

## Audit Committee and Special Board Meeting

**Monday, September 8, 2025**  
**10:00 AM**

San Diego County Regional Airport Authority  
Administration Building  
First Floor – Board Room  
2417 McCain Road  
San Diego, California 92101

### Board Members

Gil Cabrera (Chair)  
James Sly (Vice-Chair)  
Whitney Benzian  
Lidia S. Martinez  
Monica Montgomery Steppe  
Rafael Perez  
Esther C. Sanchez  
Steve Vaus  
Marni von Wilpert

### Ex-Officio Board Members

Ann Fox  
Col. R. Erik Herrmann  
Michele Perrault

### President/CEO

Kimberly J. Becker

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. If comments are made to the Committee 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. ***Please note that Agenda items may be taken out of order.***

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

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

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

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

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

# Audit Committee Agenda

Monday, September 8, 2025

Page 2 of 4

## CALL TO ORDER:

## PLEDGE OF ALLEGIANCE:

## ROLL CALL:

Committee Members: Huerta, Montgomery Steppe, Newsom (Chair), Perez, Sanchez, Vaus, 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 Board. 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 called by the Committee.

## NEW BUSINESS:

### **1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the May 5, 2025, regular meeting.

### **2. FISCAL YEAR 2025 ANNUAL REPORT FROM THE AUDIT COMMITTEE:**

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

Presented by: Gretchen Newsom, Audit Committee Chair

### **3. FISCAL YEAR 2025 ANNUAL 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. ***(Requires five (5) affirmative votes of the Audit Committee.)***

Presented by: Fred Bolger, Manager Audit Services; Marnie Dale, Auditor

### **4. ANNUAL REVIEW OF THE CHARTER OF THE AUDIT COMMITTEE:**

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

Presented by: Lee Parravano, Chief Auditor

**5. ANNUAL REVIEW OF THE CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR:**

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

Presented by: Lee Parravano, Chief Auditor

**6. REVISION TO THE FISCAL YEAR 2026 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: Fred Bolger, Manager Audit Services

**CLOSED SESSION:**

**7. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9

Number of cases: 1

**REPORT ON CLOSED SESSION:**

**COMMITTEE MEMBER COMMENTS:**

**ADJOURNMENT:**

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

- 1) Persons wishing to address the Board, ALUC, and Committees shall submit a "Request to Speak" form prior to the initiation of the portion of the Agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to submit a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the Agenda is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board.
- 3) Persons wishing to speak on specific items listed on the Agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is called 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](http://www.san.org).

**For those planning to attend the Board meeting, parking is available in the Airport Administration Building Parking Lot (entrance on the east side of McCain Road). Bring your ticket to the first-floor receptionist for validation.**

**Visitors can park in the lot from 8:00 a.m. to 5:00 p.m.**

You may also reach the SDCRAA Building by using public transit via the San Diego MTS System, Route 923. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.



**DRAFT  
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
AUDIT COMMITTEE MEETING  
MINUTES  
MONDAY, MAY 5, 2025  
BOARD ROOM**

**CALL TO ORDER:** Chair Newsom called the Audit Committee Meeting to order at 10:01 a.m., on Monday, May 5, 2025, at the San Diego County Regional Airport Authority, Administration Building, 2417 McCain Road, San Diego, CA 92101.

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

**ROLL CALL:**

Present:                      Committee Members:              Montgomery Steppe, Newsom (Chair),  
Perez, Sanchez, Vaus

Absent:                      Committee Members:              Huerta, Wong Nickerson

Also Present:              Kimberly Becker, President/CEO; Amy Gonzalez, General Counsel;  
Annette Fagan Ortiz, Authority Clerk; Patricia Willis, Assistant Authority  
Clerk I

**NON-AGENDA PUBLIC COMMENT:** None.

**NEW BUSINESS:**

**1.      APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the February 10, 2025, regular meeting.

**ACTION: Board Member Vaus moved for approval of the staff recommendation. Board Member Perez seconded the motion, which carried unanimously. Noting Committee Members Huerta, Sanchez and Wong Nickerson as ABSENT.**

*Board Member Sanchez arrived at 10:05 a.m.*

**2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDITS FOR THE FISCAL YEAR ENDED JUNE 30, 2025:**

Elizabeth Stewart, Director, Accounting, and Pamela Hill, Partner, Plante Moran presented a presentation that included Engagement Team, Scope of Audit, Audit Timeline, Required Communications, Audit Plan and Information from You Relevant to Our Audit.

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

**ACTION: Board Member Vaus moved for approval of the staff recommendation. Board Member Sanchez seconded the motion, which carried unanimously. Noting Committee Members Huerta and Wong Nickerson as ABSENT.**

**3. FISCAL YEAR 2025 THIRD QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:**

Lee Parravano, Chief Auditor, provided a presentation that included Fiscal Year 2025 Performance Measures, General Audit Activities - Recommendation Follow-Up, General Audit Activity - Fraud, Waste, Abuse and Ethics, and Administrative.

RECOMMENDATION: Staff recommends that the Audit Committee review this item and forward it to the Board with a recommendation for acceptance. *(Requires five (5) affirmative votes of the Audit Committee.)*

**ACTION: Board Member Vaus moved for approval of the staff recommendation. Board Member Perez seconded the motion, which carried unanimously. Noting Committee Members Huerta and Wong Nickerson as ABSENT.**

**4. RISK ASSESSMENT AND PROPOSED FISCAL YEAR 2026 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**

Lee Parravano, Chief Auditor, presented on the Risk Assessment process that included Defining the Audit Universe, Interpreting the Risk Assessment Results, Audit Resources, Proposing the Audit Plan and hours, and Proposing Contingent Audits and hours. Lee Parravano also shared the OCA's Vision and Strategic Objectives, which are supported by the Audit Plan.

Chair Newsom stated that the first two construction items, Subcontracting and Change Orders, seem to marry each other, but they are separated from each other; and would like to see if there is any correlation between them.

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.)*

**ACTION: Board Member Vaus moved for approval of the staff recommendation. Board Member Sanchez seconded the motion, which carried unanimously. Noting Committee Members Huerta and Wong Nickerson as ABSENT.**

5. **FISCAL YEAR 2026 PROPOSED BUDGET FOR THE OFFICE OF THE CHIEF AUDITOR AND FISCAL YEAR 2027 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:**  
Lee Parravano, Chief Auditor, provided a presentation that included Fiscal Year 2026 Proposed Budget – FY 2027 Proposed Conceptual Budget Expense Summary, Major Drivers of Fiscal Year 2026 Proposed Budget, Major Drivers of Fiscal Year 2026 Proposed Budget & 2027 Conceptual Budget, and Chief Auditor, Authority Budget, & Debt.

Chair Newsom asked that the staff, when transitioning to the hosted fraud, waste, and abuse line, inquire if the host or operators are located in the United States or stateside, as opposed to out of the country.

RECOMMENDATION: Staff recommends that the Audit Committee accept the Office of the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2026-2027 Budget process that may include debt issuance or refinancing, with a recommendation for approval. *(Requires five (5) affirmative votes of the Audit Committee.)*

**ACTION: Board Member Vaus moved for approval of the staff recommendation. Board Member Sanchez seconded the motion, which carried unanimously. Noting Committee Members Huerta and Wong Nickerson as ABSENT.**

**COMMITTEE MEMBER COMMENTS:**

**CLOSED SESSION:** The Committee recessed into Closed Session at 10:32 a.m. to discuss items 6, 7 and 8.

6. **CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**  
Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9  
Number of cases: 1

**7. THREAT TO PUBLIC SERVICES OR FACILITIES:**

Consultation with Jessica Bishop, Director, Information & Technology Services; Elliott Tanner, Manager, IT Infrastructure Operations, Information & Technology Services; and Clint Welch, Director, Aviation Security and Public Safety.

**8. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**

(Government Code Section 54957)

Title: Chief Auditor

**REPORT ON CLOSED SESSION:** The Committee adjourned out of Closed Session at 11:36 a.m. There was no reportable action.

**ADJOURNMENT:** The meeting adjourned at 11:36 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY THIS 8<sup>TH</sup> DAY OF SEPTEMBER 2025.

---

LEE PARRAVANO  
CHIEF AUDITOR

ATTEST:

---

ANNETTE FAGAN ORTIZ  
AUTHORITY CLERK

## Audit Committee Report

**Meeting Date: September 8, 2025**

**Subject:**

**Fiscal Year 2025 Annual Report from the Audit Committee**

**Recommendation:**

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

**Background/Justification:**

The Charter of the Audit Committee was instituted by Board Resolution No. 2003-061 on October 2, 2003, and states the Audit Committee's authority, role, duties, and oversight responsibilities. These duties and responsibilities are further detailed in Authority Policy Article 1, Section 1.50 (5)(c)(ii).

Annually, in accordance with the Charter of the Audit Committee, the Committee shall provide a summary report to the Board on its activities and recommendations covering how it discharged its duties and met its oversight responsibilities during the previous year.

The Charter of the Audit Committee was most recently revised by Board Resolution No. 2024-0082 on October 3, 2024.

During its September 8, 2025, meeting, the Chair of the Audit Committee will present the Fiscal Year 2025 Annual Report from the Audit Committee (Attachment A) for review by the Committee Members. Any revisions requested by the Audit Committee will be incorporated prior to the report's submittal to the Board during a regularly scheduled Board meeting.

**Fiscal Impact:**

None

# Audit Committee Report

Meeting Date: September 8, 2025

Page 2 of 2

## 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” as defined by the California Environmental Quality Act (“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.

### Prepared by:

Lee M. Parravano  
Chief Auditor

**Board Members**

Gil Cabrera (Chair)  
James Sly (Vice Chair)  
Whitney Benzian  
Lidia S. Martinez  
Monica Montgomery Steppe  
Rafael Perez  
Esther C. Sanchez  
Steve Vaus  
Marni von Wilpert

**Ex-Officio Board  
Members**

Ann Fox  
Col. R. Erik Herrmann  
Michelle Perrault

**President/CEO**

Kimberly J. Becker

September 8, 2025

Gil Cabrera, Board Chair  
San Diego County Regional Airport Authority  
P.O. Box 82776  
San Diego, CA 92138-2776

Dear Chair Cabrera:

The Charter of the Audit Committee outlines the Committee's purpose and duties, which include submitting an annual report to the Authority Board regarding activities conducted during the previous year. This document summarizes the actions taken by the Audit Committee in Fiscal Year 2025, for the period from July 1, 2024, to June 30, 2025.

WORK PERFORMED

During Fiscal Year 2025, the Audit Committee's activities included reviewing required communications from the Office of the Chief Auditor (OCA), reviewing required communications from the Authority's external audit firm (Plante Moran), and reviewing the Charter of the Audit Committee and the Charter for the Office of the Chief Auditor.

The Audit Committee thoroughly reviewed a range of documents and reports related to the activities conducted by the OCA. Additionally, the Committee received quarterly updates from the OCA, which encompassed discussions on completed internal audits as well as the progress made by Authority management in implementing the recommendations provided by the OCA.

During Fiscal Year 2025, Audit Committee members reviewed, approved, or received as information reports and presentations listed here:

- OCA Fiscal Year 2024 Annual Report.
- OCA Fiscal Year 2025 Quarterly Reports and corresponding audit findings and recommendations.
- OCA Audit and Advisory reports issued during Fiscal Year 2025, totaling 12.
- OCA recommendations issued during Fiscal Year 2025, totaling 33.

Annual Report  
from the Audit  
Committee

*Page 2 of 4*

- Management's progress to implement recommendations issued by the OCA.
- Revisions to the Fiscal Year 2025 OCA Audit Plan.
- OCA Fiscal Year 2026 Risk Assessment and Audit Plan.
- OCA Fiscal Year 2026 proposed budget.
- Status on construction audit services.
- Ethics program and confidential hotline updates.
- Public employee performance evaluation goal setting for the Chief Auditor.
- Global Internal Audit Standards update.
- Chief Auditor job description.

Communications from the external auditor are provided annually at the May and November Audit Committee Meetings. These communications correspond with the Authority's annual financial statement audit for the fiscal year ending June 30.

On November 18, 2024, Plante Moran, the Authority's external audit firm, delivered a comprehensive presentation to the Audit Committee regarding the audited financial statements for the fiscal year ending June 30, 2024. The following reports were submitted, reviewed, and accepted by the Audit Committee before being forwarded to the Authority Board for consideration.

- Audited Financial Statements
- Single Audit Reports
- Passenger Facility Charge (PFC) Compliance Report
- Customer Facility Charge (CFC) Compliance Report
- Letter to the Board
- 2024 Annual Comprehensive Financial Report

On May 5, 2025, Plante Moran presented information to the Audit Committee regarding the engagement team, scope, timeline, required communications, and other matters related to the financial and compliance audits for the fiscal year ended June 30, 2025.



### MONITORING AND AUDIT RECOMMENDATIONS

Key to the Audit Committee's monitoring of the Authority's operations are communications from the Chief Auditor and communications from the external auditor during semiannual meeting attendance, as noted previously.

The Audit Committee is regularly informed of the progress made by Authority management toward implementing the recommendations issued by the OCA. At each Committee Meeting, the OCA presents the status of audit report recommendations, specifically, whether implementation is still pending, the length of time a recommendation has been open, or whether the recommendation was completed.

### MEETINGS HELD

The Audit Committee met four times in Fiscal Year 2025. The Audit Committee Meeting dates were as follows:

- September 9, 2024 – *Regular Meeting*
- November 18, 2024 – *Regular Meeting*
- February 10, 2025 – *Regular Meeting*
- May 5, 2025 – *Regular Meeting*

Minutes of the Audit Committee meetings are on file with the Authority Clerk and may also be found on the San Diego International Airport website [www.san.org](http://www.san.org).

### GOVERNANCE DEVELOPMENTS

As a required oversight function of the Audit Committee, the *Charter for the Office of the Chief Auditor* and the *Charter of the Audit Committee* are reviewed annually by the Audit Committee in accordance with best practices, and:

- The OCA's Quality Assurance and Improvement Program.
- The requirements that are specified within each of the Charters.

This review of the Charters by the Audit Committee ensures that any changes in Authority governance processes, financial, risk management, or developments in internal auditing practices (mandatory and professional), etc. are accurately reflected and that the Charters are revised as needed.

The annual review performed by staff during Fiscal Year 2025 determined that significant revisions were necessary for the Charter of the Audit Committee and

the Charter for the Office of the Chief Auditor due to the introduction and implementation of the newly effective Global Internal Audit Standards.

The Global Internal Audit Standards, promulgated by the Institute of Internal Auditors, took effect in January 2025. These Standards provide the framework for the activities carried out by the OCA. At the Audit Committee meeting held on September 9, 2024, the Committee received an update regarding the pertinent changes and the actions being undertaken by the OCA to ensure alignment with the new Standards.

On June 5, 2025, Claudia Huerta, an Audit Committee Public Member, was formally appointed for a 3-year term ending June 30, 2028.

In conclusion, the Audit Committee remains committed to diligently fulfilling its oversight responsibilities and supporting the Authority's continued success in the year ahead.

Sincerely,

Gretchen Newsom  
Audit Committee Chair  
Public Member

GN/LP

cc: SDCRAA Board Members  
SDCRAA Audit Committee Members  
Kimberly J. Becker, President/CEO

## Audit Committee Report

**Meeting Date: September 08, 2025**

**Subject:**

**Fiscal Year 2025 Annual 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. ***(Requires five (5) affirmative votes of the Audit Committee.)***

**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 that could interfere with the achievement of the Authority's strategic objectives.

Additionally, the Institute of Internal Auditors' Global Internal Audit Standards (*Standards*) requires the Office of the Chief Auditor to make disclosures to the Audit Committee and Board at least annually.

The Fiscal Year 2025 Annual Report from the Office of the Chief Auditor is submitted to the Audit Committee as Attachment A. The report describes the activities and accomplishments of the OCA during the period July 1, 2024, through June 30, 2025, and includes details on all recommendations completed or in progress during the 4th Quarter of Fiscal Year 2025.

In addition, the report provides required disclosures in conformance with the *Standards* or as required in the Charter for the Office of the Chief Auditor.

Staff requests that the Audit Committee review the Fiscal Year 2025 Annual Report and forward the report to the Board for acceptance.

# Audit Committee Report

Meeting Date: September 08, 2025

Page 2 of 2

## 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" as defined by the California Environmental Quality Act ("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.

## Prepared by:

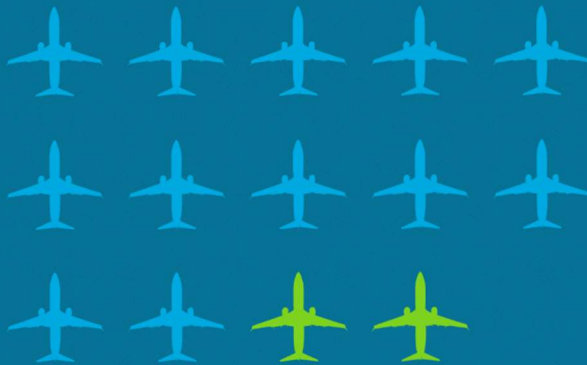
Lee M. Parravano  
Chief Auditor

# Office of the Chief Auditor Fiscal Year 2025 Annual Report

ATTACHMENT A

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY

## Audit Engagement Progress

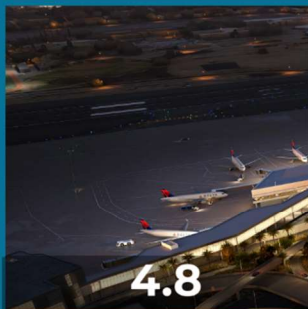


■ Completed (85.71%) ■ In Progress (14.29%)

## Audit Engagements Completed vs. Benchmark & Goal



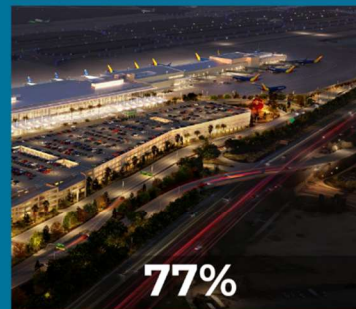
## By The Numbers



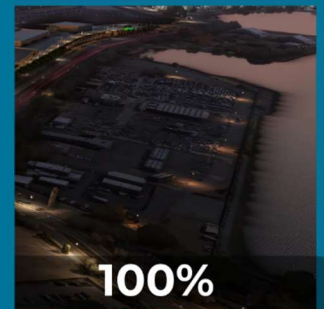
Auditee  
Satisfaction  
Rating



Engagements  
Completed Under  
Budget



Auditor Utilization  
Percentage



Recommendations  
Accepted By  
Management





# Fiscal Year 2025

## ANNUAL REPORT

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY

**Issue Date: September 08, 2025**

**OFFICE OF THE CHIEF AUDITOR**

*Table of Contents*

---

Summary .....	1
Audit and Advisory Engagements .....	4
General Audit Activities .....	6
Administrative.....	10
Quality Assurance and Improvement Program .....	13
Appendix A - Fiscal Year 2025 Audit Plan .....	15
Appendix B - Disclosures .....	16
Appendix C - Status of OCA Recommendations .....	19

## Summary

### Executive Summary

The purpose of the Fiscal Year 2025 Annual Report is to provide information regarding the activities performed by the Office of the Chief Auditor (OCA) and to communicate required disclosures in conformance with The Institute of Internal Auditors' (IIA) Global Internal Audit Standards (GIAS)<sup>1</sup>.

Fiscal Year 2025 was a year of activity for the OCA. The OCA met or surpassed all benchmarks and goals for established Performance Measures. In addition to the audit and advisory engagements, the OCA completed a risk assessment on construction related to New T1 and began three new construction audits. The office transitioned to the Global Internal Audit Standards (GIAS), served as featured speakers at the Association of Airport Internal Auditors Rent A Car Symposium to discuss the OCA's use of data analytics applied to Rental Car Companies, and collaborated with Human Resources and the General Counsel's Office to organize the annual employee appreciation event.

A summary of the OCA's Fiscal Year 2025 activities is provided below.

### Performance Measures

For Fiscal Year 2025, six major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Table 1 below and are presented to the Audit Committee/Board quarterly unless noted otherwise.

*Table 1: Status of Performance Measures as of June 30, 2025*

#	Performance Measure	Goal	Actual	Benchmark
1	Customer Satisfaction Ratings from: i. Audit Committee/Board (reported annually) ii. Executive Management (reported annually) iii. Auditee	4.0	i) 5.0 ii) 5.0 iii) 4.8	4.0
2	Percentage of audit and advisory engagements completed.	80%	86%	80%
3	Percentage of recommendations accepted.	95%	100%	95%
4	Percentage of staff meeting CPE requirements (reported annually).	100%	100%	93%
5	Percentage of staff time spent on audit and advisory engagements and general audit activities.	76%	77%	76%
6	Percentage of audit and advisory engagements completed within budget.	73%	75%	73%

<sup>1</sup> The Global Internal Audit Standards (GIAS) were issued January 9, 2024, and became effective January 9, 2025. The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing were applicable prior to January 9, 2025.



### *Customer Satisfaction Rating*

The OCA sends surveys to the following three customer categories:

- Authority Board/Audit Committee
- Executive Management
- Auditee

Each survey contains multiple questions, and each response is utilized by the OCA to gauge the performance of audits, advisory services, and activities completed. The OCA gauges customer satisfaction based on scores received on the question, “How would you rate your level of satisfaction with the Office of the Chief Auditor?”. Annually, in the 4<sup>th</sup> Quarter, the Authority Board, Audit Committee, and the Authority’s Executive Management are surveyed. Auditees are sent a “post-audit” survey questionnaire following the completion of each audit (or advisory engagement). Survey results from the auditees are presented quarterly to the Audit Committee and Board. The OCA tracks each customer category separately. For Fiscal Year 2025 aggregate category scores of 5.0, 5.0, and 4.8, respectively, were received, which exceeded the goal of 4.0 for each category.

### *Percentage of Audit and Advisory Engagements Completed*

The OCA completed 9 audits and 3 advisory engagements for a total of 12 completed engagements. This represents 86%<sup>2</sup>, of audit and advisory engagements on the Fiscal Year 2025 Audit Plan, exceeding the goal established. For the status of all Fiscal Year 2025 Audit Plan activities on June 30, 2025, see 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. In Fiscal Year 2025, management accepted 100% of all audit recommendations.

### *Percentage of Staff that Meet Continuing Professional Education (CPE) Requirements*

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

---

<sup>2</sup> The Fiscal Year 2025 Audit Plan has 16 audits and 3 advisory engagements. However, the five audits identified as “Tenant Lease Administration and Management – FY2025 Rental Car Companies”, “Parking Management Contract Administration”, “Construction Change Orders”, “Construction Subcontracts”, and “Construction Pay Applications” were scheduled to carry forward into Fiscal Year 2026. This results in 11 audits and 3 advisory engagements (14 total engagements) on the Fiscal Year 2025 Audit Plan that were planned to be completed in the fiscal year.

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

This measure tracks the time spent on audit and advisory engagements and general audit activities.<sup>3</sup> The OCAs goal is for staff to spend 76% of their working hours<sup>4</sup> on audit engagements, advisory engagements, and general audit activities. For Fiscal Year 2025, the OCA spent 77% of working time on audit engagements, advisory engagements, and general audit activities, exceeding the goal established.

*Percentage of Audit and Advisory Engagements Completed within Budgeted Time*

This category monitors the efficiency of audit staff in performing audits and advisory engagements. Specifically, audit staff are responsible for the internally prepared budget hours assigned to each audit or advisory engagement. In Fiscal Year 2025, the OCA completed 75% of its projects within the budgeted time, exceeding the benchmark and goal.

---

<sup>3</sup> Appendix A details all planned activities in these categories for Fiscal Year 2025.

<sup>4</sup> Time Off (e.g., Holidays, Paid Time off) has been excluded from this calculation.

## Audit and Advisory Engagements

The Fiscal Year 2025 Audit Plan had 19 total audit and advisory engagements that were to be initiated. Of these, five engagements were not anticipated to be completed in the fiscal year. These five engagements are included in the Fiscal Year 2026 Audit Plan. This left 14 engagements for the OCA to complete.

During Fiscal Year 2025, the OCA completed 12 of the 14 engagements. This resulted in the OCA completing 86% of engagements, exceeding the 80% goal established. All audits not completed in Fiscal Year 2025 will carry over to the Fiscal Year 2026 Audit Plan for completion. An agenda item is included in the September 08, 2025, Audit Committee meeting to add any unfinished audits to the Fiscal Year 2026 Audit Plan.

Below are highlights from the audit and advisory engagements completed by the OCA during the fourth quarter of Fiscal Year 2025. Audits completed in the first three quarters were provided to the Audit Committee and the Board in the OCAs quarterly activity reports. Also, when completed, audit reports are distributed electronically by the OCA to specified recipients.



**Tenant Lease Admin. & Management - FY 2024 Rental Car Companies - Audit Engagement #24005:** Together with the Authority's Business Intelligence Department, the OCA developed a continuous auditing program using data analytics to examine financial data received each month from eight Car Rental Companies (CRCs). Continuous auditing enables the Authority to detect potential issues earlier through automated real time reporting on critical information. The objective of this audit was to determine if concession fees and Customer Facility Charges (CFCs) / Transportation Facility Charges (TFCs) were accurately paid in all material respects. In total over \$74

million of concessions and CFCs/TFCs were collected by the Authority from these eight CRCs. This audit examined over 1.1 million rental transactions. The audit concluded that concession fees and CFCs/TFCs were materially accurate for seven of the eight CRCs. The one CRC outside the materiality range established by the OCA was due to the CRC incorrectly calculating a "rental day". The audit provided three recommendations, all of which were accepted by management.

### Tenant Lease Admin. & Management – ABRM Data Integrity - Audit Engagement



**#25001:** The objective of this audit was to determine if the data entered into the Authority's newly implemented Airport Business Revenue Management (ABRM) system was accurate. The audit found that the data entered into ABRM was reasonably accurate. We determined that over 96% of Agreement attributes and 96% of GL account codes were correctly input. However, we did determine some Agreement attributes and GL account codes were incorrectly input. The audit provided two recommendations, which were accepted by management.

**System Security - Audit Engagement #25005:** The objective of this audit was to evaluate the security posture of the Authority's identity infrastructure. This audit was completed, and results were shared with the Audit Committee and Board.

**Tenant Lease Admin. & Management – New Rental Car Company Reporting - Advisory Service Engagement #25012 - AS:** The objective of this advisory service was to provide assistance to management in explaining audit and reporting requirements to potential and existing Rent a Car Companies. The OCA provided assistance and attended meetings as requested. The OCA did not make any management decisions or perform any management functions during this engagement. An additional engagement to assist management in Fiscal Year 2026 is included in the Fiscal Year 2026 Audit Plan.

**Harbor Police Contract Management - Advisory Service Engagement #25011- AS:** The objective of this advisory service was to provide management assistance with recommendations related to the San Diego Unified Port District (Port) Harbor Police Department (HPD) Contract. The OCA assisted management in Fiscal Year 2025 and appreciated the opportunity to collaborate with management. The OCA did not make any management decisions or perform any management functions during this engagement. An additional engagement to assist management in Fiscal Year 2026 is included in the Fiscal Year 2026 Audit Plan.

## General Audit Activities

In addition to performing audit and advisory 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 required<sup>5</sup> 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. See Appendix A for a listing of all General Audit Activities.

### Risk Assessment and Audit Plan

The OCA is required to submit a risk-based internal Audit Plan to the Audit Committee annually. Performing the Fiscal Year 2026 Risk Assessment included obtaining input from the Board, Audit Committee, Authority Management, and staff. During Fiscal Year 2025, the OCA worked with Authority Management to identify and rank the likelihood and impact of a risk event occurring for each Key Work Activity within the Authority. The resulting Fiscal Year 2026 Audit Plan was then developed, based on the results of the Risk Assessment process and the discussions with key stakeholders. The Fiscal Year 2026 Risk Assessment and Audit Plan was submitted to the Audit Committee on May 5, 2025, and subsequently approved by the Board on June 5, 2025.



### Construction Activities

Construction audit activities for Fiscal Year 2025 consisted of attending meetings regarding the New T1 Terminal & Roadway, the Airside Improvements, and other airport construction projects.

The OCA collaborated with Baker Tilly, the on-call construction audit consultant, to develop the next phase of the construction audit plan for the New T1 Terminal & Roadways and Airside projects. A risk assessment on the Guaranteed Maximum Price phase was presented to the Audit Committee in February 2025. Based on that Risk Assessment, the OCA initiated three new construction audits focusing on Pay Applications, Subcontracts, and Change Orders. These audits commenced in Fiscal Year 2025 and will continue into Fiscal Year 2026.

The OCA continues to address issues identified by Authority management, providing assistance as needed and participating in meetings concerning all aspects of the Authority's construction activities.

<sup>5</sup> Requirements are dictated by the Charter for the Office of the Chief Auditor, Charter of the Audit Committee, or the Global Internal Audit Standards.

### Development of Data Analytics

As described in the Audit and Advisory Engagements section of this report, the OCA collaborated with the Authority's Business Intelligence Department to implement a continuous auditing program using data analytics to review financial data from Rental Car Companies. The OCA is making adjustments based on this audit to streamline the process and reduce the effort required to analyze received data. The Tenant Lease Administration & Management – FY 2024 Rental Car Companies audit reviewed more than 1.1 million rental transactions.

The OCA intends to extend its data analytics approach to other areas within the Authority. Additionally, the OCA has changed its analytics platform from Tableau to Power BI. Transitioning to Power BI aligns with the Authority's current use of the Microsoft ecosystem.

### Fraud, Waste, Abuse, and Ethics Program Activities

The OCA manages the Authority's Ethics Program that includes a confidential Fraud, Waste, Abuse, and Ethics (FWA&E) reporting hotline. During Fiscal Year 2025, the OCA received 5 tips/reports that were considered FWA&E related and 12 reports that are not considered FWA&E related<sup>6</sup>. 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 ethical matters, thus allowing individuals to make an informed ethical decision. In Fiscal Year 2025, three (3) questions were received. We appreciate the efforts made by individuals aiming to ensure an ethical decision is reached.



Additionally, the OCA created and transitioned to an online computer-based FWA&E training program. FWA&E training is mandatory for all employees every two years. The transition to an online program allowed flexibility for employees to take the required training when it was convenient for them. As of August 12, 2025, over 95% of Authority employees have completed the training.

A summary of the tips/reports received in Fiscal Year 2025 is shown in Table 2 below.

<sup>6</sup> Tips/Reports that are Non-FWA&E related are tracked but are not investigated by the OCA. An example of a non-FWA&E related tip/report is a traveler reporting an issue with a water filling station in the terminal. Generally, these tips/reports are forwarded to management to address.

Table 2: Hotline Tips/Reports Received in Fiscal Year 2025

Category	Number of Tips / Reports Received	Investigation Initiated by OCA/Others	Tip/Report was Investigated and was Substantiated
<b>Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>			
Misuse or Misappropriation of Assets	3	3	2
Human Resource	1	1 <sup>7</sup>	-
Business Integrity	1	1 <sup>8</sup>	-
<b>Total Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>	<b>5</b>	<b>5</b>	<b>2</b>
<b>Non-Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>			
Human Resource	9	-	-
Business Integrity	3	-	-
<b>Total Non-Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>	<b>12</b>	<b>-</b>	<b>-</b>
<b>Total Hotline Tips/Reports</b>	<b>17</b>	<b>5</b>	<b>2</b>

### 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 C). 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.

The Audit Committee is updated each quarter on the status of recommendations. The recommendations that have been remediated by management in prior quarters of Fiscal Year 2025 were presented to the Audit Committee on the following Committee Meeting dates: September 9, 2024, November 18, 2024, February 10, 2025, and May 5, 2025.

Table 4 below shows the number of recommendations that were *Completed* or *In Progress* as of the fourth quarter of Fiscal Year 2025, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, five were implemented within the initial timeframe identified when the recommendations were

<sup>7</sup> Investigation was performed by Human Resources who concluded there was no Substantiation of the Tip/Report.

<sup>8</sup> The OCA performed a preliminary review of this tip. However, this investigation was closed due to insufficient evidence to perform a thorough investigation.



issued. Of the In Progress recommendations, three recommendations were still within the initial timeframe identified for implementation. The three In Progress recommendations outside of the initial timeframe for implementation are related to reimbursements. The OCA will reclassify these as “Completed” when the OCA confirms the reimbursement has been received.

Overall, the OCA is satisfied with the Authority’s current implementation progress based on our tracking inquiries.

*Table 4: Recommendations with Estimated/Actual Implementation Timeframe*

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

### Quality Assurance and Improvement Program

The Institute of Internal Auditors’ (IIA) Global Internal Audit Standards (GIAS)<sup>9</sup> requires the OCA to maintain a Quality Assurance and Improvement Program (QAIP). Comprehensive details are included under the *Quality Assurance and Improvement Program* section of this report.

---

<sup>9</sup> The Global Internal Audit Standards (GIAS) were issued January 9, 2024, and became effective January 9, 2025. The Institute of Internal Auditors’ (IIA) International Standards for the Professional Practice of Internal Auditing were applicable prior to January 9, 2025, and also contained requirements for maintaining a QAIP.



## Administrative

---

The activities that reside within the Administrative classification of the Fiscal Year 2025 Audit Plan include meeting attendance by the OCA, holiday and vacation time, and the fulfillment of Continuing Professional Education (CPE) requirements.

### Qualifications and Training

Proficiency and due care for the OCA are the responsibility of the Chief Auditor. Cumulatively, the OCA has over 110 years of auditing experience. OCA staff hold 14 professional certifications. The types of professional certifications and number of staff with each certification are as follows:

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



Each of these certifications requires that the holder complete a specified number of hours of CPE. As noted above, all CPE requirements were met for all OCA staff during calendar year 2025.<sup>10</sup>

---

<sup>10</sup> Professional organizations track Continuing Professional Education (CPE) either by calendar year or a fiscal year. The OCA verifies CPE compliance on a calendar year basis.

### Audit Committee Support

During Fiscal Year 2025, the Audit Committee met five times on the following dates:

- September 9, 2024 – *Regular Meeting*
- November 18, 2024 – *Regular Meeting*
- February 10, 2025 – *Regular Meeting*
- May 5, 2025 – *Regular Meeting*

Before each meeting of the Audit Committee the OCA coordinated all activities with the Committee Chair and the Clerk's Office relating to agenda preparation and materials required.

### Staffing

In Fiscal Year 2025, Callie Ullman, Senior Auditor, retired from the Authority. The OCA worked with Human Resources to fill the role, and in June 2025 Andrea Cook, joined the OCA team. Andrea comes to the OCA with 15 years of auditing experience Andrea is already proving to be a valuable addition to the team.

### Tracking Budget and Expenses

The OCA's Fiscal Year 2025 operating expenses were approximately \$1,312,000, coming in \$178,000 under budget. No unexpected or large outlays occurred within the department in Fiscal Year 2025. The \$1,312,000 excludes costs related to Baker Tilly, the on-call construction audit consultant. Baker Tilly costs are funded from the capital budget.

### Other Activities

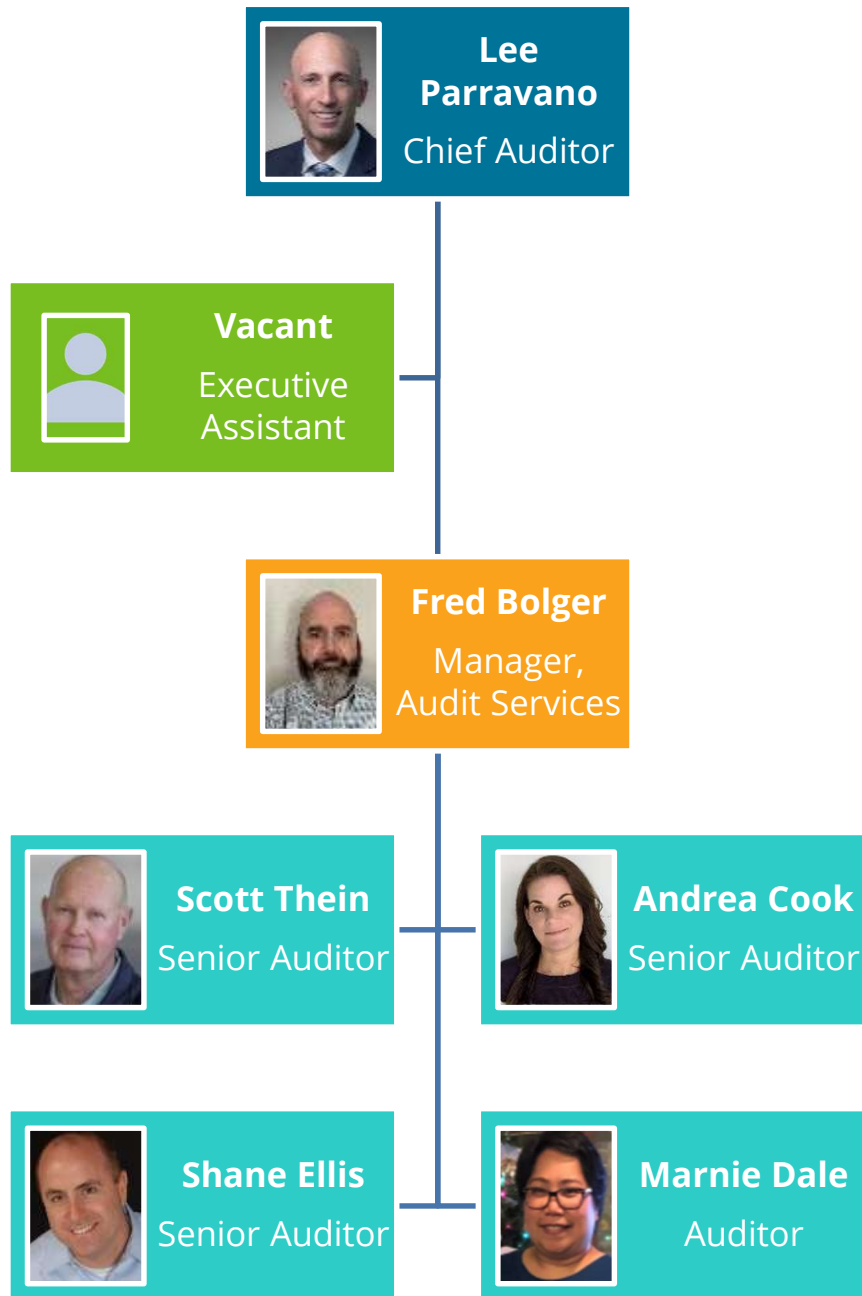
In addition to the services provided to the Authority, OCA staff are involved in various audit-related organizations and activities in their personal time. As of June 30, 2025, OCA staff members served on the following community groups:

- Audit Committee Member for the San Diego Girl Scouts
- Board of Directors for the University of Philippines Alumni Association - San Diego.

The OCA, Human Resources, and General Counsel's office organized the annual employee appreciation event for all Authority staff. The OCA values collaborating with other departments on non-audit initiatives.

## Organization Chart

As of June 30, 2025, the OCA organizational structure was as follows.



## Quality Assurance and Improvement Program

### Background

The Institute of Internal Auditors' (IIA) Global Internal Audit Standards (GIAS) requires the OCA to maintain a Quality Assurance and Improvement Program (QAIP). that includes external assessments and internal (self) assessments.

- External Assessment: Known as a Quality Assessment Review (QAR), or peer review; must be conducted at least once every five years by an independent assessor or an assessment team from outside the organization that is qualified in the practice of internal auditing, as well as the quality assessment process. QAR results are required to be reported to the Board/ Audit Committee.
- Internal Assessment: Comprised of two interrelated parts, 1) ongoing monitoring, and 2) periodic self-assessments. The results of a periodic self-assessment and the level of conformance to the GIAS must be reported to the Board/ Audit Committee at the completion of the self-assessment. The results of ongoing monitoring are required to be reported at least annually.

The GIAS also contains other mandatory reporting requirements as documented in Appendix B.

### External Assessment - Quality Assessment Review

The most recent external assessment of the OCA was performed by the Association of Local Government Auditors (ALGA) for the five-year period from July 1, 2018, through June 30, 2023. The external assessment was performed in January 2024, with results presented to the Audit Committee during its May 6, 2024, meeting. The external assessment determined that the OCA is providing reasonable assurance of compliance with the audit Standards. This is the highest level of conformance an internal audit function can achieve. The external assessment did not issue a letter for improvement. The next external assessment will be required for the five-year period ending June 30, 2028.



### Internal Assessment – Self-Assessment & Ongoing Monitoring

The last Self-Assessment was performed in July and August 2023 in connection with the External Assessment performed by ALGA, noted above. The results of the Self-Assessment were shared with the Audit Committee in September 2023. In July and August of 2025, the OCA conducted ongoing monitoring related to Fiscal Year 2025 operations, as required by GIAS. The results of Ongoing Monitoring are provided below.

### Scope and Objectives of Ongoing Monitoring

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

- Performance Measures
- Assessing Audit Engagement Readiness
- Work Paper Reviews and Sign-offs
- Feedback from Audit Clients
- General Audit Practices
- Standard Working Practices
- Audit Report Reviews
- Prior Recommendations

### Results of Ongoing Monitoring

Robust processes have been established to consistently maintain high quality across all audit and advisory engagements. The OCA did not identify any issues that would affect audit report quality.

### QAIP Recommendations/Corrective Actions Plans Identified

As stated above, the QAIP did not identify any items that would impact audit report quality. However, the OCA did note the following items:

1. The Charter for the Office of the Chief Auditor and Audit Committee should be reviewed and updated (Note – this is recurring item. These items are annually presented to the Audit Committee. These are on the September 8, 2025, agenda).
2. The OCA identified potential process improvements that could be implemented to improve items such as workpaper referencing and documentation. The OCA is implementing the process improvements.

*Appendix A – Fiscal Year 2025 Audit Plan*

#	Activity	Status as of 6/30/2025	Over/ Under Budget
<b>Audit</b>			
1	Tenant Lease Admin. & Management – FY 2024 Rental Car Companies - <i>Audit Engagement #24005</i>	Completed	Over
2	Tenant Lease Admin. & Management – ABRM Data Integrity - <i>Audit Engagement #25001</i>	Completed	Under
3	Tenant Lease Admin. & Management – Sixt - <i>Audit Engagement #25002</i>	Completed	Under
4	Tenant Lease Admin. & Management – FY 2025 Rental Car Companies <sup>11</sup> - <i>Audit Engagement #25004</i>	In Progress	
5	System Security - <i>Audit Engagement #25005</i>	Completed	Under
6	Parking Management Contract Administration <sup>11</sup> - <i>Audit Engagement #25009</i>	In Progress	
7	Tenant Lease Admin. & Management – Hertz - <i>Audit Engagement #25010</i>	Completed	Over
8	Account Provisioning / Deprovisioning - <i>Audit Engagement #24009</i>	Completed	Under
9	Tenant Lease Admin. & Management – High Flying Foods Package 7- <i>Audit Engagement #24012</i>	Completed	Under
10	Small Business Management - <i>Audit Engagement #24001</i>	Completed	Over
11	Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs - <i>Audit Engagement #20002</i>	Completed	Under
12	Harbor Police Contract Management – Fiscal Years 2021, 2022, 2023, 2024 - <i>Audit Engagement #25013</i>	In Progress	
13	Purchase Goods and Services - <i>Audit Engagement #25014</i>	In Progress	
14	Construction Change Orders <sup>11</sup> - <i>Audit Engagement #25015</i>	In Progress	
15	Construction Subcontracts <sup>11</sup> - <i>Audit Engagement #25016</i>	In Progress	
16	Construction Pay Applications <sup>11</sup> - <i>Audit Engagement #25017</i>	In Progress	
<b>Advisory</b>			
17	Harbor Police Contract Management <i>Advisory Service Engagement #25011 - AS</i>	Completed	Under
18	Tenant Lease Admin. & Management – New Rental Car Company Reporting - <i>Advisory Service Engagement #25012 - AS</i>	Completed	Under
19	Accounts Payable Automation - <i>Advisory Service Engagement #25008 - AS</i>	Completed	Under
<b>General Audit</b>			
20	Risk Assessment & Audit Plan	Completed	
21	Construction Meeting Attendance & Coordination	Completed	
22	Development of Data Analytics	Completed	
23	Fraud, Waste, Abuse, and Ethics Program	Completed	
24	Recommendation Follow-up	Completed	
25	Quality Assurance & Improvement Program	Completed	
<b>Administrative</b>			
26	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	Completed	
27	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	Completed	

<sup>11</sup> Audit engagement was not anticipated to be completed in Fiscal Year 2025 and will be carried forward to Fiscal Year 2026.

## *Appendix B – Disclosures*

---

The following items are being disclosed in conformance with the GIAS.

### **Mandate and Audit Strategy - GIAS Standards 6.1 & 9.2**

The GIAS requires the OCA to review the Internal Audit Mandate and Internal Audit Strategy periodically. The Mandate and Strategy were recently developed and reviewed by the Audit Committee in May 2025. The mandate is also included in, and reviewed as part of, the Charter for the Office of the Chief Auditor. The Internal Audit Strategic Objectives and the OCA's progress on the supporting initiatives will be tracked and presented annually starting in Fiscal Year 2026. However, these are listed below for reference.

#### Mandate

The Chief Auditor shall be accountable to the Board under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement. The Office of the Chief Auditor assists the Audit Committee in discharging the duties described in Public Utilities Code §170018. The Office of the Chief Auditor also assists executive management in achieving Authority objectives. To assist the Audit Committee/Board and executive management, the Office of the Chief Auditor will perform assurance and advisory services on Authority activities. Services include, but are not limited to, reviews of internal controls, operating effectiveness, operating efficiencies, ethical behavior, expenditures, and compliance with the Authority's Codes, Policies, Standards, and procedures. The sections below provide further details on the mandate of the Office of the Chief Auditor.

#### Internal Audit Vision and Strategic Objectives

##### Vision

To be recognized as a leading internal audit function that is trusted and proactive in promoting a culture of accountability, transparency, and continuous improvement across the Authority.

##### Strategic Objectives

1. Enhance Audit Methodologies
2. Strengthen Stakeholder & Community Relationships
3. Promote Continuous Improvement & Build a Strong Audit Team
4. Leverage Technology, Innovation, and Outside Professionals
5. Enhance Communication and Reporting

### **Organizational Independence - GIAS Standard 7.1**

The OCA must confirm to the Board, at least annually, the organizational independence of the internal audit activity.

- ✓ The OCA reports directly to the Board through the Audit Committee, which provides the independence necessary for the OCA to adequately perform its function, separate from the Airport Authority organization. There were no instances where independence was impaired.

### **Impairments to Independence or Objectivity - GIAS Standards 2.3 & 7.1**

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed. The OCA must also discuss any current or proposed roles and responsibilities that have the potential to impair independence.

- ✓ There were no audits or advisory engagements conducted during Fiscal Year 2025 that had any impairment of independence or objectivity in fact or appearance.
- ✓ There are no current or known proposed roles and responsibilities that have the potential to impair the OCAs independence.

### **Disclosure of Nonconformance - GIAS Standard 12.1**

If nonconformance with the GIAS affects the overall scope or operation of the OCA, this must be disclosed to the Audit Committee/Board and executive management.

- ✓ During Fiscal Year 2025 there were no instances of nonconformance that affected the overall scope or operation of the OCA. Additionally, there were no known instances of nonconformance with the GIAS for audit or advisory services performed in Fiscal Year 2025.

### **Communicating Acceptance of Risks - GIAS Standard 11.5**

The OCAs audit activities can potentially identify items that may pose risks to the Authority's operations. Some items may require management's attention, while others may be situations in which management decides to accept the risk associated with continuing the current practice. The OCA is required to disclose to executive management and the Audit Committee/Board any situations in which it is believed Authority personnel have accepted a level of risk that exceeds the Authority's risk appetite or tolerance.

- ✓ There were no such instances during the 2025 Fiscal Year.



**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 C - Status of OCA Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2025
Completed						
25-23	Audit Report 25010 Issued: December 27, 2024 Title: The Hertz Corporation  Department: LANDSIDE BUSINESS DEVELOPMENT	Medium	RG&PD should request that the Accounting Department issue a credit to Hertz for \$86,976 for the overpayment of CFCs. Additionally, RG&PD should recommunicate to Hertz on the correct calculation of a rental day	1/31/2025	4/30/2025	The credit to Hertz was previously issued and completed on January 6, 2025. LBD has communicated with Hertz and Hertz is working on a method of adjusting the rental day calculation for SAN.
25-24	Audit Report 24001 Issued: January 8, 2025 Title: Small Business Development  Department: SMALL BUSINESS DEVELOPMENT	Medium	The Authority should ensure adequate resources are available to recruit, train, and retain professionals with the knowledge required to administer a Small Business program in accordance with federal regulations. Specifically, to ensure the accuracy and timeliness of information in B2Gnow, Small Business should allocate resources specifically for its management and should implement processes to regularly monitor and ensure data quality	12/31/2025	6/30/2025	A Program Coordinator in Small Business was hired and began in May 2025.  All three existing SBD staff members attended a B2Gnow user conference in April.
25-27	Audit Report 24001 Issued: January 8, 2025 Title: Small Business Development  Department: SMALL BUSINESS DEVELOPMENT	Medium	Small Business should provide periodic reports to Authority Management and the Board of Directors on ACDBE, DBE, small, local, and veteran-owned business participation.	10/31/2025	6/30/2025	Staff gives regular updates to Division VP. Additionally, SDB Staff made a presentation to CIPOC in July and the SBD Manager met with the CEO in June. The Division VP and Senior Director, External Relations are also in regular communication with CEO regarding Small Business.

## Appendix C - Status of OCA Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2025
Completed						
25-29	Audit Report 24005 Issued: May 9, 2025 Title: Car Rental Companies - Fiscal Year 2024  Department: LANDSIDE BUSINESS DEVELOPMENT	Low	The Landside Business Development (LBD) Department should continue to communicate with Hertz to ensure CFCs are calculated accurately using a 25-hour rental day.	6/30/2025	6/30/2025	The credit to Hertz was previously issued and completed on January 6, 2025. LBD has communicated with Hertz and Hertz is working on a method of adjusting the rental day calculation for SAN.
25-30	Audit Report 24005 Issued: May 9, 2025 Title: Car Rental Companies - Fiscal Year 2024  Department: LANDSIDE BUSINESS DEVELOPMENT	Low	The LBD Department should communicate with Hertz to ensure the accurate reporting of monthly gross revenue from airport customers only.	6/30/2025	6/30/2025	LBD communicated with Hertz and Hertz confirmed that the TNC locations are solely for TNC rentals with no airport customers.

## Appendix C - Status of OCA Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2025
Completed						
25-31	<p>Audit Report 24005 Issued: May 9, 2025 Title: Car Rental Companies - Fiscal Year 2024</p> <p>Department: LANDSIDE BUSINESS DEVELOPMENT</p>	Low	The LBD Department should take steps to ensure that CRCs submit audited certified public accountant (CPA) reports that comply with Article 4.2.2 of the Concession Agreement.	6/30/2025	6/30/2025	Annual reminder letters are issued to the RACs to ensure their understanding of the requirements and timely submittal of reports. The first letter was issued on August 19, 2024 for FY24. For FY25, a letter was issued on March 24, 2025 and was re-sent on July 24, 2025.

## Appendix C - Status of OCA Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2025
In Progress						
24-09	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance  Department: AIRPORT DESIGN & CONSTRUCTION	High	ADC should work with the JV, and General Counsel if appropriate, to determine the most appropriate way to receive reimbursement of the \$1,290,000.	9/30/2024	6/30/2025	The JV has agreed to reimburse the Authority.  - The OCA will reclassify this recommendation as "Completed" when the OCA confirms reimbursement.
24-11	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance  Department: AIRPORT DESIGN & CONSTRUCTION	High	ADC should work with the JV to determine the most appropriate way to receive the credits of \$144,915 for the unapproved administrative fees and \$847,195 for the duplicate coverage.	9/30/2024	6/30/2025	The JV has agreed to reimburse the Authority.  - The OCA will reclassify this recommendation as "Completed" when the OCA confirms reimbursement.
24-10	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance  Department: AIRPORT DESIGN & CONSTRUCTION	Low	We recommend ADC seek reimbursement for the audit costs in the amount of \$82,413 from the JV.	4/30/2024	6/30/2025	The JV has agreed to reimburse the Authority.  - The OCA will reclassify this recommendation as "Completed" when the OCA confirms reimbursement.

## Appendix C - Status of OCA Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2025
In Progress						
25-26	Audit Report 24001 Issued: January 8, 2025 Title: Small Business Development  Department: SMALL BUSINESS DEVELOPMENT	Medium	Small Business should submit the DBE Uniform Reports to the FAA as soon as the information is accurate and available. In the future, Small Business should ensure the reporting is done within the required timeframe	8/30/2025	8/30/2025	We anticipate that the remaining outstanding DBE reports will be ready for General Counsel review by August 1, 2025.
25-32	Audit Report 25001 Issued: June 30, 2025 Title: ABRM Data Integrity  Department: TERMINAL BUSINESS DEVELOPMENT	Low	We recommend that ABRM Users investigate these discrepancies and bring the ABRM entries into alignment with the Agreements or other source data requirements. Further, ABRM Users should evaluate insurance attributes for other nontested Authority partners to ensure their accuracy.	10/30/2025	10/30/2025	This audit was issued at the end of the Fiscal Year so no follow-up activity was performed.
25-33	Audit Report 25001 Issued: June 30, 2025 Title: ABRM Data Integrity  Department: TERMINAL BUSINESS DEVELOPMENT	Low	We recommend that ABRM Users investigate the G/L accounts attached to Overnight Parking Fees for all airlines within ABRM and correct any inaccuracies along with the four (4) incorrect G/L entries identified above.	10/30/2025	10/30/2025	This audit was issued at the end of the Fiscal Year so no follow-up activity was performed.



# Fiscal Year 2025 Annual Report from the Office of the Chief Auditor

July 1, 2024, through June 30, 2025

Audit Committee Meeting September 8, 2025



# Agenda

- Fiscal Year 2025 Performance Measures
- General Audit Activities
  - Recommendation Follow-Up
  - Fraud, Waste, Abuse, & Ethics
  - Quality Assurance and Improvement Program (QAIP)
- Audit Spotlight: ABRM Data Integrity





# Fiscal Year 2025 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Customer Satisfaction Rating from Auditee	4.0	4.8	4.0
Percentage of Audit and Advisory Engagements Completed	80%	86%	80%
Percentage of Recommendations Accepted	95%	100%	95%
Percentage of Staff Time Spent on Audit and Advisory Engagements and General Audit Activities	76%	77%	76%
Percentage of Audits and Advisory Engagements Completed within Budget	73%	75%	73%

# General Audit Activities - Recommendation Follow-Up

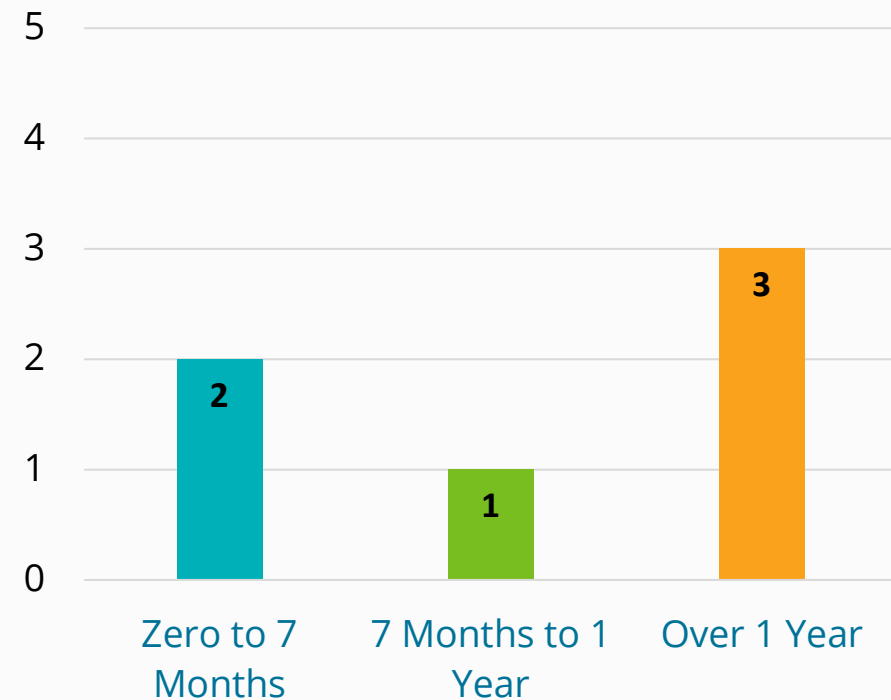
## Recommendation Follow Up

Status as of June 30, 2025			
Completed	In Progress	Not Accepted	Tracked
6*	6**	-	12

\* 5 recommendations were completed within the initial timeframe identified for implementation.

\*\* 3 recommendations are still within the initial timeframe identified for implementation. The remaining 3 are awaiting OCA verification of reimbursement.

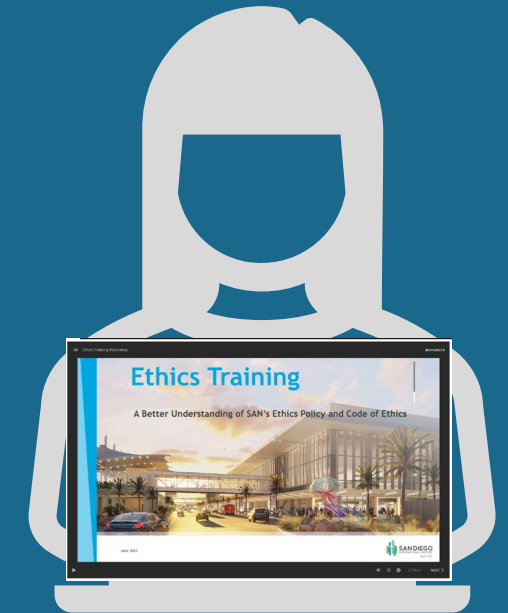
## Estimated Implementation Timeframe for In Progress Recommendations



# General Audit Activity - Fraud, Waste, Abuse, & Ethics

Category	Number of Tips / Reports Received as of June 30, 2025	Investigation Initiated by OCA/Others	Tip/Report was Investigated and was Substantiated
Fraud, Waste, Abuse, & Ethics Tips/Reports			
Misuse or Misappropriation of Assets	3	3	2
Human Resources	1	1	-
Business Integrity	1	1	-
<b>Total Fraud, Waste, Abuse, &amp; Ethics Tips/Reports</b>	<b>5</b>	<b>5</b>	<b>2</b>

**Training: As of August, 95%+ of Employees Completed**



# General Audit Activities - QAIP

Internal auditing *Standards* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP). The QAIP must include both internal assessments and external assessments.

## Internal Assessments:

- Ongoing Monitoring
  - Required annually
  - Focus is audit quality
    - **Performed July-August 2025**
- Self Assessments
  - Required periodically
  - Focus is conformance with *Standards*
    - **Results Included on November 2023 Agenda**

## External Assessments:

- Required every 5 years by a qualified independent assessor
- Focus is conformance with *Standards*
  - **Results Included on May 2024 Agenda**



# General Audit Activities - QAIP (Cont.)

## Ongoing Monitoring :

Ongoing Monitoring: The OCA did not identify any items that would impact audit quality.

## Two Recommendations:

1. The Charters should be updated.
2. Potential Process Improvements (e.g. Standard workpaper numbering and CPE documentation)



## *OCA Response:*

1. Updated Charters are included in September Agenda.
2. The OCA is implementing the process improvements.

# | General Audit Activities - QAIP (Cont.)

## Required Disclosures

### Review of OCA Mandate and Strategy

- ✓ Adopted in May 2025
- ✓ Included in Fiscal Year 2025 Annual Report –  
Updates on Progress starting FY 2026

### Disclosures of Nonconformance

- ✓ No instances noted

### Management's Acceptance of Risk

- ✓ No items noted

### Operational Independence

- ✓ No independence issues noted

### Impairments to Independence or Objectivity

- ✓ No impairments noted
- ✓ No current or proposed roles with potential to  
impair independence noted

# Audit Spotlight - ABRM Data Integrity

Office of the Chief Auditor  
ABRM Data Integrity  
Audit Report No. 25001  
Issue Date: June 30, 2025



## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

### Board Members

Gil Cabrera  
Chair  
Whitney Benzian  
Lidia S. Martinez  
Rafael Perez  
Esther C. Sanchez  
Monica Montgomery Stappe  
James Sly  
Steve Vaas  
Marni von Wilpert

### Ex-Officio Board Members

Col. Erik Herrmann  
Michelle Perrault  
Ann Fox

### President / CEO

Kimberly J. Becker

### Audit Committee

Gretchen Newsom  
Chair  
Claudia Huerta  
Rafael Perez  
Esther C. Sanchez  
Monica Montgomery Stappe  
Steve Vaas  
Agnes Wong Nickerson

### Office of the Chief Auditor

Lee Parravano  
Chief Auditor  
Fred Bolger  
Manager, Audit Services  
Andrea Cook  
Senior Auditor  
Marni Dale  
Auditor  
Shane Ellis  
Senior Auditor  
Scott Thein  
Senior Auditor

  
Lee Parravano  
Chief Auditor

## Background

The Authority recently implemented an Airport Business Revenue Management (ABRM) system to assist in managing agreements.



Implementation required entering various data into ABRM.

- 291 Separate Agreements in ABRM



# Audit Spotlight - ABRM Data Integrity

## Objective

Determine if the data entered into ABRM is accurate.

## Methodology

Selected 20 sample Agreements



298 Agreement Attributes



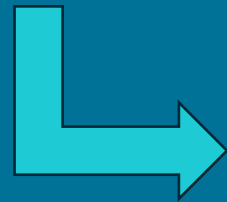
129 General Ledger Account Numbers

# Audit Spotlight - ABRM Data Integrity



## Conclusion

Data was reasonably accurate.



# 96% Accurate

Of Tested Agreement Attributes &  
General Ledger Account Numbers

# Audit Spotlight - ABRM Data Integrity

## Findings & Recommendations

Two low-risk findings and two low-risk recommendations:

1. Correct the identified incorrect items.
2. Review additional items in two categories: Agreement Attributes – Insurance Data and GL Accounting Coding for Overnight Parking.



# Questions?

## Audit Committee Report

**Meeting Date: September 8, 2025**

**Subject:**

**Annual Review of the Charter of the Audit Committee**

**Recommendation:**

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

**Background/Justification:**

The Charter of the Audit Committee describes the Audit Committee's purpose, mandate and authority, including oversight of the internal and external auditors, compliance and regulatory duties; and, provides guidelines and procedures on how the Audit Committee conducts its business.

Board Resolution No. 2003-061 was adopted on October 2, 2003, and instituted the Charter of the Audit Committee. Subsequent revisions to the Charter were made in order to reflect changes in operating practices and to meet guidelines for best practices.

The Charter of the Audit Committee is annually reviewed by the Audit Committee in accordance with best practices, the Office of the Chief Auditor's Quality Assurance and Improvement Program, and the requirements specified in the Audit Committee's Charter.

The last revision to the Charter of the Audit Committee was made in September 2024 and subsequently approved by Board Resolution No. 2024-0082 on October 3, 2024. Changes included updating language from the new Global Internal Audit Standards.

The annual review performed by staff this year has determined that the Charter of the Audit Committee should be updated to incorporate best practice language from the new Global Internal Audit Standards related to participating in discussions about essential conditions, ensuring the Chief Auditor has adequate competencies and qualifications, conformance with the Global Internal Audit Standards, and updating terminology.

A redlined version of the Charter of the Audit Committee is provided in Attachment A. A version with all changes incorporated is provided in Attachment B.



# Audit Committee Report

Meeting Date: September 8, 2025

Page 2 of 2

## Fiscal Impact:

None

## 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" as defined by the California Environmental Quality Act (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.

## Prepared by:

Lee M. Parravano  
Chief Auditor

# **SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

## **CHARTER OF THE AUDIT COMMITTEE**

### **ORGANIZATIONAL PRINCIPLES**

#### **Purpose**

The purpose of the Audit Committee (Committee) is to provide structured, systematic oversight of the San Diego County Regional Airport Authority's (Authority) governance, risk management, and internal control practices. Public Utilities Code §170018 states that the Committee shall serve as a guardian of the public trust, acting independently, and charged with oversight responsibilities for reviewing the Authority's internal controls, financial reporting obligations, operating efficiencies, ethical behavior, and regular attention to cashflows, capital expenditures, regulatory compliance, and operations. The Committee assists the Authority's Board of Directors (Board) and management by providing advice and guidance related to the Authority's:

- Values and ethics;
- Governance structure;
- Risk Management;
- Internal control framework;
- Oversight of the Office of the Chief Auditor, external auditors, and other providers of assurance; and
- Financial statements and public accountability reporting.

The Committee reviews each of the items noted above and provides the Authority Board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

#### **Mandate**

The mandate for the establishment of the Committee is contained in Public Utilities Code §§170013 and 170018.

#### **Authority**

The Charter of the Audit Committee sets out the authority of the Committee to carry out the responsibilities established for it by the Authority Board.

In discharging its responsibilities, the Committee shall have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The Committee shall also have unrestricted access to records, data, and reports. The Committee shall interact with these employees and management through the Chief Auditor, the President/CEO, or a designee.



The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Authority's management and staff should cooperate with Committee requests. Committee requests shall be directed to the Chief Auditor, the President/CEO, or a designee.

The Committee may engage independent advisor(s), subject to Authority Board approval, that it deems necessary to execute its responsibilities and shall be provided the necessary resources for such purposes.

The Committee is empowered to:

- Recommend to the Authority Board or the appropriate Board committee the appointment and compensation of the external auditor.
- Oversee all audit and non-audit services performed by internal and external auditors.
- Review any disagreements between management and the external auditor regarding financial reporting and other matters.
- Review all auditing and non-auditing services performed by auditors.

### **Composition of the Committee**

The composition of the Committee is specified in Public Utilities Code §§170013 and 170018. Public Utilities Code §170013 states that the Authority Board shall appoint a seven-member Committee consisting of four members of the Authority Board and the three public members appointed pursuant to Public Utilities Code §170018. Each member of the Committee shall be a voting member. The Authority Board shall select the three public members from among the following categories of persons, with no more than one appointee from each category at any one time:

- A professional with experience in the field of public finance and budgeting;
- An architect or civil engineer licensed to practice in this state;
- A professional with experience in the field of real estate or land economics;
- A person with experience in managing construction of large-scale public works projects;
- A person with public or private sector executive level decision making experience;
- A person who resides within the airport influence area of the San Diego International Airport; and
- A person with experience in environmental justice as it pertains to land use.

The Authority Board may appoint other persons to serve as nonvoting, non-compensated, *ex officio* members on the Committee. In appointing the public members to the Committee, the Authority Board shall provide for selection policies, appointment procedures, conflict-of-interest policies, length-of-term policies, and policies for providing compensation, if any.

## **The Chair and Vice-Chair of the Committee**

The Authority Board Chair shall designate the Chair and Vice-Chair of the Committee.

## **Terms of Office**

The public members shall be appointed by the Authority Board for staggered three-year terms. Public members may serve a maximum of two full terms.

## **Quorum and Voting**

Four (4) Committee members are required to be present to have a quorum. Pursuant to Public Utilities Code §170018, an affirmative vote by at least five members of the Committee shall be required for approval of the annual internal and external audits, including performance monitoring, the auditor's annual Audit Plan, and actions recommending or approving debt financing for the Authority.

## **OPERATIONAL PRINCIPLES**

### **Committee Values**

The Committee shall conduct itself in accordance with the code of values and ethics of the Authority as outlined in Authority Policy Article 2 and Authority Code Article 2. The Committee expects that management and staff of the Authority shall adhere to these requirements.

### **Communications**

The Committee expects that all communication with management and staff of the Authority as well as with any external assurance providers shall be direct, open, and complete.

### **Work Plan**

The Committee chair shall collaborate with senior management and the Chief Auditor to establish a work plan to ensure that the responsibilities of the Committee are scheduled and carried out.

### **Meeting Agenda**

The Committee chair shall establish agendas for Committee meetings in consultation with Committee members, management, and the Chief Auditor.

### **Information Requirements**

The Committee shall establish and communicate its requirements for information, including the nature, extent, and timing of information. Information related to or to be discussed at a Committee meeting shall be provided to the Committee at least one week prior to the Committee meeting.

### **Executive Sessions**

The Committee may schedule and hold, if necessary, private sessions with the Chief Auditor, external assurance providers, and others who the Committee may deem appropriate. These Executive Sessions shall be subject to the Ralph M. Brown Act.

### **Preparation and Attendance**

Committee members are obligated to prepare for and participate in Committee meetings.

### **Conflict(s) of Interest**

Committee members shall adhere to the Authority's Code of ethics and conduct as outlined in Authority Code Article 2. Additionally, it is the responsibility of Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee as outlined in Authority Code Section 2.30. If there is any question as to whether Committee member(s) should recuse themselves from a vote, the Committee member should consult with the General Counsel.

### **Orientation and Training**

Committee members shall receive orientation training on the purpose and mandate of the Committee and the Authority's objectives. A process of continuing education shall be established.

## **OPERATIONAL PROCEDURES AND RESPONSIBILITIES**

### **Meetings**

The Committee shall meet as often as it determines is necessary, but not less frequently than four times per year. All meetings shall be subject to the Ralph M. Brown Act.

### **Minutes**

Minutes and other relevant documentation of all meetings held shall be prepared in accordance with applicable law and/or other applicable requirements.

### **Required Attendance**

The Chief Auditor or the Chief Auditor's designee is required to attend Committee meetings. Additionally, the Committee may require any officer or employee of the Authority, including the external auditor, to attend any meeting of the Committee, or to meet with any members of, or consultants to, the Committee.

## **Remuneration of Committee Members**

Payment rates and allowances for Committee members' time and/or services are established formally in Authority Policy 1.20.

## **Responsibilities**

Pursuant to Public Utilities Code §170018 the Committee shall, at a minimum:

- (1) Regularly review the Authority's accounting, audit, and performance monitoring processes;
- (2) At the time of contract renewal, recommend to the appropriate committee and the Authority Board its nomination for an external auditor and the compensation of that auditor, and consider at least every three years, whether there should be a rotation of the audit firm or the lead audit partner to ensure continuing auditor independence;
- (3) Advise the appropriate committee and the Authority Board regarding the selection of the auditor;
- (4) Be responsible for oversight and monitoring of internal and external audit functions, and monitoring performance of, and internal compliance with, authority policies and procedures;
- (5) Be responsible for overseeing the annual audit by the external auditors and any internal audits; and
- (6) Make recommendations to the full Authority Board regarding paragraphs (1) to (5), inclusive.

## **Values and Ethics**

To obtain reasonable assurance with respect to the Authority's values and ethics practices, the Committee shall:

- Review and assess the policies, procedures, and practices established by the Authority to monitor compliance with the code of conduct and ethical policies by all employees of the Authority as outlined in Authority Policy Article 2 and Authority Code Article 2;
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all employees of the Authority; and
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct.

## **ORGANIZATIONAL GOVERNANCE**

To obtain reasonable assurance with respect to the Authority's governance process, the Committee shall review and provide advice on the governance process established and maintained within the organization and the procedures to ensure that they are operating as intended.

## **Risk Management**

To obtain reasonable assurance with respect to the Authority's risk management, the Committee shall:

- Periodically review the Authority's risk profile;
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by management and the Authority Board;
- Provide oversight of the adequacy of the combined assurance being provided; and
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

## **Fraud**

To obtain reasonable assurance with respect to the Authority's procedures for the prevention and detection of fraud, the Committee shall:

- Oversee management's arrangements for the prevention and deterrence of fraud;
- Inquire with management and internal and external auditors to ensure the Authority has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected; and
- The Committee shall oversee a process for the confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters; as maintained and carried out through the Office of the Chief Auditor.

## **Control**

To obtain reasonable assurance with respect to the adequacy and effectiveness of the Authority's controls in responding to risks within the Authority's governance, operations, and information systems, the Committee shall:

- Consider the effectiveness of the Authority's control framework, including information technology security and control;
- Review and provide advice on the controls within the Authority; and
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to management and the Authority Board.

## Compliance

The Committee shall:

- Review the effectiveness of the systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance; and
- Review the observations and conclusions of internal and external auditors and the findings of regulatory agencies.

## **OVERSIGHT OF THE INTERNAL AUDIT FUNCTION**

### **Office of the Chief Auditor**

To obtain reasonable assurance with respect to work of the Office of the Chief Auditor and to establish, maintain, and ensure that the Office of the Chief Auditor has sufficient authority to fulfill its duties, the Committee shall provide the following oversight functions:

#### ***Office of the Chief Auditor Charter and Resources***

- Discuss with the Chief Auditor and/or executive management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Office of the Chief Auditor.
- Discuss with the Chief Auditor other topics that should be included in the Charter for the Office of the Chief Auditor.
- Participate in discussions with the Chief Auditor and executive management about the "essential conditions" described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Review, and forward to the Authority Board for approval, the Charter for the Office of the Chief Auditor at least annually which includes the Office of the Chief Auditor's mandate, scope, and type of internal audit services. The Charter should be reviewed to consider changes affecting the Authority, such as employment of a new Chief Auditor or changes in the type, severity, and interdependencies of risks to the Authority.
- Review the proposed budget of the Office of the Chief Auditor.
- Make appropriate inquiries of the Chief Auditor to determine whether scope or resource limitations are appropriate.
- Advise the Authority Board about increases and decreases to the requested resources to achieve the internal Audit Plan and evaluate whether any additional resources are needed permanently or should be provided through outsourcing.
- Review the Office of the Chief Auditor's expenses.

#### ***Chief Auditor Performance***

- Advise the Authority Board regarding the qualifications and recruitment, appointment, replacement, reassignment, or dismissal of the Chief Auditor.

ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards;

- Provide input to the Authority Board or the Executive Personnel and Compensation Committee related to evaluating the performance of the Chief Auditor; and
- Recommend, as needed, to the Authority Board or the Executive Personnel and Compensation Committee the appropriate compensation of the Chief Auditor.

***Internal Audit Strategy and Plan***

- Ensure the Chief Auditor has unrestricted access to and communicates and interacts directly with the Audit Committee.
- Review and provide input on the Office of the Chief Auditor's strategic plan, objectives, performance measures, and outcomes;
- Review and approve the risk-based proposed Audit Plan and make recommendations concerning internal audit special request audits, investigations, and the internal audit resources necessary to achieve the Audit Plan; and
- Review the Office of the Chief Auditor's performance relative to its Audit Plan.

***Internal Audit Engagement and Follow Up***

- Review internal audit reports and other communications to management;
- Review and track management's action plans to address the results of audits performed by ~~internal audit~~ the Office of the Chief Auditor;
- Review and advise management on the results of any special investigations;
- Inquire of the Chief Auditor, or others, whether any internal audit engagements or non-audit engagements have been completed, but not reported to the Committee; if so, inquire whether any matters of significance arose from such work; and
- Inquire of the Chief Auditor, or others, whether any evidence of fraud has been identified during internal audits or ~~consulting advisory~~ engagements and evaluate what additional actions, if any, should be taken.

***Conformance with Global Internal Audit Standards***

- Ensure a quality assurance and improvement program has been established and review the results annually;
- Ensure that the Office of the Chief Auditor has an external quality assurance review performed every five years;
- Review the results of the independent external quality assurance review and monitor the implementation of the Office of the Chief Auditor's action plans to address any recommendations; and
- Advise the Authority Board about any recommendations for the continuous improvement of the Office of the Chief Auditor.



## **OVERSIGHT OF THE EXTERNAL AUDIT FUNCTION AND OTHER EXTERNAL ASSURANCE PROVIDERS**

To obtain reasonable assurance with respect to the work of the external assurance providers, the Committee shall meet with the external assurance providers during the planning phase of the audit engagement, the presentation of the audited financial statements, and the discussion of the results of audit engagements and recommendations for management.

The Committee shall:

- Advise the Authority Board on the engagement of each external auditor;
- Review the external auditors' proposed audit team composition, audit scope and approach, including coordination of audit efforts with the Office of the Chief Auditor;
- Provide input with regard to audit engagement fees and terms, as well as all non-audit engagements with the external auditor;
- Review the performance of the external auditors;
- Inquire with the external auditors about their relationships with the Authority, including non-audit services provided to the Authority. The Committee is responsible for discussing the information with the external auditors to review and confirm their independence;
- Hold regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters. These meetings are subject to the Ralph M. Brown Act;
- Advise the Authority Board when any significant development or action occurs with respect to the external auditor, or when it is determined it is necessary to do so to protect and preserve the interests of the Authority;
- Monitor management's progress on action plans;
- Consider at least every three (3) years whether there should be a rotation of the lead audit partner or the audit firm itself.

To obtain reasonable assurance that management has acted on the results of internal and external audit engagements, the Committee shall regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audits.

### **Financial Statements and Public Accountability Reporting**

The Committee is responsible for the oversight of the independent audit of the Authority's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory, compliance, and ethics.

The Committee shall:

- Review the scope of audits, including obtaining assurances from the external auditor that the specific audit was conducted in a manner consistent with generally accepted accounting standards;
- Review with management and the external auditors the results of audit engagements, including difficulties encountered;
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional regulatory pronouncements, and understand their impact on the financial statements;
- Review the annual financial statements, Annual Comprehensive Financial Report (ACFR), and other reports issued and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;
- Review other financial reports, as necessary, issued by the Authority in accordance with generally accepted accounting and/or audit standards and the corresponding external auditor's reports; and
- Review matters required to be communicated by the external auditor to the Committee under generally accepted auditing standards.

### **OTHER DUTIES AND RESPONSIBILITIES**

In addition, the Committee shall:

- Perform other activities related to this Charter as requested by the Authority Board;
- Institute special investigations as needed;
- Regularly evaluate its performance and that of its individual members; and
- Review, at least annually, its Charter and recommend any proposed changes to the Authority Board for approval.

### **REPORTING REQUIREMENTS**

The Committee shall report to the Authority Board annually, summarizing the Committee's activities and recommendations. The report may be delivered during a Committee meeting attended by the Authority Board or during a regularly scheduled meeting of the Authority Board.

The report should include:

- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- A summary of management's progress in addressing the results of internal and external audit reports;

## CHARTER OF THE AUDIT COMMITTEE

- Details of meetings, including the number of meetings held during the relevant period; and
- Information required, if any, by new or emerging governance developments.

The Committee may report to the Authority Board at any time regarding any other matter it deems of sufficient importance.

[Amended by Resolution No. 2025-XXXX dated October 2, 2025]

[Amended by Resolution No. 2024-0082 dated October 3, 2024]

[Amended by Resolution No. 2021-0108 dated October 7, 2021]

[Amended by Resolution No. 2020-0097 dated October 1, 2020]

[Amended by Resolution No. 2018-0116 dated October 4, 2018]

[Amended by Resolution No. 2010-0023 dated March 4, 2010]

[Amended by Resolution No. 2006-0080 dated July 6, 2006]

[Adopted by Resolution No. 2003-061 dated October 2, 2003]

# **SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

## **CHARTER OF THE AUDIT COMMITTEE**

### **ORGANIZATIONAL PRINCIPLES**

#### **Purpose**

The purpose of the Audit Committee (Committee) is to provide structured, systematic oversight of the San Diego County Regional Airport Authority's (Authority) governance, risk management, and internal control practices. Public Utilities Code §170018 states that the Committee shall serve as a guardian of the public trust, acting independently, and charged with oversight responsibilities for reviewing the Authority's internal controls, financial reporting obligations, operating efficiencies, ethical behavior, and regular attention to cashflows, capital expenditures, regulatory compliance, and operations. The Committee assists the Authority's Board of Directors (Board) and management by providing advice and guidance related to the Authority's:

- Values and ethics;
- Governance structure;
- Risk Management;
- Internal control framework;
- Oversight of the Office of the Chief Auditor, external auditors, and other providers of assurance; and
- Financial statements and public accountability reporting.

The Committee reviews each of the items noted above and provides the Authority Board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

#### **Mandate**

The mandate for the establishment of the Committee is contained in Public Utilities Code §§170013 and 170018.

#### **Authority**

The Charter of the Audit Committee sets out the authority of the Committee to carry out the responsibilities established for it by the Authority Board.

In discharging its responsibilities, the Committee shall have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The Committee shall also have unrestricted access to records, data, and reports. The Committee shall interact with these employees and management through the Chief Auditor, the President/CEO, or a designee.

The Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Authority's management and staff should cooperate with Committee requests. Committee requests shall be directed to the Chief Auditor, the President/CEO, or a designee.

The Committee may engage independent advisor(s), subject to Authority Board approval, that it deems necessary to execute its responsibilities and shall be provided the necessary resources for such purposes.

The Committee is empowered to:

- Recommend to the Authority Board or the appropriate Board committee the appointment and compensation of the external auditor.
- Oversee all audit and non-audit services performed by internal and external auditors.
- Review any disagreements between management and the external auditor regarding financial reporting and other matters.
- Review all auditing and non-auditing services performed by auditors.

### **Composition of the Committee**

The composition of the Committee is specified in Public Utilities Code §§170013 and 170018. Public Utilities Code §170013 states that the Authority Board shall appoint a seven-member Committee consisting of four members of the Authority Board and the three public members appointed pursuant to Public Utilities Code §170018. Each member of the Committee shall be a voting member. The Authority Board shall select the three public members from among the following categories of persons, with no more than one appointee from each category at any one time:

- A professional with experience in the field of public finance and budgeting;
- An architect or civil engineer licensed to practice in this state;
- A professional with experience in the field of real estate or land economics;
- A person with experience in managing construction of large-scale public works projects;
- A person with public or private sector executive level decision making experience;
- A person who resides within the airport influence area of the San Diego International Airport; and
- A person with experience in environmental justice as it pertains to land use.

The Authority Board may appoint other persons to serve as nonvoting, non-compensated, *ex officio* members on the Committee. In appointing the public members to the Committee, the Authority Board shall provide for selection policies, appointment procedures, conflict-of-interest policies, length-of-term policies, and policies for providing compensation, if any.

## **The Chair and Vice-Chair of the Committee**

The Authority Board Chair shall designate the Chair and Vice-Chair of the Committee.

## **Terms of Office**

The public members shall be appointed by the Authority Board for staggered three-year terms. Public members may serve a maximum of two full terms.

## **Quorum and Voting**

Four (4) Committee members are required to be present to have a quorum. Pursuant to Public Utilities Code §170018, an affirmative vote by at least five members of the Committee shall be required for approval of the annual internal and external audits, including performance monitoring, the auditor's annual Audit Plan, and actions recommending or approving debt financing for the Authority.

## **OPERATIONAL PRINCIPLES**

### **Committee Values**

The Committee shall conduct itself in accordance with the code of values and ethics of the Authority as outlined in Authority Policy Article 2 and Authority Code Article 2. The Committee expects that management and staff of the Authority shall adhere to these requirements.

### **Communications**

The Committee expects that all communication with management and staff of the Authority as well as with any external assurance providers shall be direct, open, and complete.

### **Work Plan**

The Committee chair shall collaborate with senior management and the Chief Auditor to establish a work plan to ensure that the responsibilities of the Committee are scheduled and carried out.

### **Meeting Agenda**

The Committee chair shall establish agendas for Committee meetings in consultation with Committee members, management, and the Chief Auditor.

### **Information Requirements**

The Committee shall establish and communicate its requirements for information, including the nature, extent, and timing of information. Information related to or to be discussed at a Committee meeting shall be provided to the Committee at least one week prior to the Committee meeting.

### **Executive Sessions**

The Committee may schedule and hold, if necessary, private sessions with the Chief Auditor, external assurance providers, and others who the Committee may deem appropriate. These Executive Sessions shall be subject to the Ralph M. Brown Act.

### **Preparation and Attendance**

Committee members are obligated to prepare for and participate in Committee meetings.

### **Conflict(s) of Interest**

Committee members shall adhere to the Authority's Code of ethics and conduct as outlined in Authority Code Article 2. Additionally, it is the responsibility of Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee as outlined in Authority Code Section 2.30. If there is any question as to whether Committee member(s) should recuse themselves from a vote, the Committee member should consult with the General Counsel.

### **Orientation and Training**

Committee members shall receive orientation training on the purpose and mandate of the Committee and the Authority's objectives. A process of continuing education shall be established.

## **OPERATIONAL PROCEDURES AND RESPONSIBILITIES**

### **Meetings**

The Committee shall meet as often as it determines is necessary, but not less frequently than four times per year. All meetings shall be subject to the Ralph M. Brown Act.

### **Minutes**

Minutes and other relevant documentation of all meetings held shall be prepared in accordance with applicable law and/or other applicable requirements.

### **Required Attendance**

The Chief Auditor or the Chief Auditor's designee is required to attend Committee meetings. Additionally, the Committee may require any officer or employee of the Authority, including the external auditor, to attend any meeting of the Committee, or to meet with any members of, or consultants to, the Committee.

## **Remuneration of Committee Members**

Payment rates and allowances for Committee members' time and/or services are established formally in Authority Policy 1.20.

## **Responsibilities**

Pursuant to Public Utilities Code §170018 the Committee shall, at a minimum:

- (1) Regularly review the Authority's accounting, audit, and performance monitoring processes;
- (2) At the time of contract renewal, recommend to the appropriate committee and the Authority Board its nomination for an external auditor and the compensation of that auditor, and consider at least every three years, whether there should be a rotation of the audit firm or the lead audit partner to ensure continuing auditor independence;
- (3) Advise the appropriate committee and the Authority Board regarding the selection of the auditor;
- (4) Be responsible for oversight and monitoring of internal and external audit functions, and monitoring performance of, and internal compliance with, authority policies and procedures;
- (5) Be responsible for overseeing the annual audit by the external auditors and any internal audits; and
- (6) Make recommendations to the full Authority Board regarding paragraphs (1) to (5), inclusive.

## **Values and Ethics**

To obtain reasonable assurance with respect to the Authority's values and ethics practices, the Committee shall:

- Review and assess the policies, procedures, and practices established by the Authority to monitor compliance with the code of conduct and ethical policies by all employees of the Authority as outlined in Authority Policy Article 2 and Authority Code Article 2;
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all employees of the Authority; and
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct.

## **ORGANIZATIONAL GOVERNANCE**

To obtain reasonable assurance with respect to the Authority's governance process, the Committee shall review and provide advice on the governance process established and maintained within the organization and the procedures to ensure that they are operating as intended.



## **Risk Management**

To obtain reasonable assurance with respect to the Authority's risk management, the Committee shall:

- Periodically review the Authority's risk profile;
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by management and the Authority Board;
- Provide oversight of the adequacy of the combined assurance being provided; and
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

## **Fraud**

To obtain reasonable assurance with respect to the Authority's procedures for the prevention and detection of fraud, the Committee shall:

- Oversee management's arrangements for the prevention and deterrence of fraud;
- Inquire with management and internal and external auditors to ensure the Authority has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected; and
- The Committee shall oversee a process for the confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters; as maintained and carried out through the Office of the Chief Auditor.

## **Control**

To obtain reasonable assurance with respect to the adequacy and effectiveness of the Authority's controls in responding to risks within the Authority's governance, operations, and information systems, the Committee shall:

- Consider the effectiveness of the Authority's control framework, including information technology security and control;
- Review and provide advice on the controls within the Authority; and
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to management and the Authority Board.

## **Compliance**

The Committee shall:

- Review the effectiveness of the systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance; and
- Review the observations and conclusions of internal and external auditors and the findings of regulatory agencies.

## **OVERSIGHT OF THE INTERNAL AUDIT FUNCTION**

### **Office of the Chief Auditor**

To obtain reasonable assurance with respect to work of the Office of the Chief Auditor and to establish, maintain, and ensure that the Office of the Chief Auditor has sufficient authority to fulfill its duties, the Committee shall provide the following oversight functions:

#### ***Office of the Chief Auditor Charter and Resources***

- Discuss with the Chief Auditor and/or executive management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Office of the Chief Auditor.
- Discuss with the Chief Auditor other topics that should be included in the Charter for the Office of the Chief Auditor.
- Participate in discussions with the Chief Auditor and executive management about the "essential conditions" described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Review, and forward to the Authority Board for approval, the Charter for the Office of the Chief Auditor at least annually which includes the Office of the Chief Auditor's mandate, scope, and type of internal audit services. The Charter should be reviewed to consider changes affecting the Authority, such as employment of a new Chief Auditor or changes in the type, severity, and interdependencies of risks to the Authority.
- Review the proposed budget of the Office of the Chief Auditor.
- Make appropriate inquiries of the Chief Auditor to determine whether scope or resource limitations are appropriate.
- Advise the Authority Board about increases and decreases to the requested resources to achieve the internal Audit Plan and evaluate whether any additional resources are needed permanently or should be provided through outsourcing.
- Review the Office of the Chief Auditor's expenses.

#### ***Chief Auditor Performance***

- Advise the Authority Board regarding the qualifications and recruitment, appointment, replacement, reassignment, or dismissal of the Chief Auditor,

ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.

- Provide input to the Authority Board or the Executive Personnel and Compensation Committee related to evaluating the performance of the Chief Auditor; and
- Recommend, as needed, to the Authority Board or the Executive Personnel and Compensation Committee the appropriate compensation of the Chief Auditor.

***Internal Audit Strategy and Plan***

- Ensure the Chief Auditor has unrestricted access to and communicates and interacts directly with the Audit Committee.
- Review and provide input on the Office of the Chief Auditor's strategic plan, objectives, performance measures, and outcomes;
- Review and approve the risk-based proposed Audit Plan and make recommendations concerning internal audit special request audits, investigations, and the internal audit resources necessary to achieve the Audit Plan; and
- Review the Office of the Chief Auditor's performance relative to its Audit Plan.

***Internal Audit Engagement and Follow Up***

- Review internal audit reports and other communications to management;
- Review and track management's action plans to address the results of audits performed by the Office of the Chief Auditor;
- Review and advise management on the results of any special investigations;
- Inquire of the Chief Auditor, or others, whether any internal audit engagements or non-audit engagements have been completed, but not reported to the Committee; if so, inquire whether any matters of significance arose from such work; and
- Inquire of the Chief Auditor, or others, whether any evidence of fraud has been identified during internal audits or advisory engagements and evaluate what additional actions, if any, should be taken.

***Conformance with Global Internal Audit Standards***

- Ensure a quality assurance and improvement program has been established and review the results annually;
- Ensure that the Office of the Chief Auditor has an external quality assurance review performed every five years;
- Review the results of the independent external quality assurance review and monitor the implementation of the Office of the Chief Auditor's action plans to address any recommendations; and
- Advise the Authority Board about any recommendations for the continuous improvement of the Office of the Chief Auditor.

## **OVERSIGHT OF THE EXTERNAL AUDIT FUNCTION AND OTHER EXTERNAL ASSURANCE PROVIDERS**

To obtain reasonable assurance with respect to the work of the external assurance providers, the Committee shall meet with the external assurance providers during the planning phase of the audit engagement, the presentation of the audited financial statements, and the discussion of the results of audit engagements and recommendations for management.

The Committee shall:

- Advise the Authority Board on the engagement of each external auditor;
- Review the external auditors' proposed audit team composition, audit scope and approach, including coordination of audit efforts with the Office of the Chief Auditor;
- Provide input with regard to audit engagement fees and terms, as well as all non-audit engagements with the external auditor;
- Review the performance of the external auditors;
- Inquire with the external auditors about their relationships with the Authority, including non-audit services provided to the Authority. The Committee is responsible for discussing the information with the external auditors to review and confirm their independence;
- Hold regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters. These meetings are subject to the Ralph M. Brown Act;
- Advise the Authority Board when any significant development or action occurs with respect to the external auditor, or when it is determined it is necessary to do so to protect and preserve the interests of the Authority;
- Monitor management's progress on action plans;
- Consider at least every three (3) years whether there should be a rotation of the lead audit partner or the audit firm itself.

To obtain reasonable assurance that management has acted on the results of internal and external audit engagements, the Committee shall regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audits.

### **Financial Statements and Public Accountability Reporting**

The Committee is responsible for the oversight of the independent audit of the Authority's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory, compliance, and ethics.

The Committee shall:

- Review the scope of audits, including obtaining assurances from the external auditor that the specific audit was conducted in a manner consistent with generally accepted accounting standards;
- Review with management and the external auditors the results of audit engagements, including difficulties encountered;
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional regulatory pronouncements, and understand their impact on the financial statements;
- Review the annual financial statements, Annual Comprehensive Financial Report (ACFR), and other reports issued and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;
- Review other financial reports, as necessary, issued by the Authority in accordance with generally accepted accounting and/or audit standards and the corresponding external auditor's reports; and
- Review matters required to be communicated by the external auditor to the Committee under generally accepted auditing standards.

### **OTHER DUTIES AND RESPONSIBILITIES**

In addition, the Committee shall:

- Perform other activities related to this Charter as requested by the Authority Board;
- Institute special investigations as needed;
- Regularly evaluate its performance and that of its individual members; and
- Review, at least annually, its Charter and recommend any proposed changes to the Authority Board for approval.

### **REPORTING REQUIREMENTS**

The Committee shall report to the Authority Board annually, summarizing the Committee's activities and recommendations. The report may be delivered during a Committee meeting attended by the Authority Board or during a regularly scheduled meeting of the Authority Board.

The report should include:

- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- A summary of management's progress in addressing the results of internal and external audit reports;

## CHARTER OF THE AUDIT COMMITTEE

- Details of meetings, including the number of meetings held during the relevant period; and
- Information required, if any, by new or emerging governance developments.

The Committee may report to the Authority Board at any time regarding any other matter it deems of sufficient importance.

[Amended by Resolution No. 2025-XXXX dated October 2, 2025]

[Amended by Resolution No. 2024-0082 dated October 3, 2024]

[Amended by Resolution No. 2021-0108 dated October 7, 2021]

[Amended by Resolution No. 2020-0097 dated October 1, 2020]

[Amended by Resolution No. 2018-0116 dated October 4, 2018]

[Amended by Resolution No. 2010-0023 dated March 4, 2010]

[Amended by Resolution No. 2006-0080 dated July 6, 2006]

[Adopted by Resolution No. 2003-061 dated October 2, 2003]



# Annual Review of the Charter of the Audit Committee

Audit Committee Meeting September 8, 2025



# Annual Review of the Charter of the Audit Committee

## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY CHARTER OF THE AUDIT COMMITTEE

### ORGANIZATIONAL PRINCIPLES

#### **Purpose**

The purpose of the Audit Committee (Committee) is to provide structured, systematic oversight of the San Diego County Regional Airport Authority's (Authority) governance, risk management, and internal control practices. Public Utilities Code §170018 states that the Committee shall serve as a guardian of the public trust, acting independently, and charged with oversight responsibilities for reviewing the Authority's internal controls, financial reporting obligations, operating efficiencies, ethical behavior, and regular attention to cashflows, capital expenditures, regulatory compliance, and operations. The Committee assists the Authority's Board of Directors (Board) and management by providing advice and guidance related to the Authority's:

- Values and ethics;
- Governance structure;

Authority Charter

## Annual Review Required

The Charter of the Audit Committee requires an annual review.

### Compare Charter of the Audit Committee to Model Charter

- Two additions needed due to Global Internal Audit Standards (GIAS)

### Review for Other Changes

- Terminology changes

# Annual Review of the Charter of the Audit Committee

## Changes needed in Section “Oversight of the Internal Audit Function”

### Significant Additions

The Audit Committee shall:

- Participate in discussions regarding “essential conditions”
- Advise the Board regarding Chief Auditor competencies & qualifications

### Two Terminology Changes

- Reference to internal audit changed to Office of the Chief Auditor
- “Consulting” changed to “Advisory”

#### CHARTER OF THE AUDIT COMMITTEE

##### Compliance

The Committee shall:

- Review the effectiveness of the systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance; and
- Review the observations and conclusions of internal and external auditors and the findings of regulatory agencies.

##### OVERSIGHT OF THE INTERNAL AUDIT FUNCTION

###### Office of the Chief Auditor

To obtain reasonable assurance with respect to work of the Office of the Chief Auditor and to establish, maintain, and ensure that the Office of the Chief Auditor has sufficient authority to fulfill its duties, the Committee shall provide the following oversight functions:

###### Office of the Chief Auditor Charter and Resources

- Discuss with the Chief Auditor and/or executive management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Office of the Chief Auditor.
- Discuss with the Chief Auditor other topics that should be included in the Charter for the Office of the Chief Auditor.
- Participate in discussions with the Chief Auditor and executive management about the “essential conditions” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Review, and forward to the Authority Board for approval, the Charter for the Office of the Chief Auditor at least annually which includes the Office of the Chief Auditor's mandate, scope, and type of internal audit services. The Charter should be reviewed to consider changes affecting the Authority, such as employment of a new Chief Auditor or changes in the type, severity, and interdependencies of risks to the Authority.
- Review the proposed budget of the Office of the Chief Auditor.
- Make appropriate inquiries of the Chief Auditor to determine whether scope or resource limitations are appropriate.
- Advise the Authority Board about increases and decreases to the requested resources to achieve the internal Audit Plan and evaluate whether any additional resources are needed permanently or should be provided through outsourcing.
- Review the Office of the Chief Auditor's expenses.

###### Chief Auditor Performance

- Advise the Authority Board regarding the qualifications and recruitment, appointment, replacement, reassignment, or dismissal of the Chief Auditor.

Page 7 of 11

# Questions?

## Audit Committee Report

**Meeting Date:** September 8, 2025

**Subject:**

**Annual Review of the Charter for the Office of the Chief Auditor**

### Recommendation:

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

### Background/Justification:

The Charter for the Office of the Chief Auditor establishes the purpose, authority, and responsibilities of the Office of the Chief Auditor (OCA). The Charter was first adopted on October 2, 2003, by the Board approved Resolution No. 2003-062.

An annual review of the Charter for the Office of the Chief Auditor is done in accordance with best practices, the OCAs Quality Assurance and Improvement Program, and requirements that are included in the Charter of the Audit Committee and the Charter for the OCA.

The most recent revision to the Charter for the Office of the Chief Auditor was approved by Board Resolution No. 2024-0083 on October 3, 2024.

The annual review performed by staff this year has determined that revisions are required. The Charter for the Office of the Chief Auditor should be updated to incorporate language from the new Global Internal Audit Standards related to independence, communicating with the Audit Committee/Board, and maintaining a quality assurance and improvement program.

A redlined version of the Charter of the Office of the Chief Auditor is provided in Attachment A for your reference. A version with all changes incorporated is provided in Attachment B.

# Audit Committee Report

Meeting Date: September 8, 2025

Page 2 of 2

## Fiscal Impact:

None

## 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” as defined by the California Environmental Quality Act (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.

## Prepared by:

Lee M. Parravano  
Chief Auditor

# **SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

## **CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR**

### **Purpose**

The purpose of the Office of the Chief Auditor is to strengthen the San Diego County Regional Airport Authority's (Authority) ability to create, protect, and sustain value by providing the Board of Directors (Board), Audit Committee, and executive management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Office of the Chief Auditor enhances the Authority's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The Office of the Chief Auditor is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor's (IIA) Global Internal Audit Standards, which are set in the public interest.
- The Office of the Chief Auditor is independently positioned with direct accountability to the Board and Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

### **Commitment to Adhering to the Global Internal Audit Standards**

The Office of the Chief Auditor will adhere to the mandatory elements of the IIA's International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Auditor will report periodically to the Authority's Audit Committee/Board and executive management regarding the Office of the Chief Auditor's conformance with the Standards, which will be assessed through a quality assurance and improvement program.



## Mandate

The Chief Auditor shall be accountable to the Board under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement. The Office of the Chief Auditor assists the Audit Committee in discharging the duties described in Public Utilities Code §170018. The Office of the Chief Auditor also assists executive management in achieving Authority objectives. To assist the Audit Committee/Board and executive management, the Office of the Chief Auditor will perform assurance and advisory services on Authority activities. Services include, but are not limited to, reviews of internal controls, operating effectiveness, operating efficiencies, ethical behavior, expenditures, and compliance with the Authority's Code's, Policies, Standards, and procedures. The sections below provide further details on the mandate of the Office of the Chief Auditor.

## Authority

The Office of the Chief Auditor's authority is created by its direct reporting relationship to the Board through the Audit Committee. Such authority allows for unrestricted access to the Board and Audit Committee.

The Board/Audit CommitteeAudit Committee/Board authorizes the Office of the Chief Auditor to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish objectives.
- Obtain assistance from the necessary personnel of the Authority and other specialized services from within or outside the Authority to complete internal audit services. Assistance from other departments within the Authority will be coordinated with executive management.

## Independence, Organizational Position, and Reporting Relationships

The Chief Auditor will be positioned at a level in the Authority that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Office of the Chief Auditor. (See "Mandate" section.) The Chief Auditor will report administratively and functionally to the Audit Committee/Board. This positioning provides the organizational authority and status to bring matters directly to executive management and escalate matters to the Audit Committee/Board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.



The Chief Auditor will confirm to the Audit Committee/Board, at least annually, the organizational independence of the Office of the Chief Auditor. If the governance structure does not support organizational independence, the Chief Auditor will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Chief Auditor will disclose to the Audit Committee/Board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the Office of the Chief Auditor's effectiveness and ability to fulfill its mandate.

### **Changes to Mandate of the Office of the Chief Auditor or Charter**

Circumstances may justify a follow-up discussion between the Chief Auditor, Board or Audit Committee, and executive management on the Office of the Chief Auditor's mandate or other aspects of the Charter for the Office of the Chief Auditor. Such circumstances may include, but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the Chief Auditor, Board or Audit Committee, and/or executive management.
- Significant changes to the Authority's strategies, objectives, risk profile, or the environment in which the Authority operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## **Chief Auditor Roles and Responsibilities**

### **Ethics and Professionalism**

The Chief Auditor will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Authority and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture at the Authority.
- Report Authority behavior that is inconsistent with the Authority's ethical expectations, as described in applicable codes, policies, and procedures.

### **Objectivity**

The Chief Auditor will ensure that the Office of the Chief Auditor remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Chief Auditor determines that objectivity may be impaired, in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgement on audit matters to others, in fact or appearance.

The Office of the Chief Auditor will have no direct operational responsibility or authority over any of the activities they review. Accordingly, the Office of the Chief Auditor will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties.
- Initiating or approving transaction(s) external to the Office of the Chief Auditor.
- Directing the activities of any Authority employee not employed by the Office of the Chief Auditor, except to the extent that such employees have been appropriately assigned to auditing teams or to assist internal auditors.

Internal Auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually, such as the Chief Auditor, Board or Audit Committee, management or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

The Chief Auditor has the responsibility to:

- At least annually, develop a risk-based internal Audit Plan that considers the input of the Audit Committee/Board and executive management. Discuss the Audit Plan with the Audit Committee and executive management and submit the Audit Plan to the Audit Committee for review and forward to the Board for approval.
- Communicate the impact of resource limitations on the Audit Plan to the Audit Committee/Board and executive management, if applicable.
- Review and adjust the internal Audit Plan, as necessary, in response to changes in the Authority's business risks, operations, programs, systems, and controls.
- Changes to the Audit Plan will occur after consultation with the Chair of the Audit Committee. Changes to the Audit Plan will be presented to the Audit Committee for review and forwarded to the Board for approval.
- Communicate with the Audit Committee/Board and Authority executive management if there are significant interim changes to the Audit Plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with Global Internal Audit Standards and laws and/or regulations.
- Follow up on audit engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee/Board and executive management quarterly and for each engagement as appropriate.
- Ensure that the Office of the Chief Auditor collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the requirements for the Office of the Chief Auditor mandate.
- Identify and consider trends and emerging issues that could impact the Authority and communicate to the Audit Committee/Board and Authority executive management as appropriate.
- Consider emerging trends and successful practices in internal auditing.

- Establish and ensure adherence to the Office of the Chief Auditor's Policies and Procedures / Office Manual designed to guide the Office of the Chief Auditor.
- Ensure adherence to the Authority's relevant policies and procedures unless such policies conflict with the Charter for the Office of the Chief Auditor or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee or Board and executive management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to executive management and if necessary escalated to the Audit Committee or Board.

### **Communication with the Audit Committee/Board and Executive Management**

The Chief Auditor will report periodically to the Audit Committee/Board and executive management regarding:

- The Office of the Chief Auditor's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Office of the Chief Auditor's conformance with The IIA's Global Internal Audit Standards and action plans to address the Office of the Chief Auditor's deficiencies and opportunities for improvement, if applicable.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee/Board that could interfere with the achievement of Authority strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Office of the Chief Auditor determines may be unacceptable, or acceptance of a risk that is beyond the Authority's risk appetite.

### **Quality Assurance and Improvement Program**

The Chief Auditor will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Office of the Chief Auditor. The program will include external and internal assessments of the Office of the Chief Auditor's conformance with the Global Internal Audit Standards, as well as performance measurements to assess the Office of the Chief Auditor's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Office of the Chief Auditor's deficiencies and opportunities for improvement.

Annually, the Chief Auditor will communicate with the Audit Committee/Board and executive management about the Office of the Chief Auditor's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Authority; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

### **Scope and Types of Internal Audit Activities**

The scope of internal audit services covers Authority activities, including all the Authority's operations, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board, Audit Committee, and management on the adequacy and effectiveness of governance, risk management, and control processes for the Authority.

The nature and scope of advisory services may be agreed with executive management, provided the ~~internal audit function~~Office of the Chief Auditor does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Authority's strategic objectives are appropriately identified and managed.
- The actions of the Authority's officers, directors, employees, and contractors or other relevant parties comply with the Authority's policies, procedures, codes, and applicable laws, regulations, and governance standards.

- The results of operations and programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Authority.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

| [Amended by Resolution No. 2025-XXXX dated October X, 2025]

[Amended by Resolution No. 2024-0083 dated October 3, 2024]

[Amended by Resolution No. 2023-0086 dated October 5, 2023]

[Amended by Resolution No. 2021-0109 dated October 7, 2021]

[Amended by Resolution No. 2020-0098 dated October 1, 2020]

[Amended by Resolution No. 2018-0117 dated October 4, 2018]

[Amended by Resolution No. 2014-0089 dated September 4, 2014]

[Amended by Resolution No. 2010-0022R dated March 4, 2010]

[Adopted by Resolution No. 2003-062 dated October 2, 2003]

## **SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR**

### **Purpose**

The purpose of the Office of the Chief Auditor is to strengthen the San Diego County Regional Airport Authority's (Authority) ability to create, protect, and sustain value by providing the Board of Directors (Board), Audit Committee, and executive management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Office of the Chief Auditor enhances the Authority's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The Office of the Chief Auditor is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor's (IIA) Global Internal Audit Standards, which are set in the public interest.
- The Office of the Chief Auditor is independently positioned with direct accountability to the Board and Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

### **Commitment to Adhering to the Global Internal Audit Standards**

The Office of the Chief Auditor will adhere to the mandatory elements of the IIA's International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Auditor will report periodically to the Authority's Audit Committee/Board and executive management regarding the Office of the Chief Auditor's conformance with the Standards, which will be assessed through a quality assurance and improvement program.



## **Mandate**

The Chief Auditor shall be accountable to the Board under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement. The Office of the Chief Auditor assists the Audit Committee in discharging the duties described in Public Utilities Code §170018. The Office of the Chief Auditor also assists executive management in achieving Authority objectives. To assist the Audit Committee/Board and executive management, the Office of the Chief Auditor will perform assurance and advisory services on Authority activities. Services include, but are not limited to, reviews of internal controls, operating effectiveness, operating efficiencies, ethical behavior, expenditures, and compliance with the Authority's Codes, Policies, Standards, and procedures. The sections below provide further details on the mandate of the Office of the Chief Auditor.

## **Authority**

The Office of the Chief Auditor's authority is created by its direct reporting relationship to the Board through the Audit Committee. Such authority allows for unrestricted access to the Board and Audit Committee.

The Audit Committee/Board authorizes the Office of the Chief Auditor to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish objectives.
- Obtain assistance from the necessary personnel of the Authority and other specialized services from within or outside the Authority to complete internal audit services. Assistance from other departments within the Authority will be coordinated with executive management.

## **Independence, Organizational Position, and Reporting Relationships**

The Chief Auditor will be positioned at a level in the Authority that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Office of the Chief Auditor. (See "Mandate" section.) The Chief Auditor will report administratively and functionally to the Audit Committee/Board. This positioning provides the organizational authority and status to bring matters directly to executive management and escalate matters to the Audit Committee/Board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Chief Auditor will confirm to the Audit Committee/Board, at least annually, the organizational independence of the Office of the Chief Auditor. If the governance structure does not support organizational independence, the Chief Auditor will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Chief Auditor will disclose to the Audit Committee/Board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the Office of the Chief Auditor's effectiveness and ability to fulfill its mandate.

### **Changes to Mandate of the Office of the Chief Auditor or Charter**

Circumstances may justify a follow-up discussion between the Chief Auditor, Board or Audit Committee, and executive management on the Office of the Chief Auditor's mandate or other aspects of the Charter for the Office of the Chief Auditor. Such circumstances may include, but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the Chief Auditor, Board or Audit Committee, and/or executive management.
- Significant changes to the Authority's strategies, objectives, risk profile, or the environment in which the Authority operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## **Chief Auditor Roles and Responsibilities**

### **Ethics and Professionalism**

The Chief Auditor will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Authority and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture at the Authority.
- Report Authority behavior that is inconsistent with the Authority's ethical expectations, as described in applicable codes, policies, and procedures.

### **Objectivity**

The Chief Auditor will ensure that the Office of the Chief Auditor remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Chief Auditor determines that objectivity may be impaired, in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgement on audit matters to others, in fact or appearance.

The Office of the Chief Auditor will have no direct operational responsibility or authority over any of the activities they review. Accordingly, the Office of the Chief Auditor will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties.
- Initiating or approving transaction(s) external to the Office of the Chief Auditor.
- Directing the activities of any Authority employee not employed by the Office of the Chief Auditor, except to the extent that such employees have been appropriately assigned to auditing teams or to assist internal auditors.

Internal Auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually, such as the Chief Auditor, Board or Audit Committee, management or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

The Chief Auditor has the responsibility to:

- At least annually, develop a risk-based internal Audit Plan that considers the input of the Audit Committee/Board and executive management. Discuss the Audit Plan with the Audit Committee and executive management and submit the Audit Plan to the Audit Committee for review and forward to the Board for approval.
- Communicate the impact of resource limitations on the Audit Plan to the Audit Committee/Board and executive management, if applicable.
- Review and adjust the internal Audit Plan, as necessary, in response to changes in the Authority's business risks, operations, programs, systems, and controls.
- Changes to the Audit Plan will occur after consultation with the Chair of the Audit Committee. Changes to the Audit Plan will be presented to the Audit Committee for review and forwarded to the Board for approval.
- Communicate with the Audit Committee/Board and Authority executive management if there are significant interim changes to the Audit Plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with Global Internal Audit Standards and laws and/or regulations.
- Follow up on audit engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee/Board and executive management quarterly and for each engagement as appropriate.
- Ensure that the Office of the Chief Auditor collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the requirements for the Office of the Chief Auditor mandate.
- Identify and consider trends and emerging issues that could impact the Authority and communicate to the Audit Committee/Board and Authority executive management as appropriate.
- Consider emerging trends and successful practices in internal auditing.

- Establish and ensure adherence to the Office of the Chief Auditor's Policies and Procedures / Office Manual designed to guide the Office of the Chief Auditor.
- Ensure adherence to the Authority's relevant policies and procedures unless such policies conflict with the Charter for the Office of the Chief Auditor or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee or Board and executive management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to executive management and if necessary escalated to the Audit Committee or Board.

### **Communication with the Audit Committee/Board and Executive Management**

The Chief Auditor will report periodically to the Audit Committee/Board and executive management regarding:

- The Office of the Chief Auditor's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Office of the Chief Auditor's conformance with The IIA's Global Internal Audit Standards and action plans to address the Office of the Chief Auditor's deficiencies and opportunities for improvement, if applicable.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee/Board that could interfere with the achievement of Authority strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Office of the Chief Auditor determines may be unacceptable, or acceptance of a risk that is beyond the Authority's risk appetite.

### **Quality Assurance and Improvement Program**

The Chief Auditor will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Office of the Chief Auditor. The program will include external and internal assessments of the Office of the Chief Auditor's conformance with the Global Internal Audit Standards, as well as performance measurements to assess the Office of the Chief Auditor's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Office of the Chief Auditor's deficiencies and opportunities for improvement.

Annually, the Chief Auditor will communicate with the Audit Committee/Board and executive management about the Office of the Chief Auditor's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Authority; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

### **Scope and Types of Internal Audit Activities**

The scope of internal audit services covers Authority activities, including all the Authority's operations, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board, Audit Committee, and management on the adequacy and effectiveness of governance, risk management, and control processes for the Authority.

The nature and scope of advisory services may be agreed with executive management, provided the Office of the Chief Auditor does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Authority's strategic objectives are appropriately identified and managed.
- The actions of the Authority's officers, directors, employees, and contractors or other relevant parties comply with the Authority's policies, procedures, codes, and applicable laws, regulations, and governance standards.

## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

- The results of operations and programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Authority.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

[Amended by Resolution No. 2025-XXXX dated October X, 2025]

[Amended by Resolution No. 2024-0083 dated October 3, 2024]

[Amended by Resolution No. 2023-0086 dated October 5, 2023]

[Amended by Resolution No. 2021-0109 dated October 7, 2021]

[Amended by Resolution No. 2020-0098 dated October 1, 2020]

[Amended by Resolution No. 2018-0117 dated October 4, 2018]

[Amended by Resolution No. 2014-0089 dated September 4, 2014]

[Amended by Resolution No. 2010-0022R dated March 4, 2010]

[Adopted by Resolution No. 2003-062 dated October 2, 2003]



# Annual Review of the Charter for the Office of the Chief Auditor

Audit Committee Meeting September 8, 2025



# Annual Review of the Charter for the Office of the Chief Auditor

## Annual Review Required

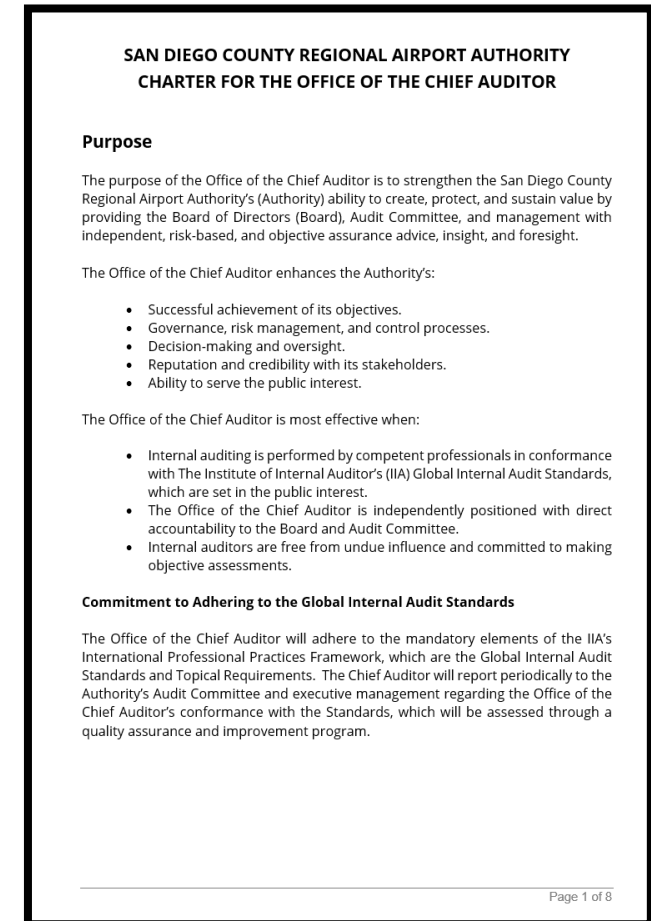
The Charter for the Office of the Chief Auditor requires an annual review.

### Compare Charter for the OCA to Model Charter

- Three new sections related to
  - Independence
  - Communication
  - Quality Assurance and Improvement Program (QAIP)

### Review for Other Changes

- Small wording & punctuation changes



# Annual Review of the Charter for the Office of the Chief Auditor

## Three New Sections Added

### Independence

- Reporting relationship defined
- Annual disclosures required

### Communication with Audit Committee/Board and Executive Management

Details the requirement for the OCA to report on items such as

- Performance
- Changes to Audit Plan
- Resource requirements

### Quality Assurance and Improvement Program (QAIP)

Details the requirement for the QAIP such as communicating results of internal and external reviews.

# Questions?

## Audit Committee Report

**Meeting Date: September 8, 2025**

**Subject:**

**Revision to the Fiscal Year 2026 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)***.

**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 3, 2024, per Board Resolution No. 2024-0083, 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, Global Internal Audit Standards require that the Chief Auditor review and adjust the Audit Plan, as necessary.

The OCAs Audit Plan for Fiscal Year 2026 was initially accepted by the Audit Committee during its May 5, 2025, meeting, and was subsequently approved on June 5, 2025, by Board Resolution No. 2025-0033.

During the first quarter of Fiscal Year 2026 a review of the Audit Plan was undertaken by the OCA. At this time, a revision is requested. The proposed revision precisely accounts for an audit that carried over from Fiscal Year 2025 and adjusts the allocation of audit hours to reflect the OCAs current operational requirements. Additionally, it moves an audit from the Contingent Audit listing to the Audit Plan.

# Audit Committee Report

Meeting Date: September 8, 2025

Page 2 of 3

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 2026 Audit Plan is provided as Attachment A. The Fiscal Year 2025 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 2026 and conceptually approved budget for Fiscal Year 2027 have been sufficiently funded to meet the allotted budget requirements for the proposed revision to the Fiscal Year 2026 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" as defined by the California Environmental Quality Act (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.

## Prepared by:

Lee M. Parravano  
Chief Auditor

**Office of the Chief Auditor**  
2026 Audit Plan  
Proposed Audit Plan September 8, 2025

ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
<b>Audit Hours</b>				
Purchase Goods and Services <sup>2</sup>	To determine if internal controls surrounding the purchase of goods and services are appropriate. <i>Audit Engagement #25014</i>	-	100	100
Tenant Lease Administration and Management <sup>2</sup>	To determine if Airport Rental Car Companies accurately paid concession fees and Customer Facility Charges (CFCs) / Transportation Facilities Charges (TFC) in fiscal year 2025, in all material respects. <i>Audit Engagement #25004</i>	300	200	500
Parking Management Contract Administration <sup>2</sup>	To determine if the parking management contract is administered appropriately. <i>Audit Engagement #25009</i>	650	-	650
Harbor Police Contract Mgmt. <sup>2</sup>	To determine if Harbor Police costs or services are appropriate related to fiscal years 2021, 2022, 2023, and 2024. <i>Audit Engagement #25006</i>	400	-	400
Construction <sup>2</sup>	To determine compliance with the change order process within ADC. <i>Audit Engagement #25015 – Baker Tilly</i>	100	-	100
Construction <sup>2</sup>	To evaluate compliance with bid, award, and billing requirements of subcontracts. <i>Audit Engagement #25016 – Baker Tilly</i>	850	(250)	600
Construction <sup>2</sup>	To determine if costs within payment applications are allowable and meet requirements. <i>Audit Engagement #25017 – Baker Tilly</i>	150	-	150
Tenant Lease Administration and Management <sup>2</sup>	To determine if appropriate internal controls in the property management software (ABRM) are appropriate. <i>Audit Engagement #26001</i>	650	-	650
Payroll	To determine if the Social Security (Section 218 Agreement) process was	450	-	450

<sup>1</sup> Objective may change based on the preliminary survey performed by the OCA.

<sup>2</sup> Audit activity has been carried forward from fiscal year 2025.



**Office of the Chief Auditor**  
2026 Audit Plan  
Proposed Audit Plan September 8, 2025

ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
	administered appropriately. <i>Audit Engagement #26002</i>			
Tenant Lease Administration and Management <sup>3</sup>	To determine if Airport Rental Car Companies accurately paid concession fees and Customer Facility Charges (CFCs) / Transportation Facilities Charges (TFC) in fiscal year 2026, in all material respects. <i>Audit Engagement #26003</i>	500	(200)	300
System Security	To evaluate the Authority's security posture by performing testing of a selected Information Technology system. <i>Audit Engagement #26004</i>	350	-	350
ARFF Management	To determine if costs included in ARFF billings are appropriate. <i>Audit Engagement #26005</i>	600	-	600
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately. <i>Audit Engagement #26008</i>	-	500	500
To Be Determined	To initiate audit(s)/advisory engagements based on risks identified at the discretion of the Chief Auditor.	350	(350)	-
	<b>Total Audit Hours</b>	<b>5,350</b>	<b>-</b>	<b>5,350</b>
<b>Advisory Service Hours</b>				
Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract. <i>Advisory Service Engagement #26006-AS</i>	600	-	600
Tenant Lease Administration and Management	To provide management assistance with Rent a Car Companies related to reporting and payment of concession fees and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC). <i>Advisory Service Engagement #26007-AS</i>	50	-	50
	<b>Total Advisory Service Hours</b>	<b>650</b>	<b>-</b>	<b>650</b>

<sup>3</sup> Audit activity will continue into fiscal year 2027.

**Office of the Chief Auditor**  
2026 Audit Plan  
Proposed Audit Plan September 8, 2025

ATTACHMENT A

<b>General Audit Hours</b>				
Risk Assessment and Audit Plan <sup>4</sup>	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	252	-	252
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.	300	-	300
Development of Data Analytics	Enhance or develop the data analytics program.	200	-	200
Fraud, Waste, Abuse & Ethics Program <sup>4</sup>	To review policies, perform training, and investigate reported incidents.	400	-	400
Recommendation Follow-up <sup>4</sup>	To verify that internal and external audit recommendations have been implemented as intended.	160	-	160
Quality Assurance & Improvement Program <sup>4</sup>	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	400	-	400
	<b>Total General Audit Hours</b>	<b>1,712</b>	<b>-</b>	<b>1,712</b>
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,632	-	2,632
Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,136	-	2,136
	<b>Total Administrative Hours</b>	<b>4,768</b>	<b>-</b>	<b>4,768</b>
	<b>Total Hours</b>	<b>12,480</b>	<b>-</b>	<b>12,480</b>

<sup>4</sup> Required activity in the Charter for the Office of the Chief Auditor or Charter of the Audit Committee.

Office of the Chief Auditor

ATTACHMENT A

2026 Audit Plan

Proposed Audit Plan September 8, 2025

Key Work Activity	Objective <sup>5</sup>	Prior Estimated Hours	Change Requested	Revised Hours
<b>Contingent Audit Hours</b>				
Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) were accurately paid for a selected Rental Car Company based on Data Analytics or new entity.	400	-	400
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650	(650)	-
Tenant Lease Administration and Management	To determine if a selected in terminal concession contract correctly calculated and remitted concession fees due.	350	-	350
Tenant Lease Administration and Management	To determine if 3MP Rent a Car accurately paid concessions and Transportation Facility Charges (TFC).	350	-	350
Parking Management Contract Administration	To determine if Dynamic Pricing is being managed appropriately.	550	-	550
TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475	-	475
Small Business Management	To determine if the Authority complies with applicable Federal Regulations for Small Business.	525	-	525
Advertising	To determine if the concessions marketing program is managed appropriately.	500	-	500
Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	To determine if the processes and controls in place for citations are adequate and appropriate.	500	-	500

<sup>5</sup> Objective may change based on the preliminary survey performed by the OCA.

**Office of the Chief Auditor**

ATTACHMENT A

## 2026 Audit Plan

Proposed Audit Plan September 8, 2025

Key Work Activity	Objective	Prior Estimated Hours	Change Requested	Revised Hours
Curfew Violations	Determine if Curfew Violations are administered appropriately.	500	-	500
P Card Administration	To determine if the Authority's P Cards are administered appropriately.	500	-	500
Contract Security Personnel Management	To determine if the contract for the Authority's security personnel is administered appropriately.	550	-	550
On Airport Paramedic Services Contract Management	To determine if the EMT contract is administered appropriately.	500	-	500
Tenant Lease Administration and Management	To determine if the contract for advertising is administered appropriately.	500	-	500
	<b>Total Contingent Audit Hours</b>	<b>6,850</b>	<b>(650)</b>	<b>6,200</b>

**Office of the Chief Auditor**

ATTACHMENT B

2026 Audit Plan

Proposed Audit Plan September 8, 2025

Key Work Activity	Objective <sup>1</sup>	Revised Hours
<b>Audit Hours</b>		
Purchase Goods and Services <sup>2</sup>	To determine if internal controls surrounding the purchase of goods and services are appropriate. <i>Audit Engagement #25014</i>	100
Tenant Lease Administration and Management <sup>2</sup>	To determine if Airport Rental Car Companies accurately paid concession fees and Customer Facility Charges (CFCs) / Transportation Facilities Charges (TFC) in fiscal year 2025, in all material respects. <i>Audit Engagement #25004</i>	500
Parking Management Contract Administration <sup>2</sup>	To determine if the parking management contract is administered appropriately. <i>Audit Engagement #25009</i>	650
Harbor Police Contract Mgmt. <sup>2</sup>	To determine if Harbor Police costs or services are appropriate related to fiscal years 2021, 2022, 2023, and 2024. <i>Audit Engagement #25006</i>	400
Construction <sup>2</sup>	To determine compliance with the change order process within ADC. <i>Audit Engagement #25015 – Baker Tilly</i>	100
Construction <sup>2</sup>	To evaluate compliance with bid, award, and billing requirements of subcontracts. <i>Audit Engagement #25016 – Baker Tilly</i>	600
Construction <sup>2</sup>	To determine if costs within payment applications are allowable and meet requirements. <i>Audit Engagement #25017 – Baker Tilly</i>	150
Tenant Lease Administration and Management <sup>2</sup>	To determine if appropriate internal controls in the property management software (ABRM) are appropriate. <i>Audit Engagement #26001</i>	650
Payroll	To determine if the Social Security (Section 218 Agreement) process was administered appropriately. <i>Audit Engagement #26002</i>	450
Tenant Lease Administration and Management <sup>3</sup>	To determine if Airport Rental Car Companies accurately paid concession fees and Customer Facility Charges (CFCs) / Transportation Facilities Charges (TFC) in fiscal year 2026, in all material respects. <i>Audit Engagement #26003</i>	300
System Security	To evaluate the Authority's security posture by performing testing of a selected Information Technology system. <i>Audit Engagement #26004</i>	350
ARFF Management	To determine if costs included in ARFF billings are appropriate. <i>Audit Engagement #26005</i>	600

<sup>1</sup> Objective may change based on the preliminary survey performed by the OCA.

<sup>2</sup> Audit activity has been carried forward from fiscal year 2025.

<sup>3</sup> Audit activity will continue into fiscal year 2027.

Office of the Chief Auditor

ATTACHMENT B

2026 Audit Plan

Proposed Audit Plan September 8, 2025

Key Work Activity	Objective <sup>1</sup>	Revised Hours
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately. <i>Audit Engagement #26008</i>	500
	<b>Total Audit Hours</b>	<b>5,350</b>
<b>Advisory Service Hours</b>		
Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract. <i>Advisory Service Engagement #26006-AS</i>	600
Tenant Lease Administration and Management	To provide management assistance with Rent a Car Companies related to reporting and payment of concession fees and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC). <i>Advisory Service Engagement #26007-AS</i>	50
	<b>Total Advisory Service Hours</b>	<b>650</b>
<b>General Audit Hours</b>		
Risk Assessment and Audit Plan <sup>4</sup>	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	252
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.	300
Development of Data Analytics	Enhance or develop the data analytics program.	200
Fraud, Waste, Abuse & Ethics Program <sup>4</sup>	To review policies, perform training, and investigate reported incidents.	400
Recommendation Follow-up <sup>4</sup>	To verify that internal and external audit recommendations have been implemented as intended.	160
Quality Assurance & Improvement Program <sup>4</sup>	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	400
	<b>Total General Audit Hours</b>	<b>1,712</b>
<b>Administrative Hours</b>		
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,632
Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,136
	<b>Total Administrative Hours</b>	<b>4,768</b>
	<b>Total Hours</b>	<b>12,480</b>

<sup>4</sup> Required activity in the Charter for the Office of the Chief Auditor or Charter of the Audit Committee.

**Office of the Chief Auditor**

ATTACHMENT A

2026 Audit Plan

Proposed Audit Plan September 8, 2025

Key Work Activity	Objective <sup>5</sup>	Revised Hours
<b>Contingent Audit Hours</b>		
Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) were accurately paid for a selected Rental Car Company based on Data Analytics or new entity.	400
Tenant Lease Administration and Management	To determine if a selected in terminal concession contract correctly calculated and remitted concession fees due.	350
Tenant Lease Administration and Management	To determine if 3MP Rent a Car accurately paid concessions and Transportation Facility Charges (TFC).	350
Parking Management Contract Administration	To determine if Dynamic Pricing is being managed appropriately.	550
TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475
Small Business Management	To determine if the Authority complies with applicable Federal Regulations for Small Business.	525
Advertising	To determine if the concessions marketing program is managed appropriately.	500
Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	To determine if the processes and controls in place for citations are adequate and appropriate.	500
Curfew Violations	Determine if Curfew Violations are administered appropriately.	500
P Card Administration	To determine if the Authority's P Cards are administered appropriately.	500
Contract Security Personnel Management	To determine if the contract for the Authority's security personnel is administered appropriately.	550
On Airport Paramedic Services Contract Management	To determine if the EMT contract is administered appropriately.	500
Tenant Lease Administration and Management	To determine if the contract for advertising is administered appropriately.	500
	<b>Total Contingent Audit Hours</b>	<b>6,200</b>

<sup>5</sup> Objective may change based on the preliminary survey performed by the OCA.



# Revision to the Fiscal Year 2026 Audit Plan of the Office of the Chief Auditor

Audit Committee Meeting September 8, 2025



# Reasons for Revision

Description	Hours
FMD Purchasing and Inventory Mgmt	100
Shuttle Contract	500
RAC FY25	200
<b>Total</b>	<b>800</b>

Description	Hours
NT1 Subcontracts (Baker Tilly)	(250)
RAC FY26	(200)
To Be Determined	(350)
<b>Total</b>	<b>(800)</b>

# Questions?