

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
Chairman

Greg Cox
Jim Desmond
Mark Kersey
Robert T. Lloyd
Paul Robinson
Johanna Schiavoni
Michael Schumacher
Mark B. West

AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Monday, February 11, 2019
10:00 A.M.

San Diego International Airport
SDCRAA Administration Building -- Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

Ex-Officio Board Members

Cory Binns
Col. Charles B. Dockery
Jacqueline Wong-Hernandez

President / CEO

Kimberly J. Becker

This Agenda contains a brief general description of each item to be considered. If comments are made to the Board without prior notice, or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

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

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

***NOTE:** This Committee Meeting also is noticed as a Special Meeting of the Board (1) to foster communication among Board members in compliance with the Brown Act; and (2) to preserve the advisory function of the Committee.

Board members who are not members of this Committee may attend and participate in Committee discussions. Since sometimes more than a quorum of the Board may be in attendance, to comply with the Brown Act, this Committee meeting also is noticed as a Special Meeting of the Board.

To preserve the proper function of the Committee, only members officially assigned to this Committee are entitled to vote on any item before the Committee. This Committee only has the power to review items and make recommendations to the Board. Accordingly, this Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Hollingworth, Lloyd, Robinson (Chair), Schiavoni, Tartre
(Vice Chair), Van Sambeek, West

NON-AGENDA PUBLIC COMMENT:

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

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

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 5, 2018, regular meeting, and the November 5, 2018, special meeting.

2. FISCAL YEAR 2019 SECOND QUARTER AUDIT ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance, and provide, if necessary, direction to staff on audit recommendations.

Presented by: Fred Bolger, Manager, Audit Services

CLOSED SESSION:

3. THREAT TO PUBLIC SERVICES OR FACILITIES:

Consultation with: Clint Welch, Director Aviation Security and Public Safety;
Jessica Bishop, Director Information Technology Services; John Thomes, Cyber Security Specialist

REPORT ON CLOSED SESSION:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

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

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a “Request to Speak” form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk’s Office at (619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at www.san.org.

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

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

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MEETING
MINUTES
MONDAY, NOVEMBER 5, 2018
BOARD ROOM

CALL TO ORDER: Chair Robinson called the Audit Committee Meeting to order at 10:00 a.m., on Monday, November 5, 2018, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Chair Robinson led the Pledge of Allegiance.

ROLL CALL:

Present: Committee Members: Hollingworth, Lloyd, Robinson (Chair), Schiavoni, Tartre, Van Sambeek, West

Absent: Committee Members: None

Also Present: Angela Shafer Payne, Vice President Operations/COO; Amy Gonzalez, General Counsel; Linda Gehlken, Assistant Authority Clerk I; Martha Morales, Assistant Authority Clerk I

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the September 10, 2018, regular meeting.

ACTION: Moved by Board Member West and seconded by Committee Member Hollingworth to approve staff's recommendation. Motion carried unanimously.

**2. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2018, REPORTS:
A) AUDITED FINANCIAL STATEMENTS, B) SINGLE AUDIT REPORTS,
C) PASSENGER FACILITY CHARGE COMPLIANCE REPORT,
D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND
E) LETTER TO THE BOARD:**

David Coleman and Andrew Sherwood, BKD, LLP, provided a presentation on the Annual Audit – Year Ended June 30, 2018, which included 2018 Highlights, Future Change in Accounting Principles, Assets and Deferred Outflows Composition Trends, Liabilities and Deferred Inflows Composition Trends, Total Revenues and Capital Contributions Composition for the Year Ended June 30, 2018, Total Revenues and Capital Contributions Trends, Expense Composition for the Year Ended June 30, 2018, Expense Trends, and Other Relevant Trends.

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

ACTION: Moved by Board Member West and seconded by Committee Member Tartre to approve staff's recommendation. Motion carried unanimously.

3. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2018:

David Coleman, BKD, LLP, provided an overview of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2018.

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

ACTION: Moved by Committee Member Van Sambeek and seconded by Board Member West to approve staff's recommendation. Motion carried unanimously.

4. FISCAL YEAR 2019 FIRST QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, and Fred Bolger, Manager, Audit Services, provided a presentation on the Fiscal Year 2019 First Quarter Activities Report and Audit Recommendations, which included Audit Activities, Audits in Progress as of September 30, 2018, Recommendation Follow-Up, Status of Recommendations with Estimated Implementation Timeframe, Fiscal Year 2019 Performance Measures, and Summary of Ethics Inquiries.

Committee Member Tartre requested that recommendations that have reached eighteen months to two years without implementation, and are included in the Recommendations with Estimated Implementation Timeframe report, be highlighted for discussion at future meetings.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance, and provide, if necessary, direction to staff on audit recommendations.

ACTION: Moved by Committee Member Van Sambeek and seconded by Board Member West to approve staff's recommendation. Motion carried unanimously.

5. SELECTION OF AN INDEPENDENT ASSESSOR TO PERFORM A QUALITY ASSESSMENT REVIEW OF THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation on the selection of an Independent Assessor to perform a Quality Assessment Review (QAR) of the Office of the Chief Auditor, which included Purpose of QAR, QAR Requirement, Prior QARs, Association of Local Government Auditors (ALGA) Qualifications, and QAR Costs and Commitment.

RECOMMENDATION: Provide direction to staff.

There was consensus by the Committee to support staff's recommendation to use ALGA to perform a Quality Assessment Review.

NON-AGENDA PUBLIC COMMENT: None

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT: The meeting adjourned at 10:55 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 11th DAY OF FEBRUARY 2019.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

LINDA GEHLKEN
ASSISTANT AUTHORITY CLERK I

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE MEETING
MINUTES
MONDAY, NOVEMBER 5, 2018
BOARD ROOM

CALL TO ORDER: Chair Robinson called the Special Audit Committee Meeting to order at 11:02 a.m., on Monday, November 5, 2018, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Present: Committee Members: Hollingworth, Lloyd, Robinson (Chair), Schiavoni, Tartre, Van Sambeek, West

Absent: Committee Members: None

Also Present: Angela Shafer Payne, Vice President Operations/COO; Amy Gonzalez, General Counsel; Linda Gehlken, Assistant Authority Clerk I; Martha Morales, Assistant Authority Clerk I

NEW BUSINESS:

1. CONTINUED PROFESSIONAL EDUCATION TRAINING: BEST PRACTICES FOR AN EFFECTIVE AUDIT COMMITTEE:

David Coleman and Andrew Sherwood, BKD, LLP provided a presentation on Best Practices for an Effective Audit Committee which included What Function Should an Audit Committee Serve, Importance of an Audit Committee, Foundations of Effective Performance, and Productivity from Audit Results.

Committee Member Tarte requested that a copy of BKD, LLP's Peer Review Letter be sent to Committee Members.

Committee Members Hollingworth and Van Sambeek requested that an item be added to future Audit Committee agendas, or other method, such as email, to provide a summary update on new and changing GASB requirements.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting adjourned at 12:35 p.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY THIS 11th DAY OF FEBRUARY 2019.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

AUDIT COMMITTEE

Meeting Date: **FEBRUARY 11, 2019**

Subject:

Fiscal Year 2019 Second Quarter Activities Report and Audit Recommendations Issued by the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance, and provide, if necessary, direction to staff on audit recommendations.

Background/Justification:

As directed in the Charter of the Office of the Chief Auditor (OCA), the Chief Auditor has the responsibility to communicate periodically to the Audit Committee on the OCA activities, including audits completed, findings discovered, corrective action taken, and the implementation status on outstanding recommendations.

Therefore, the Fiscal Year 2019 Second Quarter Activity Report (Attachment A) is submitted to the Audit Committee. The report provides an account of activities accomplished by the OCA during the second quarter of Fiscal Year 2019 and details the status on recommendations still pending implementation.

Fiscal Impact:

None

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

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

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

LEE PARRAVANO
CHIEF AUDITOR

Office of the Chief Auditor

Fiscal Year 2019 2nd Quarter Activities Report



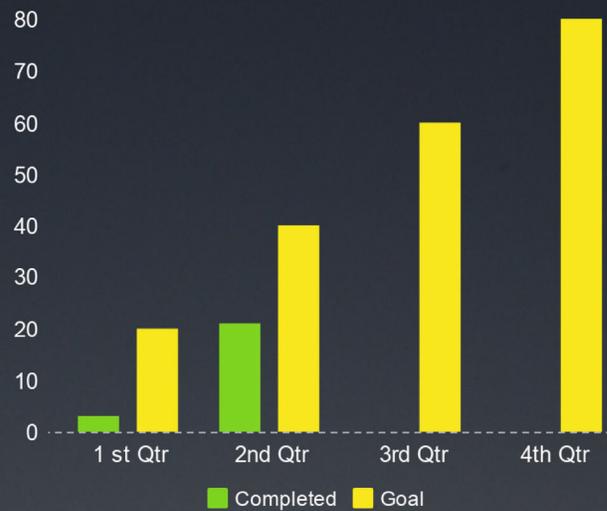
FY 2019 Audit Plan Progress

FY 2019 Audit Plan Status



■ Completed (21.62%)
 ■ In Progress (37.84%)
 ■ Not Started (40.54%)

Audit Plan Completed vs Goal



FY 19 Audit Reports - By the Numbers



Recommendations



Recommendations Accepted



Additional Revenue Identified



Customer Satisfaction Rating (Out of 5)



Auditor Utilization Percentage



Audits Completed within Budget

powered by

OFFICE OF THE CHIEF AUDITOR
Fiscal Year 2019 Second Quarter Activity Report

Audit Activities

Completed

During the second quarter, the Office of the Chief Auditor (OCA) issued a total of five (5) audit reports, as described below.

Turner-PCL, a Joint Venture: This expenditure contract audit examined the Agreement with Turner-PCL to design and construct the Federal Inspection Services facility at SDA. The audit found that the procurement and payments surrounding the Agreement were in compliance with Authority Policies and were appropriate. Additionally, adequate internal controls and monitoring were found to be in place and functioning properly. However, the audit did identify opportunities for the enhancement of the management of Disadvantaged Business Enterprises and Small Business Enterprises. Three (3) recommendations were issued.

Nevada Lease and Rentals, Inc., dba Payless Car Rental System: This revenue contract audit examined the Agreement between Nevada and the Authority to determine if Nevada accurately reported gross revenue and concession fees. This audit resulted in six (6) recommendations. This audit is highlighted in Appendix C¹.

M.W. Vasquez Construction Company Inc., dba Vasquez Construction Company: This expenditure contract audit examined the four (4) separate Agreements with M.W. Vasquez. The audit found that internal controls were in place to manage and monitor the Agreements and to ensure that the expenditures of Authority funds are in compliance with the Agreements. No issues were noted.

Fixed Asset Management: This business process audit examined procedures and practices for the procurement, recording, valuation, and disposal of Fixed Assets for compliance with accounting principles, and to verify that adequate controls are present and applied to the processes. We found that the Authority has procedures in place for Fixed Asset Management that are consistent with best practices and Generally Accepted Accounting Principles (GAAP). Further, the audit concluded that the practices put into place are functioning correctly, and that the Accounting Department properly manages the systems and is responsive to Authority departments in possession of Fixed Assets. No findings were noted.

Pneuma Enterprises, Inc., dba Travcar Car Rental: This revenue contract audit examined the Agreement between Pneuma and the Authority and attempted to determine if Pneuma reported and paid all fees required under its Agreement with the Authority. We found that Pneuma did not comply with Article 6.2.1 of the Non-Exclusive Off-Airport Rental Car Concession Agreement (Concession Agreement) due to failing to provide the OCA requested documentation, and operated at the San Diego International Airport after termination of the Concession Agreement. Therefore, it is unknown if Pneuma has remitted all of the required payments to the Authority. One (1) recommendation was issued.

In Progress

At the close of the second quarter there were a total of 14 audits or activities In Progress, representing 37% of the Fiscal Year 2019 Audit Plan. Of those, three (3) were in the reporting/review stage, seven (7) were in the fieldwork stage, two (2) were in the planning or preliminary survey stage, and two (2) are ongoing activities that occur throughout the year.

¹ Each quarter we will highlight a significant audit completed during that quarter.

Fiscal Year 2019 Second Quarter Activity Report

Construction audit activity for the second quarter of Fiscal Year 2019 consisted of attending meetings regarding the Federal Inspection Services project, the airport support facilities, the development program, and other airport construction projects. The OCA Construction Auditor completed the audits of the agreements with Turner-PCL, a Joint Venture, and M.W. Vasquez Construction Company, Inc. as part of the Fiscal Year 2019 Audit Plan. The Construction Auditor 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.

The OCA continues to run the Authority's Ethics Program and reporting hotline. During the second quarter of Fiscal Year 2019, thirteen (13) tips/reports were received. Three of the tips/reports were investigated, because the details of the reports/tips supported a potential code violation. The preliminary investigation of two of the reports determined that there was no code violation. The remaining full investigation is ongoing. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate. A summary of tips/reports received during the second quarter of Fiscal Year 2019 is available in Appendix B.

See Appendix A for a complete detailed breakdown of our Fiscal Year 2019 Audit Plan progress.

Administrative Activities

Budget and Expenses

Department expenses through the second quarter totaled \$537,622, which represents 42% of the Fiscal Year 2019 budget. No large and/or unexpected outlays occurred within the department during the quarter. We expect to continue to remain on budget throughout the Fiscal Year.

Training

OCA staff continue obtaining CPE credits as required by their various certifications. Specifically, staff attended a fraud and ethics seminar, attended a class on critical thinking within the audit process, and obtained a COSO internal control certificate from the Institute of Internal Auditors. A review of CPE credits obtained by staff found that all staff met their individual CPE requirements for the year.

Procedural/Supervisory

During the quarter, the OCA provided coordination for the November 5, 2018, Audit Committee Meeting with the Authority Board Services Department. Additionally, a thorough review of the OCA Desk Manual was performed and a comprehensive revision to the department's Policies and Procedures Manual was completed.

The OCA also finally identified an Audit Intern III who started on January 16th, 2019.

Risk Assessment

The OCA began the risk assessment process that will identify the FY 2020 Audit Plan. Specifically, all Authority departments were asked to identify their Key Work Activities which will be used to identify an audit universe for risk scoring. The risk assessment and proposed Audit Plan are scheduled for review and approval at the Audit Committee's May meeting.

Recommendation Follow Up

To ensure audit issues are addressed in a timely manner, the OCA tracks the status of its recommendations on an on-going basis. The status of tracked recommendations is shown in Figure 1 below, along with descriptions of each designation. See Appendix D for a detailed list of each recommendation and its status.

Figure 1: Status of Recommendations as of December 31, 2018

Completed	In Progress	Not Accepted	Tracked
8	13	0	21

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. For the quarter, eight (8) of the 21 recommendations were completed. Of the completed recommendations, seven (7) or 88% were completed within the initial timeframe identified when the recommendations were issued.

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.

Figure 2 below shows the status of recommendations that were Completed or In Progress during the quarter along with the estimated implementation timeframe based on issue date of the audit report.

Figure 2: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
In Progress	10	1	2	13
Completed	7	0	1	8

Adequate progress is being made with all of the tracked recommendations. Specifically, the non-completion of the “In Progress” recommendations should not have a material adverse effect on the Authority. The OCA will continue its monthly tracking of their status.

Performance Measures

Each Fiscal Year the OCA develops and tracks performance measures to gauge the progress and success of the Office. For Fiscal Year 2019, the OCA developed six (6) separate measures to evaluate the OCA performance. Figure 3 below outlines the OCAs performance against the selected measures.

Figure 3: Status of Performance Measures as of December 31, 2018

Performance Measure	Goal	Progress as of December 31, 2018
Percentage of the Audit Plan completed	40% (80% by Year End)	21%
Additional revenue/cost savings identified	n/a	\$279,266
Percentage of staff time spent on audit activities	70%	60%
Percentage of audits completed within budget	80%	38%
Recommendations accepted by management	95%	100%
Customer satisfaction rating	4.0	4.53

The measures are detailed below along with further explanation of the OCAs performance for the Fiscal Year:

Percentage of the Audit Plan completed annually: As of the second quarter of Fiscal Year 2019, the OCA completed 21% of the Fiscal Year 2019 Audit Plan. Specifically, 8 out of 38² audits were finalized as issued audit reports or closed out. Additionally, three (3) audits were in the report writing process at December 31, 2018.

Additional revenue/cost savings identified through audits: 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 over \$279,266 in new revenue as shown in Figure 4 below:

Figure 4: Revenue Identified as of December 31, 2018

Audit	Revenue Identified	Revenue Collected
Nevada Lease and Rentals, Inc. dba Payless Car Rental System	\$198,036	--
Signature Flight Support	69,541	\$69,541
Pneuma Enterprises, Inc., dba Travcar Car Rental	11,689 ³	--
Total	\$279,266	\$69,541

² To determine the size of our audit population annually we add 1) planned audits/activities contained within the current year's Audit Plan, 2) any carry over audits/activities from the previous year, and 3) any special request audits approved by the Audit Committee.

³ The audit of Pneuma was unable to conclude as to the total amount underpaid by Pneuma. However, we found that Pneuma self-reported owing \$11,689 by submitting revenue reports without payments in this amount. Therefore, we conclude that Pneuma at least owes this amount.

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. As of the second quarter of Fiscal Year 2019, the OCA spent 60% of staff time on audit activities, under our goal of 70%. This was largely due to the administrative time spent on updating the OCA Desk Manual and the department Policies and Procedures Manual, preparing for the QAR, and beginning the risk assessment process.

Percentage of audits completed within budgeted time: This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it does recognize that budgets may need adjustment(s) as additional facts become known during an audit activity. In Fiscal Year 2019, the OCA completed three (3) out of the eight (8) projects under budget bringing our percentage to 38% (3 out of 8). This is the result of some specific complexities within the audits and difficulties in obtaining certain audit data and information.

Acceptance of Audit Recommendations: This category helps to evaluate the quality of the findings and recommendations issued by the OCA, and ensures that we have received management buy-in to anything we recommend. For the year, all recommendations have been accepted by management.

Customer Satisfaction: At the conclusion of every audit we provide a survey to the audited Authority department to determine their satisfaction with the audit process and the audit team. While an audit could be contentious, we expect that value can still be observed by the audited entity. In that regard, our goal for customer satisfaction is 4.0, on a 1 to 5 scale (With 1 being very dissatisfied and 5 being very satisfied). To date we have achieved a score of 4.53.

Appendix A - Fiscal Year 2019 Audit Plan Progress

#	Audit / Activity	Type
Completed		
1	Haley and Aldrich, Inc. ¹	Expense Contract
2	Signature Flight Support ¹	Revenue Contract
3	Procurement Card Program ¹	Annual Ongoing and Support
4	Turner - PCL Joint Venture	Expense Contract
5	Nevada Lease and Rental Inc. dba Payless Car Rental System ¹	Revenue Contract
6	M.W. Vasquez Construction Company, Inc. dba Vasquez Construction Company	Expense Contract
7	Asset Management ¹	Business Process
8	Pneuma Enterprises Inc. dba TravCar	Revenue Contract
In Progress		
9	Ace Parking Management, Inc. ¹	Expense Contract
10	Art Program	Business Process
11	Concession Cost Recovery ¹	Business Process
12	Construction Audit and Monitoring Activity	Annual Ongoing and Support
13	Emergency Medical Technician - Paramedic Services ¹	Annual Ongoing and Support
14	Ethics Program	Annual Ongoing and Support
15	Fox Rent A Car	Revenue Contract
16	Granite Construction Company	Expense Contract
17	JCDcaux, Inc.	Revenue Contract
18	Leigh Fisher & Associates ¹	Expense Contract
19	New Zoom Inc. dba ZoomSystems (RP 6)	Revenue Contract
20	San Diego Unified Port District Billing - Fiscal Year 2017 ¹	Annual Ongoing and Support
21	Small Business Development ¹	Business Process
22	Tuition Reimbursement Program	Business Process
Not Started		
23	Ace Parking	Revenue Contract
24	Aircraft Rescue and Fire Fighting (ARRF)	Annual Ongoing and Support
25	ALPR System - Ace Parking	Annual Ongoing and Support
26	Avis Rent A Car Systems LLC (Avis, Zip Car)	Revenue Contract
27	Capital and Maintenance Project Selection and Planning	Business Process
28	Enterprise Rent A Car Company (Enterprise, Alamo, National)	Revenue Contract
29	Fordyce Construction, Inc.	Expense Contract
30	Information Technology Acquisition and Implementation	Business Process
31	Other Post-Employment Benefits (OPEB)	Business Process
32	Owner-Controlled Insurance Program (OCIP) Management	Business Process
33	Rental Car Center Fund Review - 2018 ¹	Annual Ongoing and Support
34	Rental Car Center Fund Review - 2019	Annual Ongoing and Support
35	Ricondo and Associates	Expense Contract
36	San Diego Unified Port District Billing - Fiscal Year 2018	Annual Ongoing and Support
37	Transportation Network Company Reviews and Assistance	Annual Ongoing and Support
38	Ueberall International LLC	Expense Contract
<small>¹ Carried over from the Fiscal Year 2018 Audit Plan</small>		

Appendix B - Ethics Program Activities

	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	1	1	1	Open ⁽¹⁾	0
Potential Misuse of Resources	1	1	0	0	0
Non Ethics Related Concerns					
ATO Practices and Behavior	1	0	0	0	0
Security Issue	1	0	0	0	0
General Workplace Concerns					
Workplace Equitability	1	0	0	0	0
Workplace Practices/Behavior	8	0	0	0	0
Total	13	2	1	0	0

(1) One report currently being investigated.

Legend:

Number of Tips / Reports Received: The total number of tips or reports received by the Ethics Officer through the 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 by the Ethics Officer.

Full Investigation Initiated: Following a preliminary investigation, the Ethics Officer determined that the tip necessitated a full investigation. As a result, the tip/report received was forwarded to the Ethics Committee for a determination on how to proceed.

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 times the Ethics Officer responded back to the original non-anonymous tipper/reporter.

Appendix C - Audit Highlight

Nevada Lease and Rentals, Inc., dba Payless Car Rental Systems: Report Number #18017, December 2018

Background

Nevada Lease and Rentals, Inc., dba Payless Car Rental System (Nevada), operates at San Diego International Airport (SDIA) under a Non-Exclusive On-Airport Rental Car Concession Agreement (Concession Agreement) with a term from January 20, 2016, through June 30, 2026. The Concession Agreement grants Nevada the right to provide rental car services at the SDIA from the Rental Car Center (RCC). In exchange for offering its services at SDIA, the Concession Agreement requires Nevada to remit concession fees to the San Diego County Regional Airport Authority (Authority). In addition, pursuant to California Civil Code §1936(M)(2) Nevada must also remit CFCs to the Authority. During our audit period that ran from January 1, 2014, through December 31, 2017, Nevada remitted \$6,752,390 to the Authority. The Revenue Management Department manages the Concession Agreement with Nevada.

Audit Results

Our audit of revenue reports, rental contracts, and other documentation determined that Nevada generally complied with its License and Concession Agreement with the San Diego County Regional Airport Authority. However, we identified three (3) findings regarding underpayments related to concession and CFC fees and compliance to the Concession Agreement, as summarized below:

- Nevada improperly classified airport customer revenue as non-airport. Based on a review of rental agreements, we noted that some rental customers did not meet all requirements to be classified as non-airport.
- Nevada underpaid CFCs during the audit period.
- Nevada is not compliant with Section 4.2.2 of the Concession Agreement regarding submittal of annual reports.

Recommendations

Based on this audit, there were six (6) recommendations, which are summarized below. The Revenue Management Department (RM) should:

- Request that the Accounting Department issue an invoice to Nevada in the amount of \$78,063 for the net underpayment of concession fees.
- Consider charging Nevada interest for the underpayment of concession fees and for the full cost of the audit in the amounts of \$31,052 and \$56,050, respectively.
- 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.
- Notify Nevada that non-airport customers should be refunded the CFCs charged totaling the amount of \$112,354 during the period from January 1, 2014, to January 19, 2016.
- Request that the Accounting Department issue an invoice to Nevada in the amount of \$500 for not submitting the annual report.
- Issue a Notice of Default to Nevada for non-compliance of Agreement Section 4.2.2 – regarding submittal of an annual report.

Appendix D - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of December 31, 2018
Completed					
17-11	Audit Report 17027 Issued: February 7, 2017 Title: Spa Didacus, Inc. Department: BUSINESS AND FINANCIAL MANAGEMENT	High	The Business and Financial Management Department should develop a control to ensure that the completed Certification of Capital Investment, the related depreciation schedule, and proper supporting documentation are received from every concessionaire, as required by the lease.	6/30/2017	The Revenue Management and the Facilities Development Departments overseeing the Tenant Improvement Program Management enhanced a completion checklist process to ensure the Certification of Capital Investment Forms are formally submitted as part of the Tenant Improvement Close-out procedures.
18-14	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	In addition to the current Administrator training, Authority Management should consider requiring training covering Authority Policies 3.30 and 3.40 and the more detailed Accounting guidance over travel contained in the Employee Reference Guide for all employees that incur reimbursable business or travel expenses.	6/30/2019	On December 20, 2018, the Board's Executive Committee unanimously recommended approval of a revised and combined Business and Travel Expense Reimbursement Policy, which will be considered for adoption at the Board's January 3, 2019, meeting. Consistent with this audit recommendation, the new Policy requires training for all travelers, administrators, and those who book travel.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of December 31, 2018
Completed					
18-15	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Administrator review of the expense reports submitted for reimbursement needs to be strengthened to ensure that all reimbursement requests submitted for approval meet Authority Policy requirements. Further, Administrators should reject reimbursements that do not adhere to Authority Policies.	3/31/2019	Staff will continue to ensure that the Administrators are correctly approving expenses per Authority Policy. On December 20, 2018, the Board's Executive Committee unanimously recommended approval of a revised and combined Business and Travel Expense Reimbursement Policy, which will be considered for adoption at the Board's January 3, 2019, meeting. Upon adoption of the new policy, a business and travel expenses procedures document will be created to provide detailed guidance to all employees. The new Policy, together with the procedures document, will be clearer and easier to follow. Further, new training will be conducted for administrators, travelers, and those who book travel.
18-16	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Authority business and travel expense Policies need to be revised and strengthened. Authority Management should consider a thorough review of the Policies to ensure the requirements are practical, consistent, and do not become too detailed with procedures. A strong business and travel expense procedures guide should be developed to cover the actual execution of the Policy requirements.	3/31/2019	On December 20, 2018, the Board's Executive Committee unanimously recommended approval of a revised and combined Business and Travel Expense Reimbursement Policy, which will be considered for adoption at the Board's January 3, 2019, meeting. Upon adoption of the new policy, a business and travel expenses procedures document will be created to provide detailed guidance to all employees.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of December 31, 2018
Completed					
18-17	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Authority Management should consider eliminating the use of travel advances due to the issues noted. Additionally, Authority Management should institute a Policy whereby employees that don't follow travel advance requirements are prohibited from obtaining advances for at least one (1) year.	3/31/2019	On December 20, 2018, the Board's Executive Committee unanimously recommended approval of a revised and combined Business and Travel Expense Reimbursement Policy, which will be considered for adoption at the Board's January 3, 2019, meeting. Consistent with this audit recommendation, the new Policy institutes a one (1) year prohibition on travel advances for those who fail to adhere to the requirements for travel advances.
18-18	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Authority Management should institute procedures to ensure that advances are issued in accordance with the Travel Advance procedures and are not issued more than seven days before travel. Alternately, Policies 3.30 and 3.40 could be amended to specify how many days prior to travel an employee can be issued a travel advance. Under IRS guidance, travel advances exceeding 30 days are in excess of a reasonable period of time, are to be treated as being paid under a non-accountable plan, and are to be reported as wages to the employee.	3/31/2019	On December 20, 2018, the Board's Executive Committee unanimously recommended approval of a revised and combined Business and Travel Expense Reimbursement Policy, which will be considered for adoption at the Board's January 3, 2019, meeting. Consistent with this audit recommendation, the new Policy states that advances generally shall not be paid to travelers more than seven (7) days prior to travel.
18-19	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Authority Management should consider including a limit on expenses that can be approved by an Administrator. Expenses, such as airfare, over a certain dollar threshold should require Executive Management approval. This would ensure that the Executive Management is involved in the process of verifying that each expense that is unusual in amount is reasonable, necessary, directly related to the Authority's business, and adequately supported.	3/31/2019	Staff agrees with this recommendation. Approval limits were implemented earlier this year.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of December 31, 2018
Completed					
18-20	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Authority Management should consider changing Authority Policy 3.40 to require employees to use the per diem rates set each year by the GSA for meals. Amending the Policy to reimburse employees based on GSA rates would reduce staff time in processing reports, limit meal reimbursement amounts, and eliminate any supporting documentation issues related to meals. In our opinion, it is not reasonable to require GSA rates for hotels, due to issues such as conference locations and lack of hotel vacancies. However, the GSA rates should be used as a guide and Authority Management should consider requiring preapproval of hotel costs that exceed the GSA or conference rates for hotels for domestic travel destinations, and the Department of State rates for hotels for international destinations.	3/31/2019	On December 20, 2018, the Board's Executive Committee unanimously recommended approval of a revised and combined Business and Travel Expense Reimbursement Policy, which will be considered for adoption at the Board's January 3, 2019, meeting. Consistent with this audit recommendation, the new Policy includes reimbursement at the per diem rate for out-of-town meals and incidental expenses.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of December 31, 2018	Revised Estimated Completion Date
In Progress						
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	FMD evaluated all of the expenses and a current amount to bill is being assessed.	3rd Quarter FY19
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	All supporting documentation provided by CVEC has been reviewed and verified to justify the \$416,556 in expenses. During the course of staff's review, additional discrepancies outside of the Audit pertaining to duplicate billing, errors on hours billed, and missing receipts were found. The proper amount to bill is currently being assessed.	3rd Quarter FY19
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	Signature and the Authority Revenue Management Department have met and Signature is not in dispute with the finding. General Counsel is reviewing the lease and working to ensure clarity within the agreement moving forward ensuring proper resolution of this item.	3/31/2019

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of December 31, 2018	Revised Estimated Completion Date
In Progress						
19-04	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 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	ADC will work with General Counsel to strengthen contract language and work with the Authority's Small Business Department to develop procedures that establish a robust process to verify that contractors obtain SBE/DBE certifications for all SBE/DBE subcontractors prior to their start of work.	6/1/2019
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	ADC will work with the Authority's Small Business Department to develop procedures that ensure that all SBEs/DBEs reported as working on design and construction projects meet the definition of a small business per Authority policy.	6/1/2019
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	ADC will work with the Authority's Small Business Department to develop procedures that ensure that all prime contracts provide accurate reporting of amounts paid in the "Small-SDB 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

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of December 31, 2018	Revised 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	This recommendation was issued in December 2018, therefore, no follow-up activity was performed.	5/31/2019
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	This recommendation was issued in December 2018, therefore, no follow-up activity was performed.	5/31/2019
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	This recommendation was issued in December 2018, therefore, no follow-up activity was performed.	5/31/2019
19-10	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 notify Nevada that non-airport customers should be refunded CFCs in the amount of \$112,354 during the period from January 1, 2014, to January 19, 2016.	5/31/2019	This recommendation was issued in December 2018, therefore, no follow-up activity was performed.	5/31/2019

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of December 31, 2018	Revised Estimated Completion Date
In Progress						
19-11	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 \$500 for not timely submitting the annual report.	5/31/2019	This recommendation was issued in December 2018, therefore, no follow-up activity was performed.	5/31/2019
19-12	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 issue a Notice of Default to Nevada for non-compliance of Section 4.2.2 - Submittal of an Annual Report.	5/31/2019	This recommendation was issued in December 2018, therefore, no follow-up activity was performed.	5/31/2019
19-13	Audit Report 19016 Issued: Dec. 26, 2018 Title: Pneuma Enterprises, Inc., dba Travcar Car Rental Department: REVENUE MANAGEMENT	High	The Revenue Management Department should take all appropriate steps to recover damages and other amounts owed based upon the following: - Pneuma failed to comply with Article 6.2.1 of the Concession Agreement; - Pneuma operated after termination of the Concession Agreement without authorization; and, - It is unknown if Pneuma has emitted all required payments to the Authority for the audit period.	1/31/2019	This recommendation was issued in December 2018, therefore, no follow-up activity was performed.	1/31/2019

ITEM 2



**Fiscal Year 2019
Second Quarter Activities Report
and Audit Recommendations Issued by the
Office of the Chief Auditor**

October 1, 2018, through December 31, 2018

**Audit Committee Meeting
February 11, 2019**

Presentation Overview

Annual Report

- **Audit Activities**
- **Recommendation Follow-up**
- **Performance Measures**
- **Summary of Ethics Inquiries**

Audit Activities

- **Completed 5 audits during Second Quarter**
- **Audit Results**
 - Issued 10 recommendations during the quarter
- **14 additional projects in progress as of December 31, 2018**
 - 3 audits in the reporting phase

Audits in Progress as of December 31, 2018

Audit	Type of Audit	Status as of Feb 11, 2019
Ace Parking Management, Inc.	Expense Contract	Reporting
Art Program	Business Process	Fieldwork
Concession Cost Recovery	Business Process	Fieldwork
Emergency Medical Technician - Paramedic Services	Annual Ongoing and Support	Fieldwork
Fox Rent A Car	Revenue Contract	Fieldwork
Granite Construction Company	Expense Contract	Issued
JCDecaux, Inc.	Revenue Contract	Reporting
Leigh Fisher & Associates	Expense Contract	Fieldwork
New Zoom Inc. dba ZoomSystems (RP 6)	Revenue Contract	Fieldwork
San Diego Unified Port District Billing - Fiscal Year 2017	Annual Ongoing and Support	Reporting
Small Business Development	Business Process	Fieldwork
Tuition Reimbursement Program	Business Process	Fieldwork
Construction Audit and Monitoring Activity	Annual Ongoing and Support	Ongoing
Ethics Program	Annual Ongoing and Support	Ongoing

Recommendation Follow-Up

Status as of December 31, 2018

Completed	In Progress	Not Accepted	Tracked
8	13	0	21

Status of Recommendations with Estimated Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
In Progress	10	1	2	13
Completed	7	0	1	8

Fiscal Year 2019 Performance Measures

Performance Measure	Goal	Progress
Percentage of the Audit Plan completed annually	40%	21%
Additional revenue/cost savings identified through audits	n/a	\$279,266
Percentage of staff time spent on audit activities	70%	60%
Percentage of audits completed within budgeted time	80%	38%
Recommendations Accepted by Management	95%	100%
Customer Satisfaction	4.0	4.53

Summary of Ethics Inquiries

October 1, 2018, through December 31, 2018

	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	1	1	1	Open ⁽¹⁾	0
Potential Misuse of Resources	1	1	0	0	0
Non Ethics Related Concerns					
ATO Practices and Behavior	1	0	0	0	0
Security Issue	1	0	0	0	0
General Workplace Concerns					
Workplace Equitability	1	0	0	0	0
Workplace Practices/Behavior	8	0	0	0	0
Total	13	2	1	0	0

(1) One report currently being investigated.

QUESTIONS?