

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

Johanna Schiavoni
Chair

Catherine Blakespear
Gil Cabrera
Mary Casillas Salas
Robert T. Lloyd
Paul McNamara
Paul Robinson
Nora Vargas
Marni von Wilpert

AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Monday, February 8, 2021
10:00 A.M.

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

Ex-Officio Board Members

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 Board 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 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 Non-Agenda Items

Public comments 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.

Comment on Agenda Items

Public comments on agenda items received no later than 8:00 a.m. on the day of the meeting will be distributed to the Board and included in the record.

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

- **Step 1:** Fill out the online [Request to Speak Form](#) to speak during the meeting via teleconference. The form must be submitted by 4 p.m. the day before the meeting or by 4:00 p.m. the Friday before a Monday meeting. After completing the form, you'll get instructions on how to call in to the meeting.
- **Step 2:** Watch the meeting via the Webcast located at the following link, <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=13911>
- **Step 3:** When the Board begins to discuss the agenda item you want to comment on, call in to the conference line, you will be placed in a waiting area. ***Please do not call until the item you want to comment on is being discussed.***
- **Step 4:** When it is time for public comments on the item you want to comment on, Authority Clerk staff will invite you into the meeting and unmute your phone. Please mute the webcast to avoid any feedback. Staff will then ask you to state your name and begin your comments.

You may also view the meeting online at the following link: <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=13911>

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:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Blakespear, Casillas Salas, Lloyd, Van Sambeek,
Vann (Chair), Vargas, Wong Nickerson

NON-AGENDA PUBLIC COMMENT:

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

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

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 16, 2020, regular meeting.

2. FISCAL YEAR 2021 SECOND 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

3. REVISION TO THE FISCAL YEAR 2021 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

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.

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 Vann to approve staff's recommendation. Motion carried unanimously.

3. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2020:

Scott Brickner, Vice President/CFO, provided an overview of the Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2020.

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 Van Sambeek to approve staff's recommendation. Motion carried unanimously.

4. FISCAL YEAR 2021 FIRST QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation titled Fiscal Year 2021 First Quarter Report from the Office of the Chief Auditor that included Fiscal Year 2021 Performance Measures, Percentage of Audits & Consulting Engagements Completed, Audits & Consulting Engagements Completed, Number of Recommendations, Auditor Utilization, Audit & Consulting Engagement Budgets, General Audit Activity – Recommendations, General Audit Activity – Ethics Hotline, and Audit Spotlight – Offsite Internal Controls Related to Cash Receipts and Cash Disbursements.

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 Board Member Blakespear to approve staff's recommendation. Motion carried unanimously.

5. REVISION TO THE FISCAL YEAR 2021 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation titled Revision to the Fiscal Year 2021 Audit Plan of the Office of the Chief Auditor that included Reasons for Revision, Reduce Intern Hours from Audit Plan Due to Staffing Vacancy, and Replace a Planned Audit with a New Audit.

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

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

CLOSED SESSION: The Committee recessed into Closed Session at 10:59 a.m. to discuss Item 6.

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

REPORT ON CLOSED SESSION: The Committee adjourned out of Closed Session at 11:34 a.m. There was no reportable action

COMMITTEE MEMBER COMMENTS:

Kim Becker, President/CEO, reported that this was the last meeting for Board Member Mark Kersey, Audit Committee Chair. She thanked him for his roll in support of the Audit Committee and his support of the Authority.

ADJOURNMENT: The meeting adjourned at 11:34 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 8^h DAY OF FEBRUARY, 2021.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

AUDIT COMMITTEE

Meeting Date: **FEBRUARY 8, 2021**

Subject:

Fiscal Year 2021 Second 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, recommendations to management, and management's response addressing steps taken to resolve the noted issue.

The Fiscal Year 2021 Second Quarter Report (Attachment A) summarizes the undertakings and accomplishments of the OCA from October 1, 2020, through December 31, 2020. A presentation on these activities will be provided to the Audit Committee during the February 8, 2021, meeting.

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

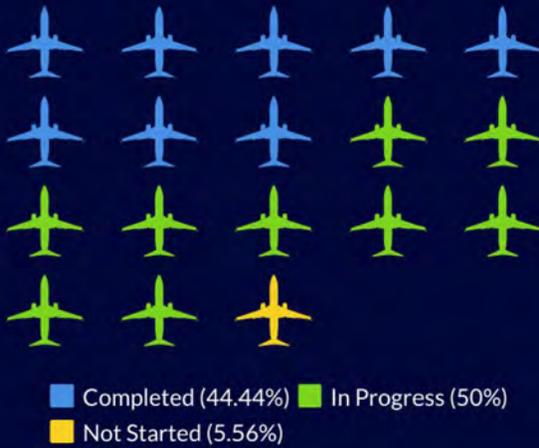
Office of the Chief Auditor Fiscal Year 2021 Second Quarter Report

ATTACHMENT A

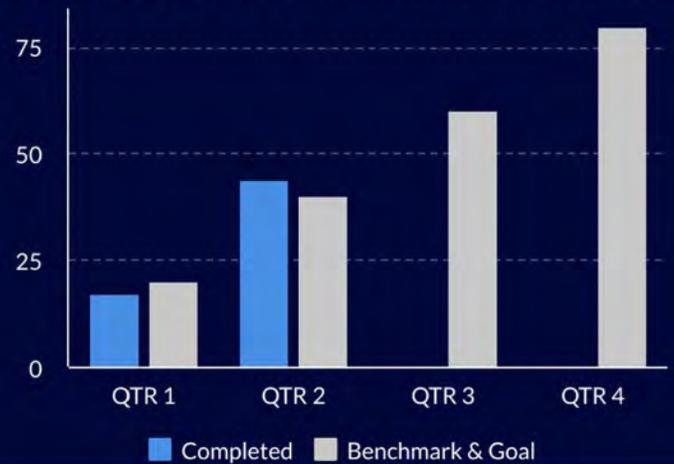
SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



Audit and Consulting Engagement Progress



Audit and Consulting Engagements Completed vs. Benchmark & Goal



FY 2021 - By the Numbers

12

Recommendations Issued

4.7

Customer Satisfaction Rating (Out of 5)

100%

Audit and Consulting Engagements Completed within Budget

68%

Auditor Utilization Percentage

100%

Recommendations Accepted by Management

powered by



Office of the Chief Auditor Fiscal Year 2021 Second Quarter Report

February 8, 2021

SAN DIEGO
COUNTY
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AIRPORT
AUTHORITY

Second Quarter Summary

The Office of the Chief Auditor’s (OCA) Fiscal Year 2021 Audit Plan is comprised of 16 audit engagements, 2 consulting engagements, 8 general audit activities, and administrative activities that are to be completed in the Fiscal Year. The OCA tracks its progress relative to the Audit Plan and several key performance measures to gauge the success of the office. Each performance measure is detailed below along with supplemented explanation.

Performance Measures

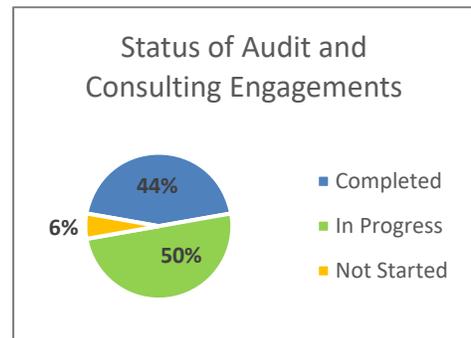
There are six major performance measures to evaluate the OCA¹ in Fiscal Year 2021. The OCAs performance against the selected performance measures is displayed in Figure 1 below.

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

#	Performance Measure	Goal	Actual	Benchmark
1	Percentage of audits and consulting engagements completed	40%	44%	40%
2	Number of recommendations	13	12	13
3	Percentage of staff time spent on audit and consulting engagements and general audit activities	70%	68%	70%
4	Percentage of audits and consulting engagements completed within budgeted time	80%	100%	75%
5	Percentage of recommendations accepted	95%	100%	83%
6	Customer satisfaction rating	4.0	4.7	4.0

Percentage of Audits and Consulting Engagements Completed:

As of the second quarter, the OCA completed 7 audit engagements and 1 consulting engagement, or 44%, of the Audit Plan that constitutes these activities (8/18=44%). In addition to the 8 engagements completed, the OCA had 9 engagements in progress as of the end of the second quarter. The engagements completed in the second quarter are summarized in the next section titled *Audits and Consulting Engagements*.



An alternative way to calculate this performance measure is to acknowledge the hours spent on audits and consulting engagements completed and engagements that are in progress, but not yet completed. This calculation results in a completion percentage of 51%. The OCA has spent 3,103 hours on audit and consulting engagements and estimates 6,036 total hours will be needed to complete all Fiscal Year 2021 audit and consulting engagements (3,103/6,036=51%).

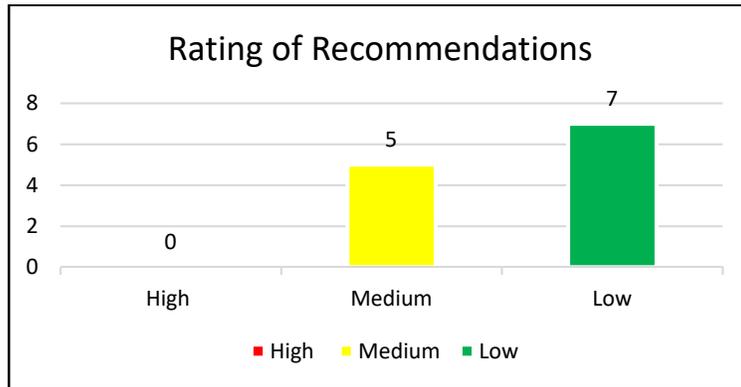
The status of all activities in the Fiscal Year 2021 Audit Plan is included in Appendix A.

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

Number of Recommendations:

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority and to provide recommendations to remediate those risks. As of December 31, 2020, the OCA has provided 12 recommendations to management to remediate a risk identified or improve a process. Each of the recommendations are rated based on a qualitative level of risk, identified as Low, Medium, or High. A summary of the ratings are shown in Figure 2 below:

Figure 2: Rating of Recommendations Provided in Fiscal Year 2021



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

This measure helps track the time that audit staff spent on audit engagements, consulting engagements, and general audit activities.² The OCAs goal for Fiscal Year 2021 is 70%. As of December 31, 2020, the OCA staff spent 68% of time on audit and consulting and general audit activities (66% including the Chief Auditor’s time).

Percentage of Audit and Consulting Engagements Completed within Budgeted Time:

This category monitors the efficiency of audit staff in performing audit and consulting engagements. Every engagement has an internally prepared budget that staff is held accountable to uphold. However, we recognize that budgets may need adjustment(s) as additional facts become known during an engagement. In Fiscal Year 2021, the OCA completed 8 out of 8 engagements under budget, or 100%, within budgeted time.

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. As of the end of the second quarter, management accepted 100% of all audit recommendations.

Customer Satisfaction Rating:

After the completion of an audit or consulting engagement surveys are sent to management to obtain customer satisfaction data. The OCAs goal for customer satisfaction is 4.0, on a 1 to 5 scale (with 1 being very dissatisfied and 5 being very satisfied). To date this Fiscal Year we have achieved a score of 4.7.

² Appendix A details all planned activities in these categories for Fiscal Year 2021.

Audits & Consulting Engagements

Issued

The Office of the Chief Auditor (OCA) completed a total of 5 audits during the second quarter. Below are highlights from these engagements.

Turner – PCL, A Joint Venture: The objective of this audit was to determine if the agreement with Turner-PCL was administered and monitored appropriately. The audit concluded that the Airport Design & Construction Department (ADC) properly administered and monitored the agreement for Phase II of the Federal Inspection Station (FIS) facility. There were no recommendations issued as a result of this audit.

Formal Bidding/Contracting Process: The objectives of this audit were to determine if the formal bidding procedures (i.e., contracts over \$100,000) align with best practices and/or Authority needs, and if bidding procedures are being administered effectively and efficiently. The audit concluded that operational practices regarding formal bidding/contracting are compatible with best practices and that procedures are being administered effectively and efficiently. However, the audit identified two recommendations related to updating Authority Policies and the Procurement Manual.

Small Business Development: The objectives of this audit were to evaluate the processes within Small Business Development (SBD) being used to ensure compliance to requirements, and to determine if the information reported to the Authority Board and the public is accurate. The audit concluded that SBD has created a program that generally complies with Federal Aviation Administration (FAA) requirements, is consistent with Authority policy, and that the information presented to the Board and public regarding SBD activities was accurate. However, the audit identified two recommendations related to developing procedures, to validate information prior to providing it to the Board and to examine the cost benefit of expanding its monitoring system.

GateKeeper: The objectives of this audit were to determine if the software tool, GateKeeper, used to monitor, track, control, and record commercial vehicle operations is adequate, accurate, and managed effectively and efficiently. The audit concluded that GateKeeper is accurately tracking vehicles, is adequate to meet the demands of the Authority, and is being managed effectively and efficiently. However, the audit did identify three recommendations related to documenting overdue balances and modifications to the accounts receivable aging report.

Arts Program Administration: The objective of this audit was to determine if the Arts Program is administered appropriately. The audit concluded that generally the Arts Program is administered appropriately. However, the audit did identify three recommendations to improve processes and procedures for Public Art Conservation and Collections Management.

In Progress

At the close of the second quarter there were 9 audits or consulting engagements in progress, representing 50% of the audit and consulting engagements on the Fiscal Year 2021 Audit Plan.

General Audit Activities

In addition to performing audits and consulting engagements, 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* performed, by category, is presented in this section.

Construction

Construction audit activity for the second quarter of Fiscal Year 2021 consisted of attending meetings regarding the airport support facilities and the Airport Development Program (ADP). Additionally, a request for qualifications (RFQ) for construction audit services for the ADP project was developed. The outside audit services will assist the OCA staff in assessing risks and developing audit programs for the ADP projects. The RFQ is currently under review by the Procurement Department. The OCA remains involved with issues identified by the Airport Design & Construction team and Authority management, providing assistance and attending meetings specific to the aspects of the Authority's construction activities.

Development of Data Analytics

The OCAs development of a data analytics program for rental car concessions and potentially for in-terminal concessions is in the planning stage. A successful data analytics program would provide relative real-time insight regarding rental car company and in-terminal concession 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, some data analytic information could be shared with Authority management for their reference and use.

As of the end of the second quarter, the OCA continues to collaborate with the Revenue Generation & Partnership Development Department, Information & Technology Services, Data Analytics team, and other Authority staff. A draft data analytics dashboard has been created and is being examined and discussed with other departments for input. We are optimistic about the success of the data analytics program.

Ethics Program

The OCA continues to run the Authority's Ethics Program that includes a confidential reporting hotline. As of December 31, 2020, four tips/reports were received. One required a preliminary investigation that ended with the complaint being withdrawn. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate. Beginning July 1, 2020, the OCA began categorizing the tips/reports received into specific standardized categories. Tracking tips/reports by standardized categories can reveal both success and gaps in our program and will allow the OCA to benchmark against other organizations. The OCA is utilizing the NAVEX Global⁴ Risk and Compliance Hotline reports as a benchmark. The categories are as follows:

- Accounting, Auditing, and Financial Reporting
- Business Integrity
- Human Resources, Diversity, and Workplace Respect
- Environment, Health, and Safety
- Misuse and Misappropriation of Assets

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

⁴ NAVEX Global is a recognized worldwide leader in integrated risk and compliance management software and services.

A summary of the tips/reports received through the second quarter of Fiscal Year 2021 is shown in Figure 3 below, with the applicable standardized categories listed.

Figure 3: Ethics Hotline Tips/Reports Received in Fiscal Year 2021 Second Quarter

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)*	Response (email or phone to non-anonymous reports)
Category					
Human Resource, Diversity, and Workplace Respect	2	-	-	-	-
Environment, Health and Safety – Noise	2	1	-	-	1
Total	4	1	-	-	1

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

Information Technology Meeting Attendance

Information technology activity for Fiscal Year 2021 consisted of attending meetings and providing updates to the Audit Committee and Authority management when appropriate regarding information technology risk assessments and the National Institute of Standards and Technology (NIST) cybersecurity framework.

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, as currently in place, are working effectively to ensure that quality is derived on an audit-by-audit basis.

During the first quarter of Fiscal Year 2021, the OCA completed on-going monitoring of its activities and operations performed during Fiscal Year 2020, with results presented in the Fiscal Year 2020 OCA Annual Report. During the second quarter, the OCA continued to monitor activities and operations in order to improve efficiencies and to ensure that quality is delivered.

Recommendation Follow-up

The OCA tracks the status of its recommendations on an on-going basis in order to verify the completion of their implementation. The progress is provided by management when requested by the OCA. Appendix B contains a detailed list of each recommendation and its status as of December 31, 2020.

Figure 4 shows the status of recommendations that were *Completed* or *In Progress* during the second quarter of Fiscal Year 2021. 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	4	-	1	5
In Progress	7	11	3	21

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, three or 60%, were completed within the initial timeframe identified when the recommendations were issued.

In Progress: These recommendations have been partially addressed or partial corrective action has been taken. This category also includes recommendations from newly issued audit reports, when there has not been adequate time between report issuance and follow-up. Of the In Progress recommendations, 15 recommendations were still within the initial timeframe identified for implementation.

The non-completion of the In Progress recommendations should not have a material adverse effect on the Authority, and adequate progress is being made toward implementation of all the tracked recommendations.

Risk Assessment & Audit Plan

The Risk Assessment & Audit Plan is a comprehensive document that is presented in May of each year to the Audit Committee that includes the proposed audit and consulting engagements to be completed for the coming fiscal year. It is the culminating result of data gathering, management discussions, surveys, and data analysis that is conducted over the course of several months prior to its submission to the Audit Committee. As of the second quarter, the Risk Assessment & Audit Plan are in the planning stages.

Administrative Activities

Tracking Budget and Expenses

The OCA expenses totaled approximately \$598,000 through the end of the second quarter, which represents 49% of the Fiscal Year 2021 budget. No unexpected or large outlays occurred within the department during the first or second quarter of Fiscal Year 2021. 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. As of the second quarter, all applicable staff met or exceeded the education credits required for the Certified Internal Auditor designation and OCA requirements. During the second quarter staff attended training on topics that included information systems, risk in the public sector, engagement with stakeholders, ethics, and data analytics.

Procedural/Supervisory

One Audit Committee Meeting took place during the second quarter on November 16, 2020. The meeting contained all of the regularly scheduled November agenda items and one closed session item, of which the OCA assisted in coordination with the Committee Chair and Board Services.

COVID-19

All OCA staff have been working remotely since March 2020. The OCA currently has an Audit Intern position budgeted; however, a remote working arrangement is not ideally suited to facilitate the work and supervision of an Intern position. For this reason, the OCA does not anticipate filling the Audit Intern position until normal operations return at the Authority.

In November 2020, the Audit Committee accepted and the Authority Board subsequently approved an amendment to the Fiscal Year 2021 Audit Plan to eliminate Intern hours originally included in the Audit Plan.

Appendix A - Fiscal Year 2021 Audit Plan Progress

#	Activity	Status as of 12/31/20	Over/Under Budget	No. of Recom.
Audit Engagement				
1	Business and Real Estate Agreements – RCC Land Lease	Completed	Under	2
2	Contractor Monitoring – Turner	Completed	Under	-
3	Small Business Development Management	Completed	Under	2
4	Internal Controls in Place While Staff is Working Remotely	Completed	Under	-
5	Formal Bidding and Contracting	Completed	Under	2
6	System Security – Information Security Policy	In Progress		
7	System Security – Penetration Testing	In Progress		
8	Harbor Police Contract Management	In Progress		
9	Emergency & Single Source Purchases	In Progress		
10	Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	In Progress		
11	Commercial Vehicle Licensing, Permitting, & Revenue Collection – GateKeeper system	Completed	Under	3
12	Contractor Monitoring – Sundt	In Progress		
13	Accounts Payable	In Progress		
14	Employee Benefits	Not Started		
15	Art Program Administration	Completed	Under	3
16	Enterprise Content Management System (ECMS)	In Progress		
Consulting Engagement				
17	COVID -19 – Grant Support	Completed	Under	
18	Calculation and Reconciliation of Concession Rents and Fees	In Progress		
General Audit				
19	Construction Meeting Attendance & External Service Provider Procurement and Coordination	In Progress		
20	Development of Data Analytics	In Progress		
21	Ethics Hotline ⁵	In Progress		
22	Information Technology Meeting Attendance	In Progress		
23	Peer Review Participation	Not Started		
24	Quality Assurance & Improvement Program ⁵	In Progress		
25	Recommendation Follow-up ⁵	In Progress		
26	Risk Assessment and Audit Plan ⁵	In Progress		
Administrative				
27	Attendance at Staff/Board/Committee Meetings; Continuing Professional Development; Budget tracking; Supervisory	In Progress		
28	Vacation, Holiday Time, and Other Leave/Time Off	In Progress		

⁵ Required activity in the Charter for the Office of the Chief Auditor.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2020
Completed						
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	10/1/2020	On 10/1/20 the Authority Board approved adjusting the retention schedule.
21-07	Audit Report 21007 Issued: December 10, 2020 Title: GateKeeper Department: GROUND TRANSPORTATION	Medium	GT should notify Taxi Operator #1 that the overdue amount of \$2,329 must be paid. If payment is not received timely, GT should deactivate all transponders registered to Taxi Operator #1. In addition, GT should attempt to collect \$119 from Taxi Operator #2. Update on Recommendation #1: During our audit, we discussed the above Finding and Recommendation with GT. GT took immediate action and collected a payment of \$119 from Taxi Operator #2 on September 28, 2020. In addition, Finance approved a payment plan for Taxi Operator #1 for the balance due for March 2020 that will result in payment in full by December 15, 2020, that is being collected and monitored by GT.	12/31/2020	12/15/2020	On 10/28/2020 - Taxi Operator #1 uploaded email documentation into GateKeeper relating to payment plan. Account is paid in full as of December 2020 trip fee AR report. Taxi Operator #2's account was paid in full on September 28, 2020.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2020
Completed						
21-08	Audit Report 21007 Issued: December 10, 2020 Title: GateKeeper Department: GROUND TRANSPORTATION	Medium	GT should enforce its procedures or retain documentation in the GateKeeper file if deviations from procedures occur.	12/31/2020	10/28/2020	On 10/28/2020 - GT implemented documentation process to include email communications under account relating to trip fee billing.
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	10/19/2020	RG&PD issued a memo to Payless on 10/19/20 documenting waiver of penalties as the reports were accepted at time of delivery and advising Payless that no further waivers would be issued.
21-09	Audit Report 21007 Issued: December 10, 2020 Title: GateKeeper Department: GROUND TRANSPORTATION	Low	GT should add a category to the accounts receivable aging report for receivables that are 90+ days overdue. Additionally, GT should reprogram the system to properly classify accounts receivable balances to ensure accuracy and proper presentation of data.	12/31/2020	12/17/2020	On 12/17/2020 - Additional category 90+ overdue has been added to the aging report.

Appendix B - Status of Recommendations

Fiscal Year 2021 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2020
In Progress						
20-25	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should develop and publish a set of universal procedures for lease administration and management, and take active measures to ensure that the manual is updated to remain current.	11/30/20	3/31/2021	RG&PD will develop and publish a set of universal procedures for lease administration and management. RG&PD will implement an annual process to update the procedures. RG&PD will investigate utilizing E1 for lease administration and the possible implementation of a new or supplemental Real Estate Property Management software.
20-26	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD staff should continue to evaluate the property management software vendors, first by examining the Authority's Real Estate Management Property Management module already in E1, to implement a desired solution.	3/31/22	3/30/2022	RG&PD will investigate utilizing the existing E1 software and determine if other software is needed to more efficiently monitor, maintain, and manage the many tenant lease agreements, which the department is responsible for.
20-27	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Finance & Risk Management Department, should analyze the current security deposits on hand, determine if the security deposits on hand are sufficient to cover the risk to the Authority, make adjustments, and document any exceptions to security deposits, as needed.	3/31/22	3/30/2022	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.

Appendix B - Status of Recommendations

Fiscal Year 2021 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2020
In Progress						
20-28	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Finance & Risk Management Department, should examine the insurance coverage of RG&PD leases, verify if they comply with the insurance requirements, and require the tenants, if needed, to update their insurance to cover the risk to the Authority.	12/31/2020	2/28/2021	RG&PD working with input from the Finance and Risk Management Departments to develop a plan to implement recommendations.
20-29	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Accounting Department, should create a system to track and adjust rent amounts that are subject to a Consumer Price Index (CPI) adjustment.	12/31/2020	3/31/2021	RG&PD will work to implement the recommendations with input from Accounting Department.
20-30	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should create a system to track the submission of reports required and follow up in a timely manner with any tenant who has not submitted the required reports.	12/31/2020	3/31/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.

Appendix B - Status of Recommendations

Fiscal Year 2021 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2020
In Progress						
20-31	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should create a system to timely issue holdover letters. Additionally, RG&PD should confirm the lease status in E1, ensuring all leases assigned to them are accurate and up to date.	3/31/2021	3/30/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-32	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Accounting Department, should review the Minimum Annual Guarantee (MAG) requirements of their leases and adjust the MAG, as applicable.	9/30/2020	2/1/2021	RG&PD will work to implement the recommendations with input from Accounting and Finance Departments.

Appendix B - Status of Recommendations

Fiscal Year 2021 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2020
In Progress						
20-33	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should perform periodic analysis of revenues reported and billed to ensure that revenues remitted and rates used to calculate revenues are accurate, complete, and comply with the lease. Additionally, RG&PD should consider performing annual reconciliations for prior fiscal years, and as a result of these reconciliations, remit overpayments and bill underpayments as needed. Lastly, RG&PD should perform annual reconciliations going forward; and, as a result of these reconciliations, remit overpayments or bill underpayments, as needed.	3/31/2021	3/30/2021	RG&PD will work to implement the recommendations with input from Accounting and Finance Departments.
20-37	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	Authority Management should review the staff assignments for lease administration duties and ensure that separation of staff duties is sufficient. A review of the staff's system access and authorizations currently held should also be performed to identify possible conflicts and to make adjustments to these as necessary.	11/30/2020	2/28/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.

Appendix B - Status of Recommendations

Fiscal Year 2021 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2020
In Progress						
20-34	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should update the lease information contained in E1 to reflect current information and, in addition, through the coordination of necessary Authority departments, develop a methodology to allow cross-referencing of the different naming conventions in use at the Authority.	2/28/2021	2/28/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-35	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should develop a list of requirements (certificates of insurance, MAGs, security deposits, etc.) that they need from ancillary departments and coordinate with these departments on how to have access to these requirements in the most efficient way.	3/31/2021	3/30/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-36	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	The Authority Credit and Collections team should create a collections process that allows RG&PD asset managers to see efforts taken to collect from their lessee(s).	1/31/2021	1/31/2021	RG&PD will work to implement the recommendations with input from Accounting and Finance Departments.

Appendix B - Status of Recommendations

Fiscal Year 2021 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2020
In Progress						
21-10	Audit Report 21011 Issued: December 11, 2020 Title: Arts Program Administration Department: ART PROGRAM	Medium	The Arts Staff should include documentation in the Collection Management Plan of the decisions regarding the conservation and maintenance of artwork, to comply with the Art Program Policy.	4/30/2021	4/30/2021	Staff have completed a preliminary outline of proposed conservation projects for the coming year and will finalize and document this plan based on budget allocations.
21-11	Audit Report 21011 Issued: December 11, 2020 Title: Arts Program Administration Department: ART PROGRAM	Medium	The Arts Staff should review all artwork currently on airport property based on the procedures outlined in the Art Program Policy, and provide recommendations if the artwork should be included in the art collection.	4/30/2021	4/30/2021	Staff have verified that the three works in question were purchased by an interior designer/ consultant for the Airport's office renovation in 2002, and did not follow the required protocol for artwork acquisition detailed in Policy 8.50. Staff is preparing a detailed outline based on Policy 8.50 to address the process by which an artwork may be added to the Public Art Collection.
21-12	Audit Report 21011 Issued: December 11, 2020 Title: Arts Program Administration Department: ART PROGRAM	Medium	The Arts Staff should develop a methodology for maintaining a current listing with the appraisal value of all Public Art, and document the value in the Collection Management Plan. The methodology should also include a formal process for documenting artwork that has been deaccessioned.	4/30/2021	4/30/2021	Staff have updated Artworks Archive records to include appraisal values and are developing a detailed document based on Policy 8.50 for the formal process by which artwork from the Public Art Collection may be deaccessioned.

Appendix B - Status of Recommendations

Fiscal Year 2021 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2020
In Progress						
21-02	Audit Report 20016 Issued: July 6, 2020 Title: Rental Car Center Lease Agreements Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	RG&PD should perform the reallocation evaluations for the exclusive use areas of each operator within the RCC, as outlined in the Lease. Documentation of all reallocation evaluations should be maintained, and any reallocations made should be reflected in changes to the Lease Exhibits.	1/29/2021	1/29/2021	A Memo to File will be added to all Rental Car tenant files prior to the conclusion of the current review period on 11/30/2020. The memo will document previous decisions and actions related to reallocation. All future reallocations will be documented in tenant files as well.
21-03	Audit Report 20004 Issued October 28, 2020 Title: Formal Bidding/Contracting Process Department: PROCUREMENT	Low	We recommend that Authority Management evaluate and update Authority Policies 5.01 and 5.02 where necessary.	10/15/2021	10/15/2021	Procurement is working in collaboration with Corporate Governance, Development and the General Counsel's office to review and recommend changes to the policies.
21-04	Audit Report 20004 Issued: October 28, 2020 Title: Formal Bidding/Contracting Process Department: PROCUREMENT	Low	Procurement should include the three best practice attributes identified from the National State Auditors Association in their next revised version of the Procurement Manual (i.e., 1. Inspection and audit provisions, 2. Provisions for contract termination, and 3. Provisions to protect the integrity of subcontract bids to ensure that such bids are competitive).	1/15/2021	2/5/2021	Procurement is finalizing changes to the Procurement Manual and have incorporated the recommended best practices in addition to updates that reflect electronic processes, signatures and new work flow charts.

Appendix B - Status of Recommendations

Fiscal Year 2021 Second Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of December 31, 2020
In Progress						
21-05	Audit Report 18004 Issued: December 8, 2020 Title: Small Business Development Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	Small Business Development should establish procedures to validate information received from Authority contractors, with the Authority's records or personnel, prior to providing that information to the Authority Board.	6/30/2021	6/30/2021	SBD is investigating options to validate information received.
21-06	Audit Report 18004 Issued: December 8, 2020 Title: Small Business Development Department: SMALL BUSINESS DEVELOPMENT	Low	Small Business Development should examine the cost/benefit of expanding its current software system that monitors DBE and SBE requirements to include LBE, VOSB, and SDVOSB.	6/30/2021	6/30/2021	SBD is researching options and costs for each option.



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

Fiscal Year 2021
Second Quarter Report from
the Office of the Chief Auditor

October 1, 2020, through December 31, 2020

Audit Committee Meeting
February 8, 2021

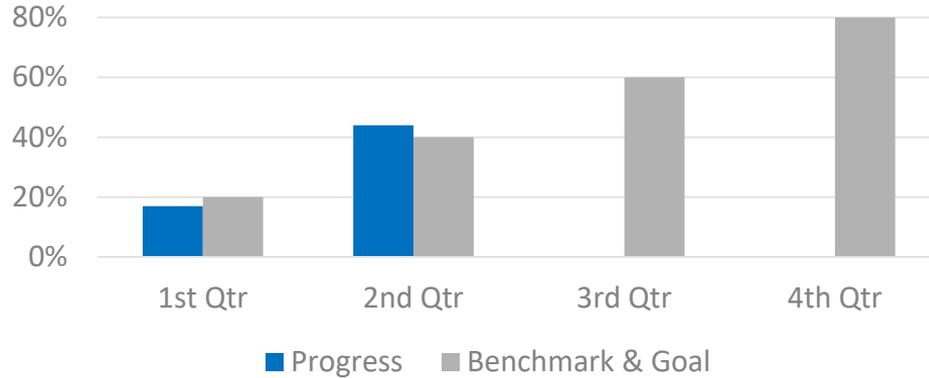
Fiscal Year 2021 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits & Consulting Engagements Completed by the end of the Second Quarter	40%	44%	40%
Number of Recommendations by the end of the Second Quarter	13	12	13
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	70%	68%	70%
Percentage of Audits/Consulting Engagements Completed within Budget	80%	100%	75%
Percentage of Recommendations Accepted	95%	100%	83%
Customer Satisfaction Rating	4.0	4.7	4.0

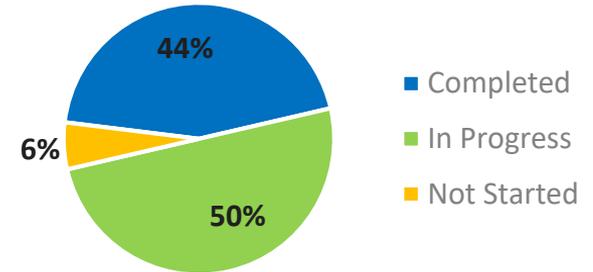
Audits & Consulting Engagements Completed

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits & Consulting Engagements Completed by the end of the Second Quarter	40%	44%	40%

Percentage Completed by Quarter



Status



Audits & Consulting Engagements Completed 2nd Quarter

Turner-PCL, a Joint Venture
Audit Report No. 20007
Issue Date: October 2, 2020
Office of the Chief Auditor

Formal Bidding/Contracting Process
Audit Report No. 20004
Issue Date: October 28, 2020
Office of the Chief Auditor

Small Business Development
Audit Report No. 18004
Issue Date: December 8, 2020
Office of the Chief Auditor

GateKeeper
Audit Report No. 21007
Issue Date: December 10, 2020
Office of the Chief Auditor

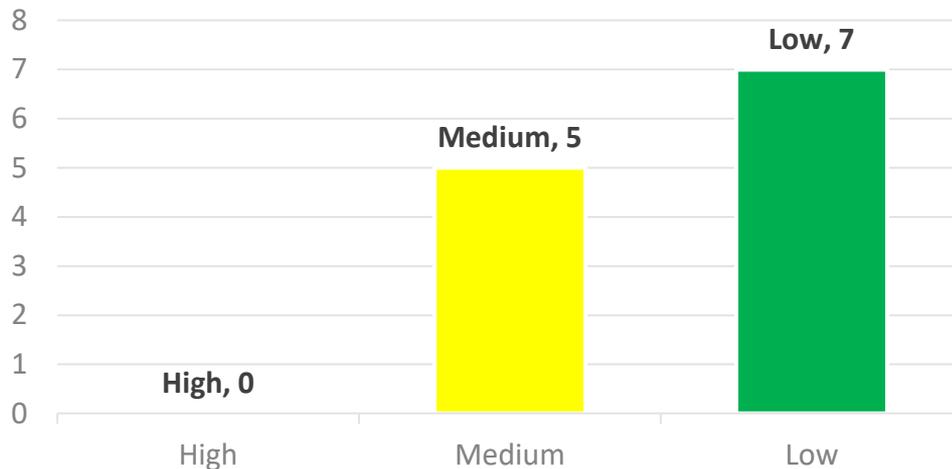
Arts Program Administration
Audit Report No. 21011
Issue Date: December 11, 2020
Office of the Chief Auditor

Number of Recommendations

Performance Measure	Goal	Actual	Benchmark
Number of Recommendations by the end of the Second Quarter	13	12	13

*** All
Recommendations
Accepted by
Management ***

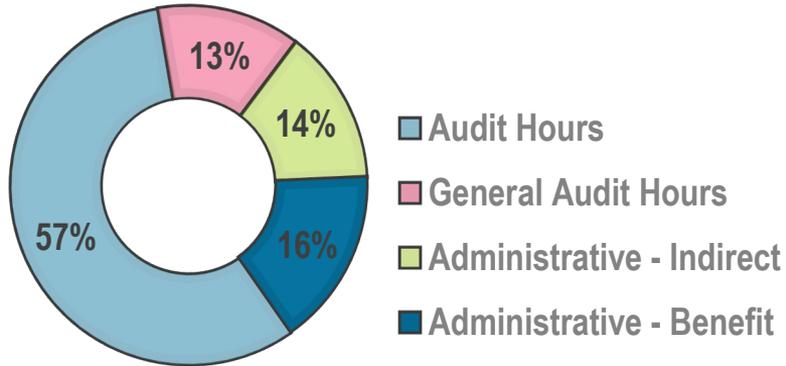
Rating of Recommendations



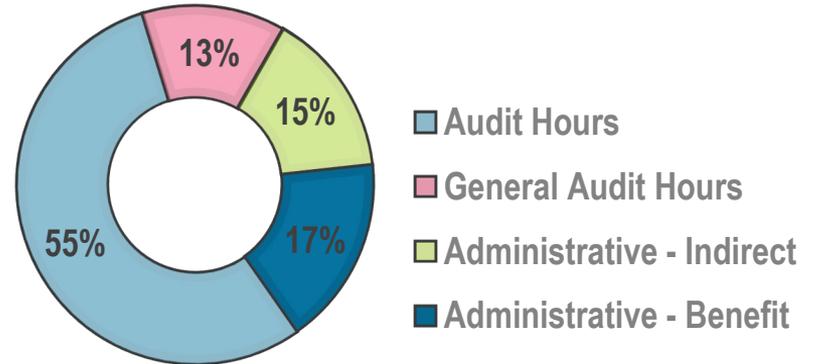
Auditor Utilization

Performance Measure	Goal	Actual	Benchmark
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	70%	68%	70%

GOAL



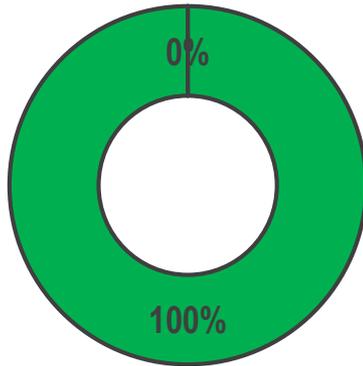
PROGRESS



Audit & Consulting Engagement Budgets

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits/Consulting Engagements Completed within Budget	80%	100%	75%

Engagements Completed



- Over Budget
- Under Budget

Engagement Hours

Budgeted	1,815
Actual	1,728
Total Hours Under Budget	<u>87</u>

General Audit Activity - Recommendations

Recommendation Follow up

Status as of December 31, 2020			
Completed	In Progress	Not Accepted	Tracked
5*	21**	-	26

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

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

General Audit Activity - Ethics Hotline

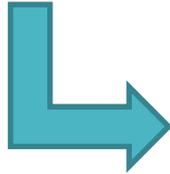
July 1, 2020, through December 31, 2020

	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)
Category					
Human Resource, Diversity, and Workplace Respect	2	-	-	-	-
Environment, Health and Safety – Noise	2	1	-	-	1
Total	4	1	-	-	1

General Audit Activity - Construction



OCA to partner with an outside construction auditing firm to supplement OCA staff.



Reasons for the Need



ADP largest and most complex project undertaken by the Authority



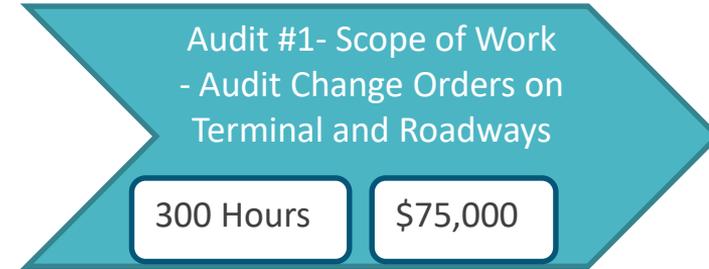
Total ADP cost of approximately \$3.0B

General Audit Activity - Construction

Construction Auditor Scope of Work

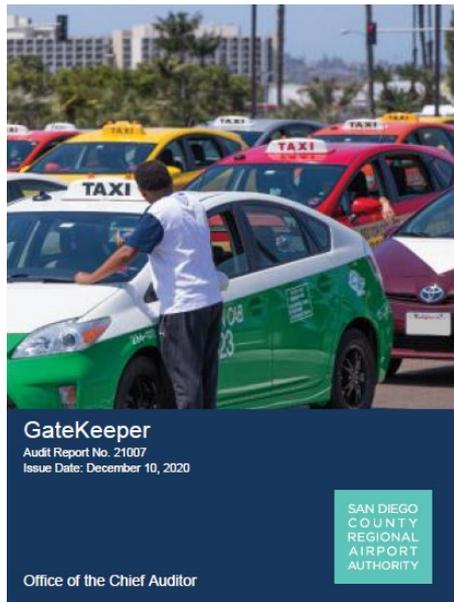


Example



Audit Spotlight - GateKeeper

Background



The Ground Transportation Department Utilizes a Software called GateKeeper

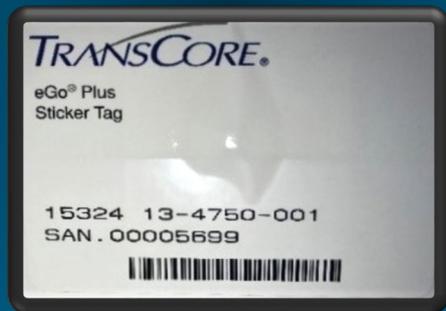
GateKeeper manages commercial vehicles operations and calculates trip fees for:

- Taxis
- Vehicles for hire
- Hotel and Motel Shuttles
- Off Airport Parking Shuttles

Audit Spotlight - GateKeeper

Background Continued

Ground
Transportation
issue transponders
to operators



Operators affix
transponders to
Vehicles



Transponder
Readers register
transponder activity



Audit Spotlight - GateKeeper

Audit Objectives

1

Determine the adequacy and accuracy of GateKeeper.

2

Determine if GateKeeper is managed effectively and efficiently.

Scope

All active transponders during the first quarter of FY 2021



Audit Spotlight - GateKeeper

Work Performed

1

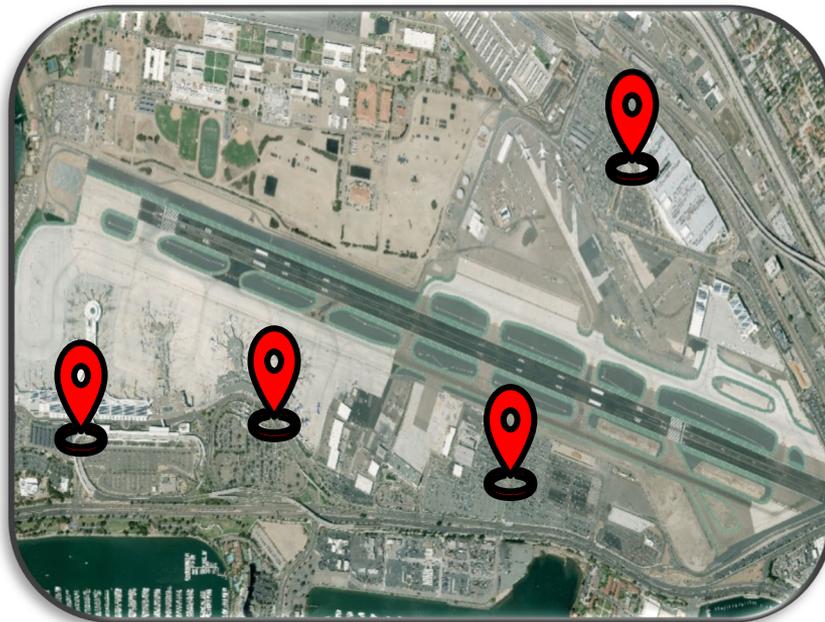
Obtained transponder and drove around Airport property

2

Performed virtual walkthroughs with staff on processes

3

Analyzed transponder activity reports, billing procedures, invoices, accounts receivable reports



Audit Spotlight - GateKeeper

Strengths

1. Ground Transportation analyzes vehicle traffic
2. Test of transponders are conducted
3. Reconciliations of trip fees are performed
4. Calculation and billing of trip fees were accurate and timely

Conclusion



GateKeeper is accurately tracking vehicles and is adequate to meet Authority needs



Ground Transportation manages GateKeeper effectively and efficiently

Audit Spotlight - GateKeeper

Findings & Recommendations



Documentation for stakeholder operating with a balance due could be improved.



Accounts Receivable aging report needs to be modified to correctly classify balances.

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **FEBRUARY 8, 2021**

Subject:

Revision to the Fiscal Year 2021 Audit Plan of the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

The Charter for the Office of the Chief Auditor, instituted by Board Resolution No. 2003-062 on October 2, 2003, and most recently amended on October 1, 2020, per Board Resolution No. 2020-0098, 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 initial Audit Plan for Fiscal Year 2021 was approved by the Audit Committee during its May 14, 2020, meeting, and was subsequently approved on June 4, 2020, by Board Resolution No. 2020-0066.

During the first quarter of Fiscal Year 2021 a review of the Audit Plan was undertaken by the OCA. A revision to adjust the allocation of audit hours to reflect the OCAs operational requirements, including to add consulting engagements related to COVID-19, was requested and accepted during the September 10, 2020, Audit Committee Meeting. The revision was subsequently approved on October 1, 2020, by Board Resolution No. 2020-0093.

During the second quarter of Fiscal Year 2021 a revision to the Audit Plan was requested during the November 16, 2020, Audit Committee Meeting to remove intern hours due to a staffing vacancy and to replace a planned audit with a new audit. The changes were also necessitated due to the continuing reduced passenger volumes at San Diego International Airport caused by the COVID-19 pandemic and allowed for a better utilization of staff resources. The revision was subsequently approved on December 3, 2020, by Board Resolution No. 2020-0118.

Page 2 of 3

At this time a revision to the Fiscal Year 2021 Audit Plan is requested. The proposed changes include:

- 1) Remove 180 General Audit Hours designated for Peer Review Participation.
- 2) Add 180 Audit Engagement Hours for a discretionary contingent audit.

Peer Review Participation was anticipated this fiscal year as part of a reciprocal requirement that the OCA has with the Association of Local Government Auditors. The OCA would volunteer two audit staff to serve on a Quality Assurance Review for another organization. Due to COVID-19 precautions, the OCA does not anticipate traveling to provide reciprocal audit services to perform an agency's Quality Assurance Review during this fiscal year. Therefore, these hours are reclassified as To Be Determined on the Audit Plan for utilization at the discretion of the Chief Auditor.

Additionally, during the course of the Second Quarter the OCA identified a potential audit engagement related to the Fiscal Year 2020 Harbor Police expenses that are charged to the Authority as part of the annual "True-up". Therefore, this audit has been included as a Contingent Audit on this proposed revision to the Fiscal Year 2021 Audit Plan. The OCA determined this audit could provide value added to the organization. It could be initiated as audit resources and documentation become available.

The proposed revision to the Fiscal Year 2021 Audit Plan is provided as Attachment A. The Fiscal Year 2021 Audit Plan with all changes incorporated is provided as Attachment B.

Fiscal Impact:

The Chief Auditor Department's adopted Operating Expense Budget for Fiscal Year 2021 and conceptually approved budget for Fiscal Year 2022 meet the allotted budget requirements for the proposed revision to the Fiscal Year 2021 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 2021 Audit Plan
Proposed February 8, 2021

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Audit Engagement Hours				
Business and Real Estate Agreements ²	To determine if the RCC land lease is administered appropriately.	20	-	20
Contractor Monitoring ²	To determine if the contract with Turner is administered appropriately.	75	-	75
Small Business Development Management ²	Review controls, compliance, and performance related to Small Business Development management.	100	-	100
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.	235	-	235
Formal Bidding and Contracting ²	To determine if bidding procedures align with best practices and/or Authority needs and if bidding procedures are being administered effectively and efficiently.	400	-	400
System Security	To determine the level of compliance with the Authority's information security policies.	495	-	495
System Security	To evaluate the Authority's security posture by performing penetration testing.	250	-	250
Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable.	500	-	500
Emergency & Single Source Purchases	To determine if purchases made during an emergency or from sole sources are appropriate and reasonable.	425	-	425
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	-	450
Commercial Vehicle Licensing, Permitting, & Revenue Collection	To determine the adequacy and accuracy of the GateKeeper system.	450	-	450
Contractor Monitoring	To determine if the contract with Sundt is administered appropriately.	500	-	500
Accounts Payable	To determine if the internal controls in the procurement to pay cycle are adequate and appropriate.	475	-	475
Employee Benefits	To determine if the processes and controls in place for employee benefit payments are adequate and appropriate.	450	-	450
Arts Program Administration	To determine if the Authority's Arts Program is administered appropriately.	475	-	475
Enterprise Content Management System (ECMS)	To determine if access rights in ECMS are appropriate.	450	-	450
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	-	180	180
Total Audit Engagement Hours		5,750	180	5,930

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

² Audit Activity has been carried forward from Fiscal Year 2020.

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Consulting Engagement Hours				
COVID-19	To provide assistance to management related to COVID-19. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	60	-	60
Calculation and Reconciliation of Concession Rents and Fees	To provide assistance to management related to the calculation and reconciliation of the rents and fees of Airport Food and Beverage and Retail Concessionaires for Fiscal Year 2020. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	300	-	300
Total Consulting Engagement Hours		360	-	360
General Audit Hours				
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	-	380
Development of Data Analytics	Develop a data analytics program for rental car concessions and potentially in-terminal concessions.	593	-	593
Ethics Hotline ³	To review ethics policies, provide training, and investigate reported incidents.	330	-	330
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	130	-	130
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	(180)	-
Quality Assurance & Improvement Program ³	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	-	300
Recommendation Follow-up ³	To verify that internal and external audit recommendations have been implemented as intended.	140	-	140
Risk Assessment and Audit Plan	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	221	-	221
Total General Audit Hours		2,274	(180)	2,094

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

Office of the Chief Auditor
 Fiscal Year 2021 Audit Plan
 Proposed February 8, 2021

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Administrative Hours				
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other.	2,088	-	2,088
Administrative - Benefit	Vacation, Holiday Time, and Other Leave/Time Off.	2,008	-	2,008
	Total Administrative Hours	4,096	-	4,096
	Total Hours	12,480	-	12,480

Key Work Activity	Objective ¹	Estimated Hours	Change Requested	Revised Hours
Contingent Audit Hours				
Manage the Business Continuity Plan	To determine if the Business Continuity Plan adequately addresses risks and contains an adequate response plan.	450	-	450
TNC Contract Administration & Revenue Collection	To determine if the Transportation Network Company (TNC) Contract is administered appropriately.	475	-	475
Advertising	To determine if the marketing program for concessions is administered appropriately.	425	-	425
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	-	500
Accounts Receivable / Collections	To evaluate the deferral of revenues related to the COVID-19 pandemic.	400	-	400
Management of ALUC, Board, and Standing Board Committee Meetings	To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate.	400	-	400
Maintenance Service Contracts Oversight	To determine if the processes and controls in place for labor compliance are adequate and appropriate.	450	-	450
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	375	-	375
Rental Car Shuttle Service Contract Administration	To determine if the Rental Car Shuttle Service operations are administered appropriately.	450	-	450
Harbor Police Contract Management	To determine if the expenses included in the Fiscal Year 2020 Harbor Police True-up are accurate and adhere to the agreements between the Authority and the Port of San Diego.	-	400	400
Total Contingent Audit Hours		3,925	400	4,325

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed February 8, 2021

ATTACHMENT B

Key Work Activity	Objective ¹	Hours
Audit Engagement Hours		
Business and Real Estate Agreements ²	To determine if the RCC land lease is administered appropriately.	20
Contractor Monitoring ²	To determine if the contract with Turner is administered appropriately.	75
Small Business Development Management ²	Review controls, compliance, and performance related to Small Business Development management.	100
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.	235
Formal Bidding and Contracting ²	To determine if bidding procedures align with best practices and/or Authority needs and if bidding procedures are being administered effectively and efficiently.	400
System Security	To determine the level of compliance with the Authority's information security policies.	495
System Security	To evaluate the Authority's security posture by performing penetration testing.	250
Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable.	500
Emergency & Single Source Purchases	To determine if purchases made during an emergency or from sole sources are appropriate and reasonable.	425
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
Commercial Vehicle Licensing, Permitting, & Revenue Collection	To determine the adequacy and accuracy of the Gate Keeper system.	450
Contractor Monitoring	To determine if the contract with Sundt is administered appropriately.	500
Accounts Payable	To determine if the internal controls in the procurement to pay cycle are adequate and appropriate.	475
Employee Benefits	To determine if the processes and controls in place for employee benefit payments are adequate and appropriate.	450
Arts Program Administration	To determine if the Authority's Arts Program is administered appropriately.	475
Enterprise Content Management System (ECMS)	To determine if access rights in ECMS are appropriate.	450
To Be Determined	To initiate audit(s)/consulting engagements based on risk identified at the discretion of the Chief Auditor.	180
Total Audit Engagement Hours		5,930
Consulting Engagement Hours		
COVID-19	To provide assistance to management related to COVID-19. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	60

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

² Audit Activity has been carried forward from Fiscal Year 2020.

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed February 8, 2021

ATTACHMENT B

Key Work Activity	Objective ¹	Hours
Calculation and Reconciliation of Concession Rents and Fees	To provide assistance to management related to the calculation and reconciliation of the rents and fees of Airport Food and Beverage and Retail Concessionaires for Fiscal Year 2020. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	300
	Total Consulting Engagement Hours	360
General Audit Hours		
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
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Recommendation Follow-up ³	To verify that internal and external audit recommendations have been implemented as intended.	140
Risk Assessment and Audit Plan	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	221
	Total General Audit Hours	2,094
Administrative Hours		
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other.	2,088
Administrative - Benefit	Vacation, Holiday Time, and Other Leave/Time Off.	2,008
	Total Administrative Hours	4,096
	Total Hours	12,480

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

Office of the Chief Auditor
 Fiscal Year 2021 Contingent Audit Activities
 Proposed February 8, 2021

Key Work Activity	Objective	Hours
Contingent Audit Hours		
Manage the Business Continuity Plan	To determine if the Business Continuity Plan adequately addresses risks and contains an adequate response plan.	450
TNC Contract Administration & Revenue Collection	To determine if the Transportation Network Company (TNC) Contract is administered appropriately.	475
Advertising	To determine if the marketing program for concessions is administered appropriately.	425
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
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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
Maintenance Service Contracts Oversight	To determine if the processes and controls in place for labor compliance are adequate and appropriate.	450
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Harbor Police Contract Management	To determine if the expenses included in the Fiscal Year 2020 Harbor Police True-up are accurate and adhere to the agreements between the Authority and the Port of San Diego.	400
	Total Contingent Audit Hours	4,325



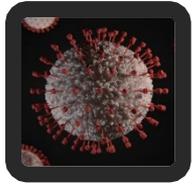
SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

Revision to the
Fiscal Year 2021 Audit Plan of
the Office of the Chief Auditor

Audit Committee Meeting
February 8, 2021

Reasons for Revision



Remove 180 hours designated for Peer Review Participation

- Due to COVID-19 restrictions, planned reciprocal service for OCA staff to perform a Quality Assurance Review is now postponed
- Allocate the 180 hours as To Be Determined; utilized at the Chief Auditor's discretion

Reasons for Revision



Add a Contingent Audit for Harbor Police Contract Management

- Estimated hours – 400
- Audit expenses that are charged to the Authority as part of the annual “True-up”

QUESTIONS?