) ii. Executive Management (reported annually) iii. Auditee	4.0	i) 5.0 ii) 5.0 iii) 4.7	4.0
2	Percentage of audit and consulting engagements completed.	80%	75%	80%
3	Percentage of recommendations accepted.	95%	100%	95%
4	Provide tools and training for staff measured by the percentage of staff meeting CPE requirements (reported annually).	100%	100%	93%
5	Percentage of staff time spent on audit and consulting engagements and general audit activities.	76%	78%	76%
6	Percentage of audit and consulting engagements completed within budget.	70%	75%	66%

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

*Customer Satisfaction Rating*

The OCA sends surveys to the following three customer categories:

- Authority Board/Audit Committee
- Executive Management
- Auditee

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

*Percentage of Audit and Consulting Engagements Completed*

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

*Percentage of Recommendations Accepted*

This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. In Fiscal Year 2024, management accepted 100% of all audit recommendations.

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

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

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

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

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

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

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

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

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

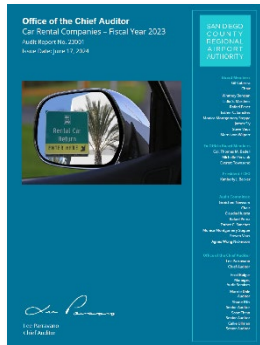
## Audit and Consulting Engagements

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

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

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

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

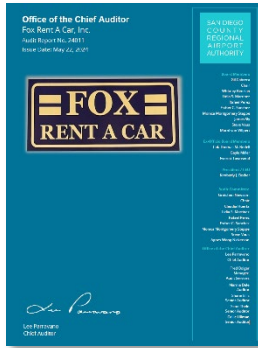


Authority's Business Intelligence Department, the OCA developed a continuous auditing program using data analytics to examine financial data received each month from seven Car Rental Companies (CRCs). Continuous auditing enables the Authority to detect potential issues earlier through automated real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

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

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

**Tenant Lease Admin. & Management - Fox Rent A Car (Fox):** The objective of this audit was to determine if Fox accurately paid concession fees and CFCs for the audit period. The audit determined that Fox underpaid concession fees by \$174,782 and CFCs by \$21,429 due to the misclassification of Airport Customers as Non-Airport Customers. The audit had five recommendations, which were all accepted by management.



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



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



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

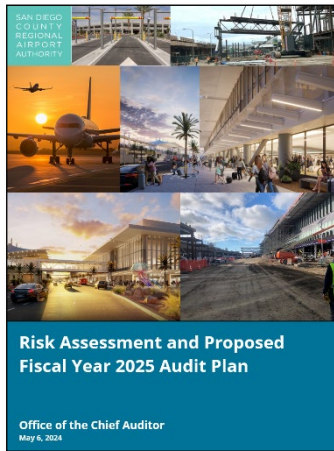


## General Audit Activities

In addition to performing audit and consulting engagements, the OCA is involved in other general audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required<sup>6</sup> to perform these activities or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* is presented below. See Appendix A for a listing of all General Audit Activities.

### Risk Assessment and Audit Plan

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



### Construction Activities

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

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

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

### Information Technology Meeting Attendance

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

### Development of Data Analytics

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

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

### Fraud, Waste, Abuse, and Ethics Program Activities

The OCA manages the Authority's Ethics Program that includes a confidential Fraud, Waste, Abuse, and Ethics (FWA&E) reporting hotline. During Fiscal Year 2024, the OCA received 5 tips/reports that were considered FWA&E related and 38 reports that are not considered FWA&E related<sup>7</sup>. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate.

The hotline also allows individuals to ask questions about possible ethical matters, thus allowing individuals to make an informed ethical decision. In Fiscal Year 2024, two (2) questions were received. We appreciate the efforts made by individuals aiming to ensure an ethical decision is reached.

A summary of the tips/reports received in Fiscal Year 2024 is shown in Table 2 below.

---

<sup>7</sup> Tips/Reports that are Non-FWA&E related are tracked but are not investigated by the OCA. An example of a non-FWA&E related tip/report is a traveler reporting an issue with a water filling station in the terminal. Generally, these tips/reports are forwarded to management to address.

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

Category	Number of Tips / Reports Received	Investigation Initiated by OCA	Tip/Report was Investigated and was Substantiated
<b>Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>			
Business Integrity	2	1	1
Human Resource, Diversity, and Workplace Respect	2	-	-
Misuse or Misappropriation of Assets	1	1	1
<b>Total Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>	<b>5</b>	<b>2</b>	<b>2</b>
<b>Non-Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>			
Human Resource, Diversity, and Workplace Respect	26	-	-
Environment, Health, and Safety	1	-	-
Business Integrity	6	-	-
Other	5	-	-
<b>Total Non-Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>	<b>38</b>	<b>-</b>	<b>-</b>
<b>Total Hotline Tips/Reports</b>	<b>43</b>	<b>2</b>	<b>2</b>

### Recommendation Follow-up

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

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

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

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

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

*Table 4: Recommendations with Estimated/Actual Implementation Timeframe*

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

### Quality Assurance and Improvement Program

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



## Administrative

---

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

### Qualifications and Training

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

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



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

---

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

### Audit Committee Support

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

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

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

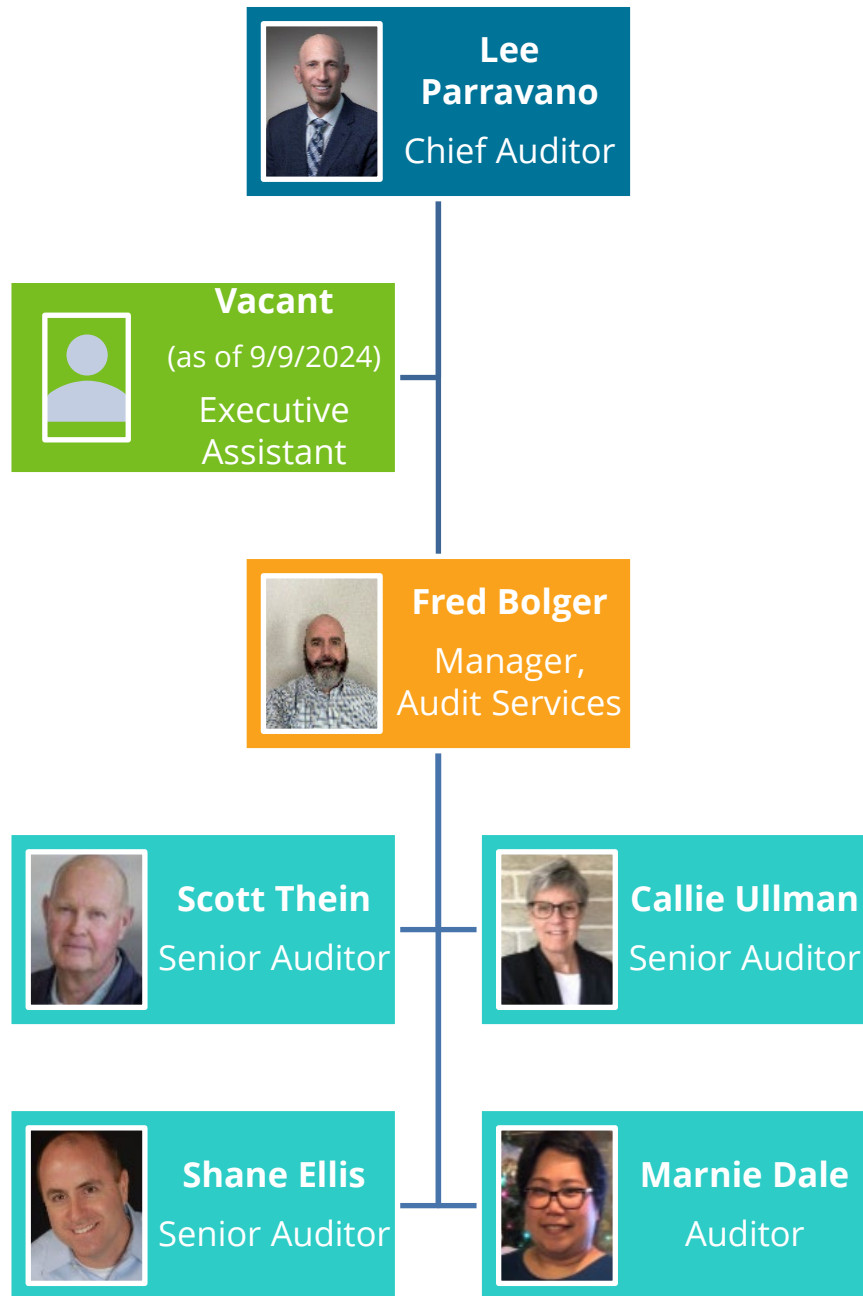
### Outside Activities

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

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

## Organization Chart

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



## Quality Assurance and Improvement Program

### Background

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

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

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

### External Assessment - Quality Assessment Review

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



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

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



### Scope and Objectives of Ongoing Monitoring

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

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

### Results of Ongoing Monitoring

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

### QAIP Recommendations/Corrective Actions Plans Identified

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

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

## Appendix A – Fiscal Year 2024 Audit Plan

#	Activity	Status as of 6/30/2024	Over/ Under Budget
<b>Audit</b>			
1	Tenant Lease Admin. & Management – FY 2023 Rental Car Companies	Completed	Under
2	Turner-Flatiron Self Perform Work	Completed	Under
3	Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs	In Progress	
4	Employee Benefits – Payroll Deductions	Completed	Over
5	Accounts Payable – Paymode X	Completed	Over
6	Contractor Monitoring – Administration Building	Completed	Under
7	Turner-Flatiron Insurance	Completed	Over
8	Tenant Lease Admin. & Management – FY 2024 Rental Car Companies <sup>9</sup>	In Progress	
9	Tenant Lease Admin. & Management - In Terminal Concessionaire Compliance	Completed	Under
10	Tenant Lease Admin. & Management – ABRM Internal Controls <sup>9</sup>	Not Started	
11	Account Provisioning / Deprovisioning	In Progress	
12	Tenant Lease Admin. & Management – Budget	Completed	Under
13	Tenant Lease Admin. & Management – Fast Track	Completed	Under
14	Small Business Management	In Progress	
15	Tenant Lease Admin. & Management – Fox Rent a Car	Completed	Under
16	Tenant Lease Admin. & Management – High Flying Foods Package 7	In Progress	
17	Tenant Lease Admin. & Management – 2% Surcharge	Completed	Under
<b>Consulting</b>			
18	Harbor Police Contract Management	Completed	Under
<b>General Audit</b>			
19	Risk Assessment & Audit Plan	Completed	
20	Construction Meeting Attendance & Coordination	Completed	
21	Information Technology Meeting Attendance	Completed	
22	Development of Data Analytics	Completed	
23	Fraud, Waste, Abuse, and Ethics Program	Completed	
24	Recommendation Follow-up	Completed	
25	Quality Assurance & Improvement Program	Completed	
<b>Administrative</b>			
26	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	Completed	
27	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	Completed	

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

## Appendix B – Disclosures

---

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

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

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

#### Purpose

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

#### Authority

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

#### Responsibility

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

### **Organizational Independence**

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

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

### Impairments to Independence or Objectivity

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

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

### Disclosure of Nonconformance

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

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

### Resolution of Management's Acceptance of Risks

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

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

### Use of Report

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

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

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



### Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
Completed						
24-18	Audit Report 24011 Issued: May 22, 2024 Title: Fox Rent A Car, Inc.  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should communicate with Fox how to correctly calculate concession fees and classify Airport versus Non-Airport Customers.	7/15/2024	6/30/2024	RG&PD and OCA met with Fox to discuss audit findings and Non-Airport customers.
24-01	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should request the Accounting Department to issue an invoice to Fasttrack in the amount of \$228,901 for the underpayment of concession fees during the audit period.	12/19/2023	6/30/2024	Invoice issued in the amount of \$228,901 and Fasttrack has not paid. Termination letter sent 8/1/24 with termination date 8/15/24.
24-17	Audit Report 24011 Issued: May 22, 2024 Title: Fox Rent A Car, Inc.  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should request the Accounting Department to issue an invoice to Fox in the amount of \$174,782 for the underpayment of concession fees.	7/15/2024	6/30/2024	Invoice issued in the amount of \$174,782 for underpayment of concession fees.

### Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
Completed						
22-10	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority staff should cleanup E1 Plat Management and GIS Space Manager for mismatched or incorrect data and perform regular maintenance, review, and reconciliation of the data between E1 Plat Management and GIS Space Manager.	1/2/2023	6/30/2024	MAG adjustments completed on 6/30/24. Amendments to correct SF were executed by 1/31/24.
24-02	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should consider charging Fasttrack interest, and the full cost of conducting the audit, in the amounts of \$27,224, and \$34,220, respectively.	12/19/2023	6/30/2024	Invoices issued in the amounts of \$27,224 and \$34,220. Tenant has not paid. Second Termination letter sent 8/1/24 with termination date 8/15/24.
24-19	Audit Report 24011 Issued: May 22, 2024 Title: Fox Rent A Car, Inc.  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request the Accounting Department to issue an invoice to Fox in the amount of \$21,429 for the underpayment of CFCs during the audit period.	7/15/2024	6/30/2024	Invoice issued in the amount of \$21,429 for underpayment of CFCs.

### Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
Completed						
24-21	Audit Report 24011 Issued: May 22, 2024 Title: Fox Rent A Car, Inc.  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should consider charging Fox interest, and the full cost of conducting the audit, in the amounts of \$47,955, and \$60,336 respectively.	7/15/2024	6/30/2024	Invoices issued in the amounts of \$47,955 and \$60,336.
24-22	Audit Report 23001 Issued: June 17, 2024 Title: Car Rental Companies - Fiscal Year 2023  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should evaluate the data provided by the OCA, and collaborate with the OCA, to determine if any other Agreement requirements should be included in the proposed audit scope for Hertz.	6/30/2024	6/30/2024	RG&PD has no additional Tenants or requirements that we feel need to be audited.
23-31	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should determine the most appropriate way to receive the overbilling of \$752 for the unapproved rates.	1/5/2024	6/30/2024	Paid by the JV within Pay App #43.

### Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
Completed						
24-03	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should communicate with Fasttrack the accounts that are considered concessionable and non-concessionable per the Concession Agreement.	12/19/2023	4/30/2024	RG&PD and OCA communicated via a series of meetings the concessionable and non-concessionable accounts to tenant.
24-04	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request the Accounting Department to issue a credit to Fasttrack in the amount of \$11,884 for the overpayment of TFCs during the audit period.	12/19/2023	4/30/2024	Credit issued in the amount of \$11,884 and applied to FT account.



### Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
Completed						
24-05	Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request Fasttrack to refund car rental customers \$50,957 for the over collection of TFCs.	12/19/2023	4/30/2024	Request issued to FastTrack to refund customers.
24-14	Audit Report 24004 Issued: April 30, 2024 Title: In-Terminal Concession Lease Compliance  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	We recommend that RG&PD review the Annual Pricing Submittals and/or Market Basket surveys with adequate frequency to ensure that Terminal pricing is consistent with "Street Pricing" standards.	9/1/2024	6/30/2024	RGPD has a procedure in place for annual pricing submittals to be remit by March 1 of every year at a minimum. All retail pricing submittals for 2023 and 2024 have been received and reviewed; only 1 tenant is undergoing final confirmation. RGPD is in the initial stages of developing a Quality Assurance Program intended be in place concurrent with New T1 opening.

### Appendix C - Status of Recommendations

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

### Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
Completed						
24-06	<p>Audit Report 24003 Issued: November 29, 2023 Title: Fasttrack Rent A Car, Inc. dba Nu Car Rentals</p> <p>Department: REVENUE GENERATION &amp; PARTNERSHIP DEVELOPMENT</p>	Low	RG&PD, in addition to monitoring Fasttrack's compliance with the requirements of the Concession Agreement, should review the security deposit adjustment.	12/19/2023	4/30/2024	LOC (security deposit) amount reviewed per agreement. RG&PD has requested a new LOC multiple times in writing and has not received it. Second Termination letter sent 8/1/24 with termination date 8/15/24.

## Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
In Progress						
22-33	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase  Department: AIRPORT DESIGN & CONSTRUCTION	High	We recommend that ADC notify the JV of the \$4,814 overcharge for holiday and paid time-off for the JV staff and the \$12,917 overcharge for the consultants to determine the most appropriate method to receive the total incorrectly billed to the Authority.	10/1/2023	8/30/2024	JV to process credit of \$4,216.00 (the remaining unpaid and/or unsupported charges) in the July 2024 pay app.
24-09	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance  Department: AIRPORT DESIGN & CONSTRUCTION	High	ADC should work with the JV, and General Counsel if appropriate, to determine the most appropriate way to receive reimbursement of the \$1,290,000.	9/30/2024	12/31/2024	ADC has met with the JV to discuss the issue identified. Staff will continue to work with the JV to resolve the matter.
24-11	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance  Department: AIRPORT DESIGN & CONSTRUCTION	High	ADC should work with the JV to determine the most appropriate way to receive the credits of \$144,915 for the unapproved administrative fees and \$847,195 for the duplicate coverage.	9/30/2024	12/31/2024	ADC has met with the JV to discuss the issue identified. Staff will continue to work with the JV to resolve the matter.

## Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
In Progress						
22-11	<p>Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management</p> <p>Department: REVENUE GENERATION &amp; PARTNERSHIP DEVELOPMENT</p>	Medium	Authority Management should perform a physical inventory of plats throughout Terminal 2, and the New Terminal 1 when completed, to ensure that the reported attributes of space in the E1 Plat Management and GIS Space Manager reports reflect the physical space in the terminals. Any discrepancies should be timely corrected. Additionally, the written procedures referred to in Recommendation #22-8 should include a procedure for the periodic physical inventory of plats in Terminals 1 and 2.	12/1/2022	11/30/2024	This work is ongoing with the implementation of ABRM which should be completed by November of 2024.
24-12	<p>Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance</p> <p>Department: AIRPORT DESIGN &amp; CONSTRUCTION</p>	Medium	ADC should ensure the JV provides adequate documentation prior to paying costs billed.	9/30/2024	12/31/2024	ADC has met with the JV to discuss the issue identified. Staff will continue to work with the JV to resolve the matter.
23-28	<p>Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing</p> <p>Department: AIRPORT DESIGN &amp; CONSTRUCTION</p>	Medium	We recommend that ADC notify the JV of the overcharge of \$2,594 for holiday time for the JV staff. Additionally, we recommend ADC request all holiday policies, and other records as necessary, from each consultant listed above with the total of \$4,475 to determine if the Authority's approved labor billing rates already included holiday pay and are duplications. Reimbursement should be requested for duplicate costs.	1/5/2024	8/30/2024	JV to process credit of \$1,414.64 (the remaining unpaid and/or unsupported charges) in the July 2024 pay app.

## Appendix C - Status of Recommendations

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



### Appendix C - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2024
In Progress						
24-10	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance  Department: AIRPORT DESIGN & CONSTRUCTION	Low	We recommend ADC seek reimbursement for the audit costs in the amount of \$82,413 from the JV.	4/30/2024	12/31/2024	ADC has met with the JV to discuss the issue identified. Staff will continue to work with the JV to resolve the matter.