

Audit Committee and Special Board Meeting

Monday, May 9, 2022
10:00 A.M.

San Diego International Airport
SDCRAA Administration Building
3225 N. Harbor Drive
San Diego, California 92101

Board Members

Gil Cabrera (Chair)
Mary Casillas Salas (Vice Chair)
Catherine Blakespear
Paul McNamara
Paul Robinson
Johanna Schiavoni
James Sly
Nora E. Vargas
Marni von Wilpert

Ex-Officio Board Members

Col. Thomas Bedell
Gustavo Dallarda
Gayle Miller

President/CEO

Kimberly J. Becker

This meeting of the Audit Committee of the San Diego County Regional Airport Authority will be conducted pursuant to the provisions of California Assembly Bill 361 which suspends certain requirements of the Ralph M. Brown Act. On May 5, 2022, the San Diego County Regional Airport Authority Board adopted Resolution No. 2022-0045 finding that as a result of the continuing State of Emergency and the fact that local officials have recommended measures to promote social distancing and a finding that meeting in person continues to present imminent risks to the health and safety of attendees, it is in the best interest of the Authority and the public to continue to conduct meetings of the Board and Committees virtually pursuant to AB 361. Therefore, in the interest of public health, all Board Members will be participating in the meeting electronically. In accordance with Assembly Bill 361 and Authority Board Resolution No. 2022-0045, there will be no members of the public in attendance at the Meeting. We are providing alternatives to in-person attendance for viewing and participating in the meeting. In lieu of in-person attendance, members of the public may submit their comments in the following manner.

Public Comment during Board/Committee Meetings

If you'd like to speak live during the meeting, please follow these steps to request to speak:

- **Step 1:** Watch the meeting via the live Webcast located at the following link, <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=15005>
PLEASE NOTE: There is approximately 20 seconds of lag time between the meeting and the Webcast.
- **Step 2:** When the Chair introduces the item that you would like to comment on, (*or indicates that it is time for Non-Agenda Public Comment*), call into the public comment line by following the following directions:
 - **REMINDER: Please do not call until the item you want to comment on is being discussed.**
 - **Dial 1-619-737-2396**
 - **When prompted, input Conference ID: [676 006 996#](#)**

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- **You will then hear: "If you're the meeting organizer, press star now. You are now joining the meeting." Ignore this message.**
- **After a few seconds, you will hear: "Please wait for the leader to admit you into the meeting, thank you for your patience." This is an indication that you are in the waiting room, Authority staff will admit you into the meeting when it is your time to speak.**
- **After being admitted into the meeting, your microphone will be live, please turn off your webcast to avoid feedback. Staff will then ask you to state your name and begin your comments.**

Written Non-Agenda Public comment and/or Public Comment on agenda items may also be submitted to the Authority clerk at clerk@san.org. Comments received no later than 8:30 a.m. on the day of the meeting will be distributed to the Board or Committee and included in the record.

How to Watch the Meeting

You may also view the meeting online at the following link: <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=15005>

Requests for Accessibility Modifications or Accommodations

As required by the Americans with Disabilities Act (ADA), requests for agenda information to be made available in alternative formats, and any requests for disability-related modifications or accommodations required to facilitate meeting participation, including requests for alternatives to observing meetings and offering public comment as noted above, may be made by contacting the Authority Clerk at (619) 400-2550 or clerk@san.org. The Authority is committed to resolving accessibility requests swiftly in order to maximize accessibility.

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. **Please note that agenda items may be taken out of order.** 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.

Note: Pursuant to Authority Code Section 2.15, all Lobbyists shall register as an Authority Lobbyist with the Authority Clerk within ten (10) days of qualifying as a lobbyist. A qualifying lobbyist is any individual who receives \$100 or more in any calendar month to lobby any Board Member or employee of the Authority for the purpose of influencing any action of the Authority. To obtain Lobbyist Registration Statement Forms, contact the Board Services/Authority Clerk Department.

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CALL TO ORDER:

ROLL CALL:

Committee Members: Blakespear, Casillas Salas, Schiavoni, Sly, Vann (Chair), Newsom, Wong Nickerson

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 Committee.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 7, 2022, regular meeting.

2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDITS FOR THE FISCAL YEAR ENDED JUNE 30, 2022:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information.

(Presented by: Elizabeth Stewart, Director, Accounting; and, Danny Martinez, Managing Director, BKD, LLP)

3. FISCAL YEAR 2022 THIRD QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

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

(Presented by: Lee Parravano, Chief Auditor)

4. REVISION TO THE FISCAL YEAR 2022 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee accept the revised audit plan and forward it to the Board with a recommendation for approval.

(Requires five (5) affirmative votes of the Audit Committee.)

(Presented by: Lee Parravano, Chief Auditor)

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5. RISK ASSESSMENT AND PROPOSED FISCAL YEAR 2023 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed Audit Plan and forward it to the Board with a recommendation for approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***

(Presented by: Lee Parravano, Chief Auditor)

6. FISCAL YEAR 2023 PROPOSED BUDGET OF THE CHIEF AUDITOR AND FISCAL YEAR 2024 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

RECOMMENDATION: Staff recommends that the Audit Committee accept the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2023-2024 Budget process that may include debt issuance or refinancing, with a recommendation for Board approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***

(Presented by: Lee Parravano, Chief Auditor)

CLOSED SESSION:

7. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

(Government Code Section 54957)

Title: Chief Auditor

REPORT ON CLOSED SESSION:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Monday, May 9, 2022

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 submit an email to the Clerk at clerk@san.org 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 submit an email 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.

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) 400-2550 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
MINUTES
MONDAY, FEBRUARY 7, 2022
BOARD ROOM

CALL TO ORDER: Chair Vann called the Audit Committee Meeting to order at 10:01 a.m., on Monday, February 7, 2022, electronically and via teleconference pursuant to the provisions of California Assembly Bill 361 and Resolution No. 2022-0021 at the San Diego International Airport, Administration Building, 3225 North Harbor Drive, San Diego, CA 92101.

ROLL CALL:

Present: Committee Members: Blakespear, Casillas Salas, Newsom, Sly, Vann (Chair), Wong Nickerson

Absent: Committee Members: Schiavoni

Also Present: Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel; Tony R. Russell, Director, Board Services/Authority Clerk; Miranda Roper, Assistant Authority Clerk I

PRESENTATIONS:

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 15, 2021, regular meeting.

ACTION: Moved by Committee Member Newsom and seconded by Board Member Blakespear to approve staff's recommendation. Motion carried unanimously noting Committee Member Sly's ABSTENTION and Board Member Schiavoni as ABSENT.

2. FISCAL YEAR 2022 SECOND QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2022 Second Quarter Report from the Office of the Chief Auditor that included Fiscal Year 2022 Performance Measures; General Audit Activity – Recommendation Follow-Up; General Audit Activity – Ethics; Audits Completed, and Audit Spotlight – Fire Extinguisher Compliance.

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

ACTION: Moved by Committee Member Newsom and seconded by Board Member Casillas Salas to approve staff's recommendation. Motion carried unanimously noting Board Member Schiavoni as ABSENT.

Committee Member Wong Nickerson left the meeting at 10:30 a.m.

3. CONSTRUCTION AUDIT UPDATE:

Lee Parravano, Chief Auditor, and Callie Ullman, Senior Auditor, provided a presentation on the Construction Audit Update that included Background; Baker Tilly Completed Tasks; Potential Terminal and Roadways Validation Phase Audits; Proposed Terminal, and Roadways Validation Phase Audits.

RECOMMENDATION: Information item only.

4. REVISION TO THE FISCAL YEAR 2022 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR

Lee Parravano, Chief Auditor, provided a presentation on the Revision to the Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor that included Reasons for Revision – Harbor Police Audits, and Reasons for Revision – Construction Audits.

RECOMMENDATION: Staff recommends that the Audit Committee accept the revised audit plan and forward it to the Board with a recommendation for approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***

ACTION: Moved by Committee Member Newsom and seconded by Board Member Blakespear to approve staff's recommendation. Motion carried unanimously noting Board Member Schiavoni and Committee Member Wong Nickerson as ABSENT.

COMMITTEE MEMBER COMMENTS: None.

CLOSED SESSION: The Committee recessed into Closed Session at 10:41 a.m. to discuss Item 5.

- 5. THREAT TO PUBLIC SERVICES OR FACILITIES:**
Consultation with Clint Welch, Director, Aviation Security and Public Safety;
Jessica Bishop, Director, Information & Technology Services; and John
Thomes, Cyber Security Specialist

REPORT ON CLOSED SESSION: The Committee adjourned out of Closed Session at 11:13 a.m. There was no reportable action.

ADJOURNMENT: The meeting adjourned at 11:13 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY THIS 9th DAY OF MAY, 2022.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

Staff Report

Meeting Date: May 9, 2022

Subject:

Required Communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year Ended June 30, 2022

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board for information.

Background/Justification:

On March 25, 2019, staff presented a recommendation to the Audit Committee to enter into an agreement with BKD, LLP, for Financial Audit Services. The Audit Committee recommended that the Board adopt a resolution approving and authorizing the President/CEO to execute an agreement with BKD, LLP.

The Board adopted Resolution No. 2019-0035 during its April 4, 2019, Board Meeting, approving and authorizing the President/CEO to execute an agreement with BKD, LLP, for an amount not to exceed \$950,000 for a three-year term with an option for two (2) one-year extensions, which may be exercised at the discretion of the Authority. On March 23, 2022, the President/CEO exercised the first one-year extension.

The Charter of the Audit Committee, and as specified in the Statement on Auditing Standards (SAS) 114, requires that the Authority's external auditor communicate for review and approval by the Audit Committee its planned scope and timing for conducting the audit of the Authority's financial statements; and to communicate an annual report on independence, a report on its quality control program and peer review, and other responsibilities under generally accepted auditing standards.

As required, the lead engagement partner from BKD, LLP, will give a presentation during the May 9, 2022, Audit Committee Meeting on matters pertaining to the scope, timeline, planning, and revisions to professional standards effecting the Fiscal Year Ended June 30, 2022, Financial and Compliance Audit. In addition, a copy of the BKD's most recent Peer Review Letter is provided, as Attachment A.

Fiscal Impact:

Adequate funding for the agreement with BKD, LLP, for performing the Authority's financial audit services is included in the Fiscal Year 2022 Adopted Budget and the Fiscal Year 2023 Conceptual Budget within the Services-Auditing line item. Expenses that will impact budget years not yet adopted by the Board will be included in future year budget requests.

Authority Strategies/Focus Areas:

This item supports one or more of the following (*select at least one under each area*):

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

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.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Elizabeth Stewart
Director, Accounting



8550 United Plaza Blvd., Ste. 1001 – Baton Rouge, LA 70809
 225-922-4600 Phone – 225-922-4611 Fax – pncpa.com

Postlethwaite & Netterville and Associates, L.L.C.

Report on the Firm's System of Quality Control

To the Partners of BKD, LLP
 and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, an audit of a broker-dealer, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As part of our peer review, we considered reviews by regulatory entities as communicated to the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. BKD, LLP has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
 November 2, 2020

Required Communication to the Audit Committee

Financial and Compliance Audits for the Fiscal Year Ended June 30, 2022

Presented By: Danny Martinez, Managing Director
May 9, 2022



Engagement Team

- Danny Martinez, CPA, Engagement Executive
- Josh Findlay, CPA, Manager
- Meagan Holyfield, CPA, Associate



Overview

- Our audit will be conducted in accordance with the following guidelines:
 - Auditing standards generally accepted in the United States of America
 - *Government Auditing Standards*
 - Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
 - *Passenger Facility Charge Audit Guide for Public Agencies*
 - California Government Code 50474.21
 - We will also issue a management letter including our required communications to the Audit Committee

Planned Timing and Scope

Planned Scope

- The following are considered as having a higher risk of material misstatement due to error or fraud:
 - Management override of controls
 - Revenue recognition
 - Long-term debt
 - Leases
 - Federal Awards Program

Planned Timing

Week of May 23rd - Planning, interim fieldwork and risk assessment

Week beginning August 29th - Final audit fieldwork, including Single Audit, Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) testing

Week of September 5th- Continued final audit fieldwork

Week of September 12th - Continued final audit fieldwork, exit conference with management to review draft financial statements and other required communications

September 30 – Concurring partner review to be performed

October 21 - Release final deliverables

November 14 - Presentation of financial statements, our required communications and other deliverables to the Audit Committee

Approach to Planning

- Planning and Risk Assessment – Our procedures include:
 - Obtaining an understanding of the internal control environment
 - Obtaining an understanding of changes to the Authority's operations for the year, including new revenue streams and activities
 - Examining Authority Board and Audit Committee minutes and highlighting any ordinances, resolutions, laws and compliance regulations to be reviewed
 - Determining how Covid-19 and associated federal regulations has continued to impact operations

Approach to Planning (continued)

- Planning and Risk Assessment – Our procedures include (continued):
 - Completing our preliminary analytical review procedures
 - Reading Internal Audit reports prepared during the year
 - Developing applicable audit programs to address significant audit areas and the specific risks identified during our risk assessment procedures

Remote Work Strategy (Weeks of 9/5/22 & potentially 9/12/22)

- Utilization of BKD Connect Site
- Microsoft Teams for Status Meetings
- Video calls for audit questions

Revisions to Professional Standards

Revisions to Professional Standards

- *GASB 87, Leases*
 - Provides a new framework for accounting for leases under the principle that leases are financings.
 - GASB 87 is effective for the Authority's 2022 fiscal year.
 - BKD will continue to work with the Authority on implementing this standard.

Consideration of Error or Fraud

Consideration of Errors or Fraud

- Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*
 - Fraud interviews will be held with key members of the Airport Authority through this requirement

Consideration of Errors or Fraud *(continued)*

- Our audit approach includes:
 - Engagement Team Brainstorming
 - Inquiries of management and others:
 - Audit Committee Chair
 - President/CEO
 - Chief Internal Auditor
 - General Counsel
 - Chief Financial Officer
 - Chief Development Officer

Consideration of Errors or Fraud (*continued*)

- Inquiries of management and others (*continued*):
 - Others as deemed appropriate in the following areas:
 - Accounting
 - Finance
 - Grants Management & Compliance
 - Procurement
 - Airport Development
 - Information Technology
 - Human Resources

Industry Topics

Industry Topics

- *Meeting the Increasing Challenges of Cybersecurity*
- *Environmental, Social, Governance (ESG)*
- *GASB 87, Leases*

A promotional graphic for a webinar. It includes the text "Webinar May 04, 2022" in a teal box, the title "ESG & the Top 10 Governance Activities", and a red "Register Now" button with a right-pointing arrow. To the right is a dark image of hands typing on a keyboard with the text "BKD FORENSICS INSTITUTE" overlaid. At the bottom right are two circular navigation buttons, one with a left arrow and one with a right arrow.

Webinar **May 04, 2022**

**ESG & the Top 10
Governance Activities**

Register Now ▶

**BKD FORENSICS
INSTITUTE**

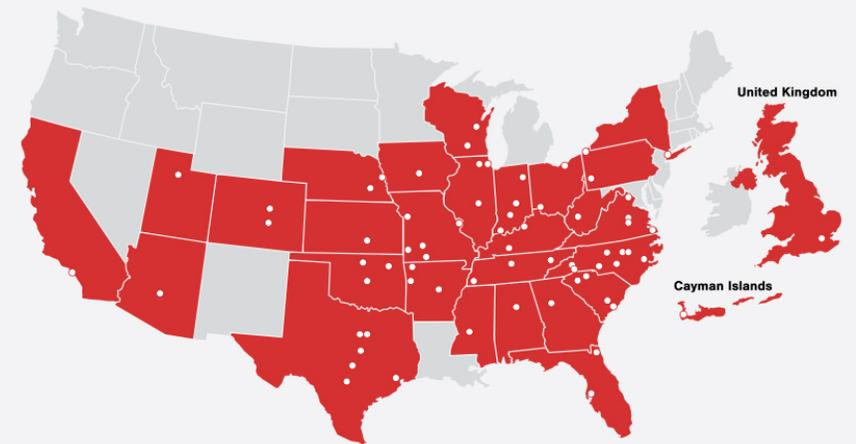
BKD Merger of Equals

INTRODUCING

FORVIS

EFFECTIVE JUNE 1, 2022

As a Top-10 firm with true national coverage, we're infinitely stronger: for us, for our clients, and for the market of the future.



Contacts

- It is our understanding that the appropriate people within the Authority's governance structure with whom to communicate are:

Lee Parravano, Chief Internal Auditor

Carmen Vann, Audit Committee Chair

Gil Cabrera, Board Chair

- If you need to contact us:

Danny Martinez, Managing Director – 505.917.0488 dmartinez@bkd.com

Josh Findlay, Manager – 972.702.8262 Ext. 43418 jfindlay@bkd.com

BKD Thoughtware

Questions?

Audit Committee

Meeting Date: May 9, 2022

Subject:

Fiscal Year 2022 Third Quarter Report from the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee review this item and forward it to the Board with a recommendation for acceptance.

Background/Justification:

As directed in the Charter for the Office of the Chief Auditor, the Chief Auditor shall communicate to the Authority's Audit Committee and executive management on the performance relative to the Office of the Chief Auditor's (OCA) Audit Plan, results of audit engagements or other activities completed, and to report any risk exposures or control issues identified.

The Fiscal Year 2022 Third Quarter Report from the OCA (Attachment A) is submitted to the Audit Committee to provide an account of activities and undertakings of the OCA during the period January 1, 2022, through March 31, 2022, and includes details on all recommendations completed or in progress during the third quarter.

A presentation by the OCA on its third quarter activities will be provided to the Audit Committee on May 9, 2022. Upon review of the Fiscal Year 2022 Third Quarter Report, staff requests that the Audit Committee forward the report to the Board for acceptance.

Fiscal Impact:

None

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

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.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

Office of the Chief Auditor

Fiscal Year 2022 3rd Quarter Report

ATTACHMENT A

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



By The Numbers



Recommendations Issued



Customer Satisfaction Rating



Audit Engagements Completed Under Budget



Auditor Utilization Percentage



Recommendations Accepted By Management

Audit Engagement Progress



■ Completed (42.86%)
 ■ In Progress (42.86%)
 ■ Not Started (14.29%)

Audit Engagements Completed vs. Benchmark & Goal





Fiscal Year 2022

Third Quarter Report

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Issue Date: May 9, 2022

OFFICE OF THE CHIEF AUDITOR

Third Quarter Summary

Executive Summary

During the third quarter the Office of the Chief Auditor (OCA) moved forward on several audit initiatives. Notably, we launched three construction audits based on a recently completed risk assessment performed by our construction audit partner and consultant, Baker Tilly. The risk assessment and associated audits are for the Validation Phase of the Terminal and Roadways related to the New T1. Additionally, the OCA began its annual risk assessment process that involves all departments and divisions. This annual risk assessment effort results in a proposed Audit Plan, which will be presented in May 2022 to the Audit Committee. As of the end of the third quarter we completed 43% of planned audits and have approximately 43% of our planned audits in progress.

Performance Measures

For Fiscal Year 2022, six major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Table 1.¹

Table 1: Status of Performance Measures as of March 31, 2022

#	Performance Measure	Goal	Actual	Benchmark
1	Customer satisfaction ratings from auditee	4.0	4.3	4.0
2	Number of recommendations	19	20	19
3	Percentage of audit engagements completed	60%	43%	60%
4	Percentage of recommendations accepted	95%	100%	83%
5	Percentage of staff time spent on audit engagements and general audit activities	70%	65%	70%
6	Percentage of audit engagements completed within budget	80%	100%	75%

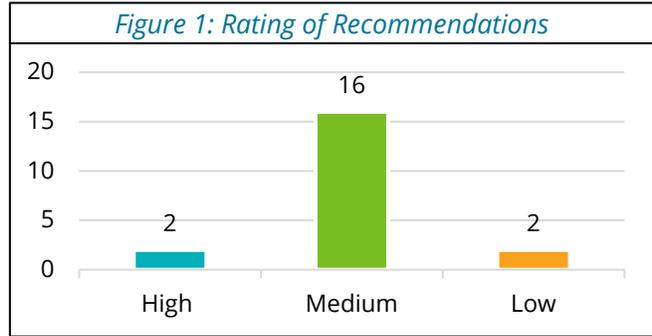
Customer Satisfaction Rating:

After the completion of an audit engagement, a survey is sent to the audited department to obtain customer satisfaction data. The OCAs 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 this fiscal year we have achieved a score of 4.3.

¹ The OCA tracks additional performance measures that are not shown above. Their results are compiled and shared with the Audit Committee annually.

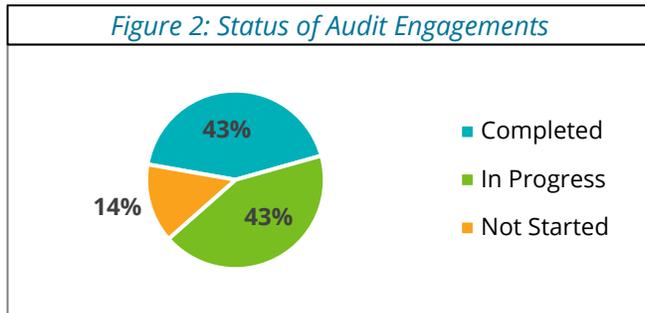
Number of Recommendations:

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. As of March 31, 2022, the OCA provided 20 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 1.



Percentage of Audit Engagements Completed:

As of the third quarter, the OCA completed 6 audit engagements, or 43%, of audit engagements (6/14 = 43%) that are planned to be completed on the Fiscal Year 2022 Audit Plan.² In addition to the six engagements completed, the OCA had 43% of engagements in progress as of the end of the third quarter, as shown in Figure 2. The engagements completed in the third quarter are summarized in the upcoming section titled Audit Engagements.



An alternative way to calculate this performance measure is to acknowledge the hours spent on audit engagements completed plus engagements that are in progress, but not yet completed. This calculation results in a completion percentage of 70%.³

The status of all activities in the Fiscal Year 2022 Audit Plan is included in Appendix A.

Percentage of Recommendations Accepted:

This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. As of the third quarter, management accepted 100% of all audit recommendations.

² The Fiscal Year 2022 Audit Plan has 15 audits. However, the audit identified as “Tenant Lease Administration and Management – Rental Car Companies” will be carried forward, as anticipated, into Fiscal Year 2023, when required data is captured to complete the audit. This results in 14 audits on the Fiscal Year 2022 Audit Plan to be completed in the fiscal year.

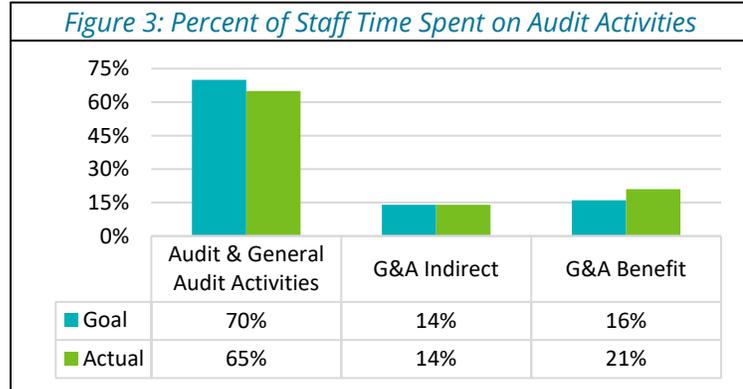
³ The OCA has spent 4,300 hours on audit engagements and estimates 6,159 total hours will be needed to complete all Fiscal Year 2022 planned audits (4,300/6,159=70%). The 70% and total hours of 6,159 exclude 220 hours for construction audits that have not been identified yet. These hours are labeled “To Be Determined - Construction” on the Audit Plan, until utilized.

FISCAL YEAR 2022 THIRD QUARTER REPORT

Percentage of Staff Time Spent on Audit Engagements and General Audit Activities:

This measure tracks the time spent on audit engagements and general audit activities.⁴ The OCAs goal for Fiscal Year 2022 is 70%. The OCA is currently below the established goal, spending 65% of time on audit and general audit activities.

This is largely due to staff using accrued vacation time that was underutilized due to the COVID-19 pandemic. As shown in Figure 3, 21% of staff time was recorded as “G&A Benefit” time, which includes vacation and holiday time used by OCA staff. This is above the amount planned by 5%.



Percentage of Audit and Consulting Engagements Completed within Budgeted Time:

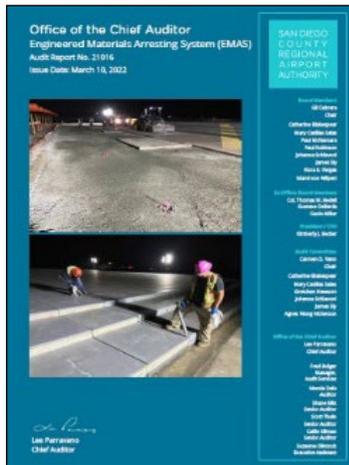
This category monitors the efficiency of audit staff in performing audits and consulting engagements. Specifically, audit staff is responsible for the internally prepared budget hours assigned to each audit or consulting engagement. As of the third quarter of Fiscal Year 2022, the OCA completed 100% of its projects within the budgeted time, exceeding the benchmark and the OCAs goal.

⁴ Appendix A details all planned activities in these categories for Fiscal Year 2022.

Audit Engagements

Issued

The Office of the Chief Auditor completed two audits during the third quarter. Below is a summary of these engagements.



Engineered Materials Arresting System (EMAS): The objective of this audit was to determine if the EMAS Project was properly monitored and managed. The audit concluded that in general, the EMAS Project was properly monitored and managed. Specifically, we found that the purchase and installation of materials and construction was adequately managed, payments were properly approved and included supporting documentation, procurement of the contracts related to the EMAS Project complied with the Authority's Procurement Policy, and change orders were not included in the original contract scope of work. The audit did not identify any findings or provide any recommendations.

Security Assessment - Aviation Security & Public Safety (AVSEC): This confidential report was completed during the third quarter. The audit provided two recommendations.

In Progress

At the close of the third quarter there were six audit engagements in progress, representing 43% of the Audit Plan. slated to be completed in Fiscal Year 2022. The audits in progress, and anticipated to be completed in Fiscal Year 2022, are listed here:

- Harbor Police Contract Management – Costs and Services, Fiscal Years 2018, 2019, and 2020
- Harbor Police Contract Management – Fiscal Year 2020 True-Up
- Employee Training and Development
- Turner-Flatiron Validation Phase Payment Applications
- Terminals and Roadway Validation Phase Cost Controls
- Turner-Flatiron Direct Labor Validation Phase

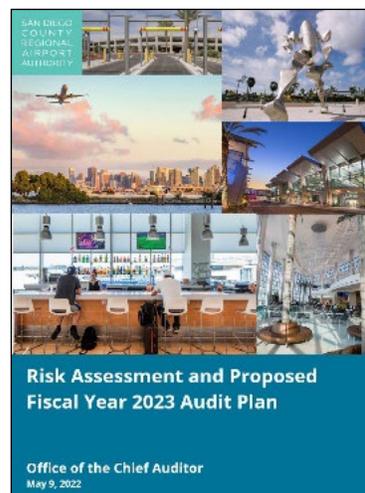
In addition to the audits listed above, the audit of Tenant Lease Administration and Management – Rental Car Companies (RAC) has been started in Fiscal Year 2022, although, will not be completed until next fiscal year. This audit will be carried forward to Fiscal Year 2023 in order to capture data throughout the period required to complete the RAC analysis.

General Audit Activities

In addition to performing audit 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 Risk Assessment & Audit Plan is the culminating result of data gathering, management discussions, surveys, and data analysis, which was formally initiated during the third quarter of Fiscal 2022. During the third quarter alone over 20 meetings took place with department directors to get their feedback on risks at the Authority. In all, over 30 meetings take place annually to also obtain input from Board and Committee Members, the Authority's Executive Team, and the OCA staff, as well. The OCA's Risk Assessment & Audit Plan will be presented at the May 9, 2022, Audit Committee meeting for acceptance, and forwarded to the Board for approval in June. The Audit Plan commences in July with the following fiscal year.



Construction Activities

Construction audit activity for the third quarter of Fiscal Year 2022 consisted of attending meetings regarding the New Terminal 1 (New T1) terminal and roadways, and new administration building projects. Task authorizations were issued to Baker Tilly, U.S., LLP (Baker Tilly) for direct labor testing, cost controls testing, and Baker Tilly audit project management. The OCA's Construction Auditor and audit staff have been working on the validation phase payment application audit, identified in the audit plan developed with Baker Tilly. Additionally, the Construction Auditor assisted Baker Tilly with their audit of direct labor and in the planning for future audits. The OCA remains involved with issues identified by the Airport Design and Construction team and Authority management, providing assistance and attending meetings specific to all aspects of the Authority's construction activity.

Information Technology Meeting Attendance

Information technology's central role to Authority operations makes meeting attendance on this subject a vital activity for the Chief Auditor. In Fiscal Year 2022, meetings have been focused on the security assessment for Aviation Security (AVSEC) and the planned san.org website audit. The AVSEC results were provided to the Audit Committee and results of the san.org website audit will be delivered when completed.

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

Development of Data Analytics

The OCA is actively exploring options to increase its audit coverage through data analytics. Currently, the OCA has a data analytics audit related to rental car companies that was initiated after consultation with various departments at the Authority. The Rental Car Company audit will serve as a foundation to explore other areas where data analytics could benefit the Authority and the OCA. During the development of the rental car data analytics program, the OCA identified information that has resulted in a request to amend the Fiscal Year 2022 Audit Plan. This request will be presented at the May 2022 Audit Committee Meeting.

Ethics Program Activities

The OCA manages the Authority's Ethics Program that includes a confidential reporting hotline. During the third quarter of Fiscal Year 2022, four tips/reports were received. These tips ultimately did not require any investigation. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate.

The hotline also allows individuals to ask questions about possible ethics matters, thus allowing individuals to make an informed and ethical decision. During the third quarter of Fiscal Year 2022, one question was received. The OCA appreciates the efforts made by this individual whose goal was to ensure an ethical decision was reached.

A summary of the tips/reports received in Fiscal Year 2022 is shown in Table 2 below.

Table 2: Ethics Hotline Tips/Reports Received in Fiscal Year 2022

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)*	Response (email or phone to non-anonymous reports)
Category					
Human Resource, Diversity, and Workplace Respect	16	-	-	-	-
Business Integrity	1	1	-	-	-
Environment, Health and Safety	2	1	1	1	-
Total	19	2	1	1	-

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

Recommendation Follow-up

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

Table 3 below shows the number of recommendations that were *Completed* or *In Progress* as of the third quarter of Fiscal Year 2022, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, eight were implemented within the initial timeframe identified when the recommendations were issued. Of the In Progress recommendations, seven recommendations were still within the initial timeframe identified for implementation.

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

Table 3: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total ⁶
Completed	8	-	1	9
In Progress	-	9	10	19

Quality Assurance and Improvement Program

The Institute of Internal Auditors' (IIA) *Standards* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP) that includes internal (self) assessments, ongoing monitoring, and external assessments (required every 5 years). The objective of ongoing monitoring is to provide assurance that the OCAs processes in place are working effectively, to ensure that quality is derived on an audit-by-audit basis.

The OCA completed ongoing monitoring of its Fiscal Year 2021 activities and operations during the first quarter of Fiscal Year 2022. The results were included in the Fiscal Year 2021 OCA Annual Report that was presented during the September 13, 2021, Audit Committee Meeting.

The OCA continues to monitor its activities and report on performance measures each quarter. Those results are presented in quarterly reports to the Audit Committee.

⁶ Recommendation(s) contained in confidential audit reports are not included in Table 3 or in Appendix B. They are tracked separately by the OCA.

Peer Review Participation

The OCA is required to participate on a peer review team(s) as part of a reciprocal agreement with the Association of Local Government Auditors (ALGA). In this agreement, OCA auditors would participate on a team assigned to assess another organization's compliance with Institute of Internal Auditors' (IIA) *Standards*. The OCA has been in contact with the regional coordinator of ALGA to schedule our staff on an appropriate peer review team. Two OCA auditors are anticipated to serve on a peer review in Fiscal Year 2022 or Fiscal Year 2023. One OCA auditor has been assigned to another airport organization's peer review; the scheduled start date of that engagement is still yet to be determined. The other OCA auditor anticipated to serve on a peer review team in Fiscal Year 2022 or Fiscal Year 2023 is not currently assigned to a peer review.

Administrative

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

Tracking Budget and Expenses

The OCA expenses totaled approximately \$910,000 through the end of the third quarter, which represents 71% of the Fiscal Year 2022 budget. No unexpected or large outlays occurred within the department during the three quarters of Fiscal Year 2022. The OCA expects to remain on budget through the fiscal year-end.

Continuing Professional Development

OCA staff continues to obtain Continuing Professional Education (CPE) credits as required by their various certifications. The OCAs CPE credits are tracked on a calendar year basis. At the end of calendar year 2022 all OCA staff met their respective CPE requirements. In the third quarter, staff attended training on topics that included remote working, value added auditing, cybersecurity, social engineering, lease standards, Adobe Acrobat, independence, and Log4j vulnerabilities related to cybersecurity.

As of the third quarter, the OCA has a Certified Fraud Examiner (CFE) on staff. The requirement to become a CFE includes a rigorous test on four major disciplines that comprise the associated fraud body of knowledge including: Fraud Prevention and Deterrence, Financial Transaction and Fraud Schemes, Investigation, and Law.

Procedural/Supervisory

One Audit Committee meeting took place during the third quarter, which occurred on February 7, 2022. The meeting contained all of the regularly scheduled agenda items, of which the OCA assisted in coordination with the Committee Chair and Board Services.

COVID-19

All OCA staff have been working remotely since March 2020. The pandemic has required the OCA to be flexible with the timing of audit engagements due to the resource limitations caused by the pandemic. During the third quarter, OCA staff began a transition back to the office, working both remotely and in the office each week.

Use of Report

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

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

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

Appendix A – Fiscal Year 2022 Audit Plan

#	Activity	Status as of 3/31/2022	Over/Under Budget	No. of Recs.
Audit Engagement				
1	Harbor Police Contract Management – Costs and Services	In Progress		-
2	System Security – AVSEC (Confidential)	Completed	Under	2
3	Enterprise Content Management System (ECMS)	Completed	Under	7
4	Accounts Receivable / Collections - Abatement Program	Completed	Under	2
5	Contractor Monitoring – Engineered Materials Arresting System	Completed	Under	-
6	Harbor Police Contract Management – Fiscal Year 2020 True-Up	In Progress		-
7	Tenant Lease Admin. & Management – Rental Car Companies ⁷	In Progress		
8	System Security – SAN.org website	Not Started		-
9	Employee Training and Development	In Progress		-
10	Tenant Lease Administration & Management – Terminal Space	Completed	Under	5
11	Airfield Operations - Amadeus	Not Started		-
12	Terminal Maintenance - Fire Extinguisher Compliance	Completed	Under	4
13	Turner-Flatiron Validation Phase Payment Applications	In Progress		
14	Terminals and Roadway Validation Phase Cost Controls	In Progress		
15	Turner-Flatiron Direct Labor Validation Phase	In Progress		
16	To Be Determined – Construction	N/A		-
17	To Be Determined - Discretionary	N/A		-
	Total			20
General Audit				
18	Risk Assessment & Audit Plan	In Progress		
19	Construction Meeting Attendance & Coordination	In Progress		
20	Information Technology Meeting Attendance	In Progress		
21	Development of Data Analytics	In Progress		
22	Ethics Program	In Progress		
23	Recommendation Follow-up	In Progress		
24	Quality Assurance & Improvement Program	In Progress		
25	Peer Review Participation	In Progress		
Administrative				
26	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	In Progress		
27	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	In Progress		

⁷ Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to Fiscal Year 2023.

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 March 31, 2022
Completed						
22-1	Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls Department: BOARD SERVICES	High	The ECMS Administrator should coordinate with Department Records Coordinators to conduct, periodic reviews of access rights and group permissions to enforce the practice of least privilege, and maintain documentation to show the review was performed by appropriate individuals.	6/30/2022	6/30/2022	Board Services met with all Department Directors and Records Coordinators to review their ECMS Folder Map and the Access Rights and Permissions on each folder for approval by the Director or Vice President.
21-18	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	Medium	The Accounting Department's A/P Team should perform regular periodic maintenance of the Vendor Master File to identify inactive and duplicate vendors and tag them as inactive.	12/31/2021	3/31/2022	The Accounting Department's A/P Team has developed a procedure to annually review and inactivate vendors. In addition, at this time all vendors that have not been paid since April 30, 2020 have been coded in E1 as inactive.
22-14	Audit Report 22007 Issued December 29, 2021 Title: Fire Extinguisher Compliance Department: FACILITIES MANAGEMENT	Medium	FMD should remove from service the fire extinguisher that had received no inspection since 2019 and replace it with a reserve. FMD should have All County inspect this unit on the next annual maintenance visit.	2/28/2022	2/28/2022	FMD removed the fire extinguisher that hadn't been inspected since 2019 and replaced it with an up to date inspected unit. FMD went through all existing units to ensure all are within compliance and then enlisted All County to inspect them on their next maintenance visit.

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 March 31, 2022
Completed						
22-15	Audit Report 22007 Issued December 29, 2021 Title: Fire Extinguisher Compliance Department: FACILITIES MANAGEMENT	Medium	FMD should immediately visit the fire extinguishers lacking up to date monthly inspection records and perform the necessary inspections.	2/28/2022	2/28/2022	Any and all units currently lacking up to date inspection records were internally inspected by FMD to ensure the Authority is meeting California Code Title 19 Standards.
22-16	Audit Report 22007 Issued December 29, 2021 Title: Fire Extinguisher Compliance Department: FACILITIES MANAGEMENT	Medium	FMD should require that staff performing fire extinguisher inspections write the full date (day, month, and year) of when the inspection was performed on the maintenance tags. The full date would allow cross checking with staff assignments creating increased confidence in the veracity of FMD attestations. Alternately, management could procure a computer application that could scan barcodes attached to each fire extinguisher, which could record all relevant information, including dates of completed inspections, location of fire extinguishers, and the employee performing the inspection.	2/28/2022	2/28/2022	Moving forward, when FMD performs inspections on hand held fire extinguisher units, the Month, day, year will be written on the tag to ensure the unit is within California Code Title 19 standards. Utilizing our existing E-1 database application, FMD created a weekly Preventative Maintenance "PM" Work Order for hand held fire extinguisher inspection. The Work Order has a photo of the extinguishers inspected each week to show location and tag confirmation, which will be attached and accessible in the Additional comment section of the Work Order.

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 March 31, 2022
Completed						
22-17	Audit Report 21015 Issued December 30, 2021 Title: Rent Forbearance and Abatement Program Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	In the event the Program is extended to future periods, RG&PD should develop a checklist to address the administration of the Program and ensure that the checklist is updated to encompass any future changes to the Program. The checklist should be shared with other Departments as necessary.	3/25/2022	3/25/2022	RG&PD developed a checklist to ensure the necessary documents and forms are completed for the proper and timely execution of the abatements, as approved by the Board, and as required by the FAA for ACRGP funds.
22-18	Audit Report 21015 Issued December 30, 2021 Title: Rent Forbearance and Abatement Program Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Management should set a standard naming protocol for each of the documents used in the Program and ensure that all documents are filed in ECMS in a timely manner in specific folders for each type of document.	3/25/2022	3/25/2022	RG&PD developed a standard naming protocol for all of the documents that support the rent forbearance abatement program along with any documents required by the FAA for ACRGP funding and establish a time line for the filing of all applicable documents in ECMS.
22-6	Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls Department: BOARD SERVICES	Medium	A formal procedure that includes a documented process for granting and changing access rights should be developed. Documentation should be retained for audit purposes.	2/28/2022	5/31/2022	Board Services met with all Department Directors and Records Coordinators to review their ECMS Folder Map and the Access Rights and Permissions on each folder for approval by the Director or Vice President. They are requiring written approval from Department Directors for adding or changing permissions.

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 March 31, 2022
Completed						
22-7	Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls Department: BOARD SERVICES	Low	The ECMS Administrator should consider utilizing a software tool or other methodology to identify confidential or sensitive information within ECMS to determine if the information is properly safeguarded and only accessible to those with the logical need for that information.	6/30/2022	6/30/2022	Completed the Catalog of Enterprise Systems for Calendar Year 2021, systems containing confidential, sensitive, and SSI information, which included the ECMS. Board Services will work with individual departments to identify the Record Types that contains this information and flag them on the approved Records Retention Schedule so that additional measures can be put in place limiting access to only those individuals who have a need to access and maintain the information as part of their job responsibilities.

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 March 31, 2022
In Progress						
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	9/1/22	The RFP for the property management software finalization is in process and will be released prior to original June 2022 estimation date. The target is a recommendation for approval at September Board Meeting as a Consent Item.
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	12/31/2022	RG&PD is working with Accounting, Risk Management and Finance Dept. to review and establish a system for review of the security deposits.

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 March 31, 2022
In Progress						
21-15	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	High	A) We recommend that the A/P Accountant role in the Authority’s E1 financial system be removed from the Accounting Manager. B) In addition, we recommend that the Authority determine if E1 has the ability to require that when any changes are made to the VMF, they be approved by another individual.	9/30/2021	6/30/2022	Partially Completed: A) Completed - Accounting had previously removed the AP Accountant role in the Authority’s E1 financial system from the Accounting Manager’s menu. B) In Progress - Accounting and I&TS are in the process of testing and implementing new E1 functionality that requires approval of changes made to highly sensitive vendor/employee data fields before the vendor is to be paid.

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 March 31, 2022
In Progress						
21-31	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	High	GT should coordinate with COSD to identify the cause of the \$54,687 in underpayments and the \$26,082 in duplicate fees charged, and work to ensure that the issues are corrected and that the Authority is properly paid for their citations issued.	9/30/2021	6/30/2022	1. GT will attempt to reconcile the cause of the \$54,687 in underpayments and \$26,082 in duplicate fees charged. 2. GT will examine the current process and include reconciliation steps in the monthly reconciliation SOP to prevent errors in the future. 3. GT will use the monthly reconciliation SOP to analyze the average amount of deficient citation revenue received, and compare that to fees charged for processing, payment plan, NSF, State of CA Fees, etc. 4. Going forward, GT will use the monthly reconciliations and KPI examinations to identify trends in citation revenue deficiencies. 5. GT will examine the option to move to a different processor who can specifically identify citation revenue and charges and provide accurate reconciliations.
21-32	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	High	GT should coordinate with COSD to obtain detailed support of the gross figures provided monthly by COSD and reconcile the amounts of citations paid against the amount remitted to the Authority.	9/30/2021	6/30/2022	1. As part of the monthly reconciliation process defined in the SOP, GT will request detailed support for the gross figures provided monthly by CoSD to reconcile the amounts of citations paid to the amount remitted as citation revenue to the Authority.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2022
In Progress						
21-17	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE	Medium	A) We recommend that the Accounting Manager run and review the Vendor Set-Up Verification Report concurrent with the check run process to capture any vendor changes and to verify that these changes are legitimate. B) In addition, we recommend that the Authority develop a report that captures changes made in E1 to banking information related to employee and Board/Committee Member reimbursements, thus enabling staff to conduct a review of that report concurrent with the check run process.	9/30/2021	6/30/2022	Partially Completed: A) Completed - The procedure to run the vendor setup verification report has been added to the check run procedures. B) In Progress - Accounting and I&TS are in the process of testing and implementing new E1 functionality that requires approval of changes made to highly sensitive vendor/employee data fields, including banking information, before the vendor is to be paid.
21-25	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should develop written procedures for all components of the automobile citation process. Specifically, GT should develop written procedures for the export/upload process, reconciliations, and appeals process.	9/30/2021	6/30/2022	GT has developed Standard Operating Procedures (SOP) for "Citation Issuance", "Driver Fled Citation", and the export/import process. The ATO Unit is still working on finalizing SOPs for Monthly reconciliations, Appeals process, and Quarterly management review.

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 March 31, 2022
In Progress						
21-26	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should develop KPIs to measure performance of the automobile citation process, and measure actual performance against KPIs on a regular basis.	9/30/2021	6/30/2022	1. GT will develop the following KPIs: a) % of citations uploaded on time, b) % of citations with errors, c) % of citations appealed, d) # of citations successfully appealed, e) \$ amount of citations issued each month, f) Type and amount of citations issued each month, g) List of citation infraction type, h) List of upload errors and troubleshooting by citation device, i) Additional KPIs will be developed and reported as identified and warranted.
21-28	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should develop a methodology to reconcile citations issued by the Authority, transferred to the COSD, and citations charged a processing fee; and, implement the reconciliation to be performed monthly and any discrepancies be corrected.	9/30/2021	6/30/2022	1. As part of the monthly reconciliation SOP GT will establish a requirement and methodology to reconcile: a) Monthly citations issued by the Authority to those received by CoSD, b) Monthly \$ amount of citations issued by the Authority to those received by CoSD, c) Monthly \$ amount of citation fees charged by CoSD to number of citations received by CoSD.

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 March 31, 2022
In Progress						
21-30	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should develop and implement a methodology to review citation fine amounts periodically and adjust the amounts as appropriate.	9/30/2021	6/30/2022	1. As part of the citation issuance SOP, GT will specify that citation amounts are reviewed annually and benchmarked against other County of San Diego agencies and other California Airports. 2. The initial review will occur in April 2022. 3. Subsequent annual review and benchmarking examinations will occur in April each year thereafter.
22-10	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority staff should cleanup E1 Plat Management and GIS Space Manager for mismatched or incorrect data and perform regular maintenance, review, and reconciliation of the data between E1 Plat Management and GIS Space Manager.	1/2/2023	6/30/2023	RGPD continues to work with ADC Technical Services team and Finance to review space management data, reconcile and establish procedures for maintenance of space management data.

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 March 31, 2022
In Progress						
22-11	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority Management should perform a physical inventory of plats throughout Terminal 2, and the New Terminal 1 when completed, to ensure that the reported attributes of space in the E1 Plat Management and GIS Space Manager reports reflect the physical space in the terminals. Any discrepancies should be timely corrected. Additionally, the written procedures referred to in Recommendation #22-8 should include a procedure for the periodic physical inventory of plats in Terminals 1 and 2.	12/1/2022	6/30/2023	RGPD continues to work with ADC Technical Services team to complete physical inventory. ADC Technical Services Team has taken the lead on developing a procedure and a draft has been completed.
22-12	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	The numbers attached to terminal doors, as identifiers, should be incorporated in E1 Plat Management and GIS Space Manager plat reporting.	10/3/2022	6/30/2023	RGPD does not assign door identifiers. RGPD will work with the many departments within the Authority who have a stake in the door numbering systems to make sure we have all of the necessary information for the door identifiers.

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 March 31, 2022
In Progress						
22-13	Audit Report 22007 Issued December 29, 2021 Title: Fire Extinguisher Compliance Department: FACILITIES MANAGEMENT	Medium	FMD should develop and maintain a listing of all Authority fire extinguishers and their locations. This listing could be included in a computer application such as the Geographic Information System to produce and maintain a map of the Authority that shows all fire extinguisher locations.	2/28/2022	12/4/2022	FMD compiled a detailed list of all existing handheld fire extinguishers to show the last date of inspection in Month/Day/Year format. A map of each extinguisher will be developed pinpointing the exact location of each. FMD is working with Technical Services to try and achieve a layer for fire extinguishers in the Authority's existing GIS application.
22-8	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Five Authority departments (i.e. ADC Tech Services Team, the Accounting Department, the Finance Department, RG&PD, and Airline Relations) should coordinate, develop, and publish a set of universal procedures for SDIA space management, and take active measures to ensure that the procedures are updated to remain current. The procedures should establish a process for making changes to terminal space that include steps to require the Asset Manager requesting any change to verify that the change was processed timely and accurately in both E1 Plat Management and GIS Space Manager.	12/1/2022	6/30/2023	The ADC Technical Services Team has taken the lead on developing a procedure and a draft has been completed. RGPD continues to work with the lead department and other supporting departments to resolve this item.

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 March 31, 2022
In Progress						
22-9	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority staff should determine the information fields in E1 Plat Management that are critical and that should be populated and imported to GIS Space Manager for data accuracy and consistency between the two systems. In addition, staff should clearly distinguish the differences between unit statuses (e.g. active, occupied) to avoid inconsistencies.	12/1/2022	6/30/2023	RGPD continues to work with ADC Technical Services team and Finance to resolve this item.
21-03	Audit Report 20004 Issued October 28, 2020 Title: Formal Bidding/Contracting Process Department: PROCUREMENT	Low	We recommend that Authority Management evaluate and update Authority Policies 5.01 and 5.02 where necessary.	10/15/2021	6/3/2022	Recommended updates and revisions have been submitted to General Counsel and the ELT for final review.
21-27	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Low	GT should establish a written goal to upload all citations within a specified time period (e.g., 24 or 48 hours). Further, GT should implement a system to measure upload time, identify issues with citation uploads, and troubleshoot issues.	9/30/2021	6/30/2022	Partially Completed: 1. The Export/Upload SOP GT addresses the daily upload within 48 hours of issuance. 2. GT will issue reports on % of citations uploaded daily and within/without 48 hours. 3. GT will issue exception reports for citations processing issues and troubleshooting issues.

Appendix B - Status of Recommendations

Fiscal Year 2022 Third Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2022
In Progress						
21-33	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Low	GT should implement a formal documented approval of all decisions reached within the appeals process.	9/30/2021	6/30/2022	1. As part of the Appeals Process SOP, GT will establish and implement a formal, documented approval form for all decisions reached within the appeals process. This form will include: a) Date of citation, b) Date of citation appeal, c) Date of appeal review, d) Appeal decision - by party independent of appeal processor, e) Manager review signature and date, and f) Director review signature and date.

Fiscal Year 2022 Third Quarter Report from the Office of the Chief Auditor

January 1, 2022, through March 31, 2022

Audit Committee Meeting May 9, 2022

Agenda

- Performance Measures
- General Audit Activities
 - Recommendation Follow-Up
 - Ethics
- Audit Spotlight
 - Engineered Materials Arresting System (EMAS)

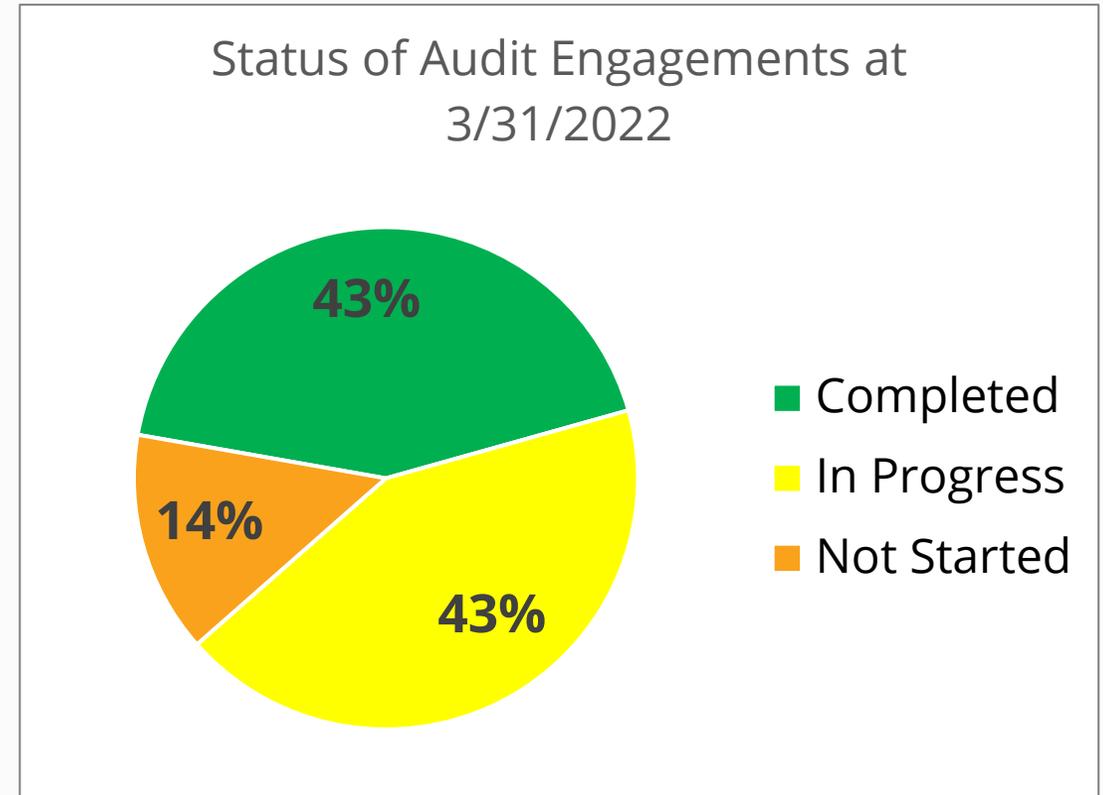
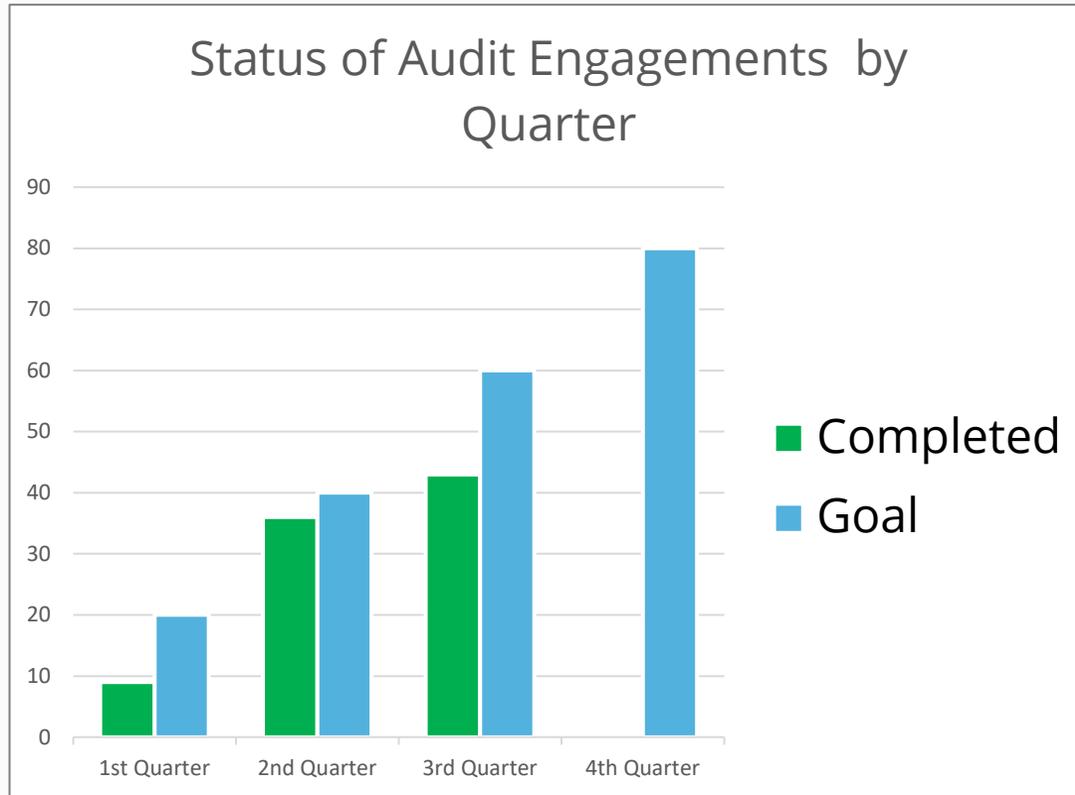


Fiscal Year 2022 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Customer Satisfaction Rating from Auditee	4.0	4.3	4.0
Number of Recommendations	19	20	19
Percentage of Audit Engagements Completed	60%	43%	60%
Percentage of Recommendations Accepted	95%	100%	83%
Percentage of Staff Time Spent on Audit Engagements and General Audit Activities	70%	65%	70%
Percentage of Audits Engagements Completed within Budget	80%	100%	75%

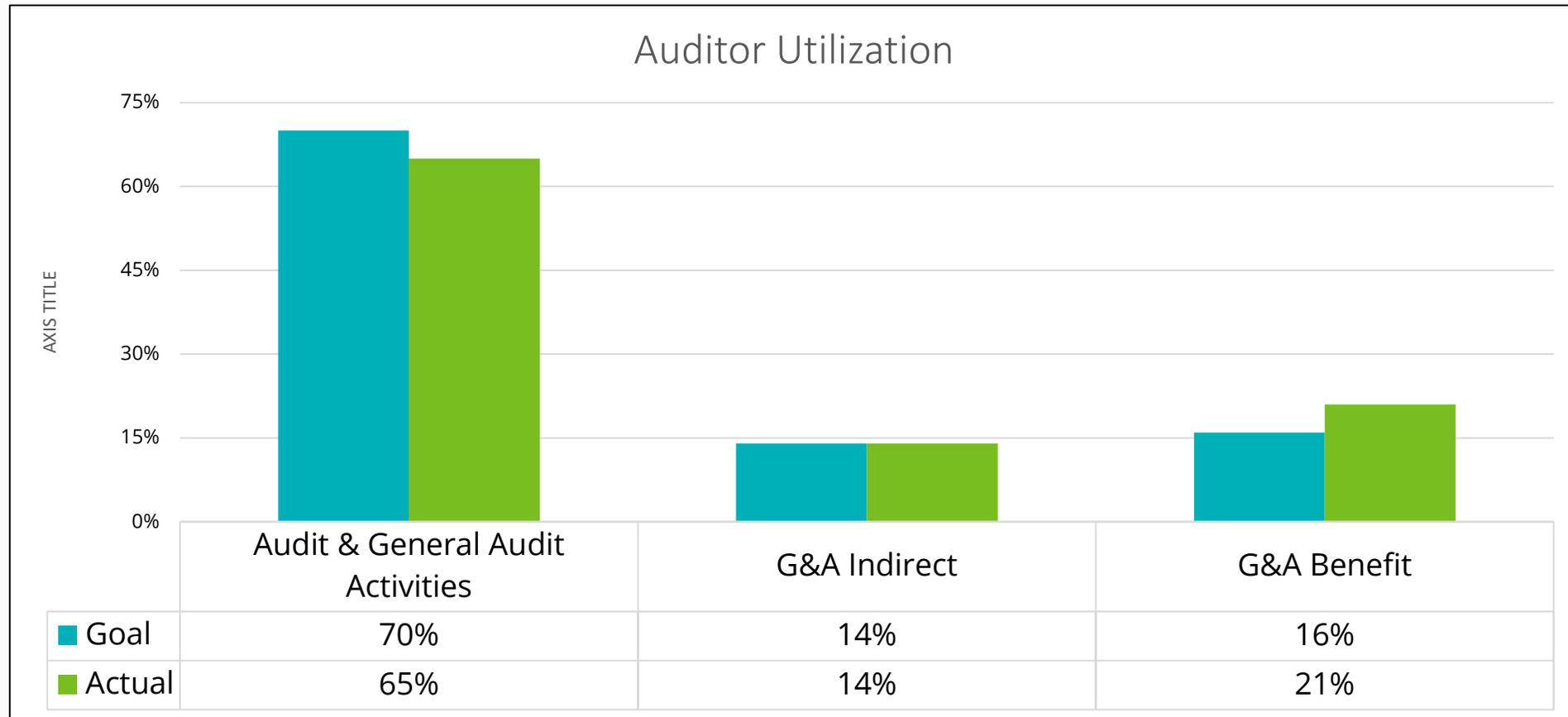
Performance Measures - Additional Details

Percentage of Audit Engagements Completed



Performance Measures - Additional Details

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



General Audit Activity - Recommendation Follow-Up

Recommendation Follow Up

Status as of March 31, 2022			
Completed	In Progress	Not Accepted	Tracked
9*	19**	-	28

* 8 recommendations were completed within the initial timeframe identified for implementation.

** 7 recommendations are still within the initial timeframe identified for implementation.

Estimated Implementation Timeframe for In Progress Recommendations



General Audit Activity - Ethics

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)	Response (to non-anonymous reports)
Category					
Human Resource, Diversity, and Workplace Respect	16	-	-	-	-
Business Integrity	1	1	-	-	-
Environment, Health and Safety	2	1	1	1	-
Total	19	2	1	1	-

Audit Spotlight - Engineered Materials Arresting System (EMAS)

Office of the Chief Auditor
Engineered Materials Arresting System (EMAS)
Audit Report No. 21016
Issue Date: March 10, 2022



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members
Gil Cabrera
Chair
Catherine Malaspina
Mary Cecilia Salas
Paul McManara
Paul Robinson
Johanna Schavoni
James Sly
Nora S. Vargas
Marti von Wilpert

Ex-Officio Board Members
Col. Thomas M. Sedell
Gustavo Dallada
Gavin Miller

President / CEO
Marilyn J. Becker

Audit Committee
Carmen D. Vero
Chair
Catherine Malaspina
Mary Cecilia Salas
Gretchen Johnson
Johanna Schavoni
James Sly
Agnes Wang-McKinnon

Office of the Chief Auditor
Lee Parravano
Chief Auditor

Fred Bolger
Manager,
Audit Services
Marilyn Dale
Auditor
Shana Ellis
Senior Auditor
Scott Thelms
Senior Auditor
Celia Wilman
Senior Auditor
Suzanne Cluzot
Executive Auditor

Lee Parravano
Lee Parravano
Chief Auditor

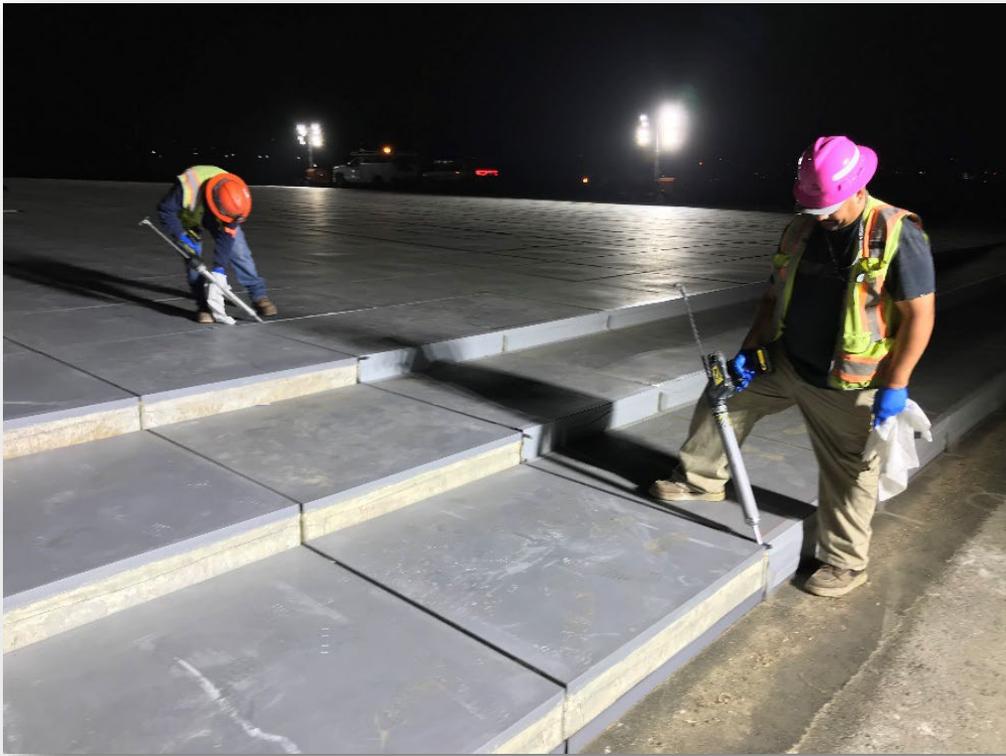
Background

When land is not available to have 1,000-foot overrun, airports use an EMAS to stop aircraft



Audit Spotlight - EMAS

Background Continued



Prior EMAS installed in 2006

Approximately 5,200 Blocks

Total Project Cost \$11,700,000

Audit Spotlight - EMAS



Objective & Scope

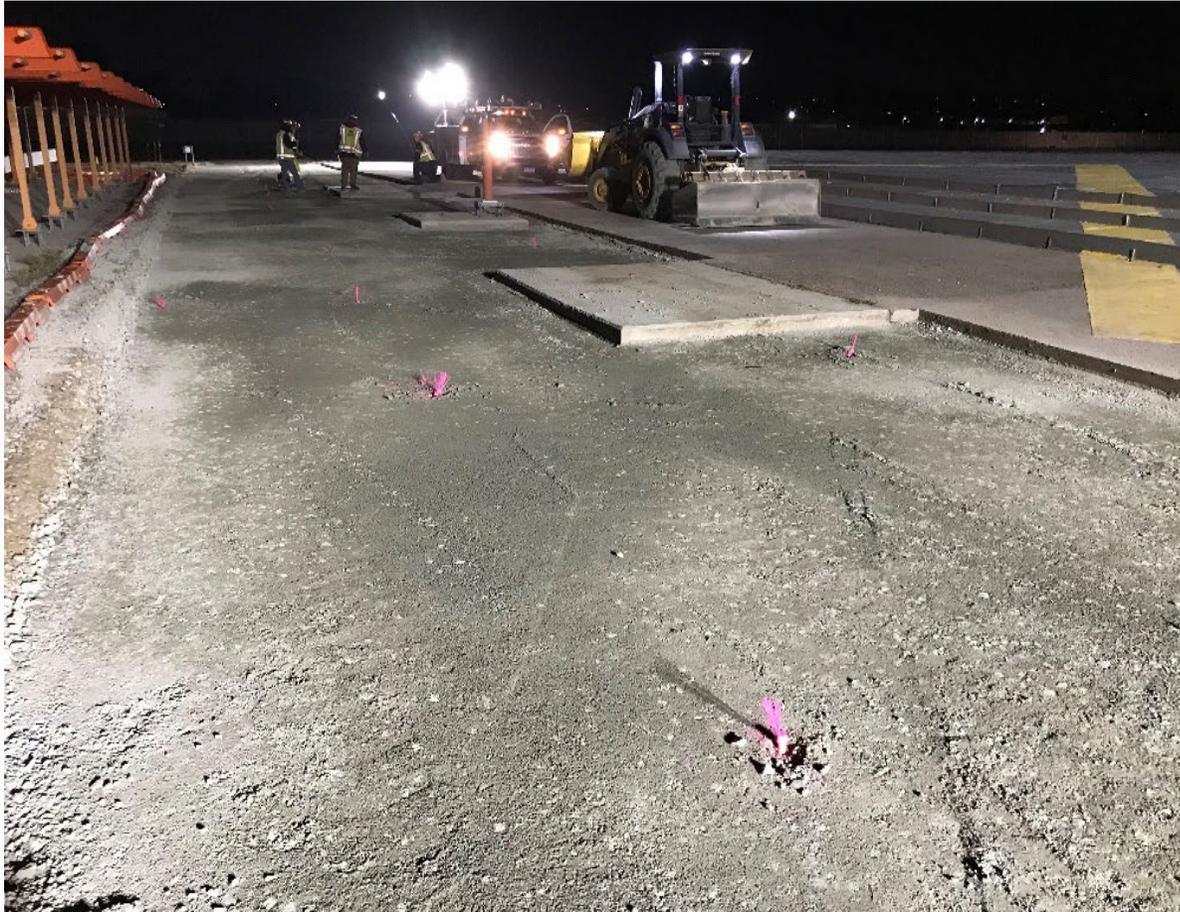
Objective

- Determine if the EMAS Project was properly managed

Scope

- Runway Safe
- Hazard Construction

Audit Spotlight - EMAS



Strengths Identified

All Payments Properly Approved

All Supporting Documentation Included

Procurement Policy Adherence

Change Orders were not in Original Scope

Obtained \$5.5M in Grant Funding

Reposessed 529 Unused Blocks and received a \$690K credit

Conclusion

The EMAS Project was properly managed

A large commercial airplane is flying in the upper left quadrant of the frame against a sky filled with soft, pinkish-orange clouds. Below the plane, a city skyline is visible, featuring numerous high-rise buildings. In the foreground, there is a body of water and a line of green trees. The overall scene is captured during the "golden hour" of sunset.

Questions?

Audit Committee

Meeting Date: May 9, 2022

Subject:

Revision to the Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee accept the revised Audit Plan and forward it to the Board with a recommendation for approval

Background/Justification:

The Charter for the Office of the Chief Auditor, instituted by Board Resolution No. 2003-062 on October 2, 2003, and most recently amended on October 7, 2021, per Board Resolution No. 2021-0109, defines the role and requirements of the Office of the Chief Auditor (OCA).

As directed in the Charter, the Chief Auditor shall submit, at least annually, a risk-based Audit Plan to the Audit Committee and to Authority executive management, and shall review and adjust the Audit Plan, as necessary, responding to changes in business risks, operations, special requests, programs, systems, and controls. All changes to the Audit Plan shall be communicated to the Audit Committee prior to being submitted to the Board for approval.

Additionally, International Standards for the Professional Practice of Internal Auditing require that the Chief Auditor review and adjust the Audit Plan, as necessary.

The OCAs initial Audit Plan for Fiscal Year 2022 was approved by the Audit Committee during its May 10, 2021, meeting, and was subsequently approved on June 3, 2021, by Board Resolution No. 2021-0063.

During the first quarter of Fiscal Year 2022, a review of the Audit Plan was undertaken by the OCA. A revision to adjust the allocation of audit hours to reflect the OCAs operational requirements was approved by the Board on October 7, 2021, by Resolution No. 2021-0110.

During the second quarter of Fiscal Year 2022, a revision to the Fiscal Year 2022 Audit Plan was requested to add an audit of Fire Extinguisher Compliance to the Audit Plan with 275 audit engagement hours. This revision was approved by the Board on December 2, 2021, by Resolution No. 2021-0137.

During the third quarter of Fiscal Year 2022, a revision to the Fiscal Year 2022 Audit Plan was requested to allocate 198 hours to the two Harbor Police audits that are ongoing. Additionally, the revision allocated 983 hours to three construction audits and two construction risk assessments. This revision was approved by the Board on March 3, 2022, by Resolution No. 2022-0025.

At this time, a revision to the Fiscal Year 2022 Audit Plan is requested. The revision is comprised of two categories: 1) Non-construction audits and 2) Construction engagements.

Non-construction Audits

The OCA is requesting to remove the following two audits that have a combined total of 825 hours:

1. System Security – This audit originally planned to penetration test the san.org website. However, the OCA believes there is additional value to penetration test all web facing sites. In order to accommodate this expanded scope, the OCA is partnering with the Information & Technology Services Department to budget and plan this audit for inclusion in Fiscal Year 2023.
2. Airfield Operations Management - This audit originally planned to match the reports from the gate software (Amadeus) to the Airline landing fees reported by the Airlines. The OCA has been informed that management is currently performing analysis and reconciliation of these reporting systems; therefore, the OCA believes that management should be provided the opportunity to perform their analysis prior to OCA involvement.

The OCA would like to replace the above audits with the following audit engagements having a combined total of 825 hours:

1. Tenant Lease Administration & Management – This audit objective would be to determine if Avis Budget Car Rental, LLC accurately paid concession fees and Customer Facility Charges for the period July 1, 2018, through June 30, 2021. The OCA is planning to complete this engagement in Fiscal Year 2022; however, completion of this engagement is dependent on when supporting documentation is received.
2. Tenant Lease Administration & Management – This audit objective would be to determine if the food and beverage concessionaire surcharge is administered appropriately. The total hours needed for this engagement are 500. The OCA is requesting to allocate 375 hours in Fiscal Year 2022 to this engagement, and the additional 125 hours will be added to the Fiscal Year 2023 Audit Plan.

Construction Engagements

The OCA is requesting to reduce 150 allocated construction audit hours on the following:

1. Terminals and Roadway Validation Phase Cost Controls - The OCA, in partnership with the external construction auditor, Baker Tilly US LLP, identified multiple auditable areas on the New T1 as a result of a risk assessment performed by Baker Tilly. In February 2022, three audits were added to the Audit Plan based on those risk assessments. One of those audits, the audit of Terminals and Roadway Validation Phase Cost Controls, originally had a Fiscal Year 2022 budget of 350 hours. However, after scoping the engagement objectives, the OCA believes the timing of the audit work will occur in both Fiscal Year 2022 and Fiscal Year 2023. The OCA is proposing reducing the number of planned hours in Fiscal Year 2022 by 100 hours. Those 100 hours will be added to the Fiscal Year 2023 Audit Plan.
2. To Be Determined Construction – The OCA is requesting to reduce the unallocated hours by 50 to accommodate for the hours requested for the consulting engagement related to grants. This would leave a remaining balance of 170 hours listed “To Be Determined” as specifically set aside for construction audit activities.

The OCA is requesting to add the following consulting engagement with 150 audit hours:

1. Grant, PFC, and CFC Administration – The OCA has been requested by management to provide assistance related to grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement. The total hours needed for this engagement are 225. The OCA is requesting to allocate 150 hours in Fiscal Year 2022 to this engagement. An additional 75 hours will be added to the Fiscal Year 2023 Audit Plan.

Staff requests that the Audit Committee accept the proposed revision to the Audit Plan and forward it to the Board for subsequent approval. The proposed revision to the Fiscal Year 2022 Audit Plan is provided as Attachment A. The Fiscal Year 2022 Audit Plan with all changes incorporated is provided as Attachment B.

Fiscal Impact:

The Chief Auditor Department’s adopted Operating Expense Budget for Fiscal Year 2022 and conceptually approved budget for Fiscal Year 2023 have been sufficiently funded to meet the allotted budget requirements for the proposed revision to the Fiscal Year 2022 Audit Plan.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

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.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan May 9, 2022

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Audit Hours				
Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable for the Fiscal Years 2018, 2019, and 2020.	548	-	548
System Security ²	To evaluate the Authority's security posture by performing penetration testing of the Authority's Aviation Security and Public Safety's system.	120	-	120
Records Management ²	To determine if access rights in the Authority's Enterprise Content Management System (ECMS) are appropriate.	290	-	290
Accounts Receivable / Collections ²	To determine if the rent abatement program was properly administered and in compliance with applicable Federal requirements of the COVID-19 relief acts.	400	-	400
Contractor Monitoring ²	To determine if the Engineered Materials Arresting System (EMAS) project was properly monitored and managed.	140	-	140
Harbor Police Contract Management	To determine if controls surrounding the Accounting Department's review of the Fiscal Year 2020 True-up of Harbor Police costs and services are appropriate.	550	-	550
Tenant Lease Administration & Management ³	To determine if the concessions, CFC/TFCs reported to the Authority are accurate for all Airport Rental Car Companies.	1,140	-	1,140
System Security	To evaluate the Authority's security posture by performing penetration testing of the Authority's website.	325	(325)	-
Employee Training and Development	To determine if employee trainings are administered appropriately.	525	-	525
Tenant Lease Administration & Management	To determine if terminal airport space is managed and billed appropriately.	525	-	525
Airfield Operations Management	To determine the gate software (Amadeus) matches Airline landing fees reported.	500	(500)	-
Terminal Maintenance	To determine if fire extinguishers are in compliance with inspection and other requirements.	275	-	275
Turner-Flatiron Validation Phase Payment Applications	To determine if the Validation Phase payment application costs are accurate, properly supported, and in compliance with the agreement requirements.	300	-	300

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit Activity has been carried forward from Fiscal Year 2021.

³ Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 1,140. An additional 375 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 1,515.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan May 9, 2022

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Terminals and Roadway Validation Phase Cost Controls ⁴	To determine if the controls surrounding the Validation Phase costs are adequate and operating as designed. ⁵	350	(100)	250
Turner-Flatiron Direct Labor Validation Phase	To determine if direct labor is properly billed using the correct labor rate calculations and in accordance with the terms of the agreement. ⁵	133	-	133
Tenant Lease Administration & Management	To determine if Avis Budget Car Rental, LLC accurately paid concession fees and Customer Facility Charges for the period July 1, 2018, through June 30, 2021.	-	450	450
Tenant Lease Administration & Management	To determine if the food and beverage concessionaire surcharge is administered appropriately. ⁶	-	375	375
To Be Determined	To initiate audits related to construction activities based on a Risk Assessment(s) performed by the External Construction Auditor.	220	(50)	170
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	-	-	-
Total Audit Hours		6,341	(150)	6,191
Consulting Hours				
Grant, PFC, & CFC Administration ⁷	To provide management assistance with grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement.	-	150	150
Total Consulting Hours		-	150	150

⁴ Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 250. An additional 100 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 350.

⁵ This audit is being performed in partnership with the external construction audit firm, Baker Tilly. The hours listed are the hours for OCA staff only and do not include the hours for Baker Tilly.

⁶ Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 375. An additional 125 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 500.

⁷ Consulting engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 150. An additional 75 hours will be needed in Fiscal Year 2023 to complete. The total budget for this consulting engagement is 225.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan May 9, 2022

ATTACHMENT A

Key Work Activity	Objective ⁸	Original Estimated Hours	Change Requested	Revised Hours
General Audit Hours				
Risk Assessment and Audit Plan ⁹	To conduct a Risk Assessment of SDCRAA that will identify the high risk activities to be considered when preparing the annual OCA Audit Plan.	212	-	212
Risk Assessment - The Griffith Company Pre-Audit Activities	To perform the analysis of the Griffith Company agreement to perform the ADP Airside Improvements, and develop the associated risk assessment.	100	-	100
Risk Assessment - Sundt Construction Pre-Audit Activities	To perform the analysis of the Sundt Construction agreement to build the Administration Building, and develop the associated risk assessment.	100	-	100
Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the Construction Auditor.	380	-	380
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	80	-	80
Development of Data Analytics	Develop a data analytics program for in terminal concessions or other programs.	220	-	220
Ethics Hotline ⁸	To review ethics policies and investigate reported incidents.	210	-	210
Recommendation Follow-up ⁸	To verify that internal and external audit recommendations have been implemented as intended.	140	-	140
Quality Assurance & Improvement Program ⁸	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	320	-	320
Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180	-	180
	Total General Audit Hours	1,942	-	1,942

⁸ Objective may change based on the preliminary survey performed by the OCA.

⁹ Required activity in the Charter for the Office of the Chief Auditor.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan May 9, 2022

ATTACHMENT A

Administrative Hours				
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,189	-	2,189
Administrative - Benefit	Vacation, Holiday Time and Other Time Off.	2,008	-	2,008
	Total Administrative	4,197	-	4,197
	Total Fiscal Year 2022 Hours	12,480	-	12,480

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan May 9, 2022

ATTACHMENT A

Key Work Activity	Objective ¹⁰	Original Estimated Hours	Change Requested	Revised Hours
Contingent Audit Hours				
Airport Ground Transportation Operations Management	To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate.	500	-	500
OCIP	To determine if the Owner Controlled Insurance Program (OCIP) is administered appropriately.	500	-	500
Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450	-	450
Management of ALUC, Board, and Standing Board Committee Meetings	To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate.	400	-	400
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450	-	450
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650	-	650
TNC Contract Administration & Revenue Collection	To determine if the TNC Contract is administered appropriately.	475	-	475
Employee Parking Card and Policy Administration	To determine if Parking Cards are administered appropriately.	550	-	550
Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525	-	525
Innovation Lab Operations	To determine if the Innovation Lab is administered appropriately.	600	-	600
	Total Contingent Audit Hours	5,100	-	5,100

¹⁰ Objective may change based on the preliminary survey performed by the OCA.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan May 9, 2022

ATTACHMENT B

Key Work Activity	Objective ¹	Revised Hours
Audit Hours		
Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable for the Fiscal Years 2018, 2019, and 2020.	548
System Security ²	To evaluate the Authority's security posture by performing penetration testing of the Authority's Aviation Security and Public Safety's system.	120
Records Management ²	To determine if access rights in the Authority's Enterprise Content Management System (ECMS) are appropriate.	290
Accounts Receivable / Collections ²	To determine if the rent abatement program was properly administered and in compliance with applicable Federal requirements of the COVID-19 relief acts.	400
Contractor Monitoring ²	To determine if the Engineered Materials Arresting System (EMAS) project was properly monitored and managed.	140
Harbor Police Contract Management	To determine if controls surrounding the Accounting Department's review of the Fiscal Year 2020 True-up of Harbor Police costs and services are appropriate.	550
Tenant Lease Administration & Management ³	To determine if the concessions, CFC/TFCs reported to the Authority are accurate for all Airport Rental Car Companies.	1,140
Employee Training and Development	To determine if employee trainings are administered appropriately.	525
Tenant Lease Administration & Management	To determine if terminal airport space is managed and billed appropriately.	525
Terminal Maintenance	To determine if fire extinguishers are in compliance with inspection and other requirements.	275
Turner-Flatiron Validation Phase Payment Applications	To determine if the Validation Phase payment application costs are accurate, properly supported, and in compliance with the agreement requirements.	300
Terminals and Roadway Validation Phase Cost Controls ⁴	To determine if the controls surrounding the Validation Phase costs are adequate and operating as designed. ⁵	250
Turner-Flatiron Direct Labor Validation Phase	To determine if direct labor is properly billed using the correct labor rate calculations and in accordance with the terms of the agreement. ⁵	133

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit Activity has been carried forward from Fiscal Year 2021.

³ Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 1,140. An additional 375 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 1,515.

⁴ Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 250. An additional 100 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 350.

⁵ This audit is being performed in partnership with the external construction audit firm, Baker Tilly. The hours listed are the hours for OCA staff only and do not include the hours for Baker Tilly.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan May 9, 2022

ATTACHMENT B

Key Work Activity	Objective ¹	Revised Hours
Tenant Lease Administration & Management	To determine if Avis Budget Car Rental, LLC accurately paid concession fees and Customer Facility Charges for the period July 1, 2018, through June 30, 2021.	450
Tenant Lease Administration & Management	To determine if the food and beverage concessionaire surcharge is administered appropriately. ⁶	375
To Be Determined	To initiate audits related to construction activities based on a Risk Assessment(s) performed by the External Construction Auditor.	170
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	-
	Total Audit Hours	6,191
Consulting Hours		
Grant, PFC, & CFC Administration ⁷	To provide management assistance with grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement.	150
	Total Consulting Hours	150

⁶ Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 375. An additional 125 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 500.

⁷ Consulting engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 150. An additional 75 hours will be needed in Fiscal Year 2023 to complete. The total budget for this consulting engagement is 225.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan May 9, 2022

ATTACHMENT B

Key Work Activity	Objective ⁸	Revised Hours
General Audit Hours		
Risk Assessment and Audit Plan ⁹	To conduct a Risk Assessment of SDCRAA that will identify the high risk activities to be considered when preparing the annual OCA Audit Plan.	212
Risk Assessment - The Griffith Company Pre-Audit Activities	To perform the analysis of the Griffith Company agreement to perform the ADP Airside Improvements, and develop the associated risk assessment.	100
Risk Assessment - Sundt Construction Pre-Audit Activities	To perform the analysis of the Sundt Construction agreement to build the Administration Building, and develop the associated risk assessment.	100
Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the Construction Auditor.	380
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	80
Development of Data Analytics	Develop a data analytics program for in terminal concessions or other programs.	220
Ethics Hotline ⁸	To review ethics policies and investigate reported incidents.	210
Recommendation Follow-up ⁸	To verify that internal and external audit recommendations have been implemented as intended.	140
Quality Assurance & Improvement Program ⁸	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	320
Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180
	Total General Audit Hours	1,942
Administrative Hours		
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,189
Administrative - Benefit	Vacation, Holiday Time and Other Time Off.	2,008
	Total Administrative	4,197
	Total Fiscal Year 2022 Hours	12,480

⁸ Objective may change based on the preliminary survey performed by the OCA.

⁹ Required activity in the Charter for the Office of the Chief Auditor.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan May 9, 2022

ATTACHMENT B

Key Work Activity	Objective ¹⁰	Revised Hours
Contingent Audit Hours		
Airport Ground Transportation Operations Management	To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate.	500
OCIP	To determine if the Owner Controlled Insurance Program (OCIP) is administered appropriately.	500
Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450
Management of ALUC, Board, and Standing Board Committee Meetings	To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate.	400
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
TNC Contract Administration & Revenue Collection	To determine if the TNC Contract is administered appropriately.	475
Employee Parking Card and Policy Administration	To determine if Parking Cards are administered appropriately.	550
Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525
Innovation Lab Operations	To determine if the Innovation Lab is administered appropriately.	600
Total Contingent Audit Hours		5,100

¹⁰ Objective may change based on the preliminary survey performed by the OCA.

Revision to the Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor

Audit Committee Meeting May 9, 2022

Reasons for Revision - Non-Construction

Description	Hours
System Security – Penetration Test san.org	(325)
Airfield Management - Amadeus	(500)
Total	(825)

Description	Hours
Tenant Lease Admin. & Management – Avis Rent A Car	450
Tenant Lease Admin. & Management – Concessionaire Surcharge*	375
Total	825

* Audit is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 375. An additional 125 hours will be needed in Fiscal Year 2023 to complete. The total budget for this consulting engagement is 500.

Reasons for Revision - Construction

Description	Hours
Terminals & Roadways Validation Phase Cost Controls*	(100)
To Be Determined - Construction	(50)
Total	(150)

Description	Hours
Consulting - Grant Administration**	150
Total	150

*Audit is done in Partnership with external construction audit firm, Baker Tilly. These hours are being carried forward to Fiscal Year 2023.

** Consulting engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 150. An additional 75 hours will be needed in Fiscal Year 2023 to complete. The total budget for this consulting engagement is 225.

Questions?

Audit Committee

Meeting Date: May 9, 2022

Subject:

Risk Assessment and Proposed Fiscal Year 2023 Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee accept the proposed Audit Plan and forward it to the Board with a recommendation for approval

Background/Justification:

As directed in the Charter for the Office of the Chief Auditor (OCA), a risk-based internal Audit Plan shall be submitted, at least annually, to the Audit Committee and forwarded to the San Diego County Regional Airport Authority Board for approval.

The Fiscal Year 2023 Proposed Audit Plan was prepared by the Chief Auditor based on the following elements: a comprehensive Risk Assessment; input from the Board Members and Audit Committee; input from Authority management; and the review of staff resources available. Details on the Risk Assessment methodology are included in Attachment A.

The proposed OCA Fiscal Year 2023 Audit Plan (Attachment 1) will be presented during the regularly scheduled meeting of the Audit Committee on May 9, 2022. The Fiscal Year 2023 Audit Plan, and any subsequent revisions, requires five (5) affirmative votes of the Audit Committee prior to Board approval.

Fiscal Impact:

A proposed Fiscal Year 2023 Operating Budget for the OCA to execute the Fiscal Year 2023 Audit Plan is \$1,371,000. In addition, the OCA will continue to augment its staff for audit work pertaining to the New T1 by utilizing the consulting services of a professional on-call construction audit service provider with expertise in large construction projects. The estimated cost for New T1 construction auditing is approximately \$1,500,000 over a seven-year period and is funded from the Airport Development Program capital budget. The proposed budget for New T1 construction auditing is \$222,000 in Fiscal Year 2023.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

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.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

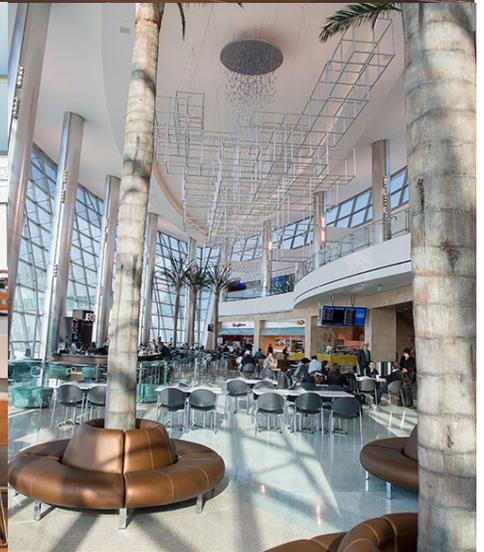
Prepared by:

Lee M. Parravano
Chief Auditor

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



ATTACHMENT A



Risk Assessment and Proposed Fiscal Year 2023 Audit Plan

Office of the Chief Auditor

May 9, 2022

Office of the Chief Auditor
Risk Assessment and Proposed Fiscal Year 2023 Audit Plan

INTRODUCTION

The International Standards for the Professional Practice of Internal Auditing (*Standards*) and the Charter for the Office of the Chief Auditor (OCA) require the OCA to establish a risk-based approach to determine the priorities for internal audit activities.

A risk assessment for audit planning is a process of systematically scoring (or rating) the relative impact of a variety of “risk factors”. A risk factor is an observable or measurable indicator of conditions or events that could adversely affect the San Diego County Regional Airport Authority (Authority). This Risk Assessment and Audit Plan were prepared to help identify, measure, and prioritize potential activities based on the level of risk to the Authority. The risk assessment results combined with input from the Authority Board, Audit Committee, and management were utilized in preparing the OCA Audit Plan for Fiscal Year 2023. The Proposed Audit Plan is designed to cover high risk activities or areas where the OCA could have the greatest impact, while limiting the scope of work to what can realistically be accomplished during the fiscal year.

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2023 Audit Plan is a five-part process consisting of:

1. Developing the Risk Assessment Framework
2. Defining the Audit Universe
3. Identifying and Ranking Risks
4. Interpreting the Risk Assessment Results
5. Developing the Audit Plan

DEVELOPING THE RISK ASSESSMENT FRAMEWORK

The risk assessment process begins with a general risk framework that includes analyzing both internal and external risks, and extends to seeking input from the Authority Board, the Audit Committee and Authority management, as well as considering various risk factors.

DEFINING THE AUDIT UNIVERSE

After the framework is adopted, the next step is to define the audit universe. The audit universe is a listing of all the potential audits that can be performed for the Authority. The list of potential audits is created by surveying management and asking them to provide a list all the Key Work Activities within their specific departments in the Authority. Key Work Activities are the major functions/activities carried out by the

Office of the Chief Auditor
Risk Assessment and Proposed Fiscal Year 2023 Audit Plan

Authority. An example of an Accounting Department Key Work Activity is Bank Reconciliations. Key Work Activities do not include items like checking email.

In Fiscal Year 2022, the OCA began a multi-year partnership with an on-call construction audit service provider (Baker Tilly) to audit the activities related to the New Terminal 1 Development (New T1). Baker Tilly is performing individual Risk Assessments on each specific package of the New T1. Internal auditing *Standards* require the OCA to ensure proper coverage and minimize the duplication of effort. Therefore, in compliance with the *Standards*, the OCA is utilizing Baker Tilly's individualized risk assessments to prioritize potential construction audit activities based on the level of risk. Key Work Activities for the Development Division in charge of the New T1 were excluded from this assessment.

IDENTIFYING AND RANKING RISKS

The next step is to identify and rank major risks associated with each Key Work Activity. To achieve this, the management questionnaire that was developed measured several risk factors examining the Likelihood and Impact each risk factor could have on the Authority. The questionnaire used the seven risk factors shown in Table 1 below.

Table 1

Risk Factor	Description
Likelihood	
Complexity of Operations or Regulations	What is the likelihood of something going wrong due to the complexity of this Key Work Activity?
Change Stability	What is the likelihood of something going wrong due to a change in the process or the personnel carrying out this Key Work Activity?
Controls	How effective are the internal controls in place over this Key Work Activity?
Impact	
Fiscal Impact	What is the dollar impact if something were to go wrong with this Key Work Activity?
Travel Experience Impact	How would a traveler be impacted if something were to go wrong with this Key Work Activity?
Strategic / Operational Impact	How would the Authority's Strategic Objectives be impacted if something were to go wrong with this Key Work Activity?
Reputation	How would the Authority's reputation be impacted if something were to go wrong with this Key Work Activity?

Office of the Chief Auditor
Risk Assessment and Proposed Fiscal Year 2023 Audit Plan

Management scored the level of risk/control on each of their Key Work Activities from Low to High. An integral step to complete the Risk Assessment was to calculate the total Likelihood and Impact for each Key Work Activity, in order from highest risk score to the lowest. The Key Work Activities with the highest risk score within each Authority Division is provided in **Attachment 3**.

INTERPRETING THE RISK ASSESSMENT RESULTS

The Key Work Activities ranked with a high likelihood or impact indicates that these activities are by nature a high risk, because of such factors as having complex or highly regulated transactions or could have a material impact on the Authority, if a risk event were to occur. A high risk rank does not mean that an activity is being managed ineffectively.

DEVELOPING THE AUDIT PLAN

The Audit Plan reflects the results of a continuous Risk Assessment process gathered from various sources including, but not limited to, management questionnaires, interviews with staff, and the results of previous audits/ consulting engagements/ risk assessments. Additionally, selection of activities for the Audit Plan includes examining various factors, such as: time of last audit engagement, velocity of impact if a risk event were to occur, relevant or current events, areas where the OCA can have the greatest impact, requests by Authority management or Board, resource limitations that may exist, and if outsourcing or co-sourcing arrangements are available to supplement the Audit Plan. This can result in the OCA selecting activities for inclusion in the Audit Plan that may not have the highest likelihood or impact scores. The Audit Plan reflects consideration given to all of these factors. The Audit Plan is included as **Attachment 1**.

AUDIT RESOURCES

The Audit Plan is highly dependent upon the nature of the risks identified and the availability of internal audit resources. Such availability becomes identified through the budgeting process and examination of audit resources. The Fiscal Year 2023 budget for the OCA includes six full-time auditors and one executive assistant. The Audit Plan anticipates that 12,480 staff hours will be available, as calculated below in Table 2, and as detailed in Attachment 1.

Office of the Chief Auditor
Risk Assessment and Proposed Fiscal Year 2023 Audit Plan

Table 2

Office of the Chief Auditor	Staff	Hours per Staff	Hours Available
Full Time Auditors	6	2,080	12,480
Hours for Fiscal Year 2023 Audit Plan			12,480

Actual hours incurred will be monitored for the purpose of budgeting future audit activities. In the event that all planned activities are completed, additional activities will be initiated based on the results of the Risk Assessment and the professional judgment of the OCA.

Fiscal Year 2023 resources also include the OCAs continuing partnership with the outside construction auditing firm, Baker Tilly. The firm will assist the OCA in conducting audit construction activities related to the New T1. The OCA plans to utilize Baker Tilly to supplement current staff capabilities and the Proposed Audit Plan in Attachment 1. Audits conducted by Baker Tilly are based on Risk Assessments performed, and will only occur after the OCA has approved the scope and associated costs. The OCAs proposed construction auditing costs for the Fiscal Year 2023 capital budget includes approximately \$220,000 to perform audits related to the New T1.

CONTINGENT AUDIT ACTIVITIES

The OCA has also included contingent audit activities for the Proposed Fiscal Year 2023 Audit Plan that will be started if all planned activities for the Fiscal Year are completed. If these contingent audit activities are not started in Fiscal Year 2023, they will be considered when developing the Fiscal Year 2024 Audit Plan. Contingent audit activities are included as **Attachment 2**.

To provide flexibility, the Chief Auditor may request to substitute a contingent audit for a planned audit based on professional judgment. Any substitutions will be discussed with the Chair of the Audit Committee and communicated to management and the Audit Committee during scheduled meetings.

AMENDMENTS TO THE AUDIT PLAN

Requests to amend the Audit Plan will be presented to the Audit Committee by the Chief Auditor. Priority will be given to revisions that have the potential for significant financial savings and issues of integrity in the workplace. The Board must approve any amendment, which requires five (5) affirmative votes of the Audit Committee prior to Board approval.

Division	Key Work Activity	Objective ¹	Estimated Hours
Audit Hours			
Revenue Generation & Partnership Development	Tenant Lease Administration and Management ²	To determine if fiscal year 2022 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for all Airport Rental Car Companies.	375
Development	Terminals and Roadway Validation Phase Cost Controls ²	To determine if the controls surrounding the Validation Phase costs are adequate and operating as designed. ³	100
Revenue Generation & Partnership Development	Tenant Lease Administration and Management ²	To determine if the food and beverage concessionaire surcharge is administered appropriately.	125
Revenue Generation & Partnership Development	Tenant Lease Administration and Management ⁴	To determine if fiscal year 2023 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for all Airport Rental Car Companies.	500
Finance	System Security	To evaluate the Authority's security posture by performing penetration testing of the Authority's web facing sites.	400
Operations	Harbor Police Contract Mgmt.	To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2021.	425
Development	Contractor Monitoring	To determine if the construction of the new administration building is properly managed.	450
Talent, Culture & Capability	Employee Benefits	To determine if employee payroll deductions are administered appropriately.	550
External Relations	Records Management	To determine if official records and electronic signatures meet Authority requirements.	500
Operations	Parking Management Contract Admin.	To determine if requirements of the Ace Parking contract are in compliance with agreement.	600
Revenue Generation & Partnership Development	Small Business Management	To determine if commitments to small businesses are met and reported.	500

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit activity has been carried forward from fiscal year 2022.

³ This audit is being performed in partnership with the external construction audit firm, Baker Tilly. The hours listed are the hours for OCA staff only and do not include the hours for Baker Tilly.

⁴ Audit activity will continue into fiscal year 2024. Fiscal year 2024 audit hours are estimated at approximately 200 hours. Total hours for this audit are estimated at 700.

Office of the Chief Auditor
Proposed Fiscal Year 2023 Audit Plan

ATTACHMENT 1

Division	Key Work Activity	Objective ¹	Estimated Hours
Development	To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	1,100
N/A	To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	474
		Total Audit Hours	6,099
Consulting Hours			
Finance	Grant, PFC, & CFC Administration ⁵	To provide management assistance with grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement.	75
		Total Consulting Hours	75

⁵Consulting activity has been carried forward from Fiscal Year 2022.

Division	Key Work Activity	Objective ¹	Estimated Hours
General Audit Hours			
N/A	Risk Assessment and Audit Plan ⁶	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	232
Development	Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the External Construction Auditor.	380
Finance	Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed.	40
N/A	Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180
N/A	Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200
N/A	Ethics Program ⁵	To review ethics policies, perform training, and investigate reported incidents.	300
N/A	Recommendation Follow-up ⁵	To verify that internal and external audit recommendations have been implemented as intended.	160
N/A	Quality Assurance & Improvement Program ⁵	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	320
		Total General Audit Hours	1,812
Administrative Hours			
N/A	Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,390
N/A	Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,104
		Total Administrative Hours	4,494
		Total Hours	12,480

⁶ Required activity in the Charter for the Office of the Chief Auditor or Charter of the Audit Committee.

Office of the Chief Auditor
Fiscal Year 2023 Contingent Audit Activities

ATTACHMENT 2

Division	Key Work Activity	Objective ⁷	Estimated Hours
Revenue Generation & Partnership Development	Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for a selected Airport Rental Car Company.	400
Operations	Airport Ground Transportation Operations Management	To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate.	500
Revenue Generation & Partnership Development	Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450
Finance	Accounts Payable	To determine if the controls related to the Accounts Payable automated payment files are appropriate.	450
Finance	Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450
Operations	Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
Development	Contractor Monitoring	To determine if the AECOM contract is administered appropriately.	500
Finance	Asset Management	To determine if computer imaging is administered appropriately.	500
Development	Curfew Violations	To determine if curfew violations are administered appropriately	450
Operations	TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475
Operations	Employee & Parking Card and Policy Administration	To determine if Parking Cards are administered appropriately.	550
Talent, Culture & Capability	Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525
Total Contingent Audit Hours			5,900

⁷ Objective may change based on the preliminary survey performed by the OCA.

General Counsel	Finance	Development	Revenue Generation & Partnership Development	External Relations	Operations	Talent, Culture & Capability
Litigation Management	System Security*	To be Determined by Individuilized Risk Assessments by Baker Tilly	Business Development Solicitations	Records Management*	Parking Management Contract Admin. *	Employee Benefits
Provide Legal Counsel to Authority and Board	Owner Controlled Insurance Program*		Tenant Lease Admin. And Management*	Manage the Authority Privacy Policy*	Harbor Police Contract Mngt.*	Labor & Employee Relations
Review and Approval of Legal Form	Disaster Recovery		Small Business Management*	Media Relations and Community Outreach	Rental Car Shuttle Service *	Comp & Rewards

* Indicates this Key Work Activity or components of this Key Work Activity have been audited within the last five fiscal years.

Indicates this Key Work Activity or components of this Key Work Activity are included in the Fiscal Year 2023 Audit Plan.

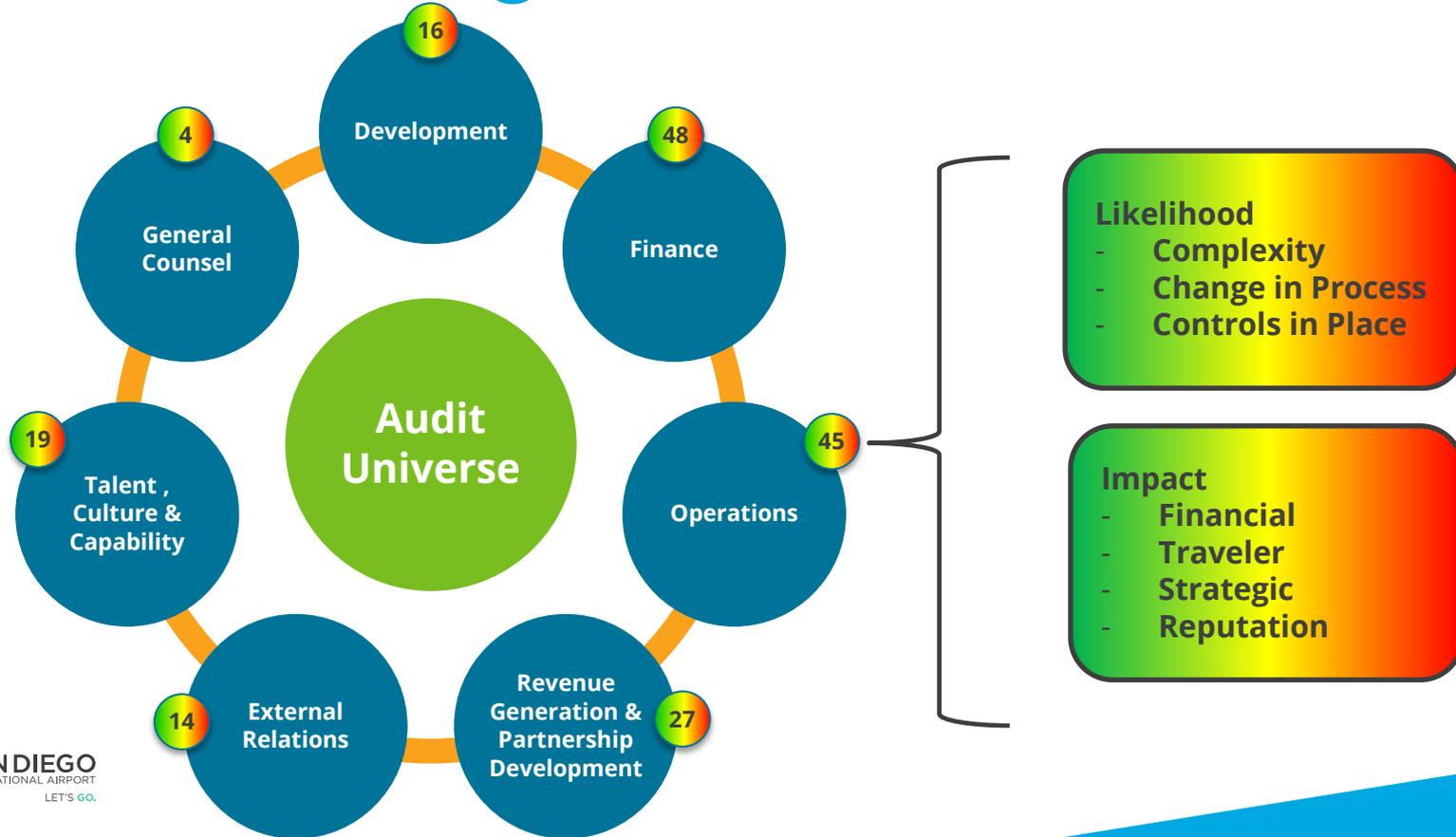
Risk Assessment and Proposed Fiscal Year 2023 Audit Plan of the Office of the Chief Auditor

Audit Committee Meeting May 9, 2022

Defining the Audit Universe



Defining the Audit Universe



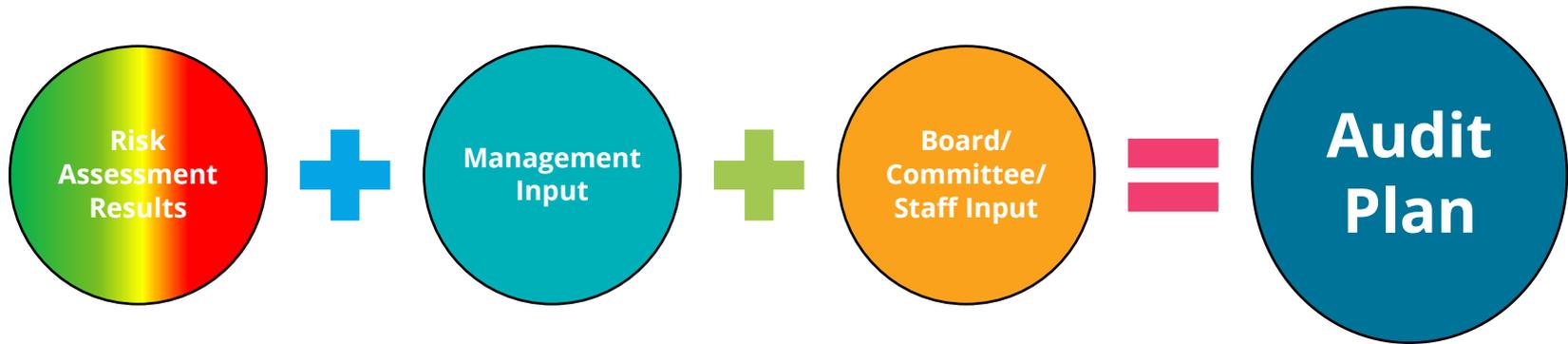
Interpreting the Risk Assessment Results

San Diego County Regional Airport Authority Risk Assessment Fiscal Year 2023

Department	Division	Key Work Activity	Likelihood	Impact
Board Services	External Relations	Records Management *	Medium	Low to Medium
Board Services	External Relations	Manage the Authority Privacy Policy and Requirements *	Medium	Low to Medium
Board Services	External Relations	Management of ALUC, Board and Standing Board Committee Meetings	Medium	Low to Medium
Board Services	External Relations	Maintain Authority Agreements, Contracts and Leases	Low to Medium	Low to Medium
Board Services	External Relations	Manage Conflict of Interests Filings	Low to Medium	Low
Board Services	External Relations	Maintain Authority Codes and Policies	Low to Medium	Low
Board Services	External Relations	Manage the AB1234 Training Requirements	Low to Medium	Low
Board Services	External Relations	Provides Administrative Support to the Board and onboarding	Low to Medium	Low
Board Services	External Relations	Manage the Authority Lobbyist Program	Low	Low

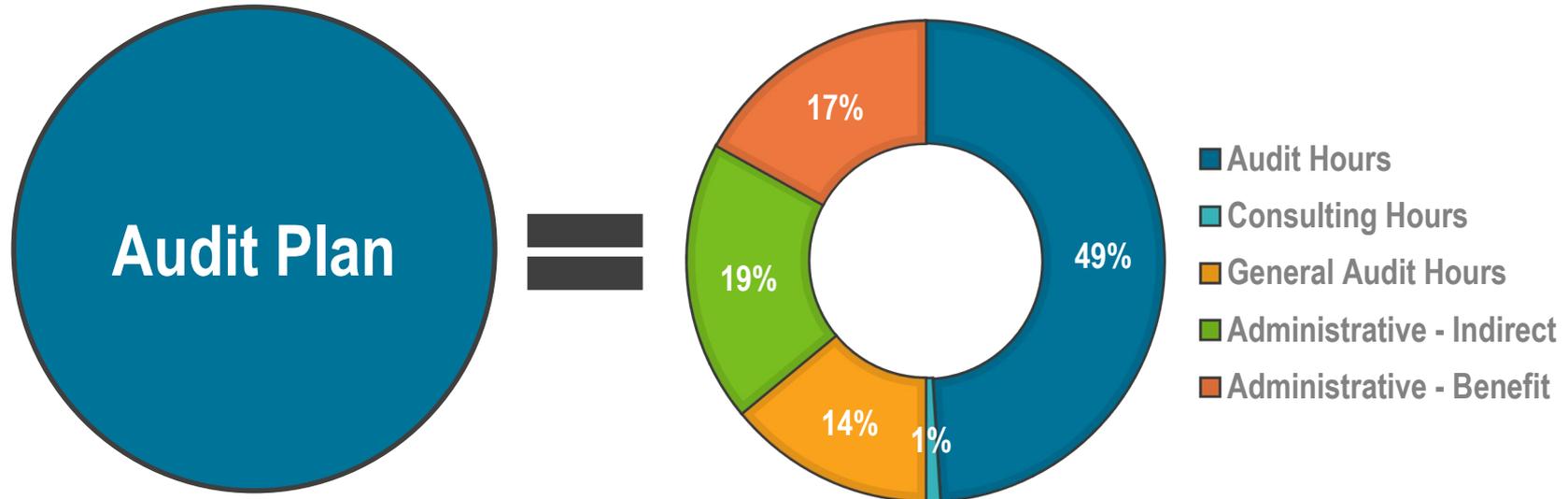


Audit Plan Development



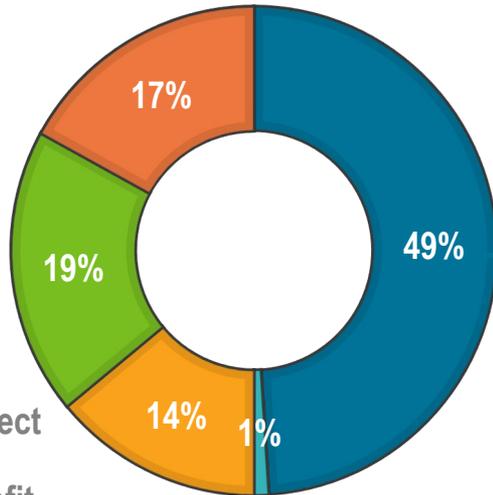
Audit Resources (Internal)

6 Full Time Auditors = **12,480 Hours**
Excludes On-Call Construction Audit Service Provider



Proposed Audit Plan & Hours

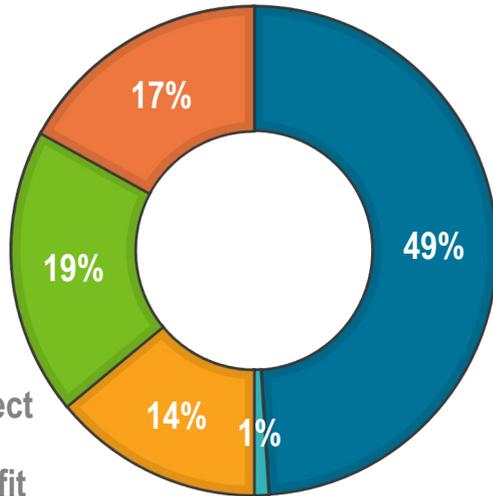
- Audit Hours
- Consulting
- General Audit Hours
- Administrative - Indirect
- Administrative - Benefit



Audit	Hours
Tenant Lease Administration and Management – Audit of All Rent A Car Companies FY 2022	375
Terminals and Roadway Validation Phase Cost Controls	100
Tenant Lease Administration and Management – Concessionaire Surcharge	125
Tenant Lease Administration and Management – Audit of All Rent A Car Companies FY 2023	500
System Security – Web Facing Sites	400
Harbor Police Contract Management - FY 2021	425
Contractor Monitoring – Administration Building	450

Proposed Audit Plan & Hours

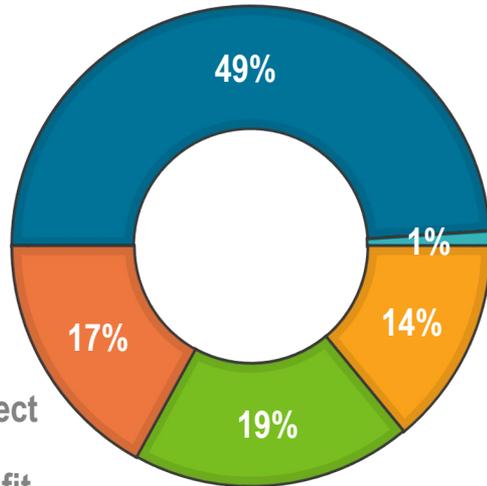
- Audit Hours
- Consulting
- General Audit Hours
- Administrative - Indirect
- Administrative - Benefit



Audit	Hours
Employee Benefits – Employee Deductions	550
Records Management – Official Records & Electronic Signatures	500
Parking Management Contract Administration - Ace	600
Small Business Management - Commitments	500
To Be Determined – Construction	1,100
To Be Determined - Other	474
Total Audit Hours	6,099

Proposed Audit Plan & Hours

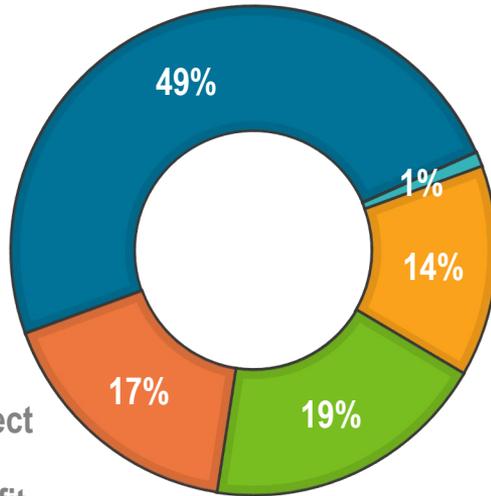
- Audit Hours
- Consulting
- General Audit Hours
- Administrative - Indirect
- Administrative - Benefit



Consulting	Hours
Consulting - Grant Administration	75
Total Consulting Hours	75

Proposed Audit Plan & Hours

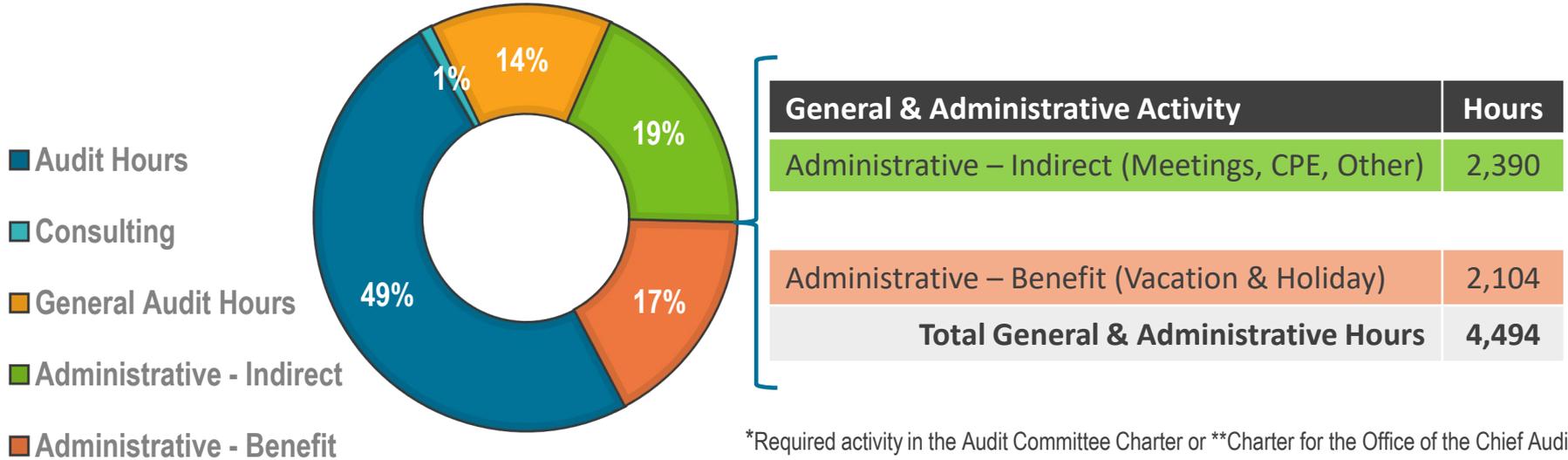
- Audit Hours
- Consulting
- General Audit Hours
- Administrative - Indirect
- Administrative - Benefit



General Audit	Hours
Construction Activities	380
Risk Assessment & Proposed Audit Plan*	232
Development of Data Analytics	200
Ethics Program*	300
Information Technology Meeting Attendance	40
Peer Review Participation	180
Recommendation Follow-up *	160
Quality Assurance & Improvement Program*	320
Total General Audit Hours	1,812

*Required activity in the Audit Committee Charter or Charter for the Office of the Chief Auditor.

Proposed Audit Plan & Hours

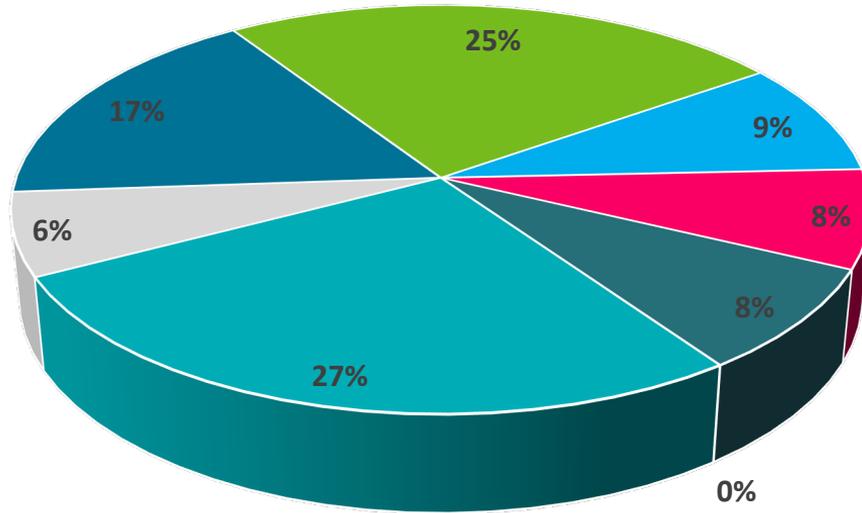


*Required activity in the Audit Committee Charter or **Charter for the Office of the Chief Auditor

Top Risks By Division



Proposed Audit Hours by Department



- Development
- Finance
- Operations
- Revenue Generation & Partnership Development
- Talent, Culture & Capability
- To Be Determined
- External Affairs
- General Counsel

Proposed Contingent Audits & Hours

Audit	Hours
Tenant Lease Administration and Management - Rent A Car Company To Be Determined	400
Airport Ground Transportation Operations Management - Automated License Plate Reader	500
Social Media / Website / Webmaster	450
Accounts Payable	450
Account Provisioning / De-Provisioning	450
Rental Car Shuttle Service Contract Administration	650
Contractor Monitoring - AECOM	500
Asset Management - Computer Imaging	500
Curfew Violations	450
TNC Contract Administration & Revenue Collection	475
Employee & Parking Card and Policy Administration	550
Leaves of Absence / Catastrophic Leave	525
Total Contingent Hours	5,900

QUESTIONS?

Audit Committee

Meeting Date: May 9, 2022

Subject:

Fiscal Year 2023 Proposed Budget of the Chief Auditor and Fiscal Year 2024 Proposed Conceptual Budget Expense Summary

Recommendation:

Staff recommends that the Audit Committee accept the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2023-2024 Budget process that may include debt issuance or refinancing, with a recommendation for Board approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***

Background/Justification:

In accordance with the San Diego County Regional Airport Authority's Fiscal Year 2023-2024 Budget process, which was initiated by the Authority's Finance Division on January 31, 2022, the Office of the Chief Auditor (OCA) created a Proposed 2023 Budget and a Proposed 2024 Conceptual Budget. The OCAs proposed budgets contain the anticipated expenditures and headcount necessary to carry out its duties in the coming fiscal years.

The OCA will present its Fiscal Year 2023 Proposed Budget and 2024 Proposed Conceptual Budget to the Audit Committee for review on May 9, 2022. The accompanying presentation provides the budgets in detail by line item.

Subsequent to the May 9 Audit Committee Meeting, the OCAs proposed budgets will be forwarded for inclusion in the Authority's Finance Division Budget Workshop on May 12, 2022, and approved by the Board with the overall budget during that scheduled special meeting.

The Authority does not anticipate new debt to be issued in Fiscal Year 2023 for New T1-related construction projects. However, new debt may be issued, or refinanced, depending on economic conditions or Authority needs. Any new debt is approved by the Board.

Fiscal Impact:

The proposed Fiscal Year 2023 Operating Budget for the Office of the Chief Auditor to execute the Fiscal Year 2023 Audit Plan is \$1,340,000. In addition, the OCA will continue to

augment its staff for audit work pertaining to the New T1 by utilizing the consulting services of a professional on-call construction audit service provider with expertise in large construction projects. The estimated cost for New T1 construction auditing is approximately \$1,500,000 over a seven-year period and is funded from the ADP capital budget. The proposed budget for New T1 construction auditing is \$222,000 in Fiscal Year 2023.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

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.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

Fiscal Year 2023 Proposed Budget of the Chief Auditor and Fiscal Year 2024 Proposed Conceptual Budget Expense Summary

Audit Committee Meeting May 9, 2022

FY 2023 Proposed Budget - FY 2024 Proposed Conceptual Budget Expense Summary

(in thousands)

	FY 2021 Actuals	FY 2022 Budget	FY 2023 Budget	Inc / (Dec) FY23 Proposed vs FY22 Budget	% Change	FY 2024 Conceptual Budget	Inc / (Dec) FY24 Conceptual vs FY23 Budget	% Change
Operating Expenses								
Salaries & Wages	\$ 725	\$ 794	\$ 879	\$ 85	10.7%	\$ 923	\$ 44	5.0%
Benefits	351	394	399	5	1.2%	431	32	8.0%
Total Personnel Costs	1,076	1,188	1,278	90	7.6%	1,354	76	5.9%
Contractual Services	-	20	25	5	25.0%	25	-	0.0%
Operating Supplies	-	0	1	1	25.0%	1	0	0.0%
Employee Development	7	14	16	2	20.4%	18	2	10.7%
Business Development	4	4	5	1	13.0%	5	-	0.0%
Equipment Rentals and Repairs	7	17	15	(2)	-11.6%	16	1	4.0%
Total Non-Personnel Costs	18	56	62	6	11.5%	65	3	4.2%
Total Operating Expenses	1,093	1,244	1,340	96	7.7%	1,418	79	5.9%
Non-Operating Expenses	-	-	-	-	0.0%	-	-	0.0%
Total Expenses	1,093	1,244	1,340	96	7.7%	1,418	79	5.9%
Equipment Outlay Expenditures	-	-	-	-	0.0%	-	-	0.0%
Total Authority Expenses Incl Equip Outlay	\$ 1,093	\$ 1,244	\$ 1,340	\$ 96	7.7%	\$ 1,418	\$ 79	5.9%

***Numbers may not foot due to rounding

Major Drivers of Fiscal Year 2023 & 2024 Proposed Budgets

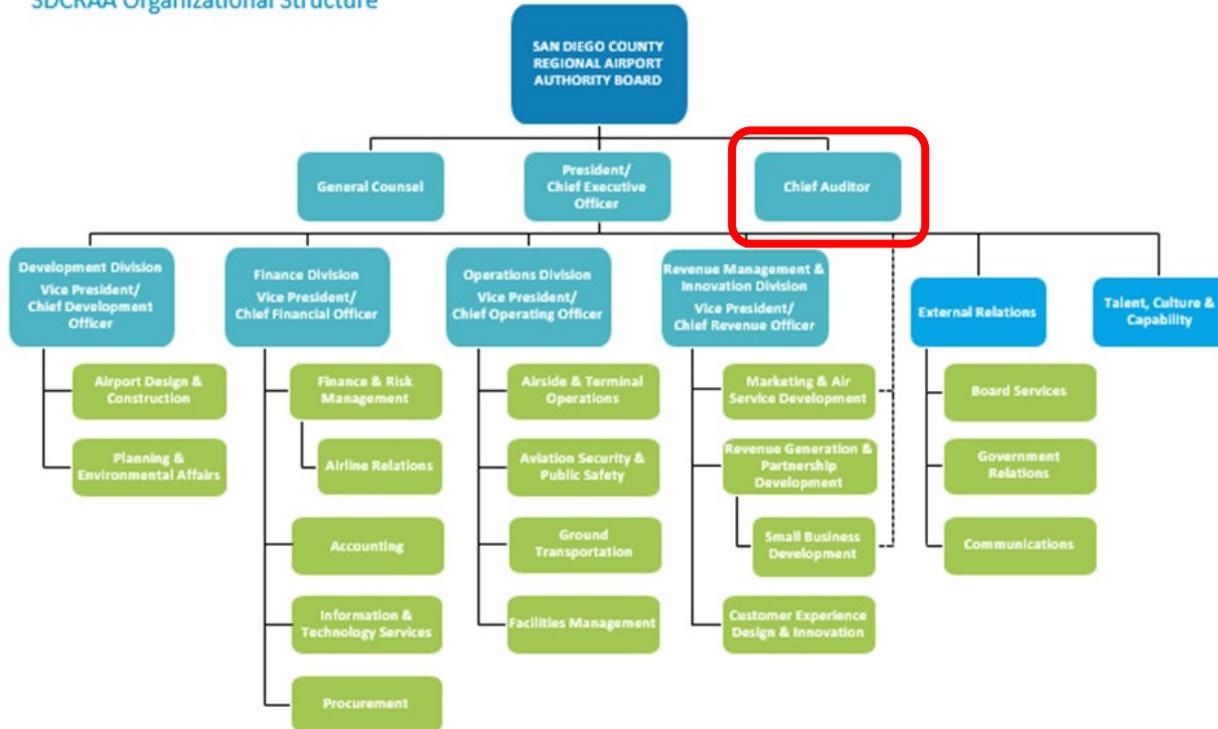
(in thousands)

	Inc / (Dec) FY23 vs FY22	Inc / (Dec) FY24 Conceptual vs FY23
FY 2022 Budget / FY 2023 Budget	\$ 1,244	\$ 1,340
Personnel Costs		
Salary Adjustments and Pay For Performance	85	44
Burden (Benefits & Employer Taxes) for Current Staff	5	32
Total Increase / (Decrease) in Personnel Costs	90	76
Non-Personnel Costs		
3rd Party Audit Assurances	5	-
Other, net	1	3
Total Increase / (Decrease) in Non-Personnel Costs	6	3
Total Increase / (Decrease)	96	79
FY 2023 Budget / FY 2024 Conceptual Budget	\$ 1,340	\$ 1,418

***Numbers may not foot due to rounding

Chief Auditor, Authority Budget, & Debt

SDCRAA Organizational Structure



- The Chief Auditor's budget is part of the Authority's overall budget.
- The Authority's budget is approved by the Board.
- The Authority's budget includes both operating and capital expenses.
- Debt may be issued to finance operating or capital costs.
- Currently, no new debt is planned to be issued/refinanced in FY 2023 for the New T1, but, may change based on market conditions or Authority needs.

Questions?