

Office of the Chief Auditor Fiscal Year 2020 Annual Report

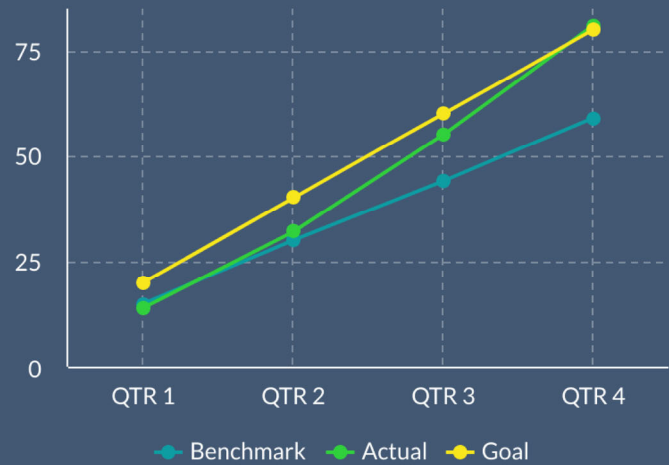
SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



Audit and Consulting Engagement Progress



Audit and Consulting Engagement Progress vs. Benchmark & Goal



FY 2020 - By the Numbers

37

Recommendations Issued
Rating: 18 High, 13 Medium, 6 Low

4.6

Customer Satisfaction Rating (Out of 5)

59%

Audit and Consulting Engagements Completed within Budget

67%

Auditor Utilization Percentage

100%

Recommendations Accepted by Management



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SAN DIEGO
INTERNATIONAL AIRPORT
LET'S GO.

September 10, 2020

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

Dear Mr. Kersey:

Subject: Fiscal Year 2020 Annual Report

The Office of the Chief Auditor (OCA) presents our Fiscal Year 2020 Annual Report that details the activities of the OCA and the results of the Quality Assurance and Improvement Program.

Fiscal Year 2020 was a productive year for the OCA that included issuing 15 audit reports and 37 recommendations. We exceeded our audit and consulting engagement completion goal for the fiscal year, monitored construction activities, began development of a data analytics program, and administered the San Diego County Regional Airport Authority's (Authority) Ethics Program.

Along with the whole Authority the OCA faced new challenges requiring versatility and adjustment when the COVID-19 pandemic arose. The OCA continues to be diligent in meeting its work requirements while aspiring to be an effective contributor to the optimization of the 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
Hampton Brown, Vice President Marketing & Innovation (ad interim)
Dennis Probst, Vice President & Chief Development Officer
Angela Shafer-Payne, Vice President & Chief Operating Officer
Matt Harris, Director, Government Relations
Tony Russell, Director, Authority Clerk
Assistants Specified by Board Members and SDCRAA



Fiscal Year 2020

ANNUAL REPORT

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Issue Date: September 10, 2020

OFFICE OF THE CHIEF AUDITOR

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Summary

Executive Summary

The purpose of the Fiscal Year 2020 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*).

The Fiscal Year 2020 Audit Plan was comprised of 20 audits engagements, 2 consulting engagements, 7 general audit activities, and administrative activities. The OCA tracks its progress relative to the Audit Plan and several key performance measures to gauge the success of the office. Each performance measure is detailed below along with a supplemented explanation.

Performance Measures

For Fiscal Year 2020, six major performance measures were developed to evaluate the OCA.¹ The OCAs performance against the selected performance measures is displayed in Figure 1 below and are presented to the Audit Committee/Board quarterly unless noted otherwise.

Figure 1: Status of Performance Measures as of June 30, 2020

#	Performance Measure	Goal	Actual	Benchmark
1	Conduct engagements that add value measured by:			
	a) Customer Satisfaction Ratings from			
	i. Audit Committee/Board (reported annually)	4.0	i) 5.0	4.0
	ii. Executive Management (reported annually)		ii) 4.5	
	iii. Auditee		iii) 4.6	
	b) Number of Recommendations	25	37	25
2	Percentage of audit and consulting engagements completed	80%	81%	59%
3	Percentage of recommendations accepted	95%	100%	83%
4	Provide tools and training for staff measured by:			
	a) Percentage of staff meeting CPE requirements (reported annually)	100%	100%	99%
	b) Percent of staff with at least one professional certification (reported annually)	100%	86%	40%
	c) Number of non-CPE training hours per staff (reported annually)	6	6.1	n/a
5	Percentage of staff time spent on audit and consulting engagements and general audit activities	70%	67% / 70% including/excluding Chief Auditor	70%
6	Percentage of audit and consulting engagements completed within budget	80%	59%	75%

¹ The OCA tracks additional performance measures that are not shown above. Their results are compiled and shared with the Audit Committee annually. Appendix D contains historical data on performance measures, including changes implemented by the new Chief Auditor in Fiscal Year 2019.

Customer Satisfaction Rating:

Customer satisfaction surveys were provided and ratings received from three customer categories as follows:

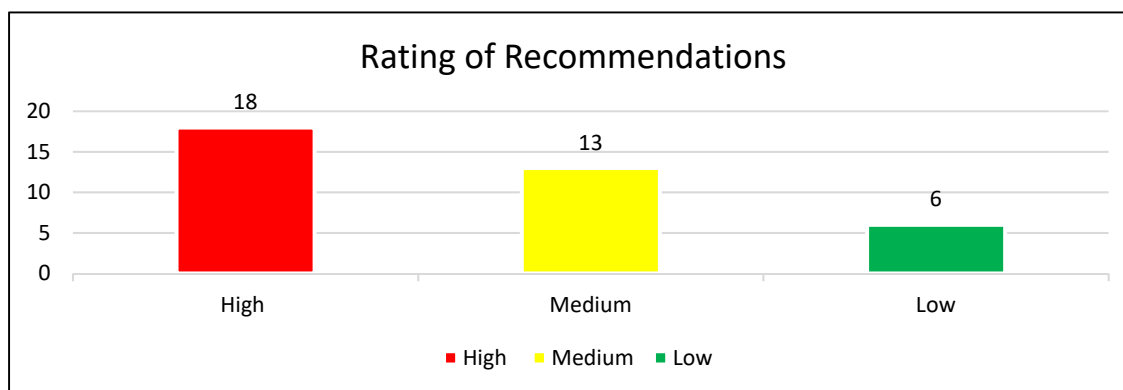
- Authority Board/Audit Committee
- Executive Management
- Auditee

The Authority Board/Audit Committee and Executive Management are surveyed annually and results are reported annually to the Audit Committee. Whereas, surveys are sent to auditees following the completion of each audit (or consulting engagement) to obtain customer satisfaction data and results are presented quarterly to the Audit Committee. The OCA tracks each customer category separately; and, in Fiscal Year 2020 received aggregate scores of 5.0, 4.5, and 4.6, respectively, exceeding the goal of 4.0 for each category.

Number of Recommendations:

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. During the fiscal year, the OCA provided 37 recommendations to management to remediate a risk identified. Each of the recommendations are rated based on a qualitative value of risk, identified as Low, Medium, or High. A summary of the ratings are shown in Figure 2 below.

Figure 2: Rating of Recommendations



Percentage of Audit and Consulting Engagements Completed:

The OCA completed 15 audit reports and 2 consulting engagements, or 81%², of the Fiscal Year 2020 audit and consulting engagements (17/21 = 81%) on the Audit Plan.

An alternative way to calculate the OCAs progress is to acknowledge the hours spent on audit and consulting engagements in progress, but not yet completed. This method uses the total hours expended on all audit and consulting work to date (completed and those in progress) and the total hours expected to complete all audit and consulting engagements in the Fiscal Year 2020 Audit Plan. This calculation results in a completion percentage of 84%. Specifically, the OCA expended 7,272 hours conducting audit and consulting work, and estimates 8,665 total hours will be needed to complete all Fiscal Year 2020 audit and consulting engagements (7,272/8,665 = 84%).

The status of all activities in the Fiscal Year 2020 Audit Plan is included in Appendix A.

² The 81% is equal to (15 completed audits + 2 consulting engagements) / (22 total audit and consulting engagements - 1 audit that was moved to Fiscal Year 2021 – Harbor Police Contract Management). See Appendix A for the Fiscal Year 2020 Audit Plan.

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 2020, management accepted 100% of all audit recommendations.

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

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

Percentage of Staff with at Least One Professional Certification:

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

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

The OCA provides non-CPE training to audit staff to emphasize or enhance skills on a particular topic. In Fiscal Year 2020 the OCA provided 6.1 hours of training per staff. Training has included topics such as confidentiality of working papers, Quality Assurance and Improvements Programs, internal audit software, data analytics, and independence.

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.³ The OCAs goal for Fiscal Year 2020 is 70%. The OCA spent 67% of time on audit and consulting engagements and general audit activities, which includes the Chief Auditor's time (70% excluding the Chief Auditor's time).

Percentage of Audit and Consulting Engagements Completed within Budgeted Time:

This category monitors the efficiency of audit staff in performing audits and consulting engagements. Specifically, audit staff is responsible for the internally prepared budget hours assigned to each project. In Fiscal Year 2020, the OCA completed 59% of its projects 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. Audit hours highly correlate to the number of findings and recommendations issued. As noted above the OCA issued 37 recommendations, resulting in projects exceeding the budget originally established.



Additional Revenue/Cost Savings Identified through Audit and Consulting Engagements:

While the value of an audit or consulting engagement cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed projects. During Fiscal Year 2020, the OCA identified \$34,094 in cost savings/additional revenues. Going forward, as requested by the Audit Committee, the revenue/cost savings identified information will no longer be included as a Performance Measure.

³ Appendix A details all planned activities in these categories for Fiscal Year 2020.

Audit and Consulting Engagements

In total during Fiscal Year 2020, the OCA completed 15 audits, 2 consulting engagements, and issued 37 recommendations. The OCA exceeded its goal by completing 81% of the audit and consulting engagements on the Audit Plan; although, there were five planned audits that were not completed as of June 30, 2020. The OCA is carrying these five audits forward to the Fiscal Year 2021 Audit Plan.⁴

Below are highlights from the audits and consulting engagements completed during the fourth quarter of Fiscal Year 2020. Audits completed in the first three quarters of the fiscal year were provided to the Audit Committee and Board in the OCAs quarterly activity reports.

Tenant Lease Administration and Management: The objective of this audit was to determine if management effectively and efficiently tracks and manages contract and lease requirements within the Revenue Generation and Partnership Development Department (RG&PD). The audit concluded that the current processes to manage leases assigned to RG&PD are ineffective and inefficient. However, the audit noted that management was already in the process of looking at solutions to rectify the issues. The audit provided 13 recommendations.

Change Order Procedures: The objective of this audit was to determine if management's Change Order process aligns with best practices and if management was following best practices. The audit concluded that management has Change Order policies and procedures that align with best practices and is following best practices as well. No recommendations were provided.

Ace Parking Management, Inc. (Ace) Expenditures for Parking Management and Airport Shuttle Services: The objective of this audit was to determine if the payments made to Ace for parking management and shuttle services complied with the agreements. The audit concluded that the payments made to Ace were in compliance with the agreements; however, we noted the Authority was under billed by \$6,790 in shuttle services. The audit provided one recommendation.

Tenant Lease Administration and Management – Best Practices for Contract Terms Managed by Revenue Generation & Partnership Development (RG&PD): The objective of this consulting engagement was to provide advice on contracts managed by RG&PD. The advice was based on historical knowledge and expertise from audits previously performed by the OCA and from an examination of other airport concession contracts.

COVID-19 – Consulting Engagement: The objective of this consulting engagement was to provide assistance to management related to COVID-19. The OCA provided advice on a variety of topics, consultation on grant funding, and other administrative support to management related to COVID-19 matters.

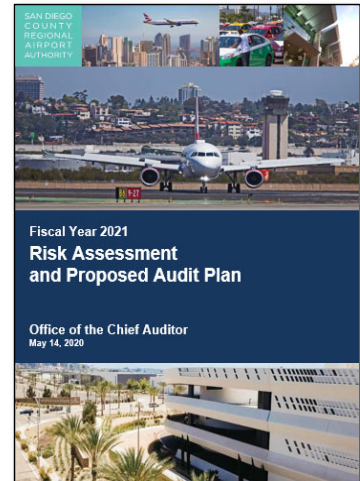
⁴ Subject to approval.

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 required⁵ to perform these activities or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* is presented below.

Risk Assessment and Audit Plan

The OCA is required to submit a risk-based internal Audit Plan to the Audit Committee annually. The Fiscal Year 2021 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, 214 Key Work Activities were identified and included in the Risk Assessment. The resulting Fiscal Year 2021 Audit Plan was developed based on the results of the Risk Assessment and discussions with key stakeholders. The Fiscal Year 2021 Risk Assessment and Audit Plan was submitted to the Audit Committee on May 14, 2020, and subsequently approved by the Board on June 4, 2020.



Construction Activities

Throughout Fiscal Year 2020, the OCA continued monitoring the Authority's construction activity. The OCA attended meetings regarding the Federal Inspection Service project, the airport support facilities, the Airport Development Program, and other airport construction projects. The OCA remains involved with issues identified by the Airport Design and Construction team and Authority management, providing assistance and attending meetings specific to the aspects of the Authority's construction activity.

Additionally, to obtain assurance that the Design Build Agreement related to the Airport Development Plan contained adequate safeguards and best practice language, the OCA hired a construction auditing firm to perform a comprehensive review of the draft contract agreement. Recommendations to strengthen agreement language were provided to both General Counsel and the Airport Design and Construction Department for consideration.

Information Technology Meeting Attendance

Information technology activity for Fiscal Year 2020 consisted of attending meetings, reading contract documents, and providing updates when appropriate regarding information technology risk assessments and the National Institute of Standards and Technology (NIST) cybersecurity framework.

Development of Data Analytics

The OCA set out this fiscal year to determine the feasibility of developing a data analytics program for rental car concessions. A successful data analytics program would provide real-time insight regarding rental car company activity at the San Diego International Airport. The OCA would utilize this information to identify possible risks early on and to determine if an audit should be

⁵ Requirements are dictated by the Office of the Chief Auditor Charter, Charter for the Audit Committee, or the International Standards for the Professional Practice of Internal Auditing (*Standards*).

initiated. This audit approach would allow the OCA to objectively select audits. Additionally, data analytic information could be shared with Authority management for their reference and use.

As of the end of the fiscal year, the OCA had collaborated with the Revenue Generation & Partnership Development Department, Information & Technology Services, the Data Analytics team, and other Authority staff. The OCA provided the Data Analytics team sample test data for preliminary analysis. That sample data was utilized by the Data Analytics team to create a preliminary analytics dashboard. In Fiscal Year 2021 the OCA intends to examine the preliminary dashboard, make modifications as necessary, and further develop this program. We continue to be optimistic about the success of the data analytics program for rental car concessions.

Ethics Program Activities

The OCA continues to run the Authority Ethics Program and confidential hotline. During Fiscal Year 2020, 28 total tips/reports were received, one of which was a potential code violation, and was investigated. The Ethics Officer continues to receive and respond to employee-related concerns. The category with the most tips/reports was Workplace Practices and Behavior with a total of 24; none of these were a potential code violation. See Appendix C for a summary of all tips/reports received during Fiscal Year 2020.

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 the status of recommendations through regular inquiries made to the audited departments or to the owner of the specific recommendation(s). These inquiries allow the OCA to determine how many recommendations have been completed, as well as to obtain the progress being made to implement the recommendations.

During Fiscal Year 2020, the OCA issued 37 recommendations that will be tracked for implementation along with open recommendations issued in prior fiscal years. Appendix B contains a current status on recommendations *Completed* or *In Progress* as of the fourth quarter. The Audit Committee is updated quarterly on the status of recommendations. Recommendations issued in prior quarters that have been remediated by management were presented to the Audit Committee on November 4, 2019, February 13, 2020, and May 14, 2020, of Fiscal Year 2020.

Table 1 below shows the status of recommendations that were *Completed* or *In Progress* as of the fourth quarter of Fiscal Year 2020, along with the estimated/actual implementation timeframe based on the audit report issue date. Of the completed recommendations, three were completed within the initial timeframe identified when the recommendations were issued. Of the in progress recommendations, 14 recommendations were still within the initial timeframe identified for implementation.

Table 1: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
Completed	2	3	2	7
In Progress	8	6	3	17

Quality Assurance and Improvement Program

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

Audit Committee Support

During Fiscal Year 2020, the Audit Committee met four times, which occurred on:

- November 4, 2019
- January 16, 2020 (Special Meeting – Selection of Public Members)
- February 13, 2020
- May 14, 2020

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

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 (CPE) requirements.

Qualifications and Training

Proficiency and due care for the OCA are the responsibility of the Chief Auditor. Cumulatively, the OCA has over 102 years of auditing experience. The OCA staff maintain various professional certifications. The types of professional certifications and number of staff with each certification are as follows:

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

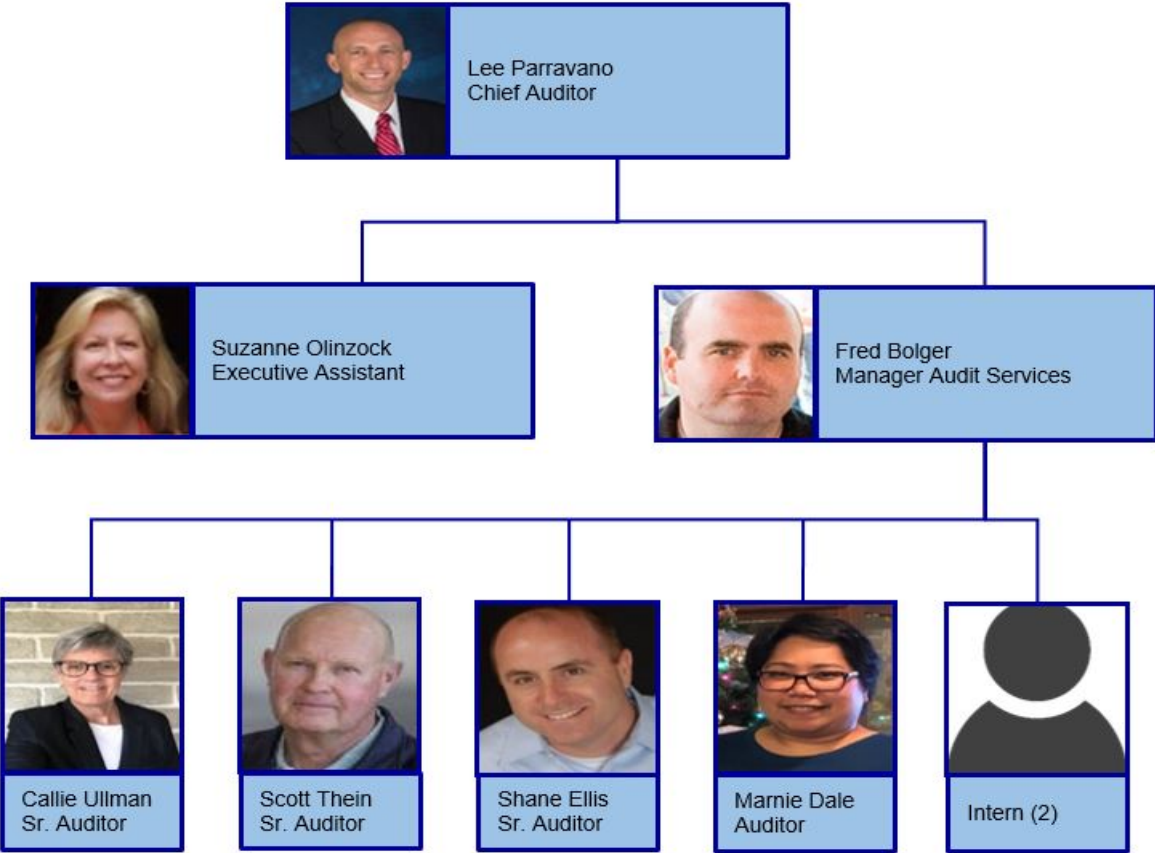


Each of these certifications requires that the holder complete a specified number of hours of CPE. As noted above, all CPE requirements were met for all OCA staff during calendar year 2019.⁶

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, 2020, the OCA organizational structure was as follows. For Fiscal Year 2021, the Intern positions have been reduced from two to one position.



Quality Assurance and Improvement Program

Background

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

- External 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 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 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

The most recent external assessment of the OCA was performed by the Association of Local Government Auditors (ALGA) for the five year period from July 1, 2013, through June 30, 2018. The peer review was performed in April 2019, with results presented to the Audit Committee during its May 13, 2019, meeting. The peer review determined that the OCA is providing reasonable assurance of compliance with the *Standards*. This is the highest level of conformance an internal audit function can achieve. The next external assessment will be required for the five year period ending June 30, 2023.

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



Internal Assessment - On-Going Monitoring

In July 2020, the OCA conducted an assessment of its Fiscal Year 2020 operations, as required by the *Standards* for on-going monitoring. The results of our on-going monitoring 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 of this activity 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.

QAIP Recommendations Identified

The QAIP identified three recommendations detailed below.

1. The OCA is required to review the Audit Committee Charter annually and recommend amendments as necessary. The OCA has reviewed the Charter and is recommending minor modifications to the Charter of the Audit Committee.
2. The OCA is required to review the OCA's Charter annually and recommend amendments as necessary. The OCA has reviewed the Charter and is recommending minor modifications to the Charter for the Office of the Chief Auditor.
3. During the QAIP process, the OCA identified opportunities for improving current administrative operations or updating documentation, including the following:
 - Updates to OCA Policy & Procedures manual
 - Improvements to audit work papers and documentation
 - Enhancements to audit planning & entrance conference objectives
 - Improvements to Customer Satisfaction Survey results documentation

OCA Response

Recommendations 1 and 2 will be provided to the Audit Committee for consideration at its September 10, 2020, meeting. The OCA has begun to implement recommendation 3 in Fiscal Year 2021.

Appendix A – Fiscal Year 2020 Audit Plan

#	Activity	Status as of 6/30/2020	Over/Under Budget	No. of Recs.	Revenue / Cost Savings Identified
Audit Engagement					
1	Owner Controlled Insurance Program (OCIP) Management	Completed	Over	-	\$-
2	IT Asset Acquisition & Implementation	Completed	Over	4	-
3	Capital and Maintenance Project Selection and Planning	Completed	Under	-	-
4	Transportation Network Company (TNC) Reviews and Assistance	Completed	Over	-	-
5	Small Business Development Management	In Progress			
6	Automated License Plate Reader (ALPR) System – Ace Parking	Completed	Over	5	-
7	Leigh Fisher & Associates	Completed	Under	2	35,174
8	Tenant Lease Admin. and Management – Revenue Generation & Partnership Development Contract and Agreement Requirements	Completed	Over	13	-
9	Harbor Police Contract Management	In Progress			
10	Account Provisioning and De-Provisioning	Completed	Over	6	-
11	Formal Bidding and Contracting	In Progress			
12	Rental Car Shuttle Service Contract Administration	Completed	Under	-	-
13	Contractor Monitoring - AECOM	Completed	Under	1	-
14	Contractor Monitoring - Turner	In Progress			
15	Tenant Lease Admin. and Management – Nevada Lease and Rental	Completed	Under	3	5,890
16	Tenant Lease Administration and Management – Off-Airport Rental Car Companies	Completed	Under	2	-
17	Change Orders	Completed	Under	-	-
18	Maintenance & Airport Service Requests	Completed	Under	-	-
19	Parking Management Contract Admin–Ace Parking	Completed	Under	1	(\$6,970)
20	Business and Real Estate Agreements – Rental Car Facility Land Lease	In Progress			
	Totals			37	\$34,094
Consulting Engagement					
21	Tenant Lease Admin. and Management – Best Practices for Contract Terms Managed by Revenue Generation & Partnership Development	Completed	Over		
22	COVID-19	Completed	Under		
General Audit					
23	Risk Assessment & Audit Plan	Completed			
24	Construction Meeting Attendance	Completed			
25	Information Technology Meeting Attendance	Completed			
26	Development of Data Analytics	Completed			
27	Ethics Hotline	Completed			
28	Recommendation Follow-up	Completed			
29	Quality Assurance & Improvement Program	Completed			
Administrative					
30	Attendance at Staff/Board/Committee Meetings, Vacation, Holiday Time, Continuing Professional Development, and Other.	Completed			

Appendix B – Status of OCA Recommendations

This appendix contains the status on recommendations awaiting implementation as of the 4th Quarter of Fiscal Year 2020. 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 recommendations are classified into the following categories:

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.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2020
Completed						
20-10	Audit Report 19006 Issued: November 27, 2019 Title: Acquisition & Implementation of Information Technology Assets Department: INFORMATION & TECHNOLOGY SERVICES	High	Information & Technology Services (I&TS) should implement and utilize the updated version of Track-it to consolidate and centralize all Information Technology (IT) asset databases and maintain a perpetual inventory of all IT assets. In addition, I&Ts should determine the type of information to track for each IT asset.	3/1/2020	5/30/2020	I&TS has completed upgrading the Track-it asset management tool to centralize the location of all IT assets and enhance reporting functionality.
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	7/1/2020	Risk Management continued to attempt to obtain information pertaining to injuries being charged to the Authority; however, the information is unavailable. The Risk team will review the claims as they come in as part of the year end audit data from the Port.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2020
Completed						
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	6/30/2020	<p>Ground Transportation staff reviewed 3 months between June and December 2016. A total of 4 discrepancies were found for a negligible amount of money and taking staff over 25 hours to complete. Importantly, these additional audits triggered a conversation from paper to electronic for all billing, thereby providing staff with better tools, by which to track costs. Further, electronic submittal allows the vendor to complete a scorecard prior to submitting, which allows the vendors to perform a review prior to submitting the invoice. Staff has concluded that additional audits would not produce significant findings and given the work necessary to complete, are not warranted at this time.</p>
20-06	<p>Audit Report 18015 Issued: September 4, 2019 Title: LeighFisher, Inc.</p> <p>Department: PLANNING & ENVIRONMENTAL AFFAIRS</p>	Medium	<p>Planning & Environmental Affairs should request that the Accounting Department bill LeighFisher \$35,174 for the reimbursed invoicing expenses.</p>	9/30/2019	4/14/2020	<p>In a Final Dispensation Letter dated 4/14/20, LeighFisher agreed to remit an agreed upon underpayment based on the audit and subsequent information. Additionally, LeighFisher agreed to no longer attempt to invoice the Authority for certain impermissible activities.</p>

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2020
Completed						
20-07	Audit Report 18015 Issued: September 4, 2019 Title: LeighFisher, Inc. Department: PLANNING & ENVIRONMENTAL AFFAIRS	Medium	Planning & Environmental Affairs should require that LeighFisher provide detailed support for each of the charges that were for invoicing and another activity. Upon receipt of that support, Planning should evaluate and determine if the activities charged were allowed under the Agreement. If the charges are impermissible, Planning should request that the Accounting Department bill LeighFisher for those activities.	12/30/2019	4/14/2020	In a Final Dispensation Letter dated 4/14/20, LeighFisher agreed to remit an agreed upon underpayment based on the audit and subsequent information. Additionally, LeighFisher agreed to no longer attempt to invoice the Authority for certain impermissible activities.
20-21	Audit Report 20009 Issued: March 30, 2020 Title: Nevada Lease and Rentals Inc. dba Payless Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	The Revenue Generation & Partnership Development Department should request that the Accounting department issue a payment to Nevada in the amount of \$13,703 for the overpayment of concession fees.	5/1/2020	5/1/2020	The tenant has been invoiced the balance due of \$5,890.
20-22	Audit Report 20009 Issued: March 30, 2020 Title: Nevada Lease and Rentals Inc. dba Payless Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	The Revenue Generation & Partnership Development Department should request that the Accounting department issue an invoice to Nevada in the amount of \$19,593 for the underpayment of CFCs during the audit period.	5/1/2020	5/1/2020	The tenant has been invoiced the balance due of \$5,890.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2020
In Progress						
20-09	Audit Report 19006 Issued: November 27, 2019 Title: Acquisition & Implementation of Information Technology Assets Department: INFORMATION & TECHNOLOGY SERVICES	High	Information & Technology Services (I&TS) should conduct an inventory of all Information Technology (IT) assets currently in use and in storage, which exceed the Authority's dollar threshold, to verify accuracy of I&TSs asset list and the general ledger fixed asset report. Additionally, on a periodic basis, a physical inventory of all IT assets should take place.	6/1/2020	7/30/2020	I&TS continues with its inventory of IT assets in use and in storage that have a value exceeding \$5,000. As this requires I&TS to physically inventory the assets in the office and datacenter, more time will be necessary due to the recommendation for distancing.
20-25	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should develop and publish a set of universal procedures for lease administration and management, and take active measures to ensure that the manual is updated to remain current.	11/30/20	11/30/2020	RG&PD will develop and publish a set of universal procedures for lease administration and management. RG&PD will implement an annual process to update the procedures. RG&PD will investigate utilizing E1 for lease administration and the possible implementation of a new or supplemental Real Estate Property Management software.
20-26	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD staff should continue to evaluate the property management software vendors, first by examining the Authority's Real Estate Management Property Management module already in E1, to implement a desired solution.	3/31/22	3/31/2022	RG&PD will investigate utilizing the existing E1 software and determine if other software is needed to more efficiently monitor, maintain, and manage the many tenant lease agreements for which the department is responsible.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2020
In Progress						
20-27	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Finance & Risk Management Department, should analyze the current security deposits on hand, determine if the security deposits on hand are sufficient to cover the risk to the Authority, make adjustments, and document any exceptions to security deposits, as needed.	3/31/22	3/31/2022	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-28	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Finance & Risk Management Department, should examine the insurance coverage of RG&PD leases, verify if they comply with the insurance requirements, and require the tenants, if needed, to update their insurance to cover the risk to the Authority.	12/31/2020	12/31/2020	RG&PD will work to implement the recommendations with input from the Finance and Risk Management Departments.
20-29	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Accounting Department, should create a system to track and adjust rent amounts that are subject to a Consumer Price Index (CPI) adjustment.	12/31/2020	12/31/2020	RG&PD will work to implement the recommendations with input from Accounting Department.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2020
In Progress						
20-30	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should create a system to track the submission of reports required and follow up in a timely manner with any tenant who has not submitted the required reports.	12/31/2020	12/31/2020	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-31	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should create a system to timely issue holdover letters. Additionally, RG&PD should confirm the lease status in E1, ensuring all leases assigned to them are accurate and up to date.	3/31/2021	3/31/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-32	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Accounting Department, should review the Minimum Annual Guarantee (MAG) requirements of their leases and adjust the MAG, as applicable.	9/30/2020	9/30/2020	RG&PD will work to implement the recommendations with input from Accounting and Finance Departments.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2020
In Progress						
20-33	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should perform periodic analysis of revenues reported and billed to ensure that revenues remitted and rates used to calculate revenues are accurate, complete, and comply with the lease. Additionally, RG&PD should consider performing annual reconciliations for prior fiscal years, and as a result of these reconciliations, remit overpayments and bill underpayments as needed. Lastly, RG&PD should perform annual reconciliations going forward; and, as a result of these reconciliations, remit overpayments or bill underpayments, as needed.	3/31/2021	3/31/2021	RG&PD will work to implement the recommendations with input from Accounting and Finance Departments.
20-37	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	Authority Management should review the staff assignments for lease administration duties and ensure that separation of staff duties is sufficient. A review of the staff's system access and authorizations currently held should also be performed to identify possible conflicts and to make adjustments to these as necessary.	11/30/2020	11/30/2020	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-03	Audit Report 19023 Issued: August 22, 2019 Title: Automated License Plate Recognition (ALPR) System - Ace Parking Department: GROUND TRANSPORTATION	Medium	ALPR data should be retained for the length of time indicated on the Authority's Data Retention Schedule.	10/31/2019	9/30/2020	Staff is recommending adjusting Board Policy of ALPR data from two years to six months. Staff will bring this item to a future Board Meeting.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2020
In Progress						
20-34	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should update the lease information contained in E1 to reflect current information and, in addition, through the coordination of necessary Authority departments, develop a methodology to allow cross-referencing of the different naming conventions in use at the Authority.	2/28/2021	2/28/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-35	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should develop a list of requirements (certificates of insurance, MAGs, security deposits, etc.) that they need from ancillary departments and coordinate with these departments on how to have access to these requirements in the most efficient way.	3/31/2021	3/31/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-36	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	The Authority Credit and Collections team should create a collections process that allows RG&PD asset managers to see efforts taken to collect from their lessee(s).	1/31/2021	1/31/2021	RG&PD will work to implement the recommendations with input from Accounting and Finance Departments.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2020
In Progress						
20-23	Audit Report 20009 Issued: March 30, 2020 Title: Nevada Lease and Rentals Inc. dba Payless Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	The Revenue Generation & Partnership Development Department should consider requesting that the Accounting Department invoice Nevada, in the amount of \$500, for each non-compliance with Article 4.2.2 regarding the annual reports for 2018 and 2019.	5/1/2020	7/31/2020	Tenant notified of non-compliance. Next steps under review.
20-24	Audit Report 20015 Issued: June 23, 2020 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Department: GROUND TRANSPORTATION	Low	Ground Transportation should request Ace bill the Authority for underpaid shuttle expenses in the amount of \$6,970 that resulted from the miscalculation of shuttle hours.	7/31/2020	7/31/2020	Ground Transportation is working with Ace to invoice the Authority for the underpayment.

Appendix C – Ethics Program 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)
Non Authority Related Concerns					
TSA/Homeland Security Practices and Behavior	1	0	0	n/a	1
Security Issue	1	0	0	n/a	0
Noise	1	0	0	n/a	0
General Workplace Concerns					
Workplace Equitability	1	0	0	n/a	0
Workplace Practices/Behavior	24	1	1	1	0

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

Number of Tips / Reports Received: The total number of tips or reports received through the confidential hotline, direct phone line, e-mail, inter-office mail, or direct contact.

Preliminary Investigation Required: The number of tips or reports that required a preliminary investigation.

Full Investigation Initiated: Following a preliminary investigation, we determined that the tip necessitated a full investigation.

Investigation Results Supported Coded Violation: Based on an investigation, these are the tips/reports that were found to have been a Code violation.

Response: This column represents the number of responses back to the original non-anonymous tipper/reporter.

Appendix D – Performance Measures Historical Data

Performance Measure	Fiscal Year					
	2015	2016	2017	2018	2019	2020
Customer satisfaction ratings from: i. Audit Committee/Board ii. Executive management iii. Auditee ⁷					i) ii) iii) 4.6	i) 5.0 ii) 4.5 iii) 4.6
Number of recommendations ⁸	29	15	17	28	35	37
Percentage of audit and consulting engagements completed annually	86%	84%	83%	72%	76%	81%
Percentage of audit recommendations accepted ⁹				100%	100%	100%
Percentage of staff meeting educational requirements ¹⁰					100%	100%
Number of non-CPE training hours per staff ¹¹						6.1
Percentage of staff time spent on audit and consulting engagements and general audit activities ¹²					65%	67%
Percentage of audit and consulting engagements completed within budget	81%	83%	86%	52%	45%	59%

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

⁸ This performance measure was added in Fiscal Year 2020. Historical information was available and is comparable to the current performance measure.

⁹ This performance measure was added in Fiscal Year 2019. Historical information was available for FY 2018 and is comparable to the current performance measure.

¹⁰ This performance measure was added in Fiscal Year 2019.

¹¹ This performance measure was added in Fiscal Year 2020.

¹² Beginning in Fiscal Year 2019 all staff hours (audit, consulting, general audit hours, and administrative hours) were tracked, accounted for, and included in this measure. Prior years excluded certain hours and certain staff; therefore, prior years have been excluded as they are not a good comparison.

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 based on the International Professional Practices Framework (IPPF) Standard 1130.

There were no audits or consulting engagements conducted during Fiscal Year 2020 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 applicable standards. When this occurs, the OCA must disclose the non-conformance and the impact to senior management and the Board.

During the 2020 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 were no such instances related to risk during the 2020 Fiscal Year.