

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MEETING
MINUTES
MONDAY, May 13, 2019
BOARD ROOM**

CALL TO ORDER: Chair Robinson called the Audit Committee Meeting to order at 10:06 a.m., on Monday, May 13, 2019, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Board Member West led the Pledge of Allegiance.

ROLL CALL:

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

Absent: Committee Members: Van Sambeek

Also Present: Kimberly Becker, President/CEO; Amy Gonzalez, General Counsel; Linda Gehlken, Assistant Authority Clerk I; Deborah Harrington, Assistant Authority Clerk II

NON-AGENDA PUBLIC COMMENT:

KAMRAN HAMIDI, SAN DIEGO, provided a presentation and spoke about new technology for taxi providers to display payment information.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 11, 2019, regular meeting and the March 25, 2019, special meeting.

ACTION: Moved by Board Member West and seconded by Board Member Schiavoni to approve the minutes of February 11, 2019. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT and Committee Member Hollingworth and Board Member Lloyd's ABSTENTION.

ACTION: Moved by Board Member West and seconded by Board Member Schiavoni to approve the minutes of March 25, 2019. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT and Committee Members Hollingworth and Tartre's ABSTENTION.

2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDITS FOR THE FISCAL YEAR ENDED JUNE 30, 2019:

David Coleman, Partner, BKD, LLP, provided a presentation on the required communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year ended June 30, 2019, that included the Engagement Team; Overview; Planned Scope; Planned Timing; Approach to Planning; Revisions to Professional Standards; and Consideration of Errors or Fraud.

In response to concern expressed by Committee Member Hollingworth regarding the lack of an opinion provided by BKD on internal controls, Mr. Coleman stated that the Authority is not required to obtain an opinion on internal controls. He stated that the Audit Committee would be informed if there were concerns, and will provide additional information to the Committee regarding the internal control testing performed.

In response to Board Member Schiavoni's inquiry regarding the external auditor partner rotation, Kathy Kiefer, Senior Director, Finance & Asset Management, stated that a new partner will be introduced at the November 2019 Audit Committee meeting and that at the first 2020 meeting of the Audit Committee, there will be a discussion on who the partner staffing will be.

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

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

3. RESULTS FROM THE QUALITY ASSESSMENT REVIEW OF THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, and Paula Ward, CPA, Association of Local Government and Auditors (ALGA), provided a presentation on the results from the Quality Assessment Review (QAR) of the Office of the Chief Auditor that included: Purpose of a QAR; QAR Requirements; QAR Team; QAR Testing Timeline; QAR Results; QAR Strengths Identified; and QAR Observations.

In response to Committee Member Tartre regarding when a review of staff efficiencies gets performed, Ms. Ward stated that would need to be a separate consulting engagement, and noted the QAR observations have already been addressed and corrected by the Office of the Chief Auditor.

Lee Parravano, Chief Auditor, stated that staff would provide the Committee with information from the Association of Local Government Auditors (ALGA) Survey.

In response to Board Member West regarding what improvements to the internal audit process are planned, Mr. Parravano stated that staff will perform peer reviews in exchange for this QAR, and will determine whether there are process improvements that can be incorporated into the audit programs.

In response to Board Member Schiavoni's inquiry on optimal time for considering another peer review assessment efficiency audit, Ms. Ward provided her opinion that two years should be allowed, to give sufficient time under the new Chief Auditor.

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

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

4. **FISCAL YEAR 2019 THIRD QUARTER ACTIVITY REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:** Fred Bolger, Manager, Audit Services, presented the Fiscal Year 2019 Third Quarter Activity Report and Audit Recommendations that included the Fiscal Year 2019 Performance Measures; Audit Plan Completion – Projects; Audit Plan Completion – Hours; Revenue/Savings Identified; Auditor Utilization; Project Budgets; Recommendation Acceptance; Recommendation Follow-Up; Customer Satisfaction, and Summary of Ethics Inquiries.

In response to Committee Member Tartre regarding the financial cost when audits are over budget, the benefit relative to the hours spent on the audits; and, whether there is a plan to address the backlog of audits to be performed going into the next fiscal year, Lee Parravano, Chief Auditor, stated that the number of staff hours spent on an audit depends on the nature of the audit and the subject risk. He stated that steps have been taken to implement a Risk and Control Matrix as a way to identify the audit scope and to standardize the steps for an audit plan to be conducted.

Board Member West recommended that staff review the questions in the Customer Satisfaction Survey and reduce the number asked, to make it more meaningful.

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

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

5. REVISION TO THE FISCAL YEAR 2019 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation on the reasons for the revision to the Fiscal Year 2019 Audit Plan that included the requirement to reflect the change in responsibilities of the Aircraft Rescue and Fire Fighting Billings audit and the San Diego Unified Port District Billings audit, and to reflect the request from the Accounting Department for training on the reconciliation process.

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

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

6. FISCAL YEAR 2020 RISK ASSESSMENT AND PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2020 Risk Assessment and Proposed Audit Plan of the OCA that included Risk Assessment Methodology; Risk Assessment Framework; Definition of the Audit Universe; Identifying and Ranking Risks; Interpreting the Risk Assessment Results; and Audit Plan Development.

Committee Member Hollingworth suggested being mindful of the overhead costs charged to the Authority by other agencies, to minimize potential cost overruns.

Lee Parravano, Chief Auditor, stated that staff plans to utilize what other agencies have included in their billings, for further review and to analyze potential errors noted or areas of concern.

In response to concern expressed by Chair Robinson regarding the City Fire Department staff overhead costs, Kim Becker, President/CEO, noted that the fire department charges a blended rate for firefighters and officers working at the Airport.

Board Member West recommended there be a tracking process on the overhead charges.

In response to Committee Member Tartre on the Risk Assessment Process, Mr. Parravano stated that staff identifies the higher risk audits to make best use of how audit hours are spent.

In response to Committee Member Tartre regarding percentage of proposed administrative staff time, Mr. Parravano noted that the administrative time hours includes vacation and hours allocated to utilizing data analytics. He stated that staff is developing procedures to improve the audit process.

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

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

7. FISCAL YEAR 2020 PROPOSED BUDGET OF THE CHIEF AUDITOR AND FISCAL YEAR 2021 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

Lee Parravano, Chief Auditor, provided information on the Fiscal Year 2020 Proposed Budget and Fiscal Year 2021 Proposed Conceptual Budget Expense Summary.

In response to Committee Member Tartre regarding the increase in benefit expenses listed in FY2018 to FY2019, Scott Brickner, Vice President/CFO, noted that the increase in benefits is primarily related to an increase in the retirement mortality rate benefit. He stated that there is a chance that the cost of the retirement benefit may decrease in the future due to the change in retirement benefits for employees hired after 2013.

Committee Member Tartre requested that more information on the benefit expenses be provided next year.

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2020 Budget process with a recommendation for approval.

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

CLOSED SESSION: The Committee recessed into Closed Session at 11:38 a.m. to discuss Item 8.

8. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:
(Government Code Section 54957)
Title: Chief Auditor

REPORT ON CLOSED SESSION: The Committee adjourned out of Closed Session at 12:45 p.m. There was no reportable action.

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT: The meeting adjourned at 12:45 p.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 4TH DAY OF NOVEMBER, 2019.



LEE PARRAVANO
CHIEF AUDITOR

ATTEST:



LINDA GEHLKEN
ASSISTANT AUTHORITY CLERK I