

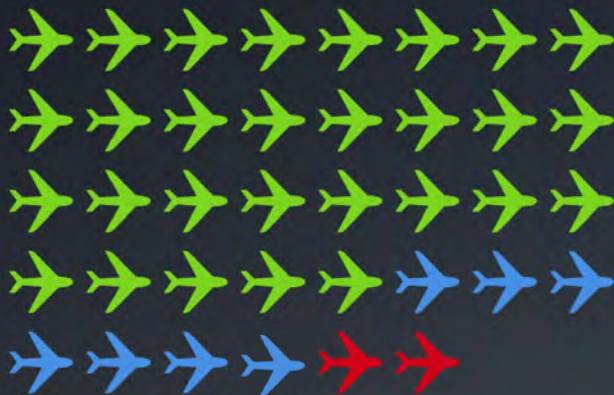
Office of the Chief Auditor

Fiscal Year 2019 Annual Report

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

FY 2019 Audit Plan Progress

FY 2019 Audit Plan Status



■ Completed (76%) ■ In Progress (19%)
■ Not Started (5%)

Audit Plan Completed vs Goal



FY 19 Audit Activities - By the Numbers

35

Recommendations

100%

Recommendations
Accepted

\$2.9M

Revenue/Savings
Identified

4.6

Customer
Satisfaction Rating
(Out of 5)

65%

Auditor Utilization
Percentage

45%

Audits Completed
within Budget

powered by

 PIKTOCHART



August 26, 2019

Paul Robinson, Chair
Audit Committee
San Diego County Regional Airport Authority
P.O. Box 82776
San Diego, California 92138-2776

Dear Mr. Robinson:

Subject: Fiscal Year 2019 Annual Report

The Office of the Chief Auditor (OCA) presents our Annual Report for Fiscal Year 2019. The report details the activities of the OCA and the results of the Quality Assurance and Improvement Program.

Fiscal Year 2019 was a productive year for the OCA that included the completion of 29 audits and projects, the continued monitoring of construction activities, and the management of the Airport Authority's Ethics Program.

The OCA continues to aspire to be an effective diligent contributor to the optimization of the San Diego County Regional Airport Authority.

Respectfully submitted,

Lee Parravano
Chief Auditor

LP/SE/sro

Attachment

cc: SDCRAA Audit Committee
SDCRAA Board Members
Kimberly J. Becker, President/Chief Executive Officer
Amy Gonzalez, General Counsel
Scott Brickner, Vice President/Treasurer & Chief Financial Officer
Domenico D'Ambrosio, Vice President & Chief Revenue Officer
Dennis Probst, Vice President & Chief Development Officer
Angela Shafer-Payne, Vice President & Chief Operating Officer
Matt Harris, Director, Government Relations



Fiscal Year 2019

ANNUAL REPORT

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Issue Date: August 26, 2019

OFFICE OF THE CHIEF AUDITOR

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Audit Activities

Summary

The Office of the Chief Auditor's (OCA) Fiscal Year 2019 Audit Plan contained four (4) categories of audits: 1) Business Process Audits, 2) Expense Contract Audits, 3) Revenue Contract Audits, and 4) Annual Ongoing Audit Activities and Support. The Fiscal Year 2019 Audit Plan (see Appendix A) included a total of 38 audit activities: 36 planned audits and two (2) support duties consisting of managing the Ethics Program and monitoring Construction Activity at the San Diego International Airport.

In total, during Fiscal Year 2019, the OCA completed 29 audits and issued 35 recommendations. Additionally, the OCA had numerous audits that were nearing completion at the end of the fourth quarter, including two (2) draft audit reports sent to Authority management for review and comment, or that the OCA had completed fieldwork and the audit report was in draft form.

Although the OCA tried to maintain a steady pace of activity, we did not fully complete all planned audits for the fiscal year. Specifically, as of June 30, 2019, there were nine (9) planned audits that were not completed; seven (7) of which were in progress and two (2) had not been started. The OCA is carrying these nine (9) audits forward to the Fiscal Year 2020 Audit Plan.¹ Below are highlights from the OCA audits completed during Fiscal Year 2019.

Business Process Audits

The OCA issued three (3) business process audit reports during this fiscal year. This category included audits where the OCA reviews the operations of an entire Authority department, as well as conducts examinations of selected processes or projects that may span multiple Authority functions. Of particular note, the Concession Cost Recovery Program audit, report #18002, recommended that management develop a process to split the monthly trash removal services between the concessionaires in the terminals and the Authority; as the concessionaires did not pay for trash removal previously. This is estimated to save the Authority \$59,849, annually.

Expense Contract Audits

This category includes audits of consulting, service, and construction contracts. During Fiscal Year 2019, the OCA completed eight (8) expenditure contract audits. The OCA ensures that expenditure contracts adhere to Authority policies, follow industry best practices, and that internal controls are established and working properly. Generally, these audits examine the procurement process for the contracts, contract monitoring, and expenditures resulting from the contracted activities. Of note, the OCA completed an audit of Turner - PCL A Joint Venture, report #19012, which contained three (3) recommendations. Those recommendations were designed to enhance the management of Disadvantaged Business Enterprises and Small Business Enterprises.



¹ Subject to amendment.

Revenue Contract Audits

This category includes audits of entities that provide some form of revenue to the Authority, with the OCA completing a total of nine (9) revenue audits for the fiscal year. Revenue audits include reviews of airline services, car rental agencies, and concessions. Six (6) revenue contract audits completed this fiscal year identified underpayments to the Authority, and as a result, we recommended that the Authority collect \$430,697.

Annual Ongoing Audit Activities and Support

This category includes audit activities required in either the Authority's Policies/Codes or have been requested to be included in the Audit Plan by management or a member of the Board/Audit Committee. During Fiscal Year 2019, the OCA completed nine (9) ongoing audit activities that identified \$162,739 in savings to the Authority. Annual Ongoing Audit Activities and Support include examinations of San Diego Unified Port District billings for Harbor Police, aircraft rescue and firefighting billings, and the Authority's Procurement Card Program. In addition, the Ongoing Audit Activities included management of the Ethics Program and construction monitoring, which are detailed below.

Construction Activities

Throughout Fiscal Year 2019, the OCA continued monitoring the Authority's construction activity. The OCA Construction Auditor attended payment application meetings with Turner-PCL, A Joint Venture, and Sundt Construction, Inc., to maintain an understanding of the processes and internal controls over payments for the Federal Inspection Service Facility (FIS) and the Airport Support Facilities (ASF). The knowledge and understanding of the internal controls in place over the construction activities and the payment approval processes gained at these meetings will assist the OCA team in the Fiscal Year 2020 audit of Phase 2 of the FIS project and potential future audits of the ASF project.



Ethics Program Activities

The OCA continues to run the Authority Ethics Program and confidential hotline system. During Fiscal Year 2019, one (1) reported item warranted further investigation into a potential Ethics code violation; no fraud or code violation was found. The Ethics Officer continues to receive, and respond to, numerous employee-related concerns. The main area that continues to surface is workplace practices and behavior. See Appendix C, Ethics Hotline Call Summary, for a summary of reports received during Fiscal Year 2019.

A new ethics training program, concentrating on conflicts of interest, was presented to the Authority's employees over sixteen (16) sessions in the third and fourth quarters of Fiscal Year 2019. A total of three hundred seventy-one (371) employees received the training. Five (5) ethics questions regarding the potential ethics code violations and conflicts of interest were received by the Ethics Officer in the last quarter of Fiscal Year 2019. One (1) question regarding the ethics code was received in Fiscal Year 2019 prior to the training.

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 internal (self) assessments and external assessments.

- External assessments, known as a Quality Assessment Review (QAR), or peer review, must be conducted at least once every five (5) years by an independent assessor or 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 assessments are 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 E.

External Assessment - Quality Assessment Review

In order to fully comply with the *Standards*, the OCA requested that a peer review by the Association of Local Government Auditors (ALGA) be completed for the five (5) year period from July 1, 2013, through June 30, 2018. The peer review of the OCA was performed in April 2019, and results were 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.

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 noted.



Internal Assessment - On-Going Monitoring

In July 2019, the OCA conducted an assessment of its audit activities and operations, as required by the *Standards* for on-going monitoring. The results of our assessment of the 2019 Fiscal Year are provided below.

Scope and Objectives of On-Going Monitoring

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

1. Performance Measures
2. General Audit Practices
3. Engagement Planning and Supervision
4. Standard Working Practices
5. Work paper Reviews and Sign-offs
6. Report Reviews
7. Feedback from Audit Clients
8. Prior Recommendations

Results of On-Going Monitoring

There are numerous processes in place to ensure that quality is consistently delivered on each audit engagement. There were no items identified that would impact audit report quality. However, we did identify some administrative items to improve our audit process and documentation. Detailed information on performance measures and recommendations identified by the OCA are provided below.

Performance Measures

Each fiscal year the OCA develops and tracks performance measures to gauge the progress and success of the OCA. For Fiscal Year 2019, the OCA tracked seven (7) separate measures that could be used to evaluate OCA performance. The Fiscal Year-end status is presented in Table 1 below, benchmarked against the Association of Local Government Auditors (ALGA) 2016 Survey results.

Table 1: Status of Performance Measures as of June 30, 2019

Performance Measure	Goal	Actual	Benchmark
Percentage of the Audit Plan Completed Annually	80%	76%	64%
Percentage of Audits Completed within Budgeted Time	80%	45%	67%
Customer Satisfaction Rating	4.0	4.6	n/a
Percentage of Audit Recommendations Accepted	95%	100%	92%
Percentage of Staff Meeting Education Requirements	100%	100%	n/a
Revenue/Cost Savings Identified	n/a	\$2,891,102	n/a
Percentage of Staff Time Spent on Audit Activities	70%	65% / 71% including /excluding Chief Auditor	68% ²

² Some audit shops track the Chief Auditor's time, while others do not. The Benchmark may include audit shops that track time and others that do not.

The Performance Measure results for Fiscal Year 2019 are detailed below. See Appendix D for a detailed listing of the OCA Performance Measures for the past five (5) fiscal years.

Percentage of the Audit Plan Completed Annually:

For the year, the OCA completed 76% of the Fiscal Year 2019 Audit Plan. The status of each audit is included in Appendix A. Additionally, seven (7) audits were in progress as of June 30, 2019.³

Percentage of Audits Completed within Budgeted Time:

This category monitors the efficiency of audit staff in performing audits. Specifically, audit staff is responsible for the internally prepared budget of audit hours for each project. In Fiscal Year 2019, the OCA completed 45% of its audits within the budgeted time, which is below the OCAs goal. During the year we encountered numerous projects that were more complicated than originally forecasted in allocated audit hours. Although 55% of audit activities were over budget, 27 of the 35 total recommendations issued during Fiscal Year 2019 were a result of these audit activities. The 35 recommendation issued in Fiscal Year 2019 exceeded the prior four year average of 22 recommendations per year. Additionally, there were five (5) audits, or 17% of the Audit Plan, that were only marginally over the budgeted time.⁴

Customer Satisfaction Rating:

Post audit surveys are sent to auditees after the completion of an engagement to obtain customer satisfaction data. The OCA received an aggregate score of 4.6, exceeding the goal of 4.0.

Percentage of Audit 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 2019, management accepted 100% of all audit recommendations.

Percentage of Staff Meeting Education Requirements:

During the year, 100% of staff met their education requirements. Additionally, the OCA began a tracking system to administer all continuing educational requirements.

Additional Revenue/Cost Savings Identified through Audit Activities:

While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. For the fiscal year, the OCA identified \$2,891,102⁵ in cost savings/additional revenues.



Percentage of Staff Time Spent on Audit Activities:

This measure helps ensure that the OCA spends an adequate amount of time on audit activities rather than administrative activities. The OCAs goal for Fiscal year 2019 was 70%. The OCA actually spent 65% of time on audit activities, which includes the Chief Auditor's time (71% excluding the Chief Auditor's time). The Chief Auditor began tracking his time in Fiscal Year 2019.

³ However, an alternative method for calculating the percentage of the Audit Plan completed, using total hours expended and total audit hours budgeted to complete the Audit Plan, results in a completion percentage of 83% through June 30, 2019. Specifically, the OCA expended 8,107 hours through June 30, 2019, on audit projects, and estimates 9,714 total audit hours will be needed to complete the FY19 Audit Plan ($8,107 / 9,714 = 83\%$). This alternate methodology takes into consideration audits in progress, but not yet completed.

⁴ These five (5) audits were over budget by an average of 26 hours.

⁵ \$2,891,102 is comprised of \$658,762 from Audit work as detailed in Appendix A and other work of \$2,232,340 related to the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust of 2013.

QAIP Recommendations Identified

As noted above, there were no items identified that would impact audit report quality. However, we did identify some administrative items for improvement as a result of the assessment.

1. Currently, the Audit Committee Charter and Authority Policy are silent on the number of terms that a Public Member of the Audit Committee may serve. The Audit Committee should consider recommending to the Authority Board amending Authority Policy 1.50 to include term limits for Public Members.
2. The OCA utilizes a Risk and Control Matrix on each audit engagement to link identified risks with a planned audit test step. The Risk and Control Matrix documentation could be improved by including the audit objective, budgeted audit hours, and scope on the workpaper.
3. During the audit process, the OCA may identify new risks or change existing audit procedures. Changes to risks or audit procedures are documented in the Risk and Control Matrix. Documentation of changes to the Risk and Control Matrix could be improved by retaining all versions of the Risk and Control Matrix in the electronic workpaper software utilized by the OCA.
4. The OCA is required to plan all audit engagements so that the staff assigned have the appropriate level of knowledge, skills, and experience needed to achieve the audit objectives. The OCA currently performs this; however, including staff's qualifications and experience as part of the electronic work paper files would improve audit documentation.
5. The OCA utilizes a Quality Assurance (QA) questionnaire for each audit to ensure each audit complies with the IIAs *Standards*. However, the IIA has published a new QA questionnaire, which should be utilized by OCA for future audit engagements.
6. Post audit surveys are sent to auditees after the completion of each engagement to obtain customer satisfaction data. Currently, several years of survey results are saved in one electronic workpaper. Documentation could be improved by separating and saving survey results by fiscal year.

OCA Response

As each of these items was identified through the ongoing monitoring process, we are able to immediately address and correct issues. The OCA will implement recommendations two (2) through six (6) in Fiscal Year 2020. Recommendation one (1) will be provided to the Audit Committee for consideration at its September 9, 2019, meeting.

General Audit Activities

The OCA has general audit activities that encompass essential work areas; a sampling of which are described below.

Audit Recommendation Follow up

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

The OCA issued a total of 35 recommendations in Fiscal Year 2019. In addition to the recommendations issued in Fiscal Year 2019, the OCA continues tracking the status of any open recommendations issued in prior fiscal years. Appendix B contains a current status on recommendations completed or in progress during the 4th quarter of Fiscal Year 2019. The Audit Committee is updated quarterly on the status of recommendations. Recommendations issued in prior quarters, which have been remediated by management, were presented to the Audit Committee on November 5, 2018, February 11, 2019, and May 13, 2019.

Table 2 below shows the status of recommendations that were *Completed* or *In Progress* during the 4th quarter of Fiscal Year 2019, along with the estimated/actual implementation timeframe based on the audit report issue date.

Table 2: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
Completed	10	4	2	16
In Progress	10	5	-	15

Audit Committee Support

During Fiscal Year 2019, the Audit Committee met six (6) times, which occurred on:

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

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

Charter Review

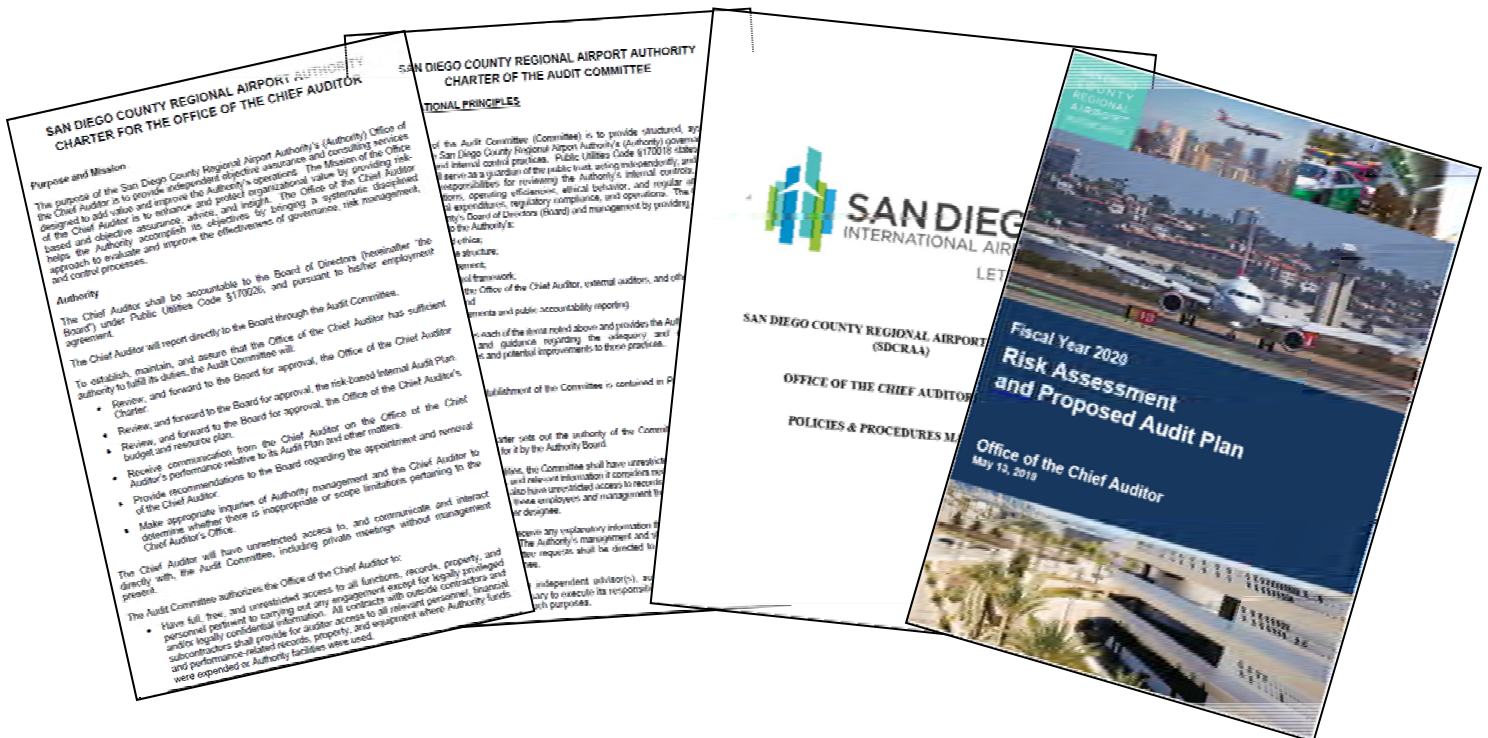
In Fiscal Year 2019, the OCA performed a thorough review of the OCA Charter and Charter of the Audit Committee. Revisions were provided to incorporate relevant sections of the Public Utilities Code, model Charter practices, and to reflect current operational practices.

Risk Assessment and Audit Plan Process

The OCA is required to submit a risk-based internal Audit Plan to the Audit Committee annually. The new Fiscal Year 2020 Risk Assessment and Audit Plan process included input from the Board, Audit Committee, Authority management, and staff. 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. In total, 217 Key Work Activities were identified and included in the Risk Assessment. The resulting Fiscal Year 2020 Audit Plan was developed based on the results of the Risk Assessment and discussions with key stakeholders. The Fiscal Year 2020 Risk Assessment and Audit Plan was submitted to the Audit Committee on May 13, 2019.

Improvements to OCAs Policies and Procedures Manual

The OCA Policies and Procedures manual is designed to be utilized by staff to conduct audit and consulting engagements. Additionally, IIA *Standards* require the OCA to have current Policies and Procedures. In September 2018, the OCA updated all Policies and Procedures to align with the *Standards*.



Administrative

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

Qualifications and Training

Proficiency and due care for the OCA are the responsibility of the Chief Auditor. Cumulatively, the OCA has over 96 years of auditing experience. 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)

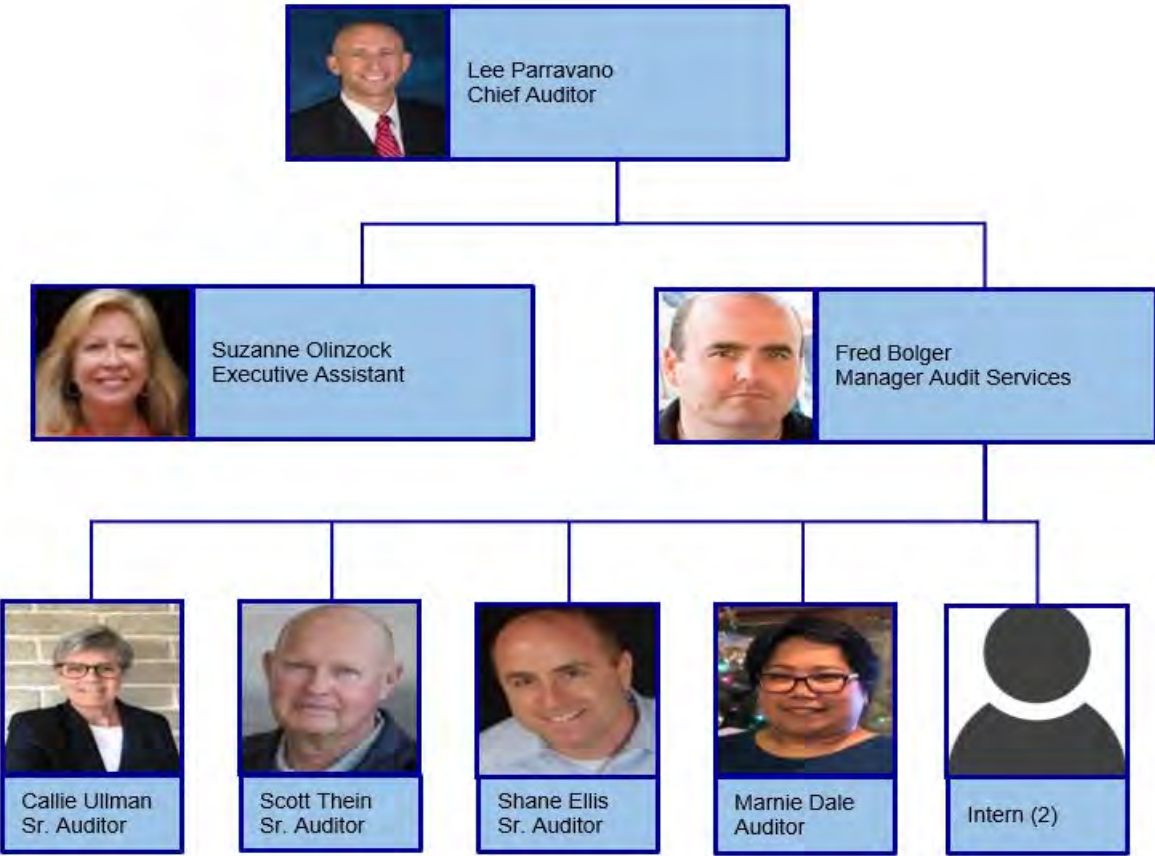


Each of these certifications requires that the holder complete a specified number of hours of Continuing Professional Education (CPE). As noted above, all CPE requirements were met for all OCA staff during calendar year 2018.⁶

⁶ 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.

Organization Chart

As of June 30, 2019, the OCA organizational structure was as follows.



Interns

During Fiscal Year 2019, the OCA continued to use graduate level interns to augment staff. At the close of the fiscal year the two (2) intern positions were open. Candidates have since been interviewed, offers were extended to two candidates, and we anticipate those positions will again be filled in the fall of 2019.

Appendix A – Fiscal Year 2019 Audit Plan

#	Audit	Status at 6/30/19	Over/Under Budget	No. of Recom.	Revenue / Cost Savings Identified
BUSINESS PROCESS AUDITS					
1	Owner-Controlled Insurance Program (OCIP) Mgmt.	Not Started	N/A	N/A	N/A
2	Other Post-Employment Benefits (OPEB)	Not Started	N/A	N/A	N/A
3	Tuition Reimbursement Program	Completed	Under	-	-
4	Art Program	In Progress	N/A	N/A	N/A
5	Capital and Maintenance Project Selection and Planning	In Progress	N/A	N/A	N/A
6	Information Technology Acquisition and Implementation	In Progress	N/A	N/A	N/A
7	Asset Management	Completed	Over	-	-
8	Concession Cost Recovery	Completed	Over	3	\$59,849 ⁷
9	Small Business Development	In Progress	N/A	N/A	N/A
EXPENSE CONTRACT AUDITS					
7	Turner – PCL A Joint Venture	Completed	Under	3	-
8	M.W. Vasquez Construction Company, Inc.	Completed	Under	-	-
9	Granite Construction Company	Completed	Over	-	-
10	Fordyce Construction, Inc.	Completed	Over	-	-
11	Ricondo and Associates	Completed	Over	1	-
12	Ueberall International, LLC	Completed	Over	1	-
13	Ace Parking	Completed	Over	4	5,477
14	Haley & Aldrich	Completed	Over	-	-
15	Leigh Fisher	In Progress	N/A	N/A	N/A
REVENUE CONTRACT AUDITS					
16	Enterprise Rent A Car Company	Completed	Over	-	-
17	Avis Rent A Car System	Completed	Under	2	13,187
18	Fox Rent A Car	Completed	Over	3	58,016
19	Pneuma Enterprises Inc.	Completed	Under	1	38,177
20	Ace Parking	Completed	Over	1	53,740
21	JCDecaux, Inc.	Completed	Under	2	-
22	New Zoom Inc. (RP 6)	Completed	Over	1	-
23	Payless Rent A Car	Completed	Over	6	198,036
24	Signature Flight Support	Completed	Over	3	69,541
ANNUAL ONGOING AUDIT ACTIVITIES AND SUPPORT					
28	Aircraft Rescue and Fire Fighting - Training	Completed	Under	-	-
29	Rental Car Center Fund Review FY 2019	Completed	Under	-	-
30	Rental Car Center Fund Review FY 2018	Completed	Under	-	-
31	Transportation Network Co. Reviews and Assistance	In Progress	N/A	N/A	N/A
32	ALPR System – Ace Parking	In Progress	N/A	N/A	N/A
33	San Diego Unified Port District Billing FY 2017	Completed	Over	4	162,739
34	Procurement Card	Completed	Over	-	-
35	Emergency Medical Technician - Paramedic	Completed	Under	-	-
36	San Diego Port District Billings - Training	Completed	Under	-	-
37	Ethics	Completed	Under	-	-
38	Construction	Completed	Under	-	-
Totals					
				35	\$658,762

⁷ Amount was unknown when report was issued and was not included in prior quarterly activity reports. Amount is estimated to be the additional annual trash removal services that will be billed to concessionaires.

Appendix B – Status of OCA Recommendations

The following implementation report contains the status of recommendations from OCA audits that were deemed completed or remained unresolved as of the 4th Quarter of Fiscal Year 2019. 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.

Within this report, the recommendations are classified in the following ways:

Completed: This designation is used for recommendations that the OCA has determined to be adequately implemented or for recommendations where alternate action is taken that adequately addresses the risk identified.

In Progress: These recommendations have been partially addressed or partial corrective action has been taken. This category also includes when there has not been adequate time between report issuance and recommendation follow-up. If adequate progress is not being made, it will be noted as such.

Not Accepted: This designation is used for recommendations that an auditee does not accept; and, therefore, will not implement. This category can represent a failing on the part of the OCA, as all recommendations should be workable and acceptable to the affected departments.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019
Completed					
18-10	Audit Report 18013 Issued: February 28, 2018 Title: Chula Vista Electric Company Department: FACILITIES MANAGEMENT	Medium	Facilities Management Department (FMD) should request that the Accounting Department bill Chula Vista Electric Company (CVEC) \$42,510 for reimbursement of expenses not allowed by the contract. Additionally, FMD should take steps to ensure that disallowed fees and expenses are not included in future payments to CVEC.	6/30/2018	A Settlement Agreement between SDCRAA and CVEC was fully executed May 1, 2019. The Accounting Department received the settlement payment on May 3, 2019.
18-12	Audit Report 18013 Issued: February 28, 2018 Title: Chula Vista Electric Company Department: FACILITIES MANAGEMENT	Medium	Facilities Management Department (FMD) should request that Chula Vista Electric Company (CVEC) provide supporting documentation for the \$416,556 in expenses billed and paid. When these documents are provided, FMD should review and verify that the expenses are justified.	7/31/2018	A Settlement Agreement between SDCRAA and CVEC was fully executed May 1, 2019. The Accounting Department received the settlement payment on May 3, 2019.
19-02	Audit Report 18020 Issued: July 30, 2018 Title: Signature Flight Support Department: BUSINESS AND FINANCIAL MANAGEMENT	Medium	Business Management should work with Signature Management to ensure that the future Gateway Program investments are made in accordance with the Lease, or amend the Lease as needed.	3/31/2019	The GM of Signature stated that they will enter into the contract by 7/31/19 and the work will be performed by Sept 2019. The Authority will be refunding to Signature Flight Support \$106,440.22 from periods 3, 4 and 5.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019
Completed					
19-04	<p>Audit Report 19012 Issued: Nov. 27, 2018 Title: Turner-PCL, A Joint Venture</p> <p>Department: AIRPORT DESIGN AND CONSTRUCTION</p>	Medium	Airport Design and Construction should ensure that procedures are in place to verify that contractors obtain Disadvantaged Business Enterprise (DBE) certifications for all DBE subcontractors prior to their start of work.	6/1/2019	<p>Prior to award of any design-build subcontract(s), the Contractor shall provide the Authority's Small Business Department with proof of the Disadvantaged Business (DBE), Small Business (SBE), Local Business, and Veteran-Owned Small Business (VOSB) certifications, and other similar designations as may be requested by the Airport Authority, for that subcontractor and its tier subcontractors. Prior to the start of work on that subcontract, the Authority's Small Business Development Department will perform random spot checks to verify that the provided certifications comply with the requirements of Board Policy 5.12. If any such tier subs are added to that subcontract after the initial award, prior to the start of work the Contractor will provide proof of their certifications to the Authority's Small Business Development Department. The Authority's Small Business Department will perform random spot checks to verify that the provided certifications comply with the requirements of Board Policy 5.12. ADC will ensure that these terms are incorporated into future design-build agreements and Outreach Implementation Plans.</p>

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019
Completed					
19-05	Audit Report 19012 Issued: Nov. 27, 2018 Title: Turner-PCL, A Joint Venture Department: AIRPORT DESIGN AND CONSTRUCTION	Medium	Airport Design and Construction should ensure that all Small Business Enterprises (SBE) reported as working on the Federal Inspection Services (FIS) project meet the definition of a small business per Authority policy.	6/1/2019	See response to 19-04, above.
19-06	Audit Report 19012 Issued: Nov. 27, 2018 Title: Turner-PCL, A Joint Venture Department: AIRPORT DESIGN AND CONSTRUCTION	Medium	Airport Design and Construction should ensure that Turner-PCL provides accurate reporting of amounts paid in the "Small-DBE Tracker" report, supported by documentation of the amounts reported in their financial system, and a reconciliation to the amounts paid per the schedule of values.	6/1/2019	The Contractor shall use a software program that is maintained by the Authority's Small Business Development Department to submit monthly reports, including a detailed accounting of the value of work performed to date by certified Disadvantaged Business Enterprises (DBEs), Small Business Enterprises (SBEs), Veteran Owned Small Businesses (VOSBs), and other similar designations as may be requested by the Airport Authority. This accounting shall include the names, addresses, description of work, the value of work performed during the preceding month, and the total value of the work performed under the Contract by each of the DBE, SBE, Local, or VOSB firms. The Authority's Small Business Development Department will perform random spot checks on the data provided by the Contractor. ADC will ensure that these terms are incorporated into future design-build agreements and Outreach Implementation Plans.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019
Completed					
19-08	Audit Report 18017 Issued: Dec. 14, 2018 Title: Nevada Lease and Rentals, Inc. dba Payless Car Rental System Department: REVENUE MANAGEMENT	Medium	The Revenue Management Department should consider charging Nevada interest for the underpayment of concession fees and for the full cost of the audit in the amount of \$31,052 and \$56,050, respectively.	5/31/2019	An agreement was reached between the Authority and Payless.
19-14	Audit Report 18038 Issued: Feb. 26, 2019 Title: San Diego Unified Port District Harbor Police Billings - FY2017 Department: AVIATION SECURITY AND PUBLIC SAFETY (AVSEC) and ACCOUNTING DEPARTMENT	Medium	We recommend that AVSEC and the Accounting Department notify Port staff concerning the Fiscal Year 2017 under-billing for HPD services and determine the most appropriate method for the Authority to remit the additional \$770,326 owed to the Port. In addition, AVSEC and Accounting should request that the Port provide frequent updates on any notable expense variance on all actual and estimated billings that may/will affect the Authority's share of HPD costs, to avoid significant year-end adjustments.	6/30/2019	The Authority reimbursed the Port \$770,326 on April 9, 2019.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019
Completed					
19-18	Audit Report 18010R Issued: March 11, 2019 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Agreements, and Ground Transportation's Administration of the Parking Card Program Department: GROUND TRANSPORTATION (GT)	Medium	We recommend that GT strengthen its agreement management and invoice review process to ensure that only allowable expenses under the Parking Management and the Shuttle Agreements are paid.	3/29/2019	GT has strengthened its contract oversight process for both the Parking and Shuttle contracts, and has made improvements to the tools used for tracking compliance and internal controls. Specifically, GT has developed a set of contract management guidelines, schedule of deliverables, an updated financial tracking tool, checklist of required contract activities, and a contract abstract to assist in managing the agreement. Invoice review procedures have also been updated with an invoice review process checklist which has been implemented. GT has also detailed the process to be utilized by the contractor in reporting financial summaries to match contract budget categories.
19-22	Audit Report 18002 Issued: March 8, 2019 Title: Concession Cost Recovery Program Department: REVENUE GENERATION & MANAGEMENT (RGM)	Medium	RGM should determine an equitable percentage split of the monthly trash removal service fees between concessionaire and Authority generated trash, in order to charge concessionaires their portion of the monthly trash removal service fees under the Cost Recovery Program.	10/31/2019	The Authority will now bill concessionaires a share of trash hauling services (85% F&B and 15% retail).
19-23	Audit Report 18002 Issued: March 8, 2019 Title: Concession Cost Recovery Program Department: REVENUE GENERATION & MANAGEMENT (RGM)	Medium	RGM should obtain work order data from Facilities Management Department, on a monthly basis, in order to accurately charge Common Area Maintenance (CAM) service fees to the concessionaires operating in the food court areas.	10/31/2019	Worked with FMD to develop a billing system for CAM labor and materials.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019
Completed					
19-25	Audit Report 19018 Issued: March 22, 2019 Title: JCDecaux Airport, Inc. Department: REVENUE GENERATION & BUSINESS DEVELOPMENT	Medium	Revenue Generation & Business Development should develop a procedure for maintaining the advertising contracts with the related ad copy submitted by the advertising concessionaire. These documents should be used to verify both the advertisements that are running in the terminal during the contract periods and the sales reported monthly by the concessionaire.	3/1/2019	Staff implemented a once a month monitoring system that accomplishes the two recommendations.
19-26	Audit Report 19018 Issued: March 22, 2019 Title: JCDecaux Airport, Inc. Department: REVENUE GENERATION & BUSINESS DEVELOPMENT	Medium	Revenue Generation & Business Development should require the concessionaire to submit the Rate Cards, as required by the Concession Agreement, and compare the rates charged on the advertising contracts submitted to the current Rate Card on file for reasonableness.	12/1/2018	The JCD contract terminated 10/31/18. The new in-terminal advertising Lease is with Clear Channel Airports. Per the Lease, they are required to submit their rate card 15 days after the Commencement Date. The rate card was received and the rates are compared during monthly monitoring procedures.
19-17	Audit Report 18038 Issued: Feb. 26, 2019 Title: San Diego Unified Port District Harbor Police Billings - FY2017 Department: AVIATION SECURITY AND PUBLIC SAFETY (AVSEC)	Low	We recommend that Authority Management enhance the tracking of actual Airport worked hours by HPD Officers, using available resources to verify that the actual hours worked meet the minimum staffing hours per the SLA; that the hours reported by the Port are accurate; and, to ensure that all shifts are manned.	7/1/2019	AVSEC/PS has established a process with HPD such that we can conduct real-time verification of on-duty staffing.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019
Completed					
19-20	<p>Audit Report 18010R Issued: March 11, 2019 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Agreements, and Ground Transportation's Administration of the Parking Card Program</p> <p>Department: GROUND TRANSPORTATION (GT)</p>	Low	We recommend that GT request Ace to provide the reports required by the Shuttle Agreement, and review that these reports contain the pertinent information required. GT should also strengthen their mechanism for tracking any or all agreement requirements.	3/29/2019	GT has strengthened its contract oversight process for both the Parking and Shuttle contracts, and has made improvements to the tools used for tracking compliance and internal controls. Specifically, GT has developed a set of contract management guidelines, schedule of deliverables, an updated financial tracking tool, checklist of required contract activities, and a contract abstract to assist in managing the agreement. Invoice review procedures have also been updated with an invoice review process checklist which has been implemented. GT has also detailed the process to be utilized by the contractor in reporting financial summaries to match contract budget categories. Contract required reports are now submitted monthly as required, and reviewed for completeness and accuracy by GT staff.
19-28	<p>Audit Report 19011 Issued: April 26, 2019 Title: Ueberall International, LLC</p> <p>Department: CUSTOMER EXPERIENCE & INNOVATION</p>	Low	The Customer Experience & Innovation Department should amend all agreements, as needed, for changes in the deliverable requirements.	12/31/2019	The Arts Department is updating the template contracts, with General Counsel, to update the language in both Exhibit A, to address possible modifications to scope; and Exhibit B, to address compensation for services, as well as compensation and payment schedule.

Appendix B - Status of OCA Recommendations
Fiscal Year 2019 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019	Revised/Current Estimated Completion Date
In Progress						
19-07	Audit Report 18017 Issued: Dec. 14, 2018 Title: Nevada Lease and Rentals, Inc. dba Payless Car Rental System Department: REVENUE MANAGEMENT	Medium	The Revenue Management Department should request that the Accounting Department issue an invoice to Nevada in the amount of \$78,063 for the net underpayment of concession fees.	5/31/2019	Payless has agreed to settlement terms. Payless was issued an invoice with a due date of 8/31/2019.	8/31/2019
19-15	Audit Report 18038 Issued: Feb. 26, 2019 Title: San Diego Unified Port District Harbor Police Billings - FY2017 Department: AVIATION SECURITY AND PUBLIC SAFETY (AVSEC) and ACCOUNTING DEPARTMENT	Medium	We recommend that AVSEC and the Accounting Department require the Port to provide detailed supporting documents pertaining to all direct and indirect costs associated to the Airport and to create and maintain a tracking mechanism for HPD costs billed to the Authority, to ensure that all expenses billed are in compliance with the agreements and are related to HPD services provided to the Airport.	6/30/2019	Accounting is currently preparing a reconciliation of FY18 services to ensure that expenses billed are in compliance with the agreement.	9/30/2019
19-16	Audit Report 18038 Issued: Feb. 26, 2019 Title: San Diego Unified Port District Harbor Police Billings - FY2017 Department: AVIATION SECURITY AND PUBLIC SAFETY (AVSEC)	Medium	We recommend that Authority Management, together with the Port, review and decide on the criteria and process of the classification of Workers' Compensation claims by considering the location, type of loss, and the labor hours the employee worked. In addition, Authority Management should request the Port to provide the Authority with a list of claims that include their pertinent information and their corresponding classification, as soon as the claims are reported by HPD Officers/staff, for the Authority to have a better understanding of the nature of the claims and how they should be classified.	6/30/2019	Risk Management has a meeting scheduled with the Port to develop a process. They hope to finalize this by the end of the calendar year.	12/31/2019

Appendix B - Status of OCA Recommendations

Fiscal Year 2019 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019	Revised/Current Estimated Completion Date
In Progress						
19-19	<p>Audit Report 18010R Issued: March 11, 2019 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Agreements, and Ground Transportation's Administration of the Parking Card Program</p> <p>Department: GROUND TRANSPORTATION (GT)</p>	Medium	<p>We recommended that GT consider reviewing the expenses submitted by Ace for reimbursement during the audit period January 1, 2016, to December 31, 2017, in order to verify that all expenses submitted for reimbursement are allowable per the agreements and have the appropriate supporting documentation. GT should consider the level of effort, cost of the review, and the monetary value of any potential disallowed expenses. GT should request Ace to refund any disallowed expenses as a result of the review.</p>	6/30/2019	<p>GT has updated contract management procedures to ensure that all contract required reports are being submitted by Ace. GT also worked with Finance to engage BKD on an audit of these expenses. Finance informed GT that this type of review is not currently in BKDs scope of work. GT is currently evaluating other options for a review of the Ace expenses submitted. Options being considered are 1) an external auditor review, or 2) the hiring of a temporary auditor to help to examine the last two years of invoices. GT will provide cost estimates for each to Finance and determine a cost/benefit for the exercise. Expected completion has been pushed back to Sept 30. GT will keep the Audit team apprised as we move forward.</p>	9/30/2019

Appendix B - Status of OCA Recommendations
Fiscal Year 2019 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019	Revised/Current Estimated Completion Date
In Progress						
19-21	<p>Audit Report 18010R Issued: March 11, 2019 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Agreements, and Ground Transportation's Administration of the Parking Card Program</p> <p>Department: GROUND TRANSPORTATION (GT)</p>	Medium	<p>We recommend that GT review Authority Policy 9.30 that governs the Parking Card Program and create a department management process that complies with the administration requirements of the Policy. In addition, Authority Management should also review the Policy; specifically, the requirements and eligibility for stakeholders to obtain a Courtesy Card. Management's policy review should consider: a) that the Authority does not have the mechanism to distinguish between official business or personal travel and that individuals travelling on official business are able to be reimbursed for parking expenses through their organization, and b) the annual cost of the Courtesy Cards.</p>	4/30/2019	<p>GT has reviewed Authority Policy 9.30. GT has developed a formal, documented SOP and standardized forms for parking card issuance. GT is developing an SOP to ensure 1) semi-annual review of all parking cards issued, and 2) de-activation of all unauthorized parking cards. Parking cards are issued through the DSX software. Currently, there is no software mechanism to de-activate a card after one year, however, any card that is not paid up current is automatically de-activated. There is also no software mechanism to ensure that a card be used only for business and not personal uses. GT is in the process of developing an additional SOP addressing the audit considerations that - 1) all cards are reviewed on a semi-annual basis, 2) cards remain valid for one year, 3) any newly invalid cards are deactivated immediately. The SOP will include the checklist for submission of all forms, Policy 9.30 language, and process definitions. All recommended considerations are currently being examined and addressed for operational oversight and policy implementation feasibility.</p>	8/31/2019

Appendix B - Status of OCA Recommendations
Fiscal Year 2019 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019	Revised/Current Estimated Completion Date
In Progress						
19-24	Audit Report 18002 Issued: March 8, 2019 Title: Concession Cost Recovery Program Department: REVENUE GENERATION & MANAGEMENT (RGM)	Medium	RGM should conduct annual reconciliations of each cost center to ensure that all cost recovery expenses under the Cost Recovery Program are recovered. As part of that reconciliation, RGM should develop and document a formal evaluation process to identify new or changing expenses.	10/31/2019	Will work with Finance to review expenses beginning July 2019.	10/31/2019
19-27	Audit Report 19019 Issued: March 27, 2019 Title: NewZoom, Inc. dba ZoomSystems Department: REVENUE GENERATION & BUSINESS DEVELOPMENT	Medium	Internal controls over the monitoring of the requirements of the Lease agreement needs to be strengthened, and the penalties for failure to follow the requirements of the Lease should be assessed to ensure continued compliance by the concessionaire.	6/30/2019	Issued New Zoom letter of non-compliance on 6/21/19 citing penalties if Annual Reports and final Capex info for Midterm Refurbishment were not received. New Zoom requested a 2 week extension through August 14 to provide documents due to staff absences.	8/14/2019
19-30	Audit Report 19015 Issued: June 25, 2019 Title: Fox Rent A Car, Inc. Department: REVENUE GENERATION AND PARTNERSHIP DEVELOPMENT (RGPD)	Medium	RGPD should request that the Accounting Department issue a credit to Fox in the amount of \$22,386 for the overpayment of concession fees.	7/12/2019	Fox has requested detailed audit information. OCA has requested the Authority to release additional information to Fox from the CEO and General Counsel.	7/12/2019
19-31	Audit Report 19015 Issued: June 25, 2019 Title: Fox Rent A Car, Inc. Department: REVENUE GENERATION AND PARTNERSHIP DEVELOPMENT (RGPD)	Medium	RGPD should request that the Accounting Department issue an invoice to Fox in the amount of \$36,022 for the underpayment of CFCs during the audit period.	7/12/2019	Fox has requested detailed audit information. OCA has requested the Authority to release additional information to Fox from the CEO and General Counsel.	7/12/2019

Appendix B - Status of OCA Recommendations
Fiscal Year 2019 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019	Revised/Current Estimated Completion Date
In Progress						
19-32	Audit Report 19015 Issued: June 25, 2019 Title: Fox Rent A Car, Inc. Department: REVENUE GENERATION AND PARTNERSHIP DEVELOPMENT (RGPD)	Medium	RGPD should consider charging Fox interest, and charging for the full cost of conducting the audit, in the amounts of \$5,391, and \$38,989, respectively.	7/12/2019	Fox has requested detailed audit information. OCA has requested the Authority to release additional information to Fox from the CEO and General Counsel.	7/12/2019
19-33	Audit Report 19017 Issued: June 27, 2019 Title: Ace Parking Management Department: GROUND TRANSPORTATION	Medium	The Ground Transportation Department should demand repayment of the Note and the interest due. Should Ground Transportation determine that Ace should have a change fund for parking operations, Ground Transportation should determine a new amount that is appropriate and warranted for the change fund and issue a promissory note.	8/31/2019	This recommendation was issued during the last month of the quarter. As such, no follow up activity was performed.	8/31/2019
19-34	Audit Report 19014 Issued: June 28, 2019 Title: Avis Budget Car Rental, LLC Department: REVENUE GENERATION AND PARTNERSHIP DEVELOPMENT (RGPD)	Medium	RGPD should request that the Accounting Department issue a credit to Avis in the amount of \$25,889 for the overpayment of concession fees.	7/31/2019	Avis requested additional audit information. OCA forwarded said information to Avis and the Authority is now awaiting a response from Avis. Authority is also contemplating additional response to Avis in addition to the audit information forwarded to Avis.	7/31/2019

Appendix B - Status of OCA Recommendations
Fiscal Year 2019 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019	Revised/Current Estimated Completion Date
In Progress						
19-35	Audit Report 19014 Issued: June 28, 2019 Title: Avis Budget Car Rental, LLC Department: REVENUE GENERATION AND PARTNERSHIP DEVELOPMENT (RGPD)	Medium	RGPD should request that the Accounting Department issue an invoice to Avis in the amount of \$39,076 for the underpayment of CFCs during the audit period.	7/31/2019	Avis requested additional audit information. OCA forwarded said information to Avis and the Authority is now awaiting a response from Avis. Authority is also contemplating additional response to Avis in addition to the audit information forwarded to Avis.	7/31/2019
19-09	Audit Report 18017 Issued: Dec. 14, 2018 Title: Nevada Lease and Rentals, Inc. dba Payless Car Rental System Department: REVENUE MANAGEMENT	Low	The Revenue Management Department should request that the Accounting Department issue an invoice to Nevada in the amount of \$32,371 for the underpayment of CFCs during the audit period.	5/31/2019	Payless has agreed to settlement terms. Payless was issued an invoice with a due date of 8/31/2019.	8/31/2019

Appendix B - Status of OCA Recommendations

Fiscal Year 2019 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of June 30, 2019	Revised/Current Estimated Completion Date
In Progress						
19-29	Audit Report 19010 Issued: May 7, 2019 Title: Ricondo & Associates Department: AIRPORT PLANNING DEPARTMENT	Low	The Airport Planning Department should strengthen internal controls over its contract management process to address the issues with invoice review and contract administration.	6/30/2019	The Airport Planning & Environmental Affairs Department has been proactively identifying opportunities to strengthen its contract management process in response to the audit feedback provided. In addition to adding a dedicated Project Analyst to our team in 2019 to lead contract-related process improvements, we have worked closely with our partners in Accounting, Procurement, and Legal to track invoice compliance, contract deliverables, and to develop best practices with respect to our Task Authorization award process and 75% contract expenditure notification requirements. Requirements are regularly communicated to our consultants and contractors, and we have seen significant improvement in submittals of compliant invoices and deliverables.	9/30/2019

Appendix C – Ethics Hotline Call Summary

	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)
Code of Ethics Concerns					
Potential Misuse of Position	2	1	1	N	0
Potential Misuse of Resources	1	1	0	N	0
Non Ethics Related Concerns					
ATO Practices and Behavior	1	0	0	n/a	1
Security Issue	2	0	0	n/a	0
General Workplace Concerns					
Workplace Equitability	3	0	0	n/a	0
Workplace Practices/Behavior	15	0	0	n/a	0

Appendix D – Performance Measures Historical Data

Performance Measure	Fiscal Year					
	2014	2015	2016	2017	2018	2019
Percentage of the Audit Plan completed annually	88%	86%	84%	83%	72%	76%
Percentage of audits completed within budgeted time	81%	81%	83%	86%	52%	45%
Customer satisfaction rating ⁸						4.6
Percentage of audit recommendations accepted ⁹	52%	64%	72%	81%	45%	100%
Percentage of staff meeting educational requirements ¹⁰						100%
Additional revenue/cost savings identified through audit activities	\$1,110,651	\$271,755	\$466,845	\$1,025,573	\$85,382	\$2,891,102
Percentage of staff time spent on audit activities	86%	86%	82%	84%	86%	65% ¹¹

⁸ This performance measure was added in Fiscal Year 2019.

⁹ Prior to Fiscal Year 2019 this performance measure was the percentage of recommendations implemented by year end.

¹⁰ This performance measure was added in Fiscal Year 2019.

¹¹ Beginning in Fiscal Year 2019 all staff hours (audit, general audit hours, and administrative hours) are tracked, accounted for, and included in this measure.

Appendix E – 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 job function.

Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed. During Fiscal Year 2019, Audit 18038 – San Diego Unified Port District Billings – Fiscal Year 2017 was completed and disclosed a *possible* impairment of the objectivity and independence of the auditor, based on the International Professional Practices Framework (IPPF) Standard 1130.

Disclosure of Nonconformance

Occasionally, circumstances require the completion of projects/engagements in a manner that is not consistent with applicable standards. When this occurs, the OCA must disclose the non-conformance and the impact to senior management and the Board. During the 2019 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 will 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 have been no such instances during the 2019 Fiscal Year.