

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

SPECIAL AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Thursday, May 14, 2020
10:00 A.M.

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

Board Members

C. April Boling
Chairman

Catherine Blakespear
Greg Cox
Mark Kersey
Robert T. Lloyd
Paul McNamara
Paul Robinson
Johanna Schiavoni
Mark B. West

Ex-Officio Board Members

Gustavo Dallarda
Col. Charles B. Dockery
Gayle Miller

President / CEO

Kimberly J. Becker

This meeting of the Audit Committee of the San Diego County Regional Airport Authority will be conducted pursuant to the provisions of California Executive Order N-29-20 which suspends certain requirements of the Ralph M. Brown Act. During the current State of Emergency and in the interest of public health, all Board and Committee members will be participating in the meeting electronically. In accordance with the Executive Order, there will be no members of the public in attendance at the Board Meeting. We are providing alternatives to in-person attendance for viewing and participating in the meeting.

In lieu of in-person attendance, members of the public may submit their comments in the following manner.

Comment on Agenda Items must be submitted to the Authority Clerk at clerk@san.org and indicate the agenda item number you wish to submit your comment for. Comments on specific agenda items may be submitted up until the Chair calls the item. If you indicate in your email that you would like your comment to be read at the meeting, your submitted public comment will be read into the record for 3 minutes or in accordance with the time period established by the Chair. All public comments received up until the time the item is called will be submitted into the written record for the relevant item.

Comment on Non-Agenda Items must be submitted to the Authority Clerk at clerk@san.org, no later than 4:00 p.m. the day prior to the posted meeting in order to be eligible to be read into the record. The Authority Clerk will read the first 30 comments received by 4:00 p.m. the day prior to the meeting into the record. The maximum number of comments to be read into the record on a single issue will be 16. All other comments submitted, including those received after 4:00 p.m. the day prior and before 8:00 a.m. the day of the meeting, will be provided to the Authority Board and submitted into the written record for the meeting.

You may also view the meeting online at the following link: <https://www.san.org/Airport-Authority/Meetings-Agendas/Authority-Board>

REQUESTS FOR ACCESSIBILITY MODIFICATIONS OR ACCOMMODATIONS

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

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. ***Please note that agenda items may be taken out of order.*** If comments are made to the Board without prior notice or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

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

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

CALL TO ORDER:

ROLL CALL:

Committee Members: Blakespear, Kersey (Chair), McNamara, Tartre,
Van Sambeek, Vann, West

NON-AGENDA PUBLIC COMMENT:

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

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

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 13, 2020, special meeting.

2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDITS FOR THE FISCAL YEAR ENDED JUNE 30, 2020:

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

Presented by: Scott Brickner, VP, Treasurer/CFO, David Coleman, Engagement Partner, BKD LLP and Danny Martinez, Managing Director, BKD, LLP

3. FISCAL YEAR 2020 THIRD QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

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

Presented by: Lee Parravano, Chief Auditor

4. REVISION TO THE FISCAL YEAR 2020 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

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

Presented by: Lee Parravano, Chief Auditor

5. FISCAL YEAR 2021 RISK ASSESSMENT AND PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

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

Presented by: Lee Parravano, Chief Auditor

6. FISCAL YEAR 2021 PROPOSED BUDGET OF THE CHIEF AUDITOR AND FISCAL YEAR 2022 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

RECOMMENDATION: Staff recommends that the Audit Committee accept the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2021 Budget process that may include debt issuance or refinancing and forward it to the Board with a recommendation for approval.

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

Presented by: Lee Parravano, Chief Auditor

CLOSED SESSION:

7. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

(Government Code Section 54957)

Title: Chief Auditor

REPORT ON CLOSED SESSION:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

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

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

Additional Meeting Information

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

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

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

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

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE
MINUTES
THURSDAY, FEBRUARY 13, 2020
BOARD ROOM**

CALL TO ORDER: Chair Kersey called the Special Audit Committee Meeting to order at 10:03 a.m., on Thursday, February 13, 2020, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Committee Chair Kersey led the pledge of allegiance.

ROLL CALL:

Present: Committee Members: Blakespear, Kersey (Chair), McNamara, Tartre, Vann, West

Absent: Committee Members: Van Sambeek

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

Chairman Kersey welcomed Carmen Vann, a new Public Member, to the Audit Committee.

NON-AGENDA PUBLIC COMMENT:

NEW BUSINESS:

1. Approval of Minutes:

RECOMMENDATION: Approve the minutes of the November 4, 2019, regular meeting and the January 16, 2020, special meeting.

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

2. DISCUSSION REGARDING EXTERNAL AUDITOR PARTNER ROTATION:

Scott Brickner, Vice President/CFO, introduced the new lead partner, Danny Martinez, Managing Director, BKD, LLP.

Danny Martinez, Managing Director, BKD, LLP provided an overview of his background and qualifications for taking over as lead of the external audit team.

RECOMMENDATION: Receive the information.

3. FISCAL YEAR 2020 SECOND QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation titled Fiscal Year 2020 Second Quarter Report from the Office of the Chief Auditor that included Fiscal Year 2020 Performance Measures, Percentage of Audits Completed, Audits Completed as of December 31, 2019, Number of Recommendations, Revenue/Cost Savings Identified, Auditor Utilization, Audit Budgets, Auditee Satisfaction, and General Audit Activities.

Board Member West questioned whether or not the goal for the Revenue/Cost Savings Identified Performance Measure is a good performance measure. He stated that he wants the goals to be effective.

Committee Member Tartre suggested that more digits on a license plate be captured in order to help automate the Transportation Network Company audits as much as possible. Committee Member Tartre also suggested adding a performance measure for risk mitigation.

Board Member West expressed concern regarding the Percentage of Staff Time Spent on Audit Activities Performance Measure and stated that he hoped there was a plan in place to address the deficiencies.

Committee Member Vann suggested that a measure for the number of audit recommendations implemented within their estimated completion date be included in the report.

Board Member Mark Kersey stated his concern about risk to the Authority.

The Audit Committee concurred that the Revenue/Cost Savings Identified Performance Measure be removed and that a measure to show "Risk Mitigated" be provided.

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

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

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting adjourned at 10:46 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY THIS 14th DAY OF MAY, 2020.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

AUDIT COMMITTEE

Meeting Date: **MAY 14, 2020**

Subject:

Required Communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year Ended June 30, 2020

Recommendation:

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

Background/Justification:

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

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

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

As required, the lead engagement partner from BKD, LLP, will give a presentation during the May 14, 2020, Audit Committee Meeting on matters pertaining to the scope, timeline, planning, and revisions to professional standards effecting the Fiscal Year Ended June 30, 2020, Financial and Compliance Audit. In addition, a copy of the BKD's most recent Peer Review Letter is provided, as Attachment A.

Fiscal Impact:

Adequate funding for the agreement with BKD, LLP, for performing the Authority's financial audit services is included in the Proposed Fiscal Year 2021 Budget and Fiscal Year 2022 Conceptual Budget within the Services-Auditing line item. Expenses that will impact budget years not yet adopted by the Board will be included in future year budget requests.

Authority Strategies/Focus Areas:

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

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

KATHY KIEFER
SENIOR DIRECTOR
FINANCE, ACCOUNTING AND AIRLINE RELATIONS



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

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

Report on the Firm's System of Quality Control

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

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB inspection in effect for the year ended May 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

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

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB inspection in effect for the year ended May 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. BKD, LLP has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 6, 2017

Required Communication to the Audit Committee

Financial and Compliance Audits for the Fiscal Year Ended June 30, 2020

Presented By: David M. Coleman, Partner and
Danny Martinez, Managing Director

May 14, 2020



Engagement Team

- David Coleman, CPA, Co-Engagement Executive
- Danny Martinez, CPA, Co-Engagement Executive
- Nikki Kubly, CPA, Concurring Review Partner
- Josh Findlay, CPA, Manager
- Molly Zinecker, Associate
- Brenna Embry, Associate



Overview

Our audit will be conducted in accordance with the following guidelines:

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

Approach to Planning

- Planning and Risk Assessment – Our procedures include:
 - Obtaining an understanding of the internal control environment
 - Obtaining an understanding of changes to the Authority’s operations for the year, including new revenue streams and activities
 - Examining Authority Board and Audit Committee minutes and highlighting any ordinances, resolutions, laws and compliance regulations to be reviewed
 - Determining how Covid-19 has impacted operations, internal controls, and revenue streams
 - Completing our preliminary analytical review procedures
 - Developing applicable audit programs to address significant audit areas and the specific risks identified during our risk assessment procedures

Planned Scope

The following are considered as having a higher risk of material misstatement based on industry experience and current environment:

- Management override of controls
- Revenue recognition
- Investment classification
- Federal Award Programs
- Passenger Facility Charge Program
- Customer Facility Charge Program
- Commitments, Contingencies, and Subsequent Events

Consideration of Errors or Fraud

- Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*
 - Fraud interviews will be held with key members of the Airport Authority through this requirement
- Our audit approach includes:
 - Engagement Team Brainstorming
 - Inquiries of management and others:
 - Audit Committee Chair
 - President/CEO
 - Chief Internal Auditor
 - General Counsel
 - Chief Financial Officer
 - Chief Development Officer
 - Others as deemed appropriate in the following areas:
 - Accounting
 - Finance
 - Grants Management & Compliance
 - Procurement
 - Airport Development
 - Information Technology
 - Human Resources

Revisions to Professional Standards

- GASB Postponement of the Effective Dates of Certain Authoritative Guidance
 - All standards effective after June 15, 2018 pushed back one year
 - No new standards to implement this year
- GASB Emergency Toolbox
 - Guidance on accounting for issues that you may not have dealt with recently

Planned Timing

Week of June 15th - Planning, interim fieldwork and risk assessment

Week beginning August 24th – 1st week of final audit fieldwork, including Single Audit, Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) testing

Week of August 31st – 2nd week of final audit fieldwork

Week of September 7th or 14th – Final week of audit fieldwork. Review draft financial statements and draft of deliverables available for review by management

Week of September 28th – Concurring partner review to be performed

October 15, 2020 - Release final deliverables

November 16, 2020 - Presentation of financial statements, our required communications and other deliverables to the Audit Committee

Remote Work Strategy

We plan on conducting the audit on-site if local and Authority protocol allow, but if we are unable to be onsite, we have the infrastructure in place to conduct the audit remotely by utilizing the following:

- Utilization of BKD Connect Site
- Skype or GoToMeetings for Status Meetings
- Video walkthroughs of internal controls

Contacts

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

Lee Parravano, Chief Internal Auditor

Mark Kersey, Audit Committee Chair

April Boling, Board Chair

- If you need to contact us:

David Coleman, Partner – 469.341.0785 dcoleman@bkd.com

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

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

Additional Discussion Pertaining to Covid-19

- Operational revenue decline
- Grant accounting, revenue and compliance uncertainty
- Remote work internal controls
- Covid – 19 Resource Center

Coronavirus (COVID-19) Tax & Accounting Resource Center

BKD has created a new resource center to help disseminate important tax and accounting information for our clients and friends as we evaluate ways to mitigate the inevitable financial effects of the SARS-CoV-2 virus and the incidence of COVID-19 (Coronavirus).

[Subscribe to Our Insights](#) [A Word From the CEO](#)

All information provided below is current as of the date it was written and may change as the situation evolves.

Home > COVID-19 >

Resources for Your Industry

- Construction, Real Estate & Hospitality
- Healthcare
- Financial Services
- Nonprofits
- Higher Education
- Public Sector
- Manufacturing & Distribution
- SBA Resources

Questions about effects on your business? Connect with us to learn more. [Let's Connect](#)

The background features a large, semi-transparent hourglass with a teal and white color scheme. The hourglass is positioned vertically, with the top bulb at the top and the bottom bulb at the bottom. The sand is depicted as a fine, granular texture. The overall aesthetic is clean and professional.

Questions?

Connect with Us

David Coleman, CPA

dcoleman@bkd.com

Danny Martinez, CPA, CGFM

dmartinez@bkd.com

LinkedIn – [dannymartinezcpa](#)

AUDIT COMMITTEE

Meeting Date: **MAY 14, 2020**

Subject:

Fiscal Year 2020 Third Quarter Report from the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

The Charter for the Office of the Chief Auditor (OCA), as approved by the San Diego County Regional Airport Authority Board, establishes the roles, responsibilities, and working relationship of the Chief Auditor with the Audit Committee and with Authority management. The Charter directs the OCA to periodically communicate to the Audit Committee on its activities, which includes audits completed, audit findings, and management's response addressing steps taken to resolve a noted issue.

The attached Fiscal Year 2020 Third Quarter Report (Attachment A) summarizes the undertakings and accomplishments of the OCAs office from January 1, 2020, through March 31, 2020.

A presentation by the OCA on its third quarter activities will be provided during a meeting of the Audit Committee on May 14, 2020.

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 that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR

Office of the Chief Auditor Fiscal Year 2020 Third Quarter Report

ATTACHMENT A

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



Third Quarter Audit Progress



Audits Completed vs. Benchmark & Goal



FY 2020 Audit Activities - By the Numbers

23

Recommendations Issued
8 High, 10 Medium, 5 Low

4.8

Customer Satisfaction Rating (Out of 5)

55%

Audits Completed within Budget

66%

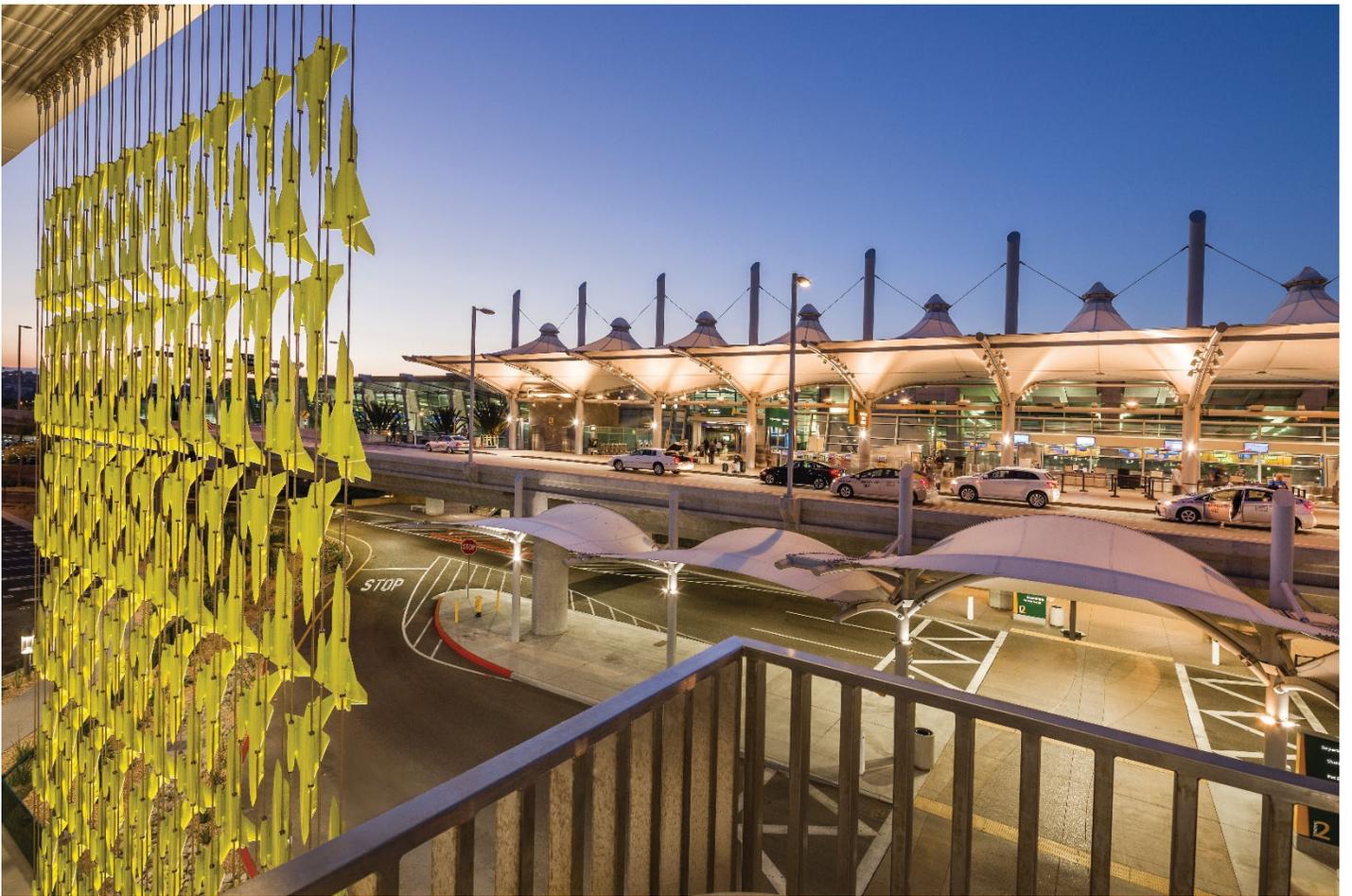
Auditor Utilization Percentage

100%

Recommendations Accepted by Management



powered by



Office of the Chief Auditor Fiscal Year 2020 Third Quarter Report

May 14, 2020

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Third Quarter Summary

The Fiscal Year 2020 Audit Plan is comprised of 22 audits, 7 general audit activities, and administrative activities to be completed in the Fiscal Year. The Office of the Chief Auditor (OCA) tracks its progress relative to the Audit Plan by using several key performance measures to gauge the success of the office. Each performance measure is detailed below along with supplemented explanation.

Performance Measures

For Fiscal Year 2020, six major performance measures were developed to evaluate the OCA.¹ The OCAs performance against the selected performance measures is displayed in Figure 1 below.

Figure 1: Status of Performance Measures as of March 31, 2020

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits Completed	60%	55%	44%
Number of Recommendations	19	23	19
Percentage of Staff Time Spent on Audit Activities	70%	66% / 69% including/ excluding Chief Auditor	70%
Percentage of Audits Completed within Budget	80%	58%	75%
Percentage of Recommendations Accepted	95%	100%	83%
Auditee Satisfaction Rating	4.0	4.8	4.0

Percentage of Audits Completed:

As of the third quarter, the OCA completed and issued 12 audit reports, or 55%, of the audits included in the Audit Plan (12/22=55%). In addition to the 12 audits completed, the OCA had 8 audits in progress at the end of the quarter. A summary of the audits completed in the third quarter is provided in the *Audits* section below.

An alternative way to calculate the OCAs progress is to account for the audit hours spent on completed audits and the hours spent on the eight audits in progress, but not yet completed. This method uses the total hours expended on all audit work to date and the total audit hours expected to complete all audits in the Fiscal Year 2020 Audit Plan. The calculation results in a completion percentage of 64% through March 31, 2020. Specifically, the OCA expended 5,471 hours through March 31, 2020, conducting audit work, and estimates 8,548 total audit hours will be needed to complete all Fiscal Year 2020 audits (5,471/8,548=64%).

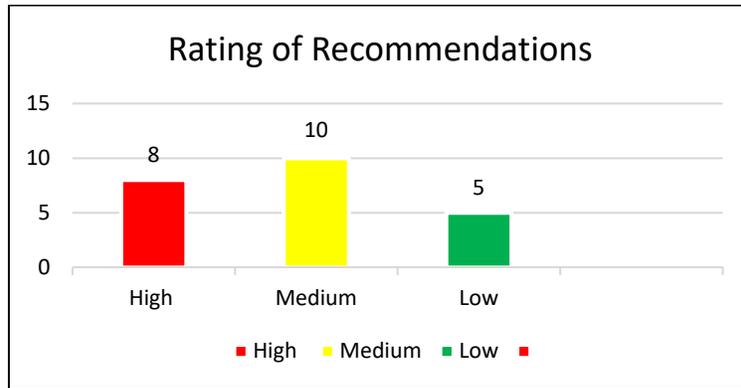
The status of all audits in the Fiscal Year 2020 Audit Plan is included in Appendix A.

Number of Recommendations:

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. As of March 31, 2020, the OCA has provided 23 recommendations to management to remediate a risk identified. Each recommendation is rated based on a qualitative value of risk, identified as Low, Medium, or High. A summary of the ratings are shown in Figure 2 below.

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

Figure 2: Rating of Recommendations



Percentage of Staff Time Spent on Audit Activities:

This measure helps ensure that the OCA spends an adequate amount of time on audit activities² rather than administrative activities. The OCAs goal for Fiscal Year 2020 is 70%. The OCA spent 66% of time on audit activities, which includes the Chief Auditor’s time (69% excluding the Chief Auditor’s time, which requires many administrative involvements.)

Percentage of Audits Completed within Budget:

This category monitors the efficiency of audit staff in performing audits. Every audit has an internally prepared budget that the audit staff is held accountable to uphold. However, we recognize that budgets may need adjustment(s) as additional facts become known during an audit. In Fiscal Year 2020, the OCA completed 7 out of 12 audits under budget, or 58%. The 12 audits completed had a budget of 3,500 hours. The total hours expended were actually 3,256 or 244 total hours under budget.

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 provided to management. As of the end of the third quarter, management accepted 100% of all audit recommendations.

Auditee Satisfaction Rating:

Post audit surveys are sent to auditees after the completion of an audit to obtain customer satisfaction data. The OCAs goal for auditee satisfaction is 4.0, on a 1 to 5 scale (with 1 being very dissatisfied and 5 being very satisfied). To date we have achieved a score of 4.8.

² Audit activities consist of hours spent on audits and general audit activities, as detailed in Appendix A.

Audits

Issued

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

Rental Car Center (RCC) Shuttle Services Contract Administration - SP Plus Corporation (SP Plus): The objective of this audit was to determine if the RCC shuttle services contract with SP Plus is administered appropriately. The audit concluded that the RCC shuttle services contract with SP Plus is administered appropriately, and the audit identified several management strengths. There were no findings or recommendations issued.

Nevada Lease and Rentals, Inc. dba Payless (Nevada): The objective of this audit was to determine if Nevada Lease and Rentals, Inc. accurately paid concession fees and Customer Facility Charges during the audit period. The audit concluded that Nevada overpaid concession fees by \$13,703 and underpaid Customer Facility Charges by \$19,593. The audit identified three recommendations.

Off-Airport Rental Car Companies: The objective of this audit was to determine if the Off-Airport Rental Car Companies with an agreement were accurately remitting concession fees and to determine if any companies are operating at San Diego International Airport (SDIA) without an agreement. The audit concluded that concession fees were correctly paid by one out of four companies with an agreement. The remaining three companies did not submit an annual report that was audited by an independent Certified Public Accounting firm; and, therefore, we were unable to conclude if the concession fees paid by those companies were in accordance with the agreement. Additionally, the report concluded that six companies are operating/have operated, or have advertised a willingness to operate, at SDIA without an executed agreement. The audit identified three recommendations.

Maintenance & Airport Service Requests: The objective of this audit was to determine if the Facilities Management Department accurately and appropriately monitors the time and expense tracking for work orders. The audit concluded that the Facilities Management Department does accurately and appropriately monitor its time and expense incurred on work orders. This audit identified several management strengths. There were no findings or recommendations issued.

Owner Controlled Insurance Program (OCIP) Management: The objective of this audit was to determine if the internal controls and management of the OCIP are effective and if staff complies with OCIP policies. The audit concluded that the internal controls and management of the OCIP are effective and that Authority staff complies with OCIP policies. There were no findings or recommendations issued.

In Progress

At the close of the third quarter there were a total of eight audits in progress, representing 36% of the audits on the Fiscal Year 2020 Audit Plan. Of those, one audit was in the reporting/ review stage and seven were in either the fieldwork stage or the preliminary survey stage.

General Audit Activities

In addition to performing audits, the OCA is involved in other audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required³ to perform these activities or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* is presented below.

Risk Assessment & Audit Plan

The Risk Assessment & Audit Plan is a document that is presented in May of each year to the Audit Committee that includes the proposed audits to be completed for the coming fiscal year. It is the culminating result of data gathering, management discussions, surveys, and data analysis. The Risk Assessment & Audit Plan for Fiscal Year 2021 will be presented during the May 14, 2020, Audit Committee Meeting.

Construction

Construction audit activity for the third quarter of Fiscal Year 2020 consisted of attending meetings regarding the Federal Inspection Service project, the airport support facilities, the Airport Development Program, and consultation pertaining to COVID-19 grant funding. The OCA remains involved with issues identified by the Airport Design and Construction team and by Authority management, providing assistance and attending meetings specific to the aspects of the Authority's construction projects.

Additionally, to obtain assurances that proper and best practice language was contained within the 3 billion dollar Design Build Agreement related to the Airport Development Plan (ADP), the OCA secured a construction auditing consultant to conduct a comprehensive review of the ADP draft contract agreement. Recommendations from the consultant were provided to both General Counsel and the Airport Design and Construction Department for consideration to strengthen the ADP agreement language.

Information Technology Meeting Attendance

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

Development of Data Analytics

The OCA set the course this year to determine the feasibility of developing a data analytics program for rental car concessions. A successful data analytics program would provide real-time insight regarding rental car company activity at the San Diego International Airport. The OCA would utilize this information to identify possible risks early on and to determine if an audit should be initiated. This audit approach would allow the OCA to objectively select audits. Additionally, data analytic information could be shared with Authority Management for their reference and use.

As of the end of the third quarter, the OCA had collaborated with the Revenue Generation & Partnership Development Department, the Information & Technology Services Data Analytics team, and other Authority staff. The OCA has provided the Data Analytics team with sample test data for preliminary analysis. We are optimistic about the success of a data analytics program for rental car concessions.

³ Requirements are dictated by the Charter for the Office of the Chief Auditor, Charter of the Audit Committee, or the International Standards for the Professional Practice of Internal Auditing (*Standards*).

Ethics Program

The OCA continues to run the Authority’s Ethics Program and confidential reporting hotline. During the third quarter of Fiscal Year 2020, seven reports were received. One required a preliminary investigation. That preliminary investigation is still ongoing. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate. A summary of the tip(s)/report(s) received during the third quarter of Fiscal Year 2020 is shown in Figure 3 below.

Figure 3: Ethics Hotline

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)*	Response (email or phone to non-anonymous reports)
General Workplace Concerns					
Workplace Practices / Behavior	5	-	-	-	-
Security	1	1	-	-	-
Noise	1	-	-	-	-
Total	7	1	-	-	-

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

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

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

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

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

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

Recommendation Follow-up

The OCA tracks the status of its recommendations on an on-going basis in order to determine the progress of their implementation. Appendix B contains a detailed list of each recommendation and its status as of March 31, 2020. Figure 4 below shows the status of recommendations that were *Completed* or *In Progress* during the third quarter of Fiscal Year 2020. The estimated/actual implementation timeframes are based on the audit report issue date.

Figure 4: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
Completed	10	1	-	11
In Progress	4	4	2	10

Completed: This designation is used for recommendations that the OCA determined to be adequately implemented or for recommendations where alternate action is taken that adequately addresses the risk identified. Of the Completed recommendations nine, or 82%, were completed within the initial timeframe identified when the recommendation was issued. Of the In Progress recommendations, four recommendations were still within the initial timeframe identified for implementation. All 10 of the In Progress recommendations are estimated by management to be completed by the end of July 30, 2020.

In Progress: These recommendations have been partially addressed or partial corrective action has been taken. This category also includes recommendations from newly issued audit reports, when there has not been adequate time between report issuance and follow-up.

The OCA considers that the non-completion of the In Progress recommendations should not have a material adverse effect on the Authority and that adequate progress is being made with all of the tracked recommendations.

Quality Assurance & Improvement Program

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

During the first quarter of Fiscal Year 2020, the OCA fulfilled its annual on-going monitoring of its audit activities and operations performed during Fiscal Year 2019, with results presented in the Fiscal Year 2019 OCA Annual Report. In the second and third quarters of Fiscal Year 2020 the OCA has continued to examine its practices and procedures, in order to improve efficiencies and to ensure that quality is delivered.

Administrative Activities

Tracking Budget and Expenses

The OCA expenses totaled approximately \$879,000 through the end of the third quarter, which represents 71% of the Fiscal Year 2020 budget. No unexpected or large outlays occurred within the department during the first or second quarter. In the third quarter the OCA hired an expert construction auditing consultant to conduct a comprehensive review of the draft contract agreement related to the Airport Development Plan. The OCA expects to remain on budget through the fiscal year-end.

Continuing Professional Development

OCA staff continues to obtain Continuing Professional Education credits as required by their various certifications. During the third quarter, staff attended training on topics that included GASB 87 Lease accounting, report writing, COVID-19 CARES act, and fraud involving technology.

Procedural/Supervisory

Two Audit Committee meetings took place during the third quarter for which the OCA provides support and coordination. The first was a Special Audit Committee Meeting on January 16, 2020, to interview potential candidates to serve as Public Members on the Committee. The second was a regularly scheduled meeting on February 13, 2020, that covered routine agenda items.

COVID-19

Until mid-December 2019 the OCA had both Audit Intern positions filled. When Authority employees were directed to work remotely in mid-March the OCA was unable to retain the last Audit Intern position. The OCA continues to examine staffing Audit Interns; however, a remote working arrangement is not ideally suited to the training and mentoring required for Audit Interns. For this reason, the OCA does not anticipate filling this position until normal operations return.

At the end of the third quarter all OCA staff are working remotely. Procedures are in place to ensure the switch to working remotely is going as smooth as possible and that *Standards* are being adhered.

COVID-19 impacts have been felt throughout the Authority and have required Authority management to respond in a variety of ways. The OCA is committed to assisting management at this crucial time and has reached out to determine how the OCA may assist. An agenda item for the May 14, 2020, Audit Committee Meeting proposes to amend the Fiscal Year 2020 Audit Plan allowing the OCA to provide consulting engagements with the Authority as needed and requested.

Appendix A - Fiscal Year 2020 Audit Plan Progress

#	Audit / Activity	Status as of 3/31/20	Over/ Under Budget	No. of Recom.	Revenue / Cost Savings Identified
Audits					
1	Owner Controlled Insurance Program (OCIP) Management	Completed	Over	-	\$-
2	IT Asset Acquisition & Implementation	Completed	Over	4	-
3	Capital and Maintenance Project Selection and Planning	Completed	Under	-	-
4	Transportation Network Company (TNC) Reviews and Assistance	Completed	Over	-	-
5	Small Business Development Management	In Progress			
6	Automated License Plate Reader (ALPR) System – Ace Parking	Completed	Over	5	-
7	Leigh Fisher & Associates	Completed	Under	2	35,174
8	Tenant Lease Admin. and Management – Revenue Generation & Partnership Development Contract and Agreement Requirements	In Progress			
9	Harbor Police Contract Management	In Progress			
10	Account Provisioning and De-Provisioning	Completed	Over	6	-
11	Formal Bidding and Contracting	In Progress			
12	Rental Car Shuttle Service Contract Administration	Completed	Under	-	-
13	Contractor Monitoring - AECOM	Completed	Under	1	-
14	Contractor Monitoring - Turner	In Progress			
15	Tenant Lease Admin. and Management – Nevada Lease and Rental	Completed	Under	3	5,890
16	Advertising- Concessions	Not Started			
17	Tenant Lease Administration and Management – Off-Airport Rental Car Companies	Completed	Under	2	-
18	Change Orders	In Progress			
19	Maintenance & Airport Service Requests	Completed	Under	-	-
20	Tenant Lease Admin. and Management – Best Practices for Contract Terms Managed by Revenue Generation & Partnership Development	In Progress			
21	Parking Management Contract Admin–Ace Parking	Not Started			
22	Business and Real Estate Agreements – Rental Car Facility Land Lease	In Progress			
	Totals			23	\$41,064
General Audit Activities					
23	Risk Assessment & Audit Plan	In Progress			
24	Construction Meeting Attendance	In Progress			
25	Information Technology Meeting Attendance	In Progress			
26	Development of Data Analytics	In Progress			
27	Ethics Hotline	In Progress			
28	Recommendation Follow-up	In Progress			
29	Quality Assurance & Improvement Program	In Progress			
Administrative Activities					
30	Attendance at Staff/Board/Committee Meetings, Vacation, Holiday Time, Continuing Professional Development, and Other.	In Progress			

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2020
Completed					
20-11	Audit Report 19006 Issued: November 27, 2019 Title: Acquisition & Implementation of Information Technology Assets Department: INFORMATION & TECHNOLOGY SERVICES	High	Information & Technology Services (I&TS) should develop a capital asset tagging system for all newly acquired Information Technology (IT) assets that exceed the Authority's dollar threshold. In addition, I&TS should consider the cost/benefit of tagging historical IT assets currently in use given the level of effort needed to tag all historical assets.	4/1/2020	All new capital assets exceeding \$5,000 have been documented by our Management Analyst and will be imported into Track-it once the upgrade has been completed.
20-13	Audit Report 20003 Issued: December 16, 2019 Title: Active Directory Listing Management Department: INFORMATION & TECHNOLOGY SERVICES	High	Information & Technology Services (I&TS) should conduct periodic reviews on all internal and external user accounts in the Active Directory Listing (ADL) to determine if access is warranted.	2/1/2020	I&TS will conduct quarterly audits of internal and external users listed in Active Directory to determine if access is warranted. Accounts that are no longer needed will be removed from Active Directory.
20-14	Audit Report 20003 Issued: December 16, 2019 Title: Active Directory Listing Management Department: INFORMATION & TECHNOLOGY SERVICES	High	Information & Technology Services should review the Active Directory Listing (ADL) on a periodic basis, and consider removing all users in the ADL that are either disabled, have never logged in, or have not logged in in over 90 days.	2/1/2020	I&TS will conduct quarterly audits of internal and external users listed in Active Directory to identify accounts that have never logged in or not done so within 90 days and accounts that are disabled. Accounts that are no longer needed will be removed from Active Directory.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2020
Completed					
20-15	Audit Report 20003 Issued: December 16, 2019 Title: Active Directory Listing Management Department: INFORMATION & TECHNOLOGY SERVICES	High	Information & Technology Services (I&TS) should conduct a review of all external Active Directory (AD) user accounts to determine if any user accounts and/or passwords have been classified to "never expire". Additionally, I&TS should enforce the policy that requires password changes after a specified time (i.e., 90 days) for all user accounts.	2/1/2020	I&TS has deleted or disabled all external AD user accounts classified to "never expire." I&TS will enforce a policy that does not allow user accounts and passwords to be configured to never expire.
20-16	Audit Report 20003 Issued: December 16, 2019 Title: Active Directory Listing Management Department: INFORMATION & TECHNOLOGY SERVICES	High	Information & Technology Services (I&TS) should review all users in the Active Directory Listing (ADL) and delete any generic accounts. Additionally, consider implementing a new policy that requires all Active Directory (AD) users to be a unique individual (i.e., no generic AD user accounts).	2/1/2020	I&TS has reviewed all users in the ADL and deleted any generic accounts. I&TS will enforce a policy that requires all AD user accounts assigned to employees and contractors to be a unique individual (i.e., no generic AD user accounts).
20-02	Audit Report 19023 Issued: August 22, 2019 Title: Automated License Plate Recognition (ALPR) System - Ace Parking Department: GROUND TRANSPORTATION	Medium	Annual ALPR specific training should be provided to all staff with access to the ALPR information. Evidence of this training should be maintained.	10/31/2019	This was completed March 15, 2020.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2020
Completed					
20-04	Audit Report 19023 Issued: August 22, 2019 Title: Automated License Plate Recognition (ALPR) System - Ace Parking Department: GROUND TRANSPORTATION	Medium	Management should review on a periodic basis the list of users with access to ALPR data to determine if the listing is correct, and to ensure that all staff with access meet the requirements of either Authority or Ace policy, depending on the individual user. Additionally, this review of approved users should contain analysis to determine if they have utilized the system and if their access is still needed. Furthermore, having an accurate list of users will help ensure that all users will receive the required training.	9/30/2019	This was completed March 15, 2020.
20-17	Audit Report 20003 Issued: December 16, 2019 Title: Active Directory Listing Management Department: INFORMATION & TECHNOLOGY SERVICES	Medium	Information & Technology Services (I&TS) should implement/enforce a policy that requires a NARF or VPN form for all ADL changes. In addition, I&TS should ensure that the NARF and VPN forms are completed in full, including both the requesting department and the I&TS sections.	3/1/2020	I&TS will implement and enforce a policy that requires a NARF for all AD changes. The VPN form will be removed and the content combined into the NARF form. We will remove the sections to be manually completed by I&TS in the NARF and include these sections in the TrackIT work order. We will streamline the process of submitting the NARF by automatically creating a work order when the NARF is submitted.
20-18	Audit Report 20003 Issued: December 16, 2019 Title: Active Directory Listing Management Department: INFORMATION & TECHNOLOGY SERVICES	Medium	Talent, Culture and Capability (TCC) should notify Information & Technology Services (I&TS) of any planned off-boarding of an employee to allow adequate time to deactivate the internal user from the Active Directory Listing (ADL).	2/1/2020	TCC will notify I&TS three business days prior to any planned off-boarding of an employee to allow adequate time to deactivate the internal user from the ADL.

Appendix B - Status of Recommendations

Fiscal Year 2020 Third Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2020
Completed					
20-19	Audit Report 20011 Issued: March 2, 2020 Title: Off-Airport Rental Car Companies Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Revenue Generation & Partnership Development should contact the Companies to inquire if an Agreement with the Authority is desired, and/or consult with General Counsel to issue cease and desist notifications to the Companies operating at SDIA without an Agreement and, consider future legal action if necessary.	5/1/2020	Cease & Desist letters have been executed and were sent out 04/21/2020. The letters indicate that the companies can contact the RG&PD for information on how to be considered for an agreement to operate at the Airport.
20-20	Audit Report 20011 Issued: March 2, 2020 Title: Off-Airport Rental Car Companies Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Revenue Generation & Partnership Development (RG&PD) should advise Mex Rent A Car, Inc. (Mex) and RLZ, Inc. dba Pacific Rent A Car (Pacific) of the specific requirements set forth in Article 4.5.1 and request annual reports that comply with the Agreement for the audit period from July 1, 2018, through June 30, 2019. In addition, RG&PD should consider fining Mex and Pacific in the amount of \$500, and terminate the Agreements if non-compliance persists.	5/1/2020	Letters outlining non-compliance by Mex and Pacific have been executed and were sent to recipients on 04/21/2020. Each letter indicates that annual reports which meet the requirements of the agreement must be submitted to the Authority by May 20, 2020, and that the Authority reserves the right to issue a \$500 fine after this date. Staff will follow up with Mex and Pacific in mid-May 2020.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2020	Revised / Current Estimated Completion Date
In Progress						
20-09	Audit Report 19006 Issued: November 27, 2019 Title: Acquisition & Implementation of Information Technology Assets Department: INFORMATION & TECHNOLOGY SERVICES	High	Information & Technology Services (I&TS) should conduct an inventory of all Information Technology (IT) assets currently in use and in storage, which exceed the Authority's dollar threshold, to verify accuracy of I&TSs asset list and the general ledger fixed asset report. Additionally, on a periodic basis, a physical inventory of all IT assets should take place.	6/1/2020	I&TS has completed 25% of its inventory of IT assets in use and in storage that have a value exceeding \$5,000. As this requires I&TS to physically inventory the assets in the office and datacenter, more time will be necessary due to the recommendation for distancing.	7/30/2020
20-10	Audit Report 19006 Issued: November 27, 2019 Title: Acquisition & Implementation of Information Technology Assets Department: INFORMATION & TECHNOLOGY SERVICES	High	Information & Technology Services (I&TS) should implement and utilize the updated version of Track-it to consolidate and centralize all Information Technology (IT) asset databases and maintain a perpetual inventory of all IT assets. In addition, I&Ts should determine the type of information to track for each IT asset.	3/1/2020	I&TS has completed 90% of upgrading the Track-it asset management tool to centralize the location of all IT assets and enhance reporting functionality. Due to COVID-19 competing priorities, more time will be necessary to finish configuration of the Track-it asset management tool and train staff.	5/30/2020
19-16	Audit Report 18038 Issued: Feb. 26, 2019 Title: San Diego Unified Port District Harbor Police Billings - FY2017 Department: AVIATION SECURITY AND PUBLIC SAFETY (AVSEC)	Medium	We recommend that Authority Management, together with the Port, review and decide on the criteria and process of the classification of Workers' Compensation claims by considering the location, type of loss, and the labor hours the employee worked. In addition, Authority Management should request the Port to provide the Authority with a list of claims that include their pertinent information and their corresponding classification, as soon as the claims are reported by HPD Officers/staff, for the Authority to have a better understanding of the nature of the claims and how they should be classified.	6/30/2019	Risk Management continues to work with the Port Risk Management and Finance teams for a process by which we receive quarterly updates on the ongoing monetary total for work comp claims by "shared" HPD officers.	7/1/2020

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2020	Revised / Current Estimated Completion Date
In Progress						
19-19	Audit Report 18010R Issued: March 11, 2019 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Agreements, and Ground Transportation's Administration of the Parking Card Program Department: GROUND TRANSPORTATION (GT)	Medium	We recommended that GT consider reviewing the expenses submitted by Ace for reimbursement during the audit period January 1, 2016, to December 31, 2017, in order to verify that all expenses submitted for reimbursement are allowable per the agreements and have the appropriate supporting documentation. GT should consider the level of effort, cost of the review, and the monetary value of any potential disallowed expenses. GT should request Ace to refund any disallowed expenses as a result of the review.	6/30/2019	GT is working with Finance to review a sampling of expenses.	6/30/2020
20-03	Audit Report 19023 Issued: August 22, 2019 Title: Automated License Plate Recognition (ALPR) System - Ace Parking Department: GROUND TRANSPORTATION	Medium	ALPR data should be retained for the length of time indicated on the Authority's Data Retention Schedule.	10/31/2019	Staff is recommending adjusting Board Policy of ALPR data from two years to six months. Staff will bring this item to the June 2020 Board Meeting.	6/30/2020
20-06	Audit Report 18015 Issued: September 4, 2019 Title: LeighFisher, Inc. Department: PLANNING & ENVIRONMENTAL AFFAIRS	Medium	Planning & Environmental Affairs should request that the Accounting Department bill LeighFisher \$35,174 for the reimbursed invoicing expenses.	9/30/2019	Based on the additional documentation submitted by the contractor, Planning & Environmental Affairs and Leigh Fisher have come to a resolution regarding the reimbursed invoicing expenses. A final letter summarizing this resolution (including the amount owed to the Authority) will be sent to Leigh Fisher in early April.	4/14/2020

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2020	Revised / Current Estimated Completion Date
In Progress						
20-07	Audit Report 18015 Issued: September 4, 2019 Title: LeighFisher, Inc. Department: PLANNING & ENVIRONMENTAL AFFAIRS	Medium	Planning & Environmental Affairs should require that LeighFisher provide detailed support for each of the charges that were for invoicing and another activity. Upon receipt of that support, Planning should evaluate and determine if the activities charged were allowed under the Agreement. If the charges are impermissible, Planning should request that the Accounting Department bill LeighFisher for those activities.	12/30/2019	Based on the additional documentation submitted by the contractor, Planning & Environmental Affairs and Leigh Fisher have come to a resolution regarding the reimbursed invoicing expenses. A final letter summarizing this resolution (including the amount owed to the Authority) will be sent to Leigh Fisher in early April.	4/14/2020
20-21	Audit Report 20009 Issued: March 30, 2020 Title: Nevada Lease and Rentals Inc. dba Payless Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	The Revenue Generation & Partnership Development Department should request that the Accounting department issue a payment to Nevada in the amount of \$13,703 for the overpayment of concession fees.	5/1/2020	Management will request that the Accounting Department reallocate the \$13,703.00 overpayment to the CFC account to address both the concession fee overpayment and the CFC underpayment of \$19,593.00. This will leave a CFC balance due of \$5,890.00.	5/1/2020
20-22	Audit Report 20009 Issued: March 30, 2020 Title: Nevada Lease and Rentals Inc. dba Payless Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	The Revenue Generation & Partnership Development Department should request that the Accounting department issue an invoice to Nevada in the amount of \$19,593 for the underpayment of CFCs during the audit period.	5/1/2020	Management will request that the Accounting Department reallocate the \$13,703.00 overpayment to the CFC account to address both the concession fee overpayment and the CFC underpayment of \$19,593.00. This will leave a CFC balance due of \$5,890.00.	5/1/2020

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Status as of March 31, 2020	Revised / Current Estimated Completion Date
In Progress						
20-23	Audit Report 20009 Issued: March 30, 2020 Title: Nevada Lease and Rentals Inc. dba Payless Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	The Revenue Generation & Partnership Development Department should consider requesting that the Accounting Department invoice Nevada, in the amount of \$500, for each non-compliance with Article 4.2.2 regarding the annual reports for 2018 and 2019.	5/1/2020	<p>Management agrees that actions should be taken by RG&PD to achieve compliance related to annual report submittal. Specifically, RG&PD will formally advise and remind Nevada of the requirements listed in Article 4.5.1 of the Agreement; and will require resubmittal of annual reports that comply with the Agreement, for the audit periods July 1, 2017, through June 30, 2018, and July 1, 2018, through June 30, 2019. Nevada will be required to resubmit the annual reports within thirty (30) days of notification by the Authority, and penalties provided by the Agreement shall be imposed for late submittals. RG&PD will consider placing the Companies in default should non-compliance persist.</p> <p>As part of its regular protocol, RG&PD accepted the annual reports that were submitted by Nevada within the 60-day period following submittal by the Companies (required in the Agreement), and proceeded with the reconciliation actions. Considering these actions, RG&PD will not issue a fine in the amount of \$500.00 to Nevada. Rather, the correspondence to each Company will identify the certainty of future fines and/or contract default, followed by consideration of termination, if such non-compliance persists.</p>	5/1/2020



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

**Fiscal Year 2020
Third Quarter Report
from the
Office of the Chief Auditor**

January 1, 2020 through March 31, 2020

**Audit Committee Meeting
May 14, 2020**

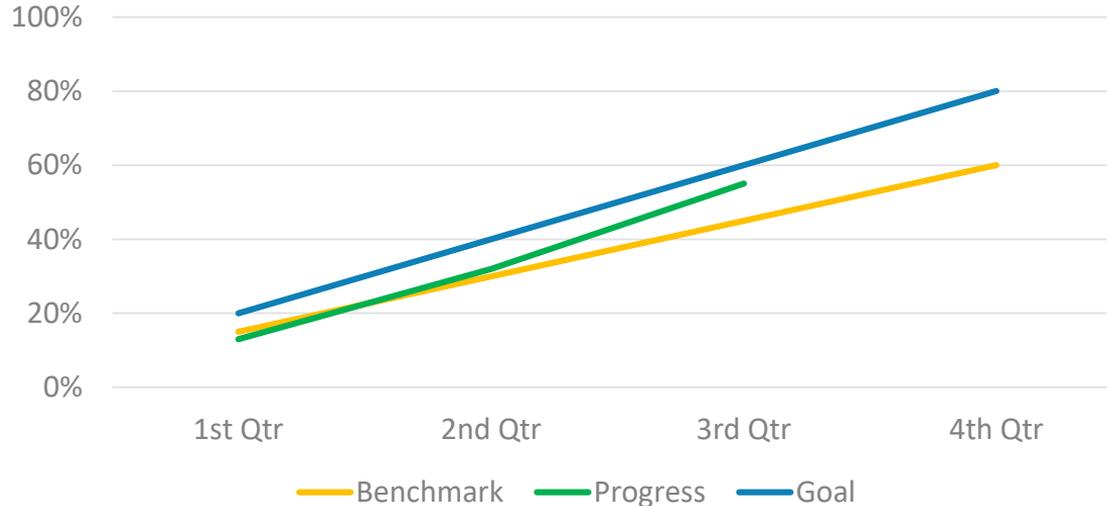
Fiscal Year 2020 Performance Measures

Performance Measure	Goal	Progress	Benchmark
Percentage of Audits Completed	60%	55%	44%
Number of Recommendations	19	23	19
Percentage of Staff Time Spent on Audit Activities	70%	66% / 69% including /excluding Chief Auditor	70%
Percentage of Audits Completed within Budget	80%	58%	75%
Percentage of Recommendations Accepted	95%	100%	83%
Auditee Satisfaction Rating	4.0	4.8	4.0

Percentage of Audits Completed

Performance Measure	Goal	Progress	Benchmark
Percentage of Audits Completed	60%	55%	44%

Percentage of Audits Completed by Quarter



Audits Completed

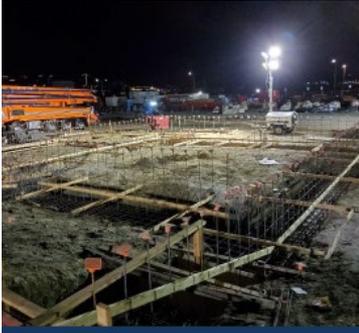
Audit Reports Completed as of March 31, 2020: **55%**



Off-Airport Rental Car Companies
Audit Report No. 20011
Issue Date: March 2, 2020

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Office of the Chief Auditor



Owner Controlled Insurance Program Management
Audit Report No. 19001
Issue Date: March 24, 2020

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Office of the Chief Auditor



Maintenance & Airport Service Requests
Audit Report No. 20013
Issue Date: March 27, 2020

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Office of the Chief Auditor



Nevada Lease and Rentals, Inc.
Audit Report No. 20009
Issue Date: March 30, 2020

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Office of the Chief Auditor



Rental Car Center Shuttle Services Contract Administration – SP Plus Corporation
Audit Report No. 20005
Issue Date: March 31, 2020

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

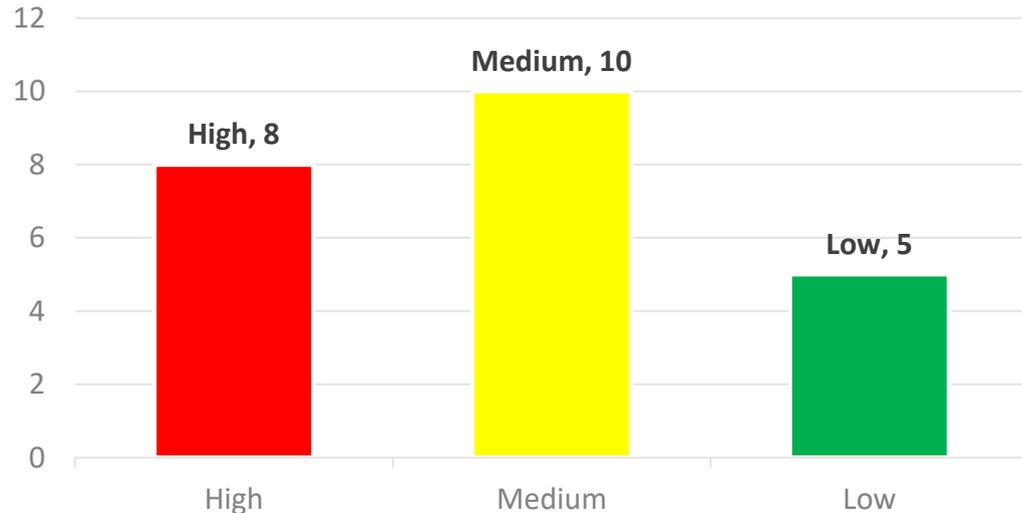
Office of the Chief Auditor

Number of Recommendations

Performance Measure	Goal	Progress	Benchmark
Number of Recommendations	19	23	19

Rating of Recommendation

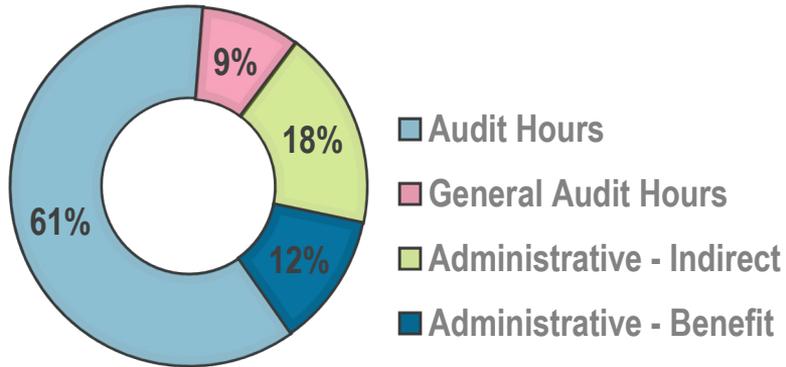
*** All
Recommendations
Accepted by
Management ***



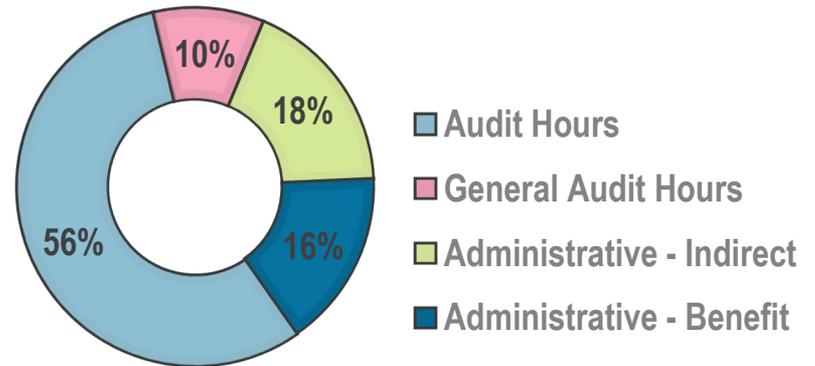
Auditor Utilization

Performance Measure	Goal	Progress	Benchmark
Percentage of Staff Time Spent on Audit Activities	70%	66% / 69% including /excluding Chief Auditor	70%

GOAL



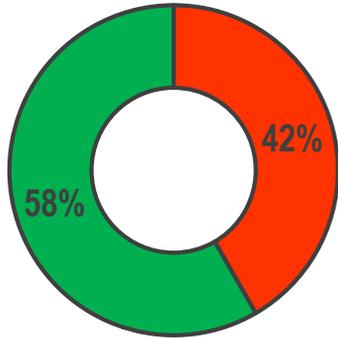
PROGRESS



Audit Budgets

Performance Measure	Goal	Progress	Benchmark
Percentage of Audits Completed within Budgeted Time	80%	58%	75%

Audits Completed



- Over Budget
- Under Budget

Audit Hours

Budgeted	3,500
Actual	3,256
Total Hours Under Budget	244

Auditee Satisfaction

Performance Measure	Goal	Progress	Benchmark
Auditee Satisfaction Rating	4.0	4.8	4.0

“ ”

“This one [audit] was complicated in that it was of an entire program...and took longer than normal because of that. We worked very well together and got it accomplished. Nice job.”

General Audit Activities - Recommendations

Recommendation Follow up

Status as of March 31, 2020			
Completed	In Progress	Not Accepted	Tracked
11*	10**	0	21

* 9 recommendations were completed within the initial timeframe identified for implementation

** 4 recommendations are still within the initial timeframe identified for implementation. All 10 are estimated to be implemented by July 30, 2020

General Audit Activities - Ethics

Ethics Program Summary - January 1, 2020, through March 31, 2020

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)*	Response (email or phone to non-anonymous reports)
General Workplace Concerns					
Workplace Practices/ Behavior	5	-	-	-	-
Security	1	1	-	-	-
Noise	1	-	-	-	-
Total	7	1	-	-	-

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

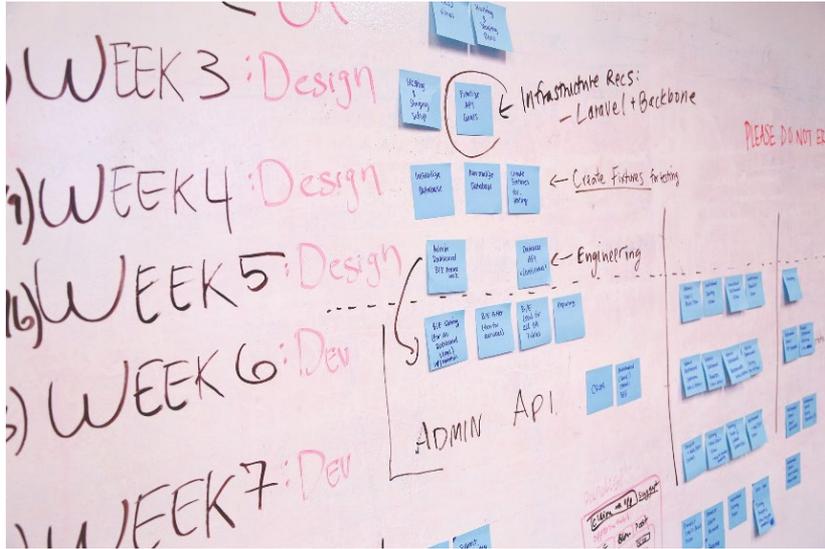
General Audit Activities - Construction



The OCA engaged a construction audit consultant to conduct a comprehensive review of the draft design build contract for the Airport Development Plan.

Recommendations were provided to management for consideration.

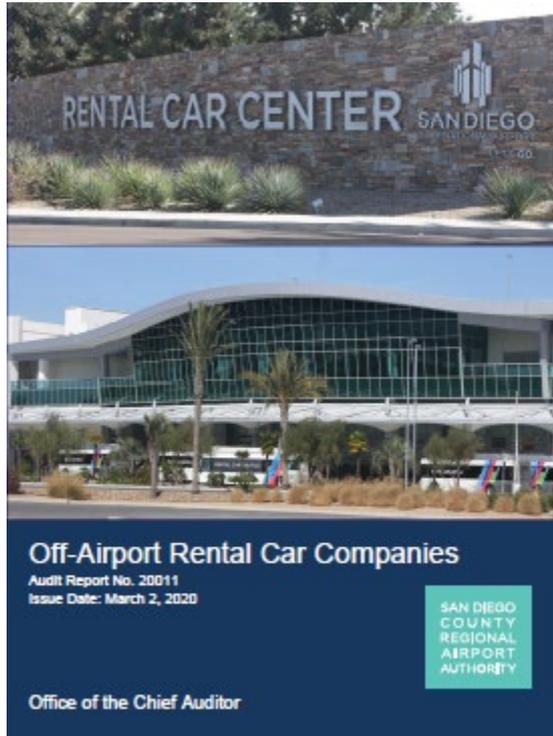
General Audit Activities - Data Analytics



The OCA is working with the data analytics team to develop a program useful for auditing the rent a car operators.

The OCA has provided test data and development of the program is progressing.

Audit Spotlight - Off Airport Rental Car Companies



Background

- Rental Car Companies must have an Agreement to Operate at SDIA
- Companies must remit a concession fee of 10%

Audit Objectives

- Determine if Companies paid the correct concession fee
- Determine if any Companies are operating without an Agreement

Audit Spotlight - Off Airport Rental Car Companies



Conclusion



1 Company paid the correct concession fee



3 Companies did not submit their audited reports; therefore, the OCA is unable to determine if the correct concession fees were paid



6 Companies are operating without an agreement

Audit Spotlight - Off Airport Rental Car Companies

Recommendations

1. Issue cease and desist letters to companies operating without an agreement
2. Obtain the audited reports

**** All Recommendations were accepted by Management ****

Strengths Identified

- The Authority has cited companies operating without an agreement
- The Authority had already issued cease and desist letters to 2 companies

**** 70 Citations had been issued to the companies noted in the Audit Report****

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **MAY 14, 2020**

Subject:

Revision to the Fiscal Year 2020 Audit Plan of the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

The Charter for the Office of the Chief Auditor, instituted by Board Resolution No. 2003-062 on October 2, 2003, and most recently amended on October 4, 2018, per Board Resolution No. 2018-0117, 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 an Audit Plan shall be communicated to the Audit Committee prior to being submitted to the Board for approval.

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

The OCAs proposed Audit Plan for Fiscal Year 2020 was accepted by the Audit Committee during its May 13, 2019, meeting, and was subsequently approved on May 30, 2019, by Board Resolution No. 2019-0054. The Audit Plan required a revision during the second quarter of Fiscal Year 2020 to report current operational requirements and to reflect the current status on audits, which had been predicted prior to the start of the Fiscal Year. Changes were reviewed and accepted by the Audit Committee during its November 11, 2019, meeting. The revision was subsequently approved by Board Resolution No. 2019-0109.

The Audit Plan for Fiscal Year 2020 requires an additional revision at this time, based on an evaluation of audits recently performed by the OCA, a management request for consultation/advice on possible changes to concession contract language, a reduction in OCA staff hours available, and a management request for assistance related to COVID-19. The proposed changes include:

1. Revision to the scope of the Tenant Lease Administration and Management audit that converts the audit to a consulting engagement with a reduction in staff hours from 500 hours to 365 hours to complete the engagement.
2. Complete the Harbor Police Contract Management Audit in Fiscal Year 2021. Reduce staff hours planned for the audit from 650 to 150 for audit work being performed in Fiscal Year 2020. Include 500 staff hours in the Fiscal Year 2021 Audit Plan necessary for the completion of the audit.
3. Remove the Advertising Audit in Fiscal Year 2020 based on audit resources available and changes in risk and operations at the Authority.
4. Provide up to 300 hours of assistance to management related to COVID-19, including counsel, advice, facilitation, training, etc.
5. Reduce the total audit hours available in Fiscal Year 2020 by 760 staff hours to reflect the OCA vacancies in the audit intern position. The OCA had one vacancy as of mid-December and was unable to retain the remaining audit intern from mid-March through the end of Fiscal Year 2020 due to COVID-19.

The requested revision to the Fiscal Year 2020 Audit Plan is provided to the Audit Committee for review, with changes indicated, in Attachment A. The Fiscal Year 2020 Audit Plan, with the proposed changes incorporated, is provided as Attachment B.

Fiscal Impact:

The Chief Auditor Department's adopted Operating Expense Budget for Fiscal Year 2020 and conceptually approved budget for Fiscal Year 2021 meet the allotted budget requirements for the proposed revision to the Fiscal Year 2020 Audit Plan.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy
 Customer Strategy
 Employee Strategy
 Financial Strategy
 Operations Strategy

Focus Areas

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

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR

Office of the Chief Auditor
Fiscal Year 2020 Audit Plan
Proposed May 14, 2020

Key Work Activity	Objective	Hours
Audit Hours		
Owner Controlled Insurance Program (OCIP) Management ¹	To determine if the internal controls and management of the OCIP program are effective and if the Authority complies with Policies.	300
IT Asset Acquisition ¹	To determine if the controls, compliance, and performance related to the Authority's information technology acquisition and implementation are adequate.	320
Capital and Maintenance Project Selection and Planning ¹	Evaluate the Authority's capital and maintenance project selection and planning process.	110
Transportation Network Company (TNC) Reviews and Assistance ¹	Working with the Ground Transportation Department, review TNC operations, and assist with sample selection of TNC operators for background checks.	120
Small Business Development Management ¹	Review controls, compliance, and performance related to Small Business Development management.	130
Automated License Plate Reader (ALPR) System – Ace Parking ¹	Review privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system.	100
Leigh Fisher & Associates ¹	Review contract expenditures providing airport planning consulting services, with an estimated maximum contract amount of \$9,367,875.	50
Tenant Lease Admin. and Management	To determine if Revenue Generation & Business Development effectively and efficiently tracks and manages contracts and agreement requirements.	800
Harbor Police Contract Management	To determine if Harbor Police costs and services are appropriate and equitable.	650 150 ²
Account Provisioning and De-Provisioning	To determine if account provisioning and de-provisioning is performed timely.	225
Formal Bidding and Contracting	To determine if bidding procedures align with best practices and/or Authority needs and if bidding procedures are being administered effectively and efficiently.	600
Rental Car Shuttle Service Contract Administration	To determine if the Rental Car Shuttle Service contract with SP+ is administered appropriately.	500
Contractor Monitoring	To determine if the contract with AECOM is administered appropriately.	450
Contractor Monitoring	To determine if the contract with Turner is administered appropriately.	300
Tenant Lease Admin. and Management	To determine if the concession revenue and Customer Facilities Charges received from Nevada Lease and Rental Inc. dba Payless Car Rental System are in accordance with the agreement.	400

¹ Audit Activity has been carried forward from Fiscal Year 2019.

² This Audit Activity has been started and will be carried over to Fiscal Year 2021.

Office of the Chief Auditor
Fiscal Year 2020 Audit Plan
Proposed May 14, 2020

Key Work Activity	Objective	Hours
Advertising	To determine if the marketing program for concessions is administered appropriately.	425
Tenant Lease Administration and Management	To determine if rental car companies, not located in the Rental Car Facility (RCC), are remitting amounts due in accordance with the agreements and are administered appropriately.	450
Change Orders	To determine if the Change Order Process in Airport Design and Construction aligns with best practices or Authority needs.	450
Terminal Maintenance & Airport and Tenant Service Requests	To determine if Facilities Management accurately and appropriately monitors time and expense tracking.	475
Tenant Lease Admin. and Management	To determine if contract terms for concession contracts managed by Revenue Generation & Business Development aligns with best practices and/or Authority needs.	500
Parking Management Contract Administration	To determine if the amounts paid by the Authority for the shuttle and parking contracts administered by Ace are in accordance with the agreements.	500
Business and Real Estate Agreements	To determine if the RCC land lease is administered appropriately.	375
To Be Determined	To initiate audit(s) based on risks identified at the discretion of the Chief Auditor.	350
Total Audit Hours		8,580 7,155
Consulting Hours		
Tenant Lease Admin. and Management	To provide advice to the Revenue Generation & Business Development Department on contract language within the contracts managed by the department.	365
COVID-19	To provide assistance to management related to COVID-19. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	300
Total Consulting Hours		665
General Audit Hours		
Risk Assessment and Audit Plan ³	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	240
Construction Meeting Attendance	Attend various construction meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	100
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	180
Development of Data Analytics	To determine the feasibility of developing a data analytics program for Rental Car Concessions.	120
Ethics Program ⁴	To review ethics policies, provide training, and investigate reported incidents.	200
Recommendation Follow-up ²	To verify that internal and external audit recommendations have been implemented as intended.	95

³ Required activity in the Charter for the Office of the Chief Auditor.

⁴ Required activity in the Charter of the Audit Committee.

Office of the Chief Auditor
Fiscal Year 2020 Audit Plan
Proposed May 14, 2020

Key Work Activity	Objective	Hours
Quality Assurance & Improvement Program ²	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	200
Total General Audit Hours		1,135
Administrative Hours		
Administrative	Attendance at Staff/Board/Committee meetings, vacation, holiday time, Continuing Professional Education, and other.	4,205
Total Hours		13,920

Office of the Chief Auditor
Fiscal Year 2020 Audit Plan
Proposed May 14, 2020

Key Work Activity	Objective	Hours
Audit Hours		
Owner Controlled Insurance Program (OCIP) Management ¹	To determine if the internal controls and management of the OCIP program are effective and if the Authority complies with Policies.	300
IT Asset Acquisition ¹	To determine if the controls, compliance, and performance related to the Authority's information technology acquisition and implementation are adequate.	320
Capital and Maintenance Project Selection and Planning ¹	Evaluate the Authority's capital and maintenance project selection and planning process.	110
Transportation Network Company (TNC) Reviews and Assistance ¹	Working with the Ground Transportation Department, review TNC operations, and assist with sample selection of TNC operators for background checks.	120
Small Business Development Management ¹	Review controls, compliance, and performance related to Small Business Development management.	130
Automated License Plate Reader (ALPR) System – Ace Parking ¹	Review privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system.	100
Leigh Fisher & Associates ¹	Review contract expenditures providing airport planning consulting services, with an estimated maximum contract amount of \$9,367,875.	50
Tenant Lease Admin. and Management	To determine if Revenue Generation & Business Development effectively and efficiently tracks and manages contracts and agreement requirements.	800
Harbor Police Contract Management	To determine if Harbor Police costs and services are appropriate and equitable.	150 ²
Account Provisioning and De-Provisioning	To determine if account provisioning and de-provisioning is performed timely.	225
Formal Bidding and Contracting	To determine if bidding procedures align with best practices and/or Authority needs and if bidding procedures are being administered effectively and efficiently.	600
Rental Car Shuttle Service Contract Administration	To determine if the Rental Car Shuttle Service contract with SP+ is administered appropriately.	500
Contractor Monitoring	To determine if the contract with AECOM is administered appropriately.	450
Contractor Monitoring	To determine if the contract with Turner is administered appropriately.	300
Tenant Lease Admin. and Management	To determine if the concession revenue and Customer Facilities Charges received from Nevada Lease and Rental Inc. dba Payless Car Rental System are in accordance with the agreement.	400
Tenant Lease Administration and Management	To determine if rental car companies, not located in the Rental Car Facility (RCC), are remitting amounts due in accordance with the agreements and are administered appropriately.	450

¹ Audit Activity has been carried forward from Fiscal Year 2019.

² This Audit Activity has been started and will be carried over to Fiscal Year 2021.

Office of the Chief Auditor
Fiscal Year 2020 Audit Plan
Proposed May 14, 2020

Key Work Activity	Objective	Hours
Change Orders	To determine if the Change Order Process in Airport Design and Construction aligns with best practices or Authority needs.	450
Terminal Maintenance & Airport and Tenant Service Requests	To determine if Facilities Management accurately and appropriately monitors time and expense tracking.	475
Parking Management Contract Administration	To determine if the amounts paid by the Authority for the shuttle and parking contracts administered by Ace are in accordance with the agreements.	500
Business and Real Estate Agreements	To determine if the RCC land lease is administered appropriately.	375
To Be Determined	To initiate audit(s) based on risks identified at the discretion of the Chief Auditor.	350
Total Audit Hours		7,155
Consulting Hours		
Tenant Lease Admin. and Management	To provide advice to Revenue Generation & Business Development on contract language in contracts managed by Revenue Generation and Business Development.	365
COVID-19	To provide assistance to management related to COVID-19. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	300
Total Consulting Hours		665
General Audit Hours		
Risk Assessment and Audit Plan ³	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	240
Construction Meeting Attendance	Attend various construction meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	100
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	180
Development of Data Analytics	To determine the feasibility of developing a data analytics program for Rental Car Concessions.	120
Ethics Program ⁴	To review ethics policies, provide training, and investigate reported incidents.	200
Recommendation Follow-up ²	To verify that internal and external audit recommendations have been implemented as intended.	95
Quality Assurance & Improvement Program ²	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	200
Total General Audit Hours		1,135
Administrative Hours		
Administrative	Attendance at Staff/Board/Committee meetings, vacation, holiday time, Continuing Professional Education, and other.	4,205
Total Hours		13,160

³ Required activity in the Charter for the Office of the Chief Auditor.

⁴ Required activity in the Charter of the Audit Committee.



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

Revision to the
Fiscal Year 2020 Audit Plan of
the Office of the Chief Auditor

Audit Committee Meeting
May 14, 2020

Tenant Lease Administration and Management Audit

Revise the scope of the Tenant Lease Administration and Management – Concession Contracts audit. Convert the *audit* to a *consulting engagement*.

Old Scope – Determine if contract terms align with best practices and/or Authority needs



New Scope - Provide advice on contract language



Information can be shared in real time



Advice can be provided in a format that meets management needs (e.g., memo or verbal)



Auditor workpapers can vary in form and content

Harbor Police & Advertising

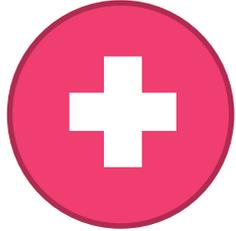


Reduce staff hours planned for the Fiscal Year 2020 Harbor Police Contract Management audit from 650 hours to 150 hours



Remove the Advertising Audit in Fiscal Year 2020 based on audit resources available and changes in risk and operations at the Authority

COVID-19 & Audit Intern Staffing



Provide COVID-19 consulting engagements



Reduce the audit hours available due to vacancies in the audit intern positions



This is a reduction of approximately 760 hours

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **MAY 14, 2020**

Subject:

Fiscal Year 2021 Risk Assessment and Proposed Audit Plan of the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

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

The Fiscal Year 2021 Proposed Audit Plan was prepared by the Chief Auditor based on the following elements: a comprehensive risk assessment; input from the Board Members and Audit Committee; input from Authority management; and, the review of staff resources available. Details on the Fiscal Year 2021 Risk Assessment methodology are included in Attachment A.

The Proposed Fiscal Year 2021 Audit Plan will be presented during the regularly scheduled meeting of the Audit Committee on May 14, 2020. The 2021 Audit Plan, and any subsequent revisions, requires five (5) affirmative votes of the Audit Committee prior to Board approval.

Fiscal Impact:

The proposed Fiscal Year 2021 Operating Budget for the Office of the Chief Auditor to execute the Fiscal Year 2021 Audit Plan is \$1,228,000. In addition, the OCA will augment its staff for audit work pertaining to the Airport Development Plan (ADP) by utilizing a professional construction audit consulting firm with expertise in large construction projects. The estimated cost for ADP construction auditing is approximately \$1,500,000 over the next three to seven years.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



Fiscal Year 2021 Risk Assessment and Proposed Audit Plan

Office of the Chief Auditor
May 14, 2020



Office of the Chief Auditor
Fiscal Year 2021 Risk Assessment and Proposed Audit Plan

INTRODUCTION

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

A risk assessment for audit planning is a process of systematically scoring (or rating) the relative impact of a variety of “risk factors.” A risk factor is an observable or measurable indicator of conditions or events that could adversely affect the San Diego County Regional Airport Authority (Authority). This Risk Assessment and Audit Plan were prepared to help identify, measure, and prioritize potential audit activities based on their level of risk to the Authority. The risk assessment results and input received from the Authority Board, Audit Committee, and management, were utilized in preparing the Audit Plan for Fiscal Year 2021. The proposed Audit Plan is designed to cover high risk activities or areas where the OCA could have the greatest impact, while limiting the scope of work to what can realistically be accomplished during the fiscal year.

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2021 Audit Plan is a five-part process consisting of:

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

DEVELOPING THE RISK ASSESSMENT FRAMEWORK

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

DEFINING THE AUDIT UNIVERSE

The first step in creating the risk assessment is to define the audit universe. The audit universe is a listing of all the potential audits that can be performed for the Authority. This list of potential audits was created by surveying management and asking them to list all the Key Work Activities within the Authority.

IDENTIFYING AND RANKING RISKS

The next step is to identify and rank major risks associated with each Key Work Activity. To achieve this, a management questionnaire was developed that measures several risk factors examining the Likelihood and Impact each risk factor could have on the Authority.

Office of the Chief Auditor
Fiscal Year 2021 Risk Assessment and Proposed Audit Plan

The questionnaire that was developed used seven risk factors, shown in the table below.

Table 1

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

In the questionnaire, management scored the level of risk/control of each Key Work Activity from Low to High for their specific department. The final step performed to complete the Risk Assessment was to compile questionnaire scores and to calculate the total Likelihood and Impact for each Key Work Activity, in order from highest risk score to the lowest (**See Attachment 3**).

INTERPRETING THE RISK ASSESSMENT RESULTS

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

DEVELOPING THE AUDIT PLAN

The Audit Plan reflects the results of a continuous Risk Assessment process gathered from various sources including, but not limited to, management questionnaires, interviews with staff, and results of previous audits and consulting engagements. Additionally, selection of activities for the Audit Plan includes examining various factors, such as: time of last audit engagement, velocity of impact if a risk event were to occur, relevant or current events, areas where the OCA can have the greatest impact, requests by management or Board, resource limitations that may exist, and if outsourcing or co-

Office of the Chief Auditor
Fiscal Year 2021 Risk Assessment and Proposed Audit Plan

sourcing arrangements are available to supplement the Audit Plan. This can result in the OCA selecting activities for inclusion in the Audit Plan that may not have the highest Likelihood or Impact scores. The Audit Plan reflects consideration of all of these factors. The Audit Plan is included as **Attachment 1**.

AUDIT RESOURCES

An Audit Plan is highly dependent upon the nature of the risks identified and the availability of internal audit resources. Such availability is identified through the budgeting process and examination of staffing resources. The Fiscal Year 2021 budget for the OCA includes six full-time auditors, one part-time intern, and one executive assistant. The Audit Plan anticipates 12,920 staff hours will be available, as calculated below in Table 2, and as detailed in Attachment 1.

Table 2

Office of the Chief Auditor	Number of Staff	Hours per Staff	Hours Available
Full Time Auditors	6	2,080	12,480
Intern	1	440	440
Hours Available for Audit Activities			12,920

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

CONTINGENT AUDIT ACTIVITIES

The OCA has also included contingent audit activities that will be started if all planned activities for Fiscal Year 2021 are completed. If these contingent audit activities are not started in fiscal year 2021, they will be considered when completing the Fiscal Year 2022 Audit Plan. Contingent audit activities are included as **Attachment 2**.

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

AMENDMENTS TO THE AUDIT PLAN

Requests to amend the Audit Plan will be presented to the Audit Committee with an analysis of the impact that the proposed activity would have on the other activities on the Audit Plan. Priority will be given to requests that have the potential for significant financial savings and issues of integrity. The Board must approve an amendment.

Line No. ¹	Key Work Activity	Objective ²	Estimated Hours
Audit Hours			
Various	Internal Controls in place while staff is working remotely	To determine if the key internal controls in place are adequate or appropriate when staff is working remotely.	325
1	Formal Bidding and Contracting ³	To determine if bidding procedures align with best practices and/or Authority needs and if bidding procedures are being administered effectively and efficiently.	350
4	System Security	To determine the level of compliance with the Authority's information security policies.	495
4	System Security	To evaluate the Authority's security posture by performing penetration testing.	250
11	Harbor Police Contract Management ³	To determine if Harbor Police costs and services are appropriate and equitable.	500
14	Parking Management Contract Administration ³	To determine if the amounts paid by the Authority for the shuttle and parking contracts administered by Ace are in accordance with the agreements.	150
20	Emergency & Single Source Purchases	To determine if purchases made during an emergency or from sole sources are appropriate and reasonable.	425
38	Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	To determine if the processes and controls in place for automobile citations are adequate and appropriate.	450
41	Rental Car Shuttle Service Contract Administration	To determine if the Rental Car Shuttle Service operations are administered appropriately.	450
67	Commercial Vehicle Licensing, Permitting, & Revenue Collection	To determine the adequacy and accuracy of the Gate Keeper system.	450
70	Contractor Monitoring	To determine if the contract with Sundt is administered appropriately.	500
80	Accounts Payable	To determine if the internal controls in the procurement to pay cycle are adequate and appropriate.	475
86	Employee Benefits	To determine if the processes and controls in place for employee benefit payments are adequate and appropriate.	450
112	Arts Program Administration	To determine if the Authority's Arts Program is administered appropriately.	475
N/A	To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	737
Total Audit Hours			6,482

¹ Indicates the Line Number where the Key Work Activity is located on the Risk Assessment – Attachment 3.

² Objective may change based on the preliminary survey performed by the OCA.

³ Audit Activity has been carried forward from Fiscal Year 2020.

General Audit Hours			
Various	Construction Meeting Attendance & External Service Provider Procurement and Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments, and initiate audits if needed. Additionally, evaluate OCA construction auditing expertise needed for Airport Development Plan. Procure services as needed.	380
N/A	Development of Data Analytics	Develop a data analytics program for rental car concessions and potentially in-terminal concessions.	600
N/A	Ethics Hotline ⁴	To review ethics policies, provide training, and investigate reported incidents.	330
Various	Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	130
N/A	Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) reciprocal requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180
N/A	Quality Assurance & Improvement Program ⁴	To assess OCAs conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and to allow for the identification of improvement opportunities.	300
N/A	Recommendation Follow-up ⁴	To verify that internal and external audit recommendations have been implemented as intended.	140
N/A	Risk Assessment and Audit Plan ⁴	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	225
		Total General Audit Hours	2,285
Administrative Hours			
N/A	Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other.	2,145
N/A	Administrative - Benefit	Vacation, Holiday Time, and Other Leave/Time Off.	2,008
		Total Administrative	4,153
		Total Hours	12,920

⁴ Required activity in the Charter for the Office of the Chief Auditor.

Line No. ⁵	Key Work Activity	Objective ⁶	Estimated Hours
Contingent Audit Hours			
3	Manage the Business Continuity Plan	To determine if the Business Continuity Plan adequately addresses risks and contains an adequate response plan.	450
15	TNC Contract Administration & Revenue Collection	To determine if the Transportation Network Company (TNC) Contract is administered appropriately.	475
47	Advertising	To determine if the marketing program for concessions is administered appropriately.	425
66	Pension Funding	To determine if the census data sent to SDCERS is accurate and if the retirement plan is administered appropriately by the Authority.	500
94	Accounts Receivable / Collections	To evaluate the deferral of revenues related to the COVID-19 pandemic.	400
111	Management of ALUC, Board, and Standing Board Committee Meetings	To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate.	400
125	Maintenance Service Contracts Oversight	To determine if the processes and controls in place for labor compliance are adequate and appropriate.	450
183	Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	375
		Total Contingent Audit Hours	3,475

⁵ Indicates the Line Number where the Key Work Activity is located on the Risk Assessment – Attachment 3.

⁶ Objective may change based on the preliminary survey performed by the OCA.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2021**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
1	Procurement	Finance	Formal Bidding and Contracting *	Medium	Medium to High
2	Finance, Accounting, & Airline Management	Finance	Debt Management	Medium	Medium to High
3	Aviation Security & Public Safety	Operations	Manage the Business Continuity Plan	Medium to High	Medium
4	Information & Technology Services	Finance	System Security	Medium	Medium to High
5	Airport Design & Construction	Development	CEQA / Costal / EIR / NEPA	Medium to High	Medium
6	Procurement	Finance	Vendor Selection *	Medium	Medium to High
7	Aviation Security & Public Safety	Operations	Contract Security Personnel Management *	Medium	Medium
8	Planning & Environmental Affairs	Development	State/Federal Environmental Review	Medium	Medium
9	Finance, Accounting, & Airline Management	Finance	Treasury/Cash Management *	Medium	Medium
10	Finance, Accounting, & Airline Management	Finance	Plan of Finance	Medium	Medium
11	Aviation Security & Public Safety	Operations	Harbor Police Contract Management *	Medium	Medium to High
12	Media & Public Relations	External Affairs	Government Relations	Medium	Medium
13	Aviation Security & Public Safety	Operations	Security Systems O&M (NSEI) Contract Management *	Medium	Medium to High
14	Ground Transportation	Operations	Parking Management Contract Administration *	Medium	Medium
15	Ground Transportation	Operations	TNC Contract Administration & Revenue Collection *	Medium	Medium
16	Revenue Generation & Business Development	Revenue Management & Business Development	Tenant operational inspections for lease compliance and refurbishments *	Medium	Medium to High
17	Aviation Security & Public Safety	Operations	Airport Operations/Communications Center Management	Medium to High	Medium
18	Marketing & Air Service Development	Revenue Management & Business Development	Air Service Management	Medium	Medium to High
19	Finance, Accounting, & Airline Management	Finance	OCIP *	Medium	Medium
20	Procurement	Finance	Emergency & Single Source Purchases	Medium	Medium
21	Finance, Accounting, & Airline Management	Finance	Airline/Terminal Rates, Fees & Charges *	Medium	Medium
22	Finance, Accounting, & Airline Management	Finance	Grant, PFC, & CFC Administration *	Medium	Medium
23	Aviation Security & Public Safety	Operations	Airfield and Terminal Management Emergency Response	Medium to High	Low to Medium
24	Revenue Generation & Business Development	Revenue Management & Business Development	Tenant Development & Major Reconstruction	Low to Medium	Medium to High
25	Ground Transportation	Operations	Employee Parking Card and Policy Administration *	Medium	Medium
26	Revenue Generation & Business Development	Revenue Management & Business Development	Business and Real Estate Agreements *	Medium	Medium
27	Customer Experience & Innovation	Revenue Management & Business Development	Business Development	Medium	Medium
28	Customer Experience & Innovation	Revenue Management & Business Development	Small Business Management *	Medium	Medium
29	Media & Public Relations	External Affairs	Records Management	Medium to High	Low to Medium
30	Airside & Terminal Operations	Operations	Baggage System Delivery	Low to Medium	Medium to High
31	Airside & Terminal Operations	Operations	Tenant Communications	Low to Medium	Medium
32	Revenue Generation & Business Development	Revenue Management & Business Development	Tenant Lease Admin. and Management (Excludes Airlines, ground handling, and parking) *	Medium	Medium
33	Airside & Terminal Operations	Operations	ARFF Management *	Low	High
34	Airside & Terminal Operations	Operations	Terminal Safety Inspections	Low	Medium to High
35	Procurement	Finance	Purchase Goods and Services	Low to Medium	Medium
36	Revenue Generation & Business Development	Revenue Management & Business Development	Business Development Solicitations (RFP/RFQ)	Medium	Medium
37	Revenue Generation & Business Development	Revenue Management & Business Development	Metrics and Analytics for commercial business opportunities	Medium	Medium
38	Ground Transportation	Operations	Traffic Control, Vehicle Insp. , Code Comp. , Citations & Notice of Violation Admin.	Medium	Low to Medium
39	Airport Design & Construction	Development	GMP Cost Estimates *	Low to Medium	Medium
40	Ground Transportation	Operations	Customer, Employee, and Inter-terminal Shuttle Operations Contract Management	Low to Medium	Medium
41	Ground Transportation	Operations	Rental Car Shuttle Service Contract Administration *	Low to Medium	Medium

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2021 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2021**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
42	Procurement	Finance	Amendments & Change Orders *	Low to Medium	Medium to High
43	Airside & Terminal Operations	Operations	Airfield Operations Management (Ramp Control, Irregular gate activities)	Low	Medium to High
44	Airside & Terminal Operations	Operations	Airfield Safety/Operational Training	Low	Medium to High
45	Customer Experience & Innovation	Revenue Management & Business Development	Certification Program	Medium	Low to Medium
46	Customer Experience & Innovation	Revenue Management & Business Development	Small Business Bonding *	Medium	Medium
47	Marketing & Air Service Development	Revenue Management & Business Development	Advertising *	Medium	Medium
48	Revenue Generation & Business Development	Revenue Management & Business Development	Marketing & Leasing of Authority Property	Low to Medium	Medium
49	Revenue Generation & Business Development	Revenue Management & Business Development	Tenant Communications and dispute resolution	Low to Medium	Medium
50	Airside & Terminal Operations	Operations	Custodial & Waste Collection Administration	Low to Medium	Medium
51	Customer Experience & Innovation	Revenue Management & Business Development	DBE/ACDBE Report	Medium	Low to Medium
52	Planning & Environmental Affairs	Development	Industrial Hygiene (Indoor Air Quality)	Low to Medium	Medium
53	Ground Transportation	Operations	Airport Ground Transportation Operations Management	Low to Medium	Medium
54	Planning & Environmental Affairs	Development	Wildlife & Habitat Preservation	Low to Medium	Medium
55	Planning & Environmental Affairs	Development	Stormwater Permitting & Enforcement *	Low to Medium	Medium
56	Finance, Accounting, & Airline Management	Finance	Operating & Capital Budgeting *	Medium	Low to Medium
57	Finance, Accounting, & Airline Management	Finance	Revenue & Expense Forecasting	Medium	Low to Medium
58	Finance, Accounting, & Airline Management	Finance	Risk Analysis of Agreements, Pos, Equipment	Low to Medium	Medium
59	Marketing & Air Service Development	Revenue Management & Business Development	Social media	Medium	Low to Medium
60	Revenue Generation & Business Development	Revenue Management & Business Development	Acquisition and Disposal of Real Property and Real Property Rights	Low to Medium	Medium
61	Talent, Culture & Capability	Talent, Culture & Capability	Labor & Employee Relations	Low to Medium	Medium
62	Airside & Terminal Operations	Operations	Tenant Operations (Repairs, Start-up, Respond) *	Low to Medium	Medium
63	Ground Transportation	Operations	Lost & Found	Low to Medium	Low to Medium
64	Finance, Accounting, & Airline Management	Finance	Insurance Claims	Low to Medium	Low to Medium
65	Finance, Accounting, & Airline Management	Finance	Payroll *	Low to Medium	Medium
66	Finance, Accounting, & Airline Management	Finance	Pension Funding	Low to Medium	Medium
67	Ground Transportation	Operations	Commercial Vehicle Licensing, Permitting, & Revenue Collection	Low to Medium	Medium
68	Marketing & Air Service Development	Revenue Management & Business Development	Website / Webmaster	Low to Medium	Low to Medium
69	Revenue Generation & Business Development	Revenue Management & Business Development	Enhancement of existing business agreements	Low to Medium	Low to Medium
70	Airport Design & Construction	Development	Contractor Monitoring *	Low to Medium	Low to Medium
71	Airport Design & Construction	Development	Development of Programmatic Schedule	Medium	Low to Medium
72	Finance, Accounting, & Airline Management	Finance	Risk Identification & Assessment	Low to Medium	Low to Medium
73	Finance, Accounting, & Airline Management	Finance	Travel Services	Medium	Low to Medium
74	Facilities Management	Operations	Runway Maintenance	Low	Medium
75	Media & Public Relations	External Affairs	Public & Media Relations and Community Outreach	Low to Medium	Medium
76	Finance, Accounting, & Airline Management	Finance	OPEB	Medium	Low to Medium
77	Procurement	Finance	Receiving and Recording	Medium	Low to Medium
78	General Counsel	General Counsel	Ordinances, Resolutions, Codes, & Policies	Low to Medium	Medium
79	Airport Design & Construction	Development	GMP Change Orders *	Low to Medium	Low to Medium
80	Finance, Accounting, & Airline Management	Finance	Accounts Payable	Low to Medium	Medium
81	Information & Technology Services	Finance	Disaster Recovery	Low to Medium	Low to Medium
82	Information & Technology Services	Finance	IT Security Physical Environment	Low to Medium	Medium

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2021 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2021**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
83	Finance, Accounting, & Airline Management	Finance	Invoicing/Billing Sales	Low to Medium	Low to Medium
84	Information & Technology Services	Finance	Application Management (E1, DocuShare)	Low to Medium	Low to Medium
85	Talent, Culture & Capability	Talent, Culture & Capability	Compensation and Rewards	Low to Medium	Low to Medium
86	Talent, Culture & Capability	Talent, Culture & Capability	Employee Benefits	Low to Medium	Low to Medium
87	Talent, Culture & Capability	Talent, Culture & Capability	Personnel Recruitment	Low to Medium	Low to Medium
88	Airport Design & Construction	Development	Consultant Design Reviews *	Medium	Low to Medium
89	Airport Design & Construction	Development	Cost Schedule Trends	Medium	Low to Medium
90	Airport Design & Construction	Development	Retention Release	Low	Medium
91	Finance, Accounting, & Airline Management	Finance	Cost Accounting	Medium	Low to Medium
92	Finance, Accounting, & Airline Management	Finance	Insurance Coverage	Low	Medium
93	Procurement	Finance	P Card Administration *	Medium	Low to Medium
94	Finance, Accounting, & Airline Management	Finance	Accounts Receivable / Collections	Low to Medium	Medium
95	Board Services	External Affairs	Maintain Authority Agreements, Contracts and Leases	Low to Medium	Low to Medium
96	Board Services	External Affairs	Manage the Authority Privacy Policy and Requirements *	Low to Medium	Low to Medium
97	Airside & Terminal Operations	Operations	Customer Service Activities (Interpreter, Ambassadors, Escorts, etc.)	Low	Medium
98	Airside & Terminal Operations	Operations	Terminal Work Orders	Low	Medium
99	Ground Transportation	Operations	GT Environmental Program Administration	Low to Medium	Low to Medium
100	Finance, Accounting, & Airline Management	Finance	Financial Reporting/Management Reports	Low to Medium	Low to Medium
101	Aviation Security & Public Safety	Operations	Security Policy/Procedure Performance and Management	Low	Medium
102	Airport Design & Construction	Development	City Plan Check	Medium	Low
103	Airport Design & Construction	Development	Project Development Management	Low to Medium	Low to Medium
104	Information & Technology Services	Finance	Contract Management *	Medium	Low
105	General Counsel	General Counsel	Review and approval of legal form for Authority Documents (Leases, Contracts, Bonds)	Low to Medium	Low to Medium
106	Airside & Terminal Operations	Operations	Signage Management *	Low to Medium	Low to Medium
107	Customer Experience & Innovation	Revenue Management & Business Development	Small Business Outreach	Low to Medium	Low to Medium
108	Airport Design & Construction	Development	Establish Project Budget & Schedules *	Low to Medium	Low to Medium
109	Aviation Security & Public Safety	Operations	Federal & State Regulation Compliance (Security and Emergency Preparedness)	Low to Medium	Low to Medium
110	Planning & Environmental Affairs	Development	Airport Land Use Compatibility Planning *	Low to Medium	Low to Medium
111	Board Services	External Affairs	Management of ALUC, Board and Standing Board Committee Meetings	Low to Medium	Low to Medium
112	Customer Experience & Innovation	Revenue Management & Business Development	Arts Program Administration *	Low to Medium	Low to Medium
113	Finance, Accounting, & Airline Management	Finance	Interim Closings	Low to Medium	Low to Medium
114	Information & Technology Services	Finance	IT Asset Acquisition *	Low to Medium	Low to Medium
115	Procurement	Finance	Storage and Distribution Services *	Low to Medium	Low to Medium
116	Procurement	Finance	Surplus *	Low to Medium	Low to Medium
117	Planning & Environmental Affairs	Development	Airport Ground Access Planning	Low	Medium
118	Talent, Culture & Capability	Talent, Culture & Capability	Personnel Records Management	Low to Medium	Low
119	Airport Design & Construction	Development	Tenant Advisories & NOTAM's	Low to Medium	Low to Medium
120	Planning & Environmental Affairs	Development	Airport wide & Facilities Master Planning *	Low to Medium	Low to Medium
121	Airside & Terminal Operations	Operations	Management of Customer Wait Times	Low to Medium	Low to Medium
122	Facilities Management	Operations	Airport and Tenant Service Requests *	Low	Low to Medium
123	Facilities Management	Operations	ARRF Facilities	Low	Low to Medium

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2021 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2021**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
124	Facilities Management	Operations	Fuel Maintenance (Diesel, CNG) *	Low	Low to Medium
125	Facilities Management	Operations	Maintenance Service Contracts Oversight *	Low	Low to Medium
126	Facilities Management	Operations	Major Maintenance & CIP projects *	Low	Low to Medium
127	Facilities Management	Operations	Terminal Maintenance *	Low	Low to Medium
128	Facilities Management	Operations	Utility Management *	Low	Low to Medium
129	Facilities Management	Operations	Vehicles & Equipment Maintenance *	Low	Low to Medium
130	Talent, Culture & Capability	Talent, Culture & Capability	Employee Safety Program	Low to Medium	Low to Medium
131	Airport Design & Construction	Development	Evaluation & Award of Bid *	Low to Medium	Low to Medium
132	Planning & Environmental Affairs	Development	Air Quality & Greenhouse Gas Emissions Management	Low to Medium	Low to Medium
133	Planning & Environmental Affairs	Development	Quieter Homes Program (Residential Sound Insulation) *	Low to Medium	Low to Medium
134	Aviation Security & Public Safety	Operations	Airport Security Program Administration (Fingerprint, SIDA, Access Control) *	Low to Medium	Low to Medium
135	Talent, Culture & Capability	Talent, Culture & Capability	Workers Compensation	Low to Medium	Low to Medium
136	Airport Design & Construction	Development	Task Authorizations / Task Authorization Amendments	Low to Medium	Low to Medium
137	Finance, Accounting, & Airline Management	Finance	Fixed Asset Management *	Low to Medium	Low to Medium
138	Airport Design & Construction	Development	Design Build Estimate at Complete *	Low to Medium	Low
139	Airport Design & Construction	Development	Record Drawing & Redline Drawings	Low to Medium	Low
140	Airport Design & Construction	Development	Schedule of Values	Low to Medium	Low
141	Airside & Terminal Operations	Operations	Photography/Film/Video/Expressive Activity Permitting	Low	Low to Medium
142	Customer Experience & Innovation	Revenue Management & Business Development	Data Analytics	Low	Low
143	Airport Design & Construction	Development	FAA Funded Projects Letter & Sponsor Certification Forms	Low to Medium	Low to Medium
144	Planning & Environmental Affairs	Development	Airport Noise Advisory Committee (ANAC)	Low to Medium	Low to Medium
145	Government Relations	External Affairs	Monitoring Legislative and Regulatory Activity	Low to Medium	Low to Medium
146	Finance, Accounting, & Airline Management	Finance	Employee Reimbursements *	Low to Medium	Low to Medium
147	Marketing & Air Service Development	Revenue Management & Business Development	Brand Management	Low to Medium	Low to Medium
148	Talent, Culture & Capability	Talent, Culture & Capability	Employee Training & Development (non-regulatory)	Low to Medium	Low to Medium
149	Talent, Culture & Capability	Talent, Culture & Capability	Strategic Workforce Planning	Low to Medium	Low to Medium
150	Airport Design & Construction	Development	Advertisement of Bids	Low to Medium	Low
151	Airport Design & Construction	Development	Bid Specifications / Bid Packages	Low to Medium	Low
152	Airport Design & Construction	Development	GMP Reserve Account	Low to Medium	Low
153	Finance, Accounting, & Airline Management	Finance	CAFR Preparation	Low to Medium	Low
154	Finance, Accounting, & Airline Management	Finance	General Ledger Maintenance	Low to Medium	Low
155	Information & Technology Services	Finance	Change Management	Low to Medium	Low
156	Airport Design & Construction	Development	Consultant Invoices *	Low	Low to Medium
157	Government Relations	External Affairs	Elected/Appointed Official Liaison	Low	Low to Medium
158	Planning & Environmental Affairs	Development	Airport Noise Monitoring & Reporting	Low	Low to Medium
159	Planning & Environmental Affairs	Development	Waste Management	Low	Low to Medium
160	Aviation Security & Public Safety	Operations	Tenant Security Awareness Training	Low	Low to Medium
161	Talent, Culture & Capability	Talent, Culture & Capability	Diversity & Inclusion Program	Low	Low to Medium
162	General Counsel	General Counsel	Litigation Management	Low to Medium	Low to Medium
163	Finance, Accounting, & Airline Management	Finance	Bank Reconciliations	Low to Medium	Low
164	Information & Technology Services	Finance	Incident Management	Low to Medium	Low

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2021 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2021**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
165	Airport Design & Construction	Development	Request for Information	Low	Low to Medium
166	Planning & Environmental Affairs	Development	Curfew Violations	Low	Low to Medium
167	Planning & Environmental Affairs	Development	Noise Compatibility Program	Low	Low to Medium
168	Planning & Environmental Affairs	Development	Sustainability Tracking & Reporting *	Low	Low to Medium
169	Government Relations	External Affairs	Advocate Authority's Position	Low	Low to Medium
170	Aviation Security & Public Safety	Operations	Responding to Violations at SDIA (SDCRAA Code and AR&R)	Low	Low to Medium
171	Airport Design & Construction	Development	Consultant Agreements / Monitoring *	Low	Low to Medium
172	Planning & Environmental Affairs	Development	Brownfield Remediation (Contaminated Site Cleanup)	Low	Low to Medium
173	Aviation Security & Public Safety	Operations	On-Airport Paramedic Services Contract Management *	Low	Low to Medium
174	Customer Experience & Innovation	Revenue Management & Business Development	Innovation Lab operations	Low	Low to Medium
175	Customer Experience & Innovation	Revenue Management & Business Development	Workshops & Trainings	Low to Medium	Low
176	Talent, Culture & Capability	Talent, Culture & Capability	Employee Recognition Program	Low	Low to Medium
177	Talent, Culture & Capability	Talent, Culture & Capability	Internships & Veteran Fellowships	Low	Low to Medium
178	Talent, Culture & Capability	Talent, Culture & Capability	Leadership Development Program	Low	Low to Medium
179	Airport Design & Construction	Development	Change Orders *	Low	Low to Medium
180	Airport Design & Construction	Development	Invoicing	Low to Medium	Low
181	Airport Design & Construction	Development	Liquidated Damages	Low to Medium	Low
182	Government Relations	External Affairs	Government Grant Procurement	Low	Low
183	Information & Technology Services	Finance	Account provisioning/de-provisioning *	Low to Medium	Low
184	Information & Technology Services	Finance	IT Project Management *	Low to Medium	Low
185	Marketing & Air Service Development	Revenue Management & Business Development	Airport Passenger, Cargo and Operations Statistics	Low to Medium	Low
186	Talent, Culture & Capability	Talent, Culture & Capability	Leaves of Absence/Catastrophic Leave	Low to Medium	Low
187	Talent, Culture & Capability	Talent, Culture & Capability	Performance Management	Low to Medium	Low
188	Board Services	External Affairs	Maintain Authority Codes and Policies	Low	Low to Medium
189	Board Services	External Affairs	Manage the AB1234 Training Requirements	Low	Low to Medium
190	Board Services	External Affairs	Provides Administrative Support to the Board and onboarding	Low	Low to Medium
191	Information & Technology Services	Finance	Service Level Agreement Adherence	Low	Low to Medium
192	Aviation Security & Public Safety	Operations	Airport Stakeholder/Law Enforcement Coordination and Interface	Low	Low to Medium
193	Talent, Culture & Capability	Talent, Culture & Capability	Tuition Reimbursement *	Low	Low to Medium
194	Airport Design & Construction	Development	OCIP Enrollment	Low	Low
195	Board Services	External Affairs	Manage Conflict of Interests Filings	Low	Low
196	Talent, Culture & Capability	Talent, Culture & Capability	Career Development Program	Low	Low
197	Talent, Culture & Capability	Talent, Culture & Capability	Employee Surveys	Low	Low
198	Airport Design & Construction	Development	Bulletins	Low	Low
199	Airport Design & Construction	Development	Final Acceptance - Notice of Completion	Low	Low
200	Airport Design & Construction	Development	GMP Payment Applications *	Low	Low
201	Airport Design & Construction	Development	Notice to Proceed *	Low	Low
202	Airport Design & Construction	Development	Pre-Bid Conferences	Low	Low
203	Airport Design & Construction	Development	Project Closeout	Low	Low
204	Airport Design & Construction	Development	Project Information Sheet	Low	Low
205	Airport Design & Construction	Development	Substantial Completion & Punch Lists	Low	Low

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2021 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.

**San Diego County Regional Airport Authority
Risk Assessment Fiscal Year 2021**

Line #	Department	Division	Key Work Activity	Likelihood	Impact
206	Planning & Environmental Affairs	Development	Authority Advisory Committee	Low	Low
207	Board Services	External Affairs	Manage the Authority Lobbyist Program	Low	Low
208	Information & Technology Services	Finance	Asset Management *	Low	Low
209	Information & Technology Services	Finance	Procurement	Low	Low
210	General Counsel	General Counsel	Provide Legal Counsel to Authority and Board	Low	Low
211	Customer Experience & Innovation	Revenue Management & Business Development	Innovation Lab contracts	Low	Low
212	Marketing & Air Service Development	Revenue Management & Business Development	Graphic, Photographic, Web, and Video Services Support	Low	Low
213	Marketing & Air Service Development	Revenue Management & Business Development	Video / Audio productions	Low	Low
214	Talent, Culture & Capability	Talent, Culture & Capability	Wellness Program	Low	Low

Indicates this Key Work Activity, or components of this Key Work Activity, are included in the FY 2021 Audit Plan.

* This Key Work Activity, or components of this Key Work Activity, have been Audited in the last five (5) Fiscal Years.



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

**Fiscal Year 2021
Risk Assessment and
Proposed Audit Plan
of the
Office of the Chief Auditor**

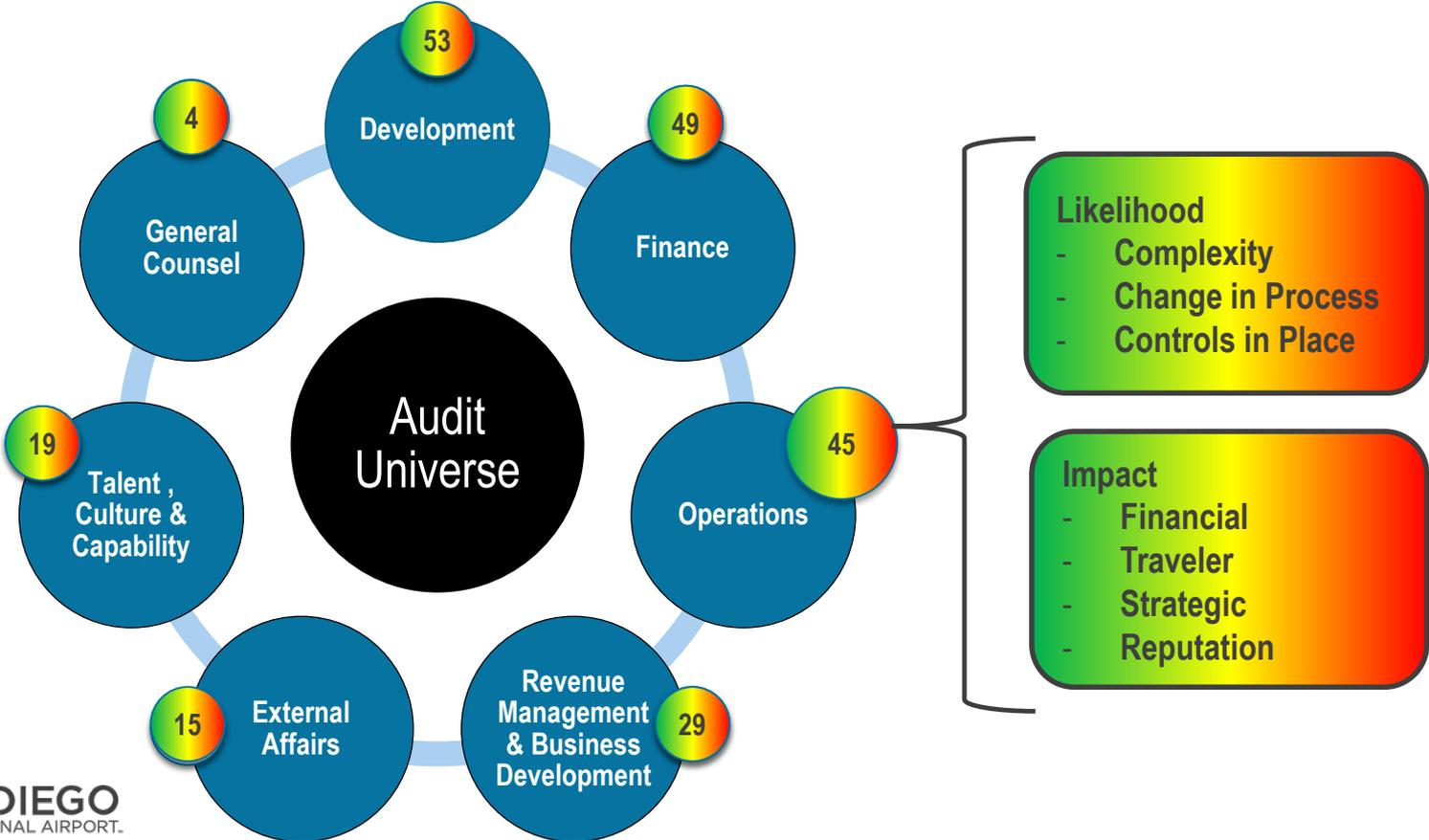
Audit Committee Meeting

May 14, 2020

Defining the Audit Universe



Identify & Rank Risks



Interpreting the Risk Assessment Results

Attachment 3

San Diego County Regional Airport Authority Risk Assessment Fiscal Year 2021

Line #	Department	Division	Key Work Activity	Likelihood	Impact
1	Procurement	Finance	Formal Bidding and Contracting *	Medium	Medium to High
2	Finance, Accounting, & Airline Management	Finance	Debt Management	Medium	Medium to High
3	Aviation Security & Public Safety	Operations	Manage the Business Continuity Plan	Medium to High	Medium
4	Information & Technology Services	Finance	System Security	Medium	Medium to High
5	Airport Design & Construction	Development	CEQA / Costal / EIR / NEPA	Medium to High	Medium
6	Procurement	Finance	Vendor Selection *	Medium	Medium to High
7	Aviation Security & Public Safety	Operations	Contract Security Personnel Management *	Medium	Medium
8	Planning & Environmental Affairs	Development	State/Federal Environmental Review	Medium	Medium
9	Finance, Accounting, & Airline Management	Finance	Treasury/Cash Management *	Medium	Medium
10	Finance, Accounting, & Airline Management	Finance	Plan of Finance	Medium	Medium
11	Aviation Security & Public Safety	Operations	Harbor Police Contract Management *	Medium	Medium to High
12	Media & Public Relations	External Affairs	Government Relations	Medium	Medium
13	Aviation Security & Public Safety	Operations	Security Systems O&M (NSEI) Contract Management *	Medium	Medium to High
14	Ground Transportation	Operations	Parking Management Contract Administration *	Medium	Medium
15	Ground Transportation	Operations	TNC Contract Administration & Revenue Collection *	Medium	Medium

Sort Results

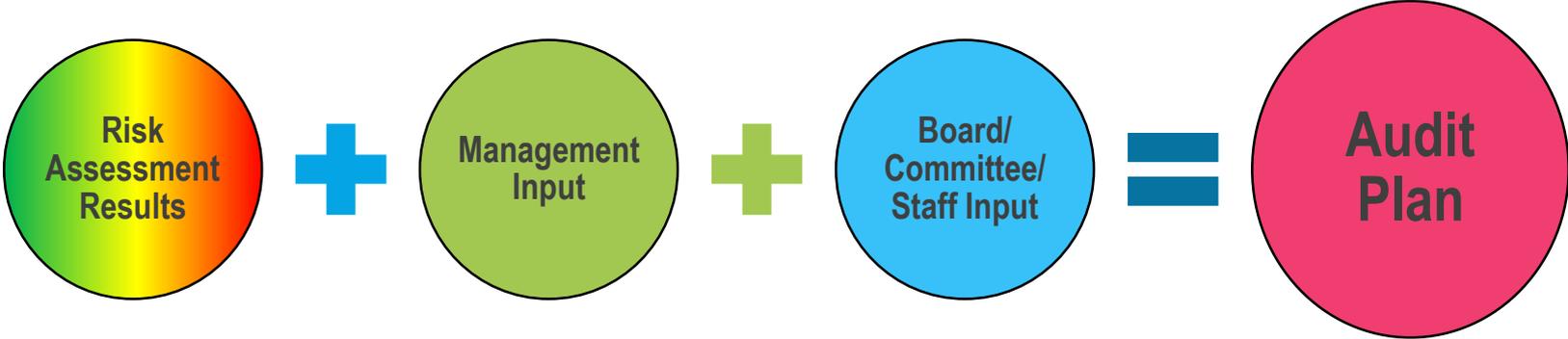


Compare to Expectations



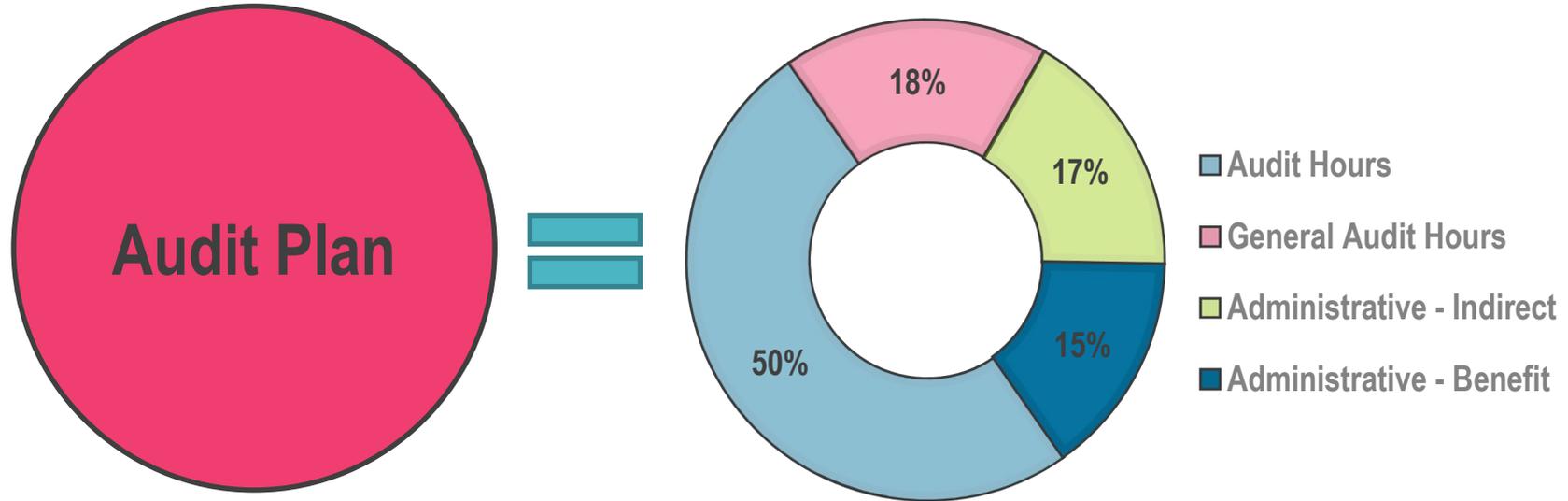
Possibly Re-Rank

Audit Plan Development



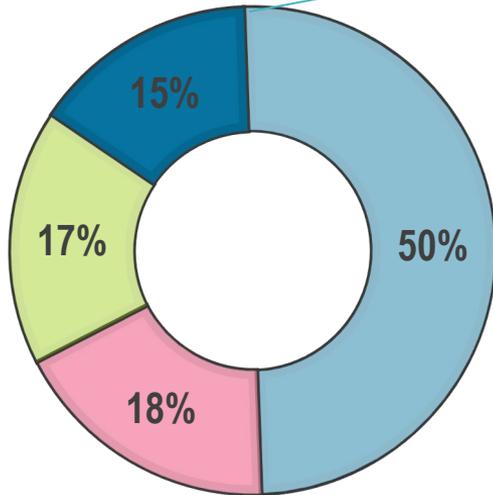
Audit Resources

6 Full Time Auditors + 1 Part Time Intern = 12,920 Hours



Proposed Audits & Hours

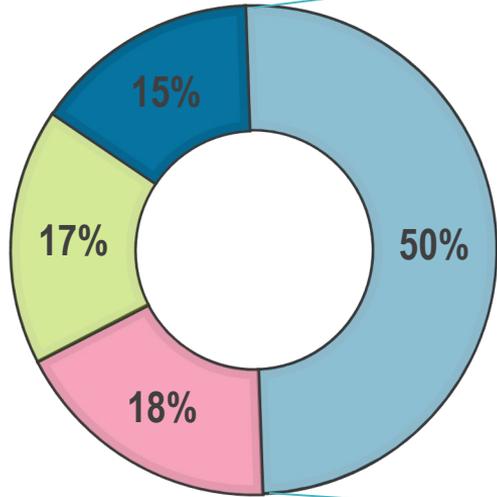
- Audit Hours
- General Audit Hours
- Administrative - Indirect
- Administrative - Benefit



Key Work Activity (Audit Title)	Hours
Internal Controls while staff is working remotely	325
Formal Bidding and Contracting	350
System Security – Information Technology Policies	495
System Security – Penetration testing	250
Harbor Police Contract Management	500
Parking Management Contract Administration	150
Emergency & Single Source Purchases	425
Traffic Control, Vehicle Insp., Code Comp., Citations & Notice if Violation Admin.	450

Proposed Audits & Hours (Continued)

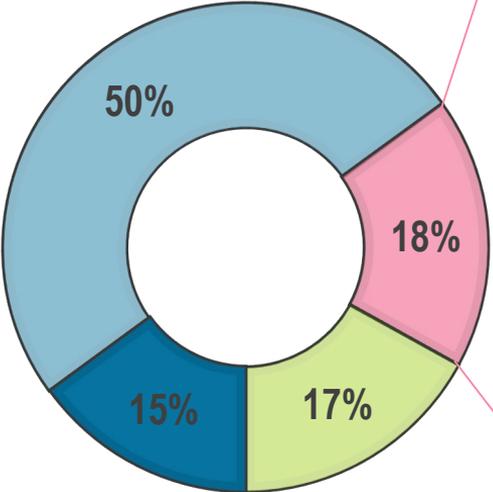
- Audit Hours
- General Audit Hours
- Administrative - Indirect
- Administrative - Benefit



Key Work Activity (Audit Title)	Hours
Rental Car Shuttle Service Contract Administration	450
Commercial Vehicle Licensing, Permitting, & Revenue Collection	450
Contractor Monitoring - Sundt	500
Accounts Payable	475
Employee Benefits	450
Arts Program Administration	475
To Be Determined – Discretionary	737
Total Audit Hours	6,482

Proposed General Audit Activities & Hours

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

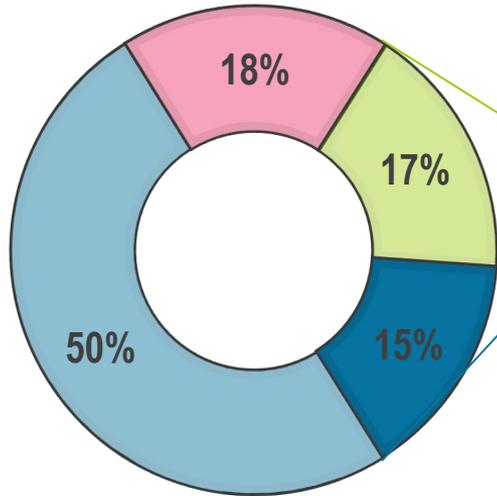


Key Work Activity (Audit Activity Title)	Hours
Construction Activities	380
Development of Data Analytics	600
Ethics Hotline*	330
Information Technology Meeting Attendance	130
Peer Review Participation	180
Quality Assurance & Improvement Program*	300
Recommendation Follow-up*	140
Risk Assessment and Proposed Audit Plan*	225
Total General Audit Hours	2,285

* Required activity in the Charter for the Office of the Chief Auditor

Proposed Administrative Hours

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



Key Work Activity (Audit Activity Title)	Hours
Administrative – Indirect (Meetings, CPE, Other)	2,145
Administrative – Benefit (Vacation & Holiday)	2,008
Total Administrative	4,153

Proposed Contingent Audits & Hours

Key Work Activity (Audit Title)	Hours
Manage the Business Continuity Plan	450
TNC Contract Administration & Revenue Collection	475
Advertising	425
Pension Funding	500
Accounts Receivable / Collections	400
Management of ALUC, Board, and Standing Board Committee Meetings	400
Maintenance Service Contracts Oversight	450
Account Provisioning / De-Provisioning	375
Total Contingent Hours	3,475

Risk Assessment & Audit Plan Combined

Attachment 3

San Diego County Regional Airport Authority Risk Assessment Fiscal Year 2021

Line #	Department	Division	Key Work Activity	Likelihood	Impact
1	Procurement	Finance	Formal Bidding and Contracting *	Medium	Medium to High
2	Finance, Accounting, & Airline Management	Finance	Debt Management	Medium	Medium to High
3	Aviation Security & Public Safety	Operations	Manage the Business Continuity Plan	Medium to High	Medium
4	Information & Technology Services	Finance	System Security	Medium	Medium to High
5	Airport Design & Construction	Development	CEQA / Costal / EIR / NEPA	Medium to High	Medium
6	Procurement	Finance	Vendor Selection *	Medium	Medium to High
7	Aviation Security & Public Safety	Operations	Contract Security Personnel Management *	Medium	Medium
8	Planning & Environmental Affairs	Development	State/Federal Environmental Review	Medium	Medium
9	Finance, Accounting, & Airline Management	Finance	Treasury/Cash Management *	Medium	Medium
10	Finance, Accounting, & Airline Management	Finance	Plan of Finance	Medium	Medium
11	Aviation Security & Public Safety	Operations	Harbor Police Contract Management *	Medium	Medium to High
12	Media & Public Relations	External Affairs	Government Relations	Medium	Medium
13	Aviation Security & Public Safety	Operations	Security Systems O&M (NSEI) Contract Management *	Medium	Medium to High
14	Ground Transportation	Operations	Parking Management Contract Administration *	Medium	Medium
15	Ground Transportation	Operations	TNC Contract Administration & Revenue Collection *	Medium	Medium

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **MAY 14, 2020**

Subject:

**Fiscal Year 2021 Proposed Budget of the Chief Auditor and Fiscal Year 2022
Proposed Conceptual Budget Expense Summary**

Recommendation:

Staff recommends that the Audit Committee accept the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2021 Budget process that may include debt issuance or refinancing and forward it to the Board with a recommendation for approval.

Background/Justification:

In accordance with the San Diego County Regional Airport Authority's Fiscal Year 2021 Budget process, which was initiated by the Authority's Finance Division in January 2020, the Office of the Chief Auditor (OCA) created a Proposed 2021 Budget and a Proposed 2022 Conceptual Budget. The OCAs proposed budgets contain the anticipated expenditures and headcount necessary to carry out its duties in the coming fiscal years.

The OCA will present its Fiscal Year 2021 Proposed Budget and 2022 Proposed Conceptual Budget to the Audit Committee for review on May 14, 2020. The accompanying presentation provides the budgets in detail by line item.

Subsequently, the OCA proposed budgets will be forwarded for inclusion in the Authority's overall budget and approved during the Finance Division's scheduled Budget Workshop with the Board.

The Authority does not anticipate any new debt issuances in Fiscal Year 2021; however, previously issued debt may be refinanced in Fiscal Year 2021, if economic conditions warrant. Any new debt is approved by the Board.

Fiscal Impact:

The proposed Fiscal Year 2021 Operating Budget for the Office of the Chief Auditor to execute the Fiscal Year 2021 Audit Plan is \$1,228,000. In addition, the OCA will augment its staff for audit work pertaining to the Airport Development Plan (ADP) by utilizing a professional construction audit consulting firm with expertise in large construction projects. The estimated cost for ADP construction auditing is approximately \$1,500,000 over the next three to seven years.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

**Fiscal Year 2021 Proposed Budget
of the Chief Auditor and Fiscal Year 2022
Proposed Conceptual Budget
Expense Summary**

**Audit Committee Meeting
May 14, 2020**

FY 2021 Proposed Budget - FY 2022 Proposed Conceptual Budget Expense Summary

(in thousands)

	FY 2019 Actuals	FY 2020 Budget	FY 2021 Proposed Budget	Inc / (Dec) FY21 Proposed vs FY20 Budget	% Change	FY 2022 Conceptual Budget	Inc / (Dec) FY22 Conceptual vs FY21 Budget	% Change
Operating Expenses								
Salaries & Wages	\$ 782	\$ 820	\$ 792	\$ (28)	-3.4%	\$ 840	\$ 48	6.1%
Benefits	358	369	387	18	5.0%	394	6	1.7%
Total Personnel Costs	1,140	1,189	1,179	(10)	-0.8%	1,233	54	4.6%
Contractual Services	4	1	20	20	2400.0%	40	20	100.0%
Utilities	0	0	0	0	3.2%	0	0	0.0%
Operating Equipment & Systems	2	-	-	-	0.0%	-	-	0.0%
Operating Supplies	1	1	1	0	-47.0%	1	0	0.0%
Employee Development	18	30	17	(14)	-44.9%	17	-	0.0%
Business Development	5	3	4	1	14.2%	4	0	0.0%
Equipment Rentals and Repairs	7	8	8	0	2.1%	25	17	233.2%
Total Non-Personnel Costs	37	43	49	6	13.5%	87	37	75.4%
Total Operating Expenses	1,177	1,232	1,228	(4)	-0.3%	1,320	92	7.5%
Non Operating Expenses	-	-	-	-	0.0%	-	-	0.0%
Total Expenses	1,177	1,232	1,228	(4)	-0.3%	1,320	92	7.5%
Equipment Outlay	-	-	-	-	0.0%	-	-	0.0%
Total Authority Expenses Incl Equip Outlay	\$ 1,177	\$ 1,232	\$ 1,228	\$ (4)	-0.3%	\$ 1,320	\$ 92	7.5%

***Numbers may not foot due to rounding

Major Drivers of FY 2021 & FY 2022 Proposed Budgets

<i>(in thousands)</i>	Inc / (Dec) FY21 vs FY20	Inc / (Dec) FY22 Conceptual vs FY21
FY 2020 Budget / FY 2021 Budget	\$ 1,232	\$ 1,228
Personnel Costs		
Benefits	18	6
Salaries & Wages	(28)	48
Total Increase / (Decrease) in Personnel Costs	(9)	54
Non-Personnel Costs		
Third party audit assurances consultant	20	20
Audit planning software	0	17
Seninars & travel	(14)	(0)
Other, net	(1)	0
Total Increase / (Decrease) in Non-Personnel Costs	6	37
Total Increase / (Decrease)	(4)	92
FY 2021 Budget / FY 2022 Conceptual Budget	\$ 1,228	\$ 1,320

***Numbers may not foot due to rounding

Airport Development Plan



Estimated construction cost = \$3B



Complex project with profound impact to the customer

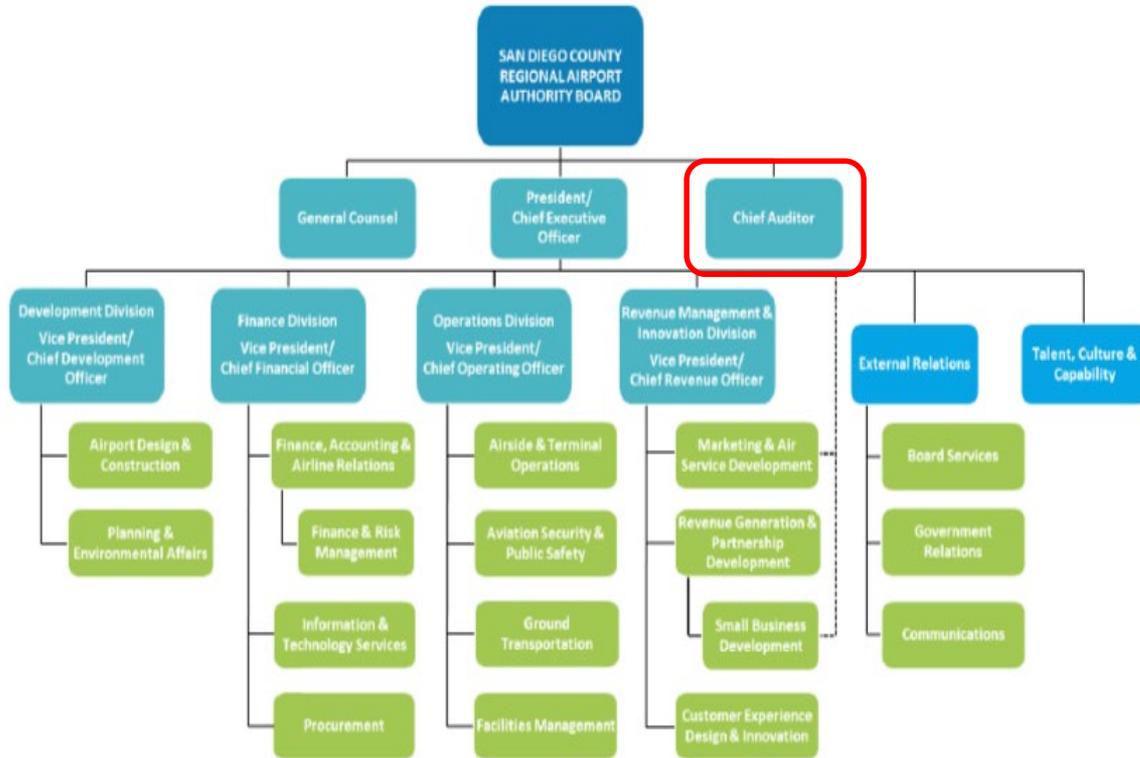


OCA to partner with a construction auditing firm



Estimated auditing cost = \$1.5M

The Chief Auditor, Authority Budget, & Debt



- The Chief Auditor's budget is part of the Authority's overall budget
- The Authority's budget is approved by the Board
- The Authority's budget includes both operating and capital expenses
- Debt may be issued to finance operating or capital costs
- No new debt is anticipated to be issued in FY 2021
- Previously issued debt may be refinanced in FY 2021 if economic conditions warrant

QUESTIONS?