

Audit Committee and Special Board Meeting

Monday, February 6, 2023
10:00 A.M.

San Diego County Regional Airport Authority
Administration Building
Third Floor – Board Room
3225 N. Harbor Drive
San Diego, California 92101

Board Members

Gil Cabrera (Chair)
Mary Casillas Salas (Vice Chair)
Nathan Fletcher
Lidia Martinez
Paul McNamara
Rafael Perez
Esther C. Sanchez
James Sly
Marni von Wilpert

Ex-Officio Board Members

Col. Thomas Bedell
Gustavo Dallarda
Gayle Miller

President/CEO

Kimberly J. Becker

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

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

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

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

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

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

Monday, February 6, 2023

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Casillas Salas, Martinez, Newsom, Perez, Sanchez, Vann (Chair), Wong Nickerson

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Board and 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 21, 2022, special meeting.

2. FISCAL YEAR 2023 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; and Fred Bolger, Manager, Audit Services)

3. CONSTRUCTION AUDIT UPDATE:

RECOMMENDATION: Information item only.

(Presented by: Lee Parravano, Chief Auditor; and Callie Ullman, Senior Auditor)

4. REVISION TO THE FISCAL YEAR 2023 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)

Audit Committee Agenda

Monday, February 6, 2023

CLOSED SESSION:

5. THREAT TO PUBLIC SERVICES OR FACILITIES:

Consultation with Clint Welch, Director, Aviation Security and Public Safety; Jessica Bishop, Director, Information & Technology Services; and John Thomes, Cyber Security Specialist.

REPORT ON CLOSED SESSION:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Monday, February 6, 2023

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

- 1) Persons wishing to address the Board, ALUC, and Committees shall submit a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to submit a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.

After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2550 at least three (3) working days prior to the meeting to ensure availability.

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

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

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

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE MEETING
MINUTES
MONDAY, NOVEMBER 21, 2022
BOARD ROOM

CALL TO ORDER: Vice Chair Schiavoni called the Special Audit Committee Meeting to order at 9:33 a.m., on Monday, November 21, 2022, at the San Diego International Airport, Administration Building, 3225 North Harbor Drive, San Diego, CA 92101.

ROLL CALL:

Present: Committee Members: Blakespear, Newsom, Schiavoni (Vice Chair), Sly, Wong Nickerson

Absent: Committee Members: Casillas Salas, Vann (Chair)

Also Present: Kimberly J. Becker, President/CEO; Lee Kaminetz, Director, Counsel Services; Tony R. Russell, Director, Board Services/Authority Clerk; Sean Harris, Assistant Authority Clerk II

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

Vice Chair Schiavoni stated that the committee would be taking the agenda items out of order to hear those items requiring 5 votes first.

- 2. EXTERNAL AUDITOR’S FISCAL YEAR ENDED JUNE 30, 2022 REPORT: A) AUDITED FINANCIAL STATEMENTS, B) SINGLE AUDIT REPORTS, C) PASSENGER FACILITY CHARGES COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) LETTER TO THE BOARD:**
Elizabeth Stewart, Director, Accounting; Rachel Ormsby, Director & Lead Audit Engagement Executive, FORVIS, provided a presentation on the External Auditor’s Fiscal Year Ended June 30, 2022 Report that included Audit Results for Year Ended June 30, 2022; Financial Highlights; Governmental Accounting Standards Board (GASB) Statement 87, Leases; FAA COVID Funding; Required Communications; and Findings Reporting during the FY2022 Audit.

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

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

- 3. REVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2022:**
Elizabeth Stewart, Director, Accounting provided a review of the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

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

ACTION: Moved by Committee Member Newsom and seconded by Committee Member Wong Nickerson to approve staff’s recommendation. Motion carried unanimously noting Board Member Casillas Salas and Chair Vann as ABSENT.

4. FISCAL YEAR 2022 ANNUAL REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2022 Annual Report from the Office of the Chief Auditor that included, Fiscal Year 2022 Performance Measures; Engagements Completed in 4th Quarter; General Audit Activities; Audit Spotlight – Direct Labor; Billing During Validation Phase; and Required Disclosures.

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

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

Committee Member Wong Nickerson left the meeting at 9:58 a.m.

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the September 12, 2022, regular meeting.

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

5. FISCAL YEAR 2023 FIRST QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2023 First Quarter Report from the Office of the Chief Auditor that included, Fiscal Year 2023 Performance Measure; General Audit Activities; Administrative; and Audit Spotlight – 2% Surcharge.

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

Board Member Sly suggested that the required surcharge language of individual concessionaires should not imply that the surcharge is being charged by the Airport.

ACTION: Moved by Board Member Sly and seconded by Board Member Blakespear to approve staff's recommendation. Motion carried unanimously noting Board Member Casillas Salas, Chair Vann, and Committee Member Wong Nickerson as ABSENT.

7. REVIEW AMENDMENTS TO AUTHORITY CODE 2.16 – ENFORCEMENT (ETHICS AND CONDUCT)

Lee Parravano, Chief Auditor, provided a presentation on the amendments to Authority Code 2.16 – Enforcement that included Code Section 2.16 Overview, Proposed Changes, and Preliminary Review.

RECOMMENDATION: Staff recommends that the Audit Committee review and accept the proposed amendments to Authority Code 2.16 and forward the item to the Board with a recommendation for approval.

Vice Chair Schiavoni recommended amending staff's recommendation to include language that the Board be notified of the disposition of ethics complaints.

ACTION: Moved by Committee Member Newsom and seconded by Board Member Sly to approve staff's recommendation as amended to include language that the Board be notified of the disposition of ethics complaints. Motion carried unanimously noting Board Member Casillas Salas, Chair Vann, and Committee Member Wong Nickerson as ABSENT.

The Committee recessed at 10:25 a.m. and reconvened at 10:30 a.m.

Committee member Wong Nickerson returned to the meeting at 10:30 a.m.

6. REVISION TO THE FISCAL YEAR 2023 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation on the Revision to the Fiscal Year 2023 Audit Plan of the Office of the Chief Auditor that included Reasons for Revision.

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

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

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting adjourned at 10:35 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 6th DAY OF FEBRUARY 2023.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

Audit Committee Report

Meeting Date: February 6, 2023

Subject:

Fiscal Year 2023 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:

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

The Fiscal Year 2023 Second Quarter Report from the OCA (Attachment A) is submitted to the Audit Committee to provide an account of activities and undertakings of the OCA during the period October 1, 2022, through December 31, 2022, and includes details on all recommendations completed or in progress during the second quarter.

A presentation by the OCA on its second quarter activities will be provided to the Audit Committee on February 6, 2023. Upon review of the Fiscal Year 2023 Second Quarter Report, staff requests that the Audit Committee forward the report to the Board for acceptance.

Fiscal Impact:

None

Audit Committee Report

Meeting Date: February 6, 2023

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

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

Application of Inclusionary Policies:

Not Applicable

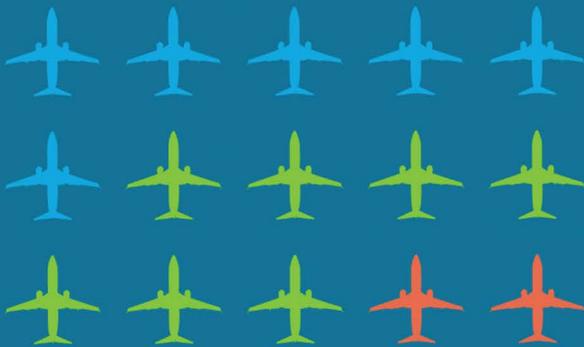
Prepared by:

Lee M. Parravano
Chief Auditor

Office of the Chief Auditor Fiscal Year 2023 2nd Quarter Report



Audit Engagement Progress



■ Completed (40%)
 ■ In Progress (46.67%)
 ■ Not Started (13.33%)

Audit Engagements Completed vs. Benchmark & Goal



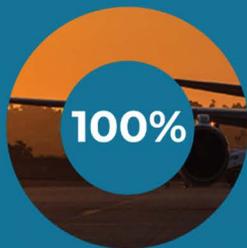
By The Numbers



Recommendations Issued



Customer Satisfaction Rating



Engagements Completed Under Budget



Auditor Utilization Percentage



Recommendations Accepted By Management



Fiscal Year 2023

Second Quarter Report

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Issue Date: February 6, 2023

OFFICE OF THE CHIEF AUDITOR

Second Quarter Summary

Executive Summary

During the second quarter, the Office of the Chief Auditor (OCA) continued work on the Fiscal Year 2023 Audit Plan. The quarter was very active with the OCA completing three engagements. Also, the OCA collaborated with the Marketing Department to revamp the webpage for reporting fraud, waste, abuse, and ethics violations. The new webpage offers additional functionality and information. Details on all activities included in the Audit Plan are given below.

Performance Measures

For Fiscal Year 2023, six major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Table 1.¹

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

#	Performance Measure	Goal	Actual	Benchmark
1	Customer satisfaction ratings from auditee	4.0	5.0	4.0
2	Number of recommendations	16	9	16
3	Percentage of audit and consulting engagements completed	40%	40%	40%
4	Percentage of recommendations accepted	95%	100%	83%
5	Percentage of staff time spent on audit and consulting engagements and general audit activities	81%	85%	81%
6	Percentage of audit and consulting engagements completed within budget	80%	100%	73%

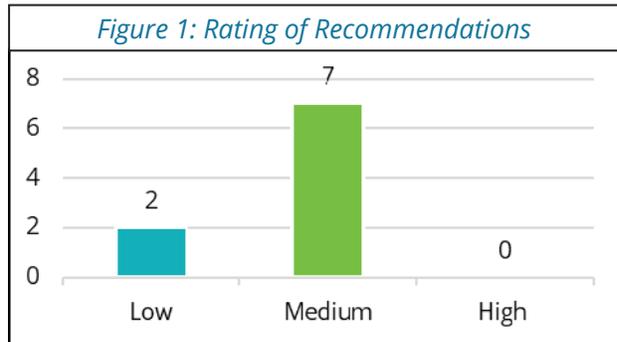
Customer Satisfaction Rating:

After the completion of an audit or consulting engagement, a survey is sent to the department to obtain customer satisfaction data. The OCAs goal for customer satisfaction is 4.0, on a 1 to 5 scale (with 1 being very dissatisfied and 5 being very satisfied). To date this fiscal year, we have achieved a score of 5.0.

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

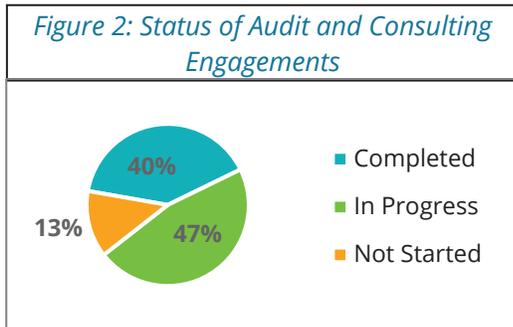
Number of Recommendations:

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. As of December 31, 2022, the OCA provided 9 recommendations to management to remediate risks identified. Each of the recommendations are rated based on a qualitative value of risk, identified as Low, Medium, or High. A summary of the ratings is shown in Figure 1.



Percentage of Audit and Consulting Engagements Completed:

As of the second quarter, the OCA completed 6 engagements, or 40%, of audit and consulting engagements (6/15 = 40%) that are planned to be completed on the Fiscal Year 2023 Audit Plan.² In addition to the six engagements completed, the OCA had 47% of engagements in progress as of the end of the second quarter, as shown in Figure 2. The engagements completed in the second quarter are summarized in the upcoming section titled Engagements Issued.



The status of all activities in the Fiscal Year 2023 Audit Plan is included in Appendix A.

Percentage of Recommendations Accepted:

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

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

This measure tracks the time spent on audit and consulting engagements and general audit activities.³ The OCAs goal is for staff to spend 81% of their working hours⁴ on audit engagements, consulting engagements, and general audit activities. The OCA is currently exceeding the goal established, spending 85% of time on audit engagements, consulting engagements, and general audit activities.

² The Fiscal Year 2023 Audit Plan has 15 audits and 1 consulting engagement. However, the audit titled "Tenant Lease Administration and Management – FY2023 Rental Car Companies" will be carried forward, as anticipated, into Fiscal Year 2024, when required data is captured to complete the audit. This results in 14 audits and 1 consulting engagement on the Fiscal Year 2023 Audit Plan to be completed in the fiscal year.

³ Appendix A details all planned activities in these categories for Fiscal Year 2023.

⁴ Time off (e.g., Holidays, Paid Time off) has been excluded from this calculation.

FISCAL YEAR 2023 SECOND QUARTER REPORT

Percentage of Audit and Consulting Engagements Completed within Budgeted Time:

This category monitors the efficiency of audit staff in performing audits and consulting engagements. Specifically, audit staff is responsible for the internally prepared budget hours assigned to each audit or consulting engagement. As of the second quarter of Fiscal Year 2023, the OCA completed 100% of its projects within the budgeted time, exceeding the benchmark and the OCAs goal.

Engagements Issued

The Office of the Chief Auditor completed three engagements during the second quarter. Below is a summary of these engagements.

Turner-Flatiron, A Joint Venture, Cost Controls During Validation Phase: The objective of this audit was to determine if project controls surrounding the costs incurred during the validation phase were in place and operating as designed. The audit determined that the Airport Design & Construction controls were properly in place, operating as designed, and adequate to ensure costs were properly managed during the validation phase. The audit did not identify any findings or provide any recommendations.



Consulting – Grant Funding Assistance: The objective of the consulting services was to provide research and interpretation of the federal procurement requirements as they pertain to the Federal Aviation Administration (FAA) terminal grants under the Bipartisan Infrastructure Law (BIL), and analyze and examine the processes to determine cost eligibility and allowability for the use of these grant funds. The consulting engagement ended December 31, 2022; however, the OCA is in discussions to initiate another grant consulting engagement for the calendar year 2023 based on grant funding availability and the needs of management.



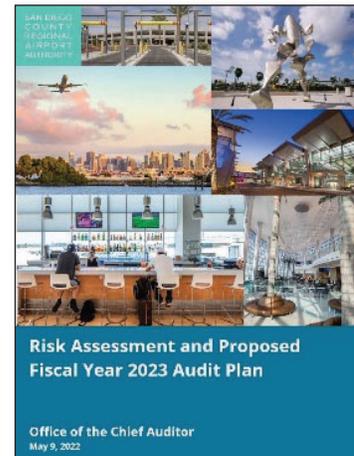
Security Assessment – Authority Websites and Web Applications: This confidential audit report was completed during the second quarter. The audit provided one recommendation.

General Audit Activities

In addition to performing audit engagements, the OCA is involved in other general audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required⁵ to perform these activities or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* is presented below.

Risk Assessment and Audit Plan

The OCA is required to submit a formal risk-based internal Audit Plan to the Audit Committee annually. The Risk Assessment & Audit Plan is the culminating result of data gathering, management discussions, surveys, and data analysis. The annual Risk Assessment and Audit Plan is generally initiated during the third quarter of each Fiscal Year. However, informally, the OCA is constantly assessing risk and adjusting the Audit Plan as needed.



Construction Activities

Construction audit activity for the second quarter of Fiscal Year 2023 consisted of attending meetings regarding the New Terminal 1 (New T1) terminal and roadways, the new administration building, and the New T1 airside improvements projects. The OCA, in collaboration with Baker Tilly, U.S., LLP (Baker Tilly), completed the Validation Phase cost controls audit, included in the Fiscal Year 2022 audit plan. The OCA continued to collaborate with Baker Tilly to develop the risk assessment and proposed audit plan for the Guaranteed Maximum Price development phase of the design-build terminal and roadways contract. Additionally, the OCA began work on a recently added audit at the request of the Airport Design & Construction Department (ADC) to determine if the ADC construction change order process is effective and efficient. The OCA remains involved with issues identified by ADC and Authority management, providing assistance and attending meetings specific to all aspects of the Authority's construction activity.

Information Technology Meeting Attendance

Information technology's central role to Authority operations makes meeting attendance on this subject a vital activity for the Chief Auditor. In Fiscal Year 2023, meetings have been focused on the audit related to the Authority's web-facing sites and future initiatives.

Development of Data Analytics

The OCA is actively exploring options to increase its audit coverage through data analytics and to identify where in-depth audits should be initiated. The Fiscal Year 2023 Audit Plan has two data analytics audits related to rental car companies. These audits are serving as a foundation to explore other areas where utilizing data analytics could benefit the Authority and the OCA. The development of the Data Analytics platform has already proven to be

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

FISCAL YEAR 2023 SECOND QUARTER REPORT

successful. During the OCAs validation of data received last year, the OCA identified that an audit of AVIS Budget should be initiated. An audit was added to the Fiscal Year 2022 Audit Plan and was completed in the first quarter of Fiscal Year 2023. The use of data analytics directly resulted in the identification of this audit engagement. The engagement resulted in \$42,327 due to the Authority.

The OCA expects to issue the Fiscal Year 2022 Data Analytics audit for rental car companies in the upcoming months.

Ethics Program Activities

The OCA manages the Authority's Ethics Program that includes a confidential Fraud, Waste, Abuse, and Ethics reporting hotline. During the first two quarters of Fiscal Year 2023, 35 tips/reports were received. These tips ultimately did not require any investigation by the OCA. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate.

A summary of the tips/reports received in Fiscal Year 2023 is shown in Table 2 below.

Table 2: Ethics Hotline Tips/Reports Received in Fiscal Year 2023

	Number of Tips / Reports Received	Investigation Initiated by OCA	Investigation Results Supported Code Violation (Ethics or Workplace) *
Category			
Human Resource, Diversity, and Workplace Respect	34	-	-
Environment, Health, and Safety	1	-	-
Total	35	-	-

*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.

In addition to the tips received above, the OCA tracked two ethics investigations that were reported in Fiscal Year 2022. Both investigations were conducted by an outside independent party. The outside independent parties conducted thorough investigations, and both found that no ethics violations had occurred. Based on the conclusions of the independent investigations the Board found that there were no ethics violations.

Recommendation Follow-up

The OCA is mandated by its Charter to track the recommendations issued in audit reports and to report their implementation status to the Audit Committee on a periodic basis. The OCA tracks recommendations through regular inquiries made to the audited departments or to the owner of the specific recommendation(s) (See Appendix B). These inquiries allow

FISCAL YEAR 2023 SECOND QUARTER REPORT

the OCA to determine how many recommendations have been completed, as well as to obtain the status on progress being made to implement the recommendation.

Table 3 below shows the number of recommendations that were *Completed* or *In Progress* as of the second quarter of Fiscal Year 2023, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, nine were implemented within the initial timeframe identified when the recommendations were issued. Of the In Progress recommendations, four were still within the initial timeframe identified for implementation.

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

Table 3: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total ⁶
Completed	11	3	3	17
In Progress	-	5	3	8

Quality Assurance and Improvement Program

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

The OCA completed ongoing monitoring of its Fiscal Year 2022 activities and operations during the first quarter of Fiscal Year 2023. The OCA found no items that would impact audit report quality. Full results were included in the Fiscal Year 2022 OCA Annual Report as part of the November 21, 2022, Audit Committee Meeting materials.⁷

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

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

⁷ The results of on-going monitoring were originally included in the September 12, 2022, Audit Committee Meeting materials. The meeting did not have five votes required to move the item to the Board and was re-submitted in November.

Peer Review Participation

The OCA is required to participate on a peer review team(s) as part of a reciprocal agreement with the Association of Local Government Auditors (ALGA). This agreement requires OCA auditors to participate on a team assigned to assess another organization's compliance to the Institute of Internal Auditors' (IIA) *Standards*.

When COVID restrictions began to lift, scheduling of peer reviews and the necessary review teams resumed. Shane Ellis, an OCA Senior Auditor, completed a peer review of the Greater Orlando Aviation Authority in September 2022. The OCA is in contact with the regional coordinator of ALGA to schedule the remaining staff member on an appropriate peer review team.

Administrative

The activities that reside within the Administrative classification on the OCA Audit Plan include meetings attended by the OCA, holiday and vacation time, and the fulfillment of Continuing Professional Education (CPE) requirements. Following is a summary of the *Administrative* activities.

Tracking Budget and Expenses

The OCA expenses totaled approximately \$657,000 through the end of the second quarter, which represents 45% of the Fiscal Year 2023 budget. No unexpected or large outlays occurred within the department during the second quarter of Fiscal Year 2023. The OCA expects to remain close to budget through the fiscal year-end.

Continuing Professional Development

OCA staff continues to obtain Continuing Professional Education (CPE) credits as required by their various certifications. The OCAs CPE credits are tracked on a calendar year basis. At the end of calendar year 2022 all OCA staff met their respective CPE requirements. In the second quarter, staff attended training on topics that included construction, cybersecurity, ethics, internal controls, fraud, and data analytics.

Procedural/Supervisory

One Audit Committee meeting took place during the first quarter of Fiscal Year 2023, which occurred on November 21, 2022. The meeting contained all regularly scheduled agenda items, of which the OCA assisted in coordination with the Committee Chair and Board Services.

Contract Language

The OCA has been collaborating with Revenue Generation & Partnership Development and with other departments to examine audit-related language in contracts. The OCA appreciates the opportunity to be included in these discussions for they have the potential to impact future concessionaires and audit activities.

Audit Software

The OCA has been working on identifying a cloud-based audit software solution. Currently, the OCA utilizes a software that is housed “on-site” and generally requires staff to be in the office to access information. A new solution is anticipated to be more robust allowing greater functionality and reporting. A new solution will provide auditors full access to workpapers, will track time and schedule staff, fully integrate the Risk Assessment and Audit Plan, and will facilitate a more seamless recommendation follow-up process. The OCAs target is to have a new solution in place by the end of the Fiscal Year.

Fraud, Waste, Abuse, and Ethics Violations Reporting Webpage

The OCA has collaborated with the Marketing Department to develop an improved webpage for reporting fraud, waste, abuse, and ethics violations that features definitions, information on the reporting process, and enhanced functionality allowing an individual to upload supporting documentation. The new webpage was successfully launched in the Second Quarter of the Fiscal Year.



Use of Report

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

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

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

FISCAL YEAR 2023 SECOND QUARTER REPORT

Appendix A – Fiscal Year 2023 Audit Plan

#	Activity	Status as of 12/31/2022	Over/Under Budget	No. of Recs.
Audit				
1	Tenant Lease Admin. & Management – FY 2022 Rental Car Companies	In Progress		
2	Terminals and Roadway Validation Phase Cost Controls	Completed	Under	-
3	Tenant Lease Admin. & Management – 2% Surcharge	Completed	Under	4
4	Tenant Lease Admin. & Management – FY 2023 Rental Car Companies ⁸	In Progress		
5	System Security –Web Facing Sites and Applications	Completed	Under	1
6	Harbor Police Contract Management – Fiscal Year 2021 Costs	In Progress		
7	Contractor Monitoring – Administration Building	In Progress		
8	Employee Benefits – Payroll Deductions	Not Started		
9	Records Management – Official Records & Electronic Signatures	In Progress		
10	Parking Management- Ace Parking	In Progress		
11	Small Business Management	Not Started		
12	Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs ⁹	In Progress		
13	Harbor Police Contract Management –True -Up Controls ⁹	Completed	Under	-
14	Tenant Lease Admin. & Management – Avis ⁹	Completed	Under	4
15	Change Orders	In Progress		
	To Be Determined – Construction	N/A		
	To Be Determined - Discretionary	N/A		
	Total			9
Consulting				
16	Grant, PFC & CFC Administration - Grants	Completed	Under	-
General Audit				
17	Risk Assessment & Audit Plan	In Progress		
18	Construction Meeting Attendance & Coordination	In Progress		
19	Information Technology Meeting Attendance	In Progress		
20	Development of Data Analytics	In Progress		
21	Ethics Program	In Progress		
22	Recommendation Follow-up	In Progress		
23	Quality Assurance & Improvement Program	In Progress		
24	Peer Review Participation	In Progress		
Administrative				
25	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	In Progress		
26	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	In Progress		

⁸ Audit engagement is not anticipated to be completed in Fiscal Year 2023 and will be carried forward to Fiscal Year 2024.

⁹ Audit Engagement is included on November 21, 2022, Audit Committee Agenda Item: Revision to the Fiscal Year 2023 Audit Plan of the Office of the Chief Auditor.

Appendix B - Status of Recommendations

Fiscal Year 2023 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, 2022
Completed						
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	12/31/2022	ABRM (Airport Business and Revenue Management) software system is now in use. Transition period is underway before fully integrated.
20-27	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Finance & Risk Management Department, should analyze the current security deposits on hand, determine if the security deposits on hand are sufficient to cover the risk to the Authority, make adjustments, and document any exceptions to security deposits, as needed.	3/31/22	12/31/2022	Lease language for new generation of leases is complete and approved by Legal. “Flags” being programmed into ABRM to review security deposits annually.

Appendix B - Status of Recommendations

Fiscal Year 2023 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, 2022
Completed						
22-29	<p>Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase</p> <p>Department: AIRPORT DESIGN & CONSTRUCTION</p>	High	We recommend that ADC work with the JV to develop a process to ensure all billing rate submissions are accurate to facilitate the payment application review process by the JV and ADC. This could include limiting the billing rate information to when a current employee receives a rate change or a new employee is added to the project.	2/1/2023	12/31/2022	Gensler rate changes will be allowed on an annual basis in April. Gensler subconsultants will be in September. Additionally, JV has developed master list of rates for their personnel. ADC continues to review this. JV rate changes will continue to occur on a case by case basis because this is not a billing rate.
22-13	<p>Audit Report 22007 Issued December 29, 2021 Title: Fire Extinguisher Compliance</p> <p>Department: FACILITIES MANAGEMENT</p>	Medium	FMD should develop and maintain a listing of all Authority fire extinguishers and their locations. This listing could be included in a computer application such as the Geographic Information System to produce and maintain a map of the Authority that shows all fire extinguisher locations.	2/28/2022	12/4/2022	A GIS layer has been implemented. Additionally, we are working with our new service provider, First Response to provide an enhanced inventory which will show GPS location, when units have been inspected and by whom.

Appendix B - Status of Recommendations

Fiscal Year 2023 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, 2022
Completed						
22-37	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend that ADC require the JV to provide the applicable billing rate information for the employees identified without approved rates to allow ADC to determine the appropriateness of the rates charged.	2/1/2023	12/31/2022	JV has developed a master list of rates for their personnel. ADC continues to review this. JV rate changes will continue to occur on a case by case basis because this is not a billing rate.
23-01	Audit Report 22011 Issued: August 10, 2022 Title: Avis Budget Car Rental, LLC Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request the Accounting Department to issue a credit to Avis-Budget in the amount of \$2,534 for the overpayment of concession fees under the Avis brand.	10/31/2022	11/30/2022	Credit was issued.
23-02	Audit Report 22011 Issued: August 10, 2022 Title: Avis Budget Car Rental, LLC Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request the Accounting Department issue an invoice to Avis-Budget in the amount of \$54,320 for the underpayment of concession fees under the Budget brand.	10/31/2022	11/30/2022	Invoice issued and paid by Avis-Budget.

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, 2022
Completed						
23-03	Audit Report 22011 Issued: August 10, 2022 Title: Avis Budget Car Rental, LLC Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request both Avis and Budget to refund car rental customers \$21,146 and \$7,156, respectively, for the over collection of CFCs.	10/31/2022	11/30/2022	Letter request sent.
23-04	Audit Report 22011 Issued: August 10, 2022 Title: Avis Budget Car Rental, LLC Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should request the Accounting Department to issue a credit to Avis and Budget in the amount of \$2,475 and \$6,984, respectively, for the overpayment of CFCs.	10/31/2022	11/30/2022	Credit was issued.

Appendix B - Status of Recommendations

Fiscal Year 2023 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, 2022
Completed						
23-05	Audit Report 22016 Issued: Sept. 29, 2022 Title: 2% Surcharge Program Compliance Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should remind all F&B concessionaires that the 2% surcharge must be displayed on every menu, or they may incur a fine. In addition, RG&PD should verify compliance to this requirement on a regular basis. Alternately, if the 2% Surcharge Program is continued, RG&PD could consider removing the requirement for the surcharge notification to be on every menu if there is adequate signage notifying the customer.	12/31/2022	12/31/2022	RGPD produced signs for each concession and have been posted at all locations.
23-08	Audit Report 22016 Issued: Sept. 29, 2022 Title: 2% Surcharge Program Compliance Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	If the 2% Surcharge Program is continued, the Authority should consider the timeframe in which employees are paid and disallow any plan that results in excessive wait times.	1/1/2023	12/31/2022	As of December 31, 2022, the Authority approved 3 plans and rejected 1 plan that did not comply with the Surcharge Program requirements. Subsequently, for the plan that was rejected, a new plan was received and approved. There is no excessive wait times for the approved plans.

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, 2022
Completed						
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	11/3/2022	Policies 5.01 and 5.02 were amended by resolution at the November 3, 2022, Board Meeting.
22-21	Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: HUMAN RESOURCES	Low	HR should update the Career Development Standard to meet the operational needs and current practices of the Authority.	12/31/2022	12/31/2022	Human Resources determined that the Career Development Standard was no longer relevant and required. It has been removed from all locations.
22-24	Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: HUMAN RESOURCES	Low	HR should provide guidance on mandatory trainings. The guidance should include the steps needed for a training to be deemed “mandatory”, how attendance is tracked, and the repercussion for non-attendance.	12/31/2022	12/31/2022	Human Resources has identified and catalogued all mandatory trainings, including what makes the training mandatory, who is responsible to attend, and how often the training must be completed.

Appendix B - Status of Recommendations

Fiscal Year 2023 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, 2022
Completed						
22-25	Audit Report 22008 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Payment Applications During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION	Low	We recommend that ADC ensure their internal controls over review of the payment applications are continually operating effectively.	2/1/2023	12/31/2022	ADC & JV's Pay App Team are in constant communication and collaboration to ensure all supporting documentations are included within a pay application.
23-06	Audit Report 22016 Issued: Sept. 29, 2022 Title: 2% Surcharge Program Compliance Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	If the 2% Surcharge Program is continued, RG&PD should provide specifications (e.g., font size, placement, etc.) to the F&B concessionaires on what signage appropriately notifies a customer of the surcharge.	12/31/2022	12/31/2022	RGPD produced signs for each concession and have been posted at all locations.
23-07	Audit Report 22016 Issued: Sept. 29, 2022 Title: 2% Surcharge Program Compliance Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	If the 2% Surcharge Program is continued, RG&PD should provide guidance to the F&B concessionaires how on the surcharge is to be labeled on customer receipts.	11/30/2022	11/30/2022	Guidance was provided to concessionaires on how to handle constraints in payment systems for the number of characters on receipts, and what they should state.

Appendix B - Status of Recommendations

Fiscal Year 2023 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, 2022
In Progress						
22-30	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION	High	We recommend that ADC notify the JV concerning the over-billing based on the actual payroll hours and determine the most appropriate method to receive the \$37,525 incorrectly billed to the Authority.	2/1/2023	2/1/2023	Work in progress. JV has been notified, ADC and JV continue to work to resolve this item.
22-33	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION	High	We recommend that ADC notify the JV of the \$4,814 overcharge for holiday and paid time-off for the JV staff and the \$12,917 overcharge for the consultants to determine the most appropriate method to receive the total incorrectly billed to the Authority.	2/1/2023	2/1/2023	Work in progress. JV has been notified, ADC and JV continue to work to resolve this item.
21-30	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION	Medium	GT should develop and implement a methodology to review citation fine amounts periodically and adjust the amounts as appropriate.	9/30/2021	2/28/2023	GT developed a methodology to review citation fine amounts. The first review will occur during the 3rd quarter of FY23.

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, 2022
In Progress						
22-10	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority staff should cleanup E1 Plat Management and GIS Space Manager for mismatched or incorrect data and perform regular maintenance, review, and reconciliation of the data between E1 Plat Management and GIS Space Manager.	1/2/2023	6/30/2023	This work is ongoing with ADC in the lead. ABRM system will likely be integrated with GIS in the future.
22-11	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority Management should perform a physical inventory of plats throughout Terminal 2, and the New Terminal 1 when completed, to ensure that the reported attributes of space in the E1 Plat Management and GIS Space Manager reports reflect the physical space in the terminals. Any discrepancies should be timely corrected. Additionally, the written procedures referred to in Recommendation #22-8 should include a procedure for the periodic physical inventory of plats in Terminals 1 and 2.	12/1/2022	6/30/2023	ADC staff continues to work on this effort as staffing resources allow.

Appendix B - Status of Recommendations

Fiscal Year 2023 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, 2022
In Progress						
22-31	Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend that ADC notify the JV concerning the underbilling based on the actual payroll register pay rates and determine the most appropriate method to address the \$1,750 that was not billed to the Authority.	2/1/2023	2/1/2023	Work in progress. JV has been notified, ADC and JV continue to work to resolve this item.
22-22	Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: HUMAN RESOURCES	Low	The training hours contained in the Sustainability Report (or other public documents) should aggregate both internal and external trainings completed by employees. Additionally, management should determine if the new LMS365 will be used by HR to track both internal and external training completed by employees.	12/31/2022	3/31/2023	HR is in the process of implementing this recommendation.
22-23	Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: HUMAN RESOURCES	Low	HR should evaluate and track the results of trainings completed to determine if they were effective in meeting the need identified and for which the training was developed.	12/31/2022	3/31/2023	HR is in the process of implementing this recommendation.

Fiscal Year 2023 Second Quarter Report from the Office of the Chief Auditor

October 1, 2022, through December 31, 2022

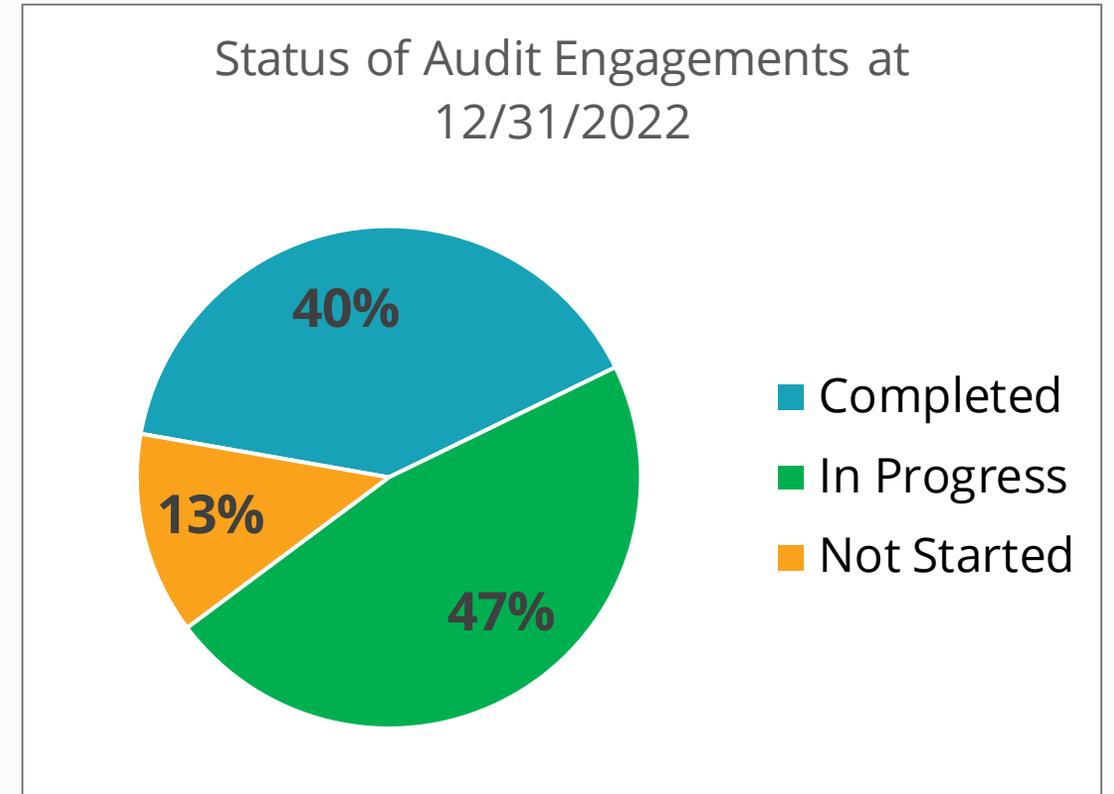
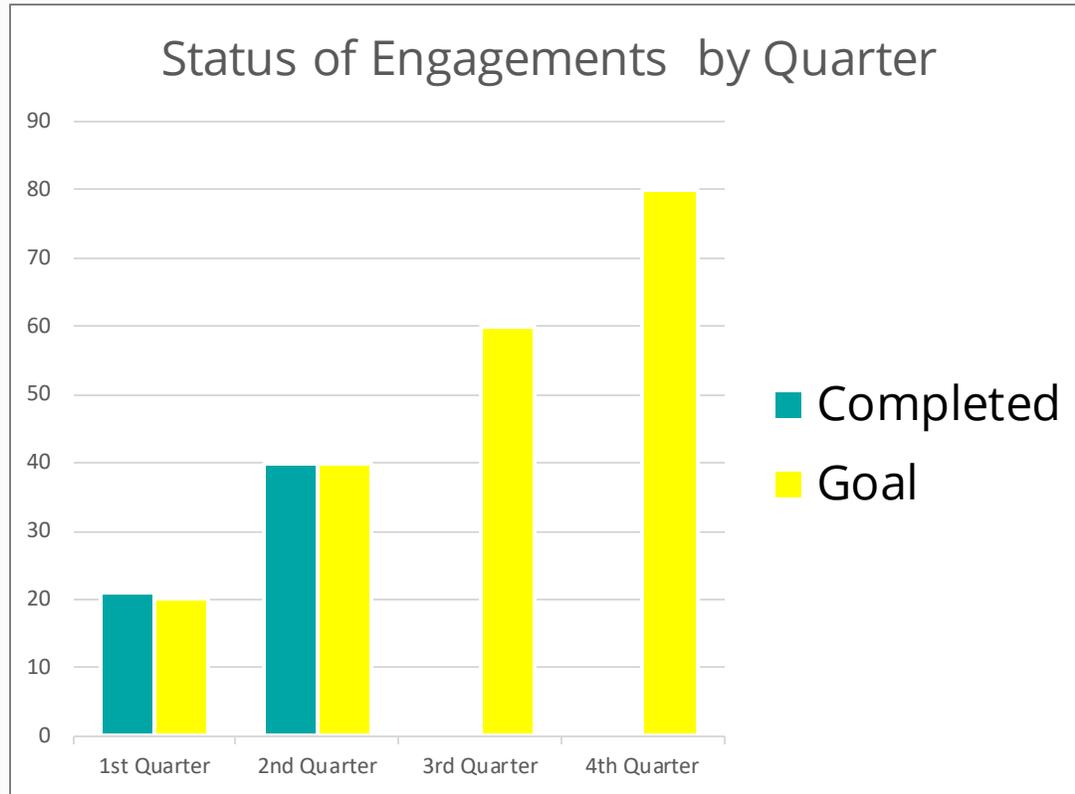
Audit Committee Meeting February 6, 2023

Fiscal Year 2023 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Customer Satisfaction Rating from Auditee	4.0	5.0	4.0
Number of Recommendations	15	9	15
Percentage of Audit and Consulting Engagements Completed	40%	40%	40%
Percentage of Recommendations Accepted	95%	100%	83%
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	81%	85%	81%
Percentage of Audits and Consulting Engagements Completed within Budget	80%	100%	73%

Performance Measures - Additional Details

Percentage of Engagements Completed



General Audit Activity - Recommendation Follow-Up

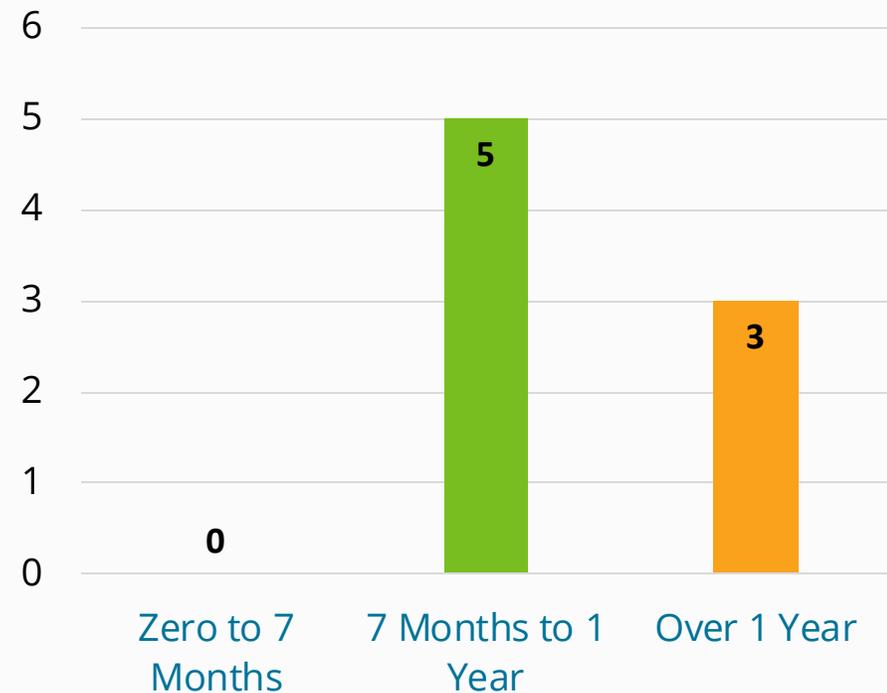
Recommendation Follow Up

Status as of December 31, 2022			
Completed	In Progress	Not Accepted	Tracked
17*	8**	-	25

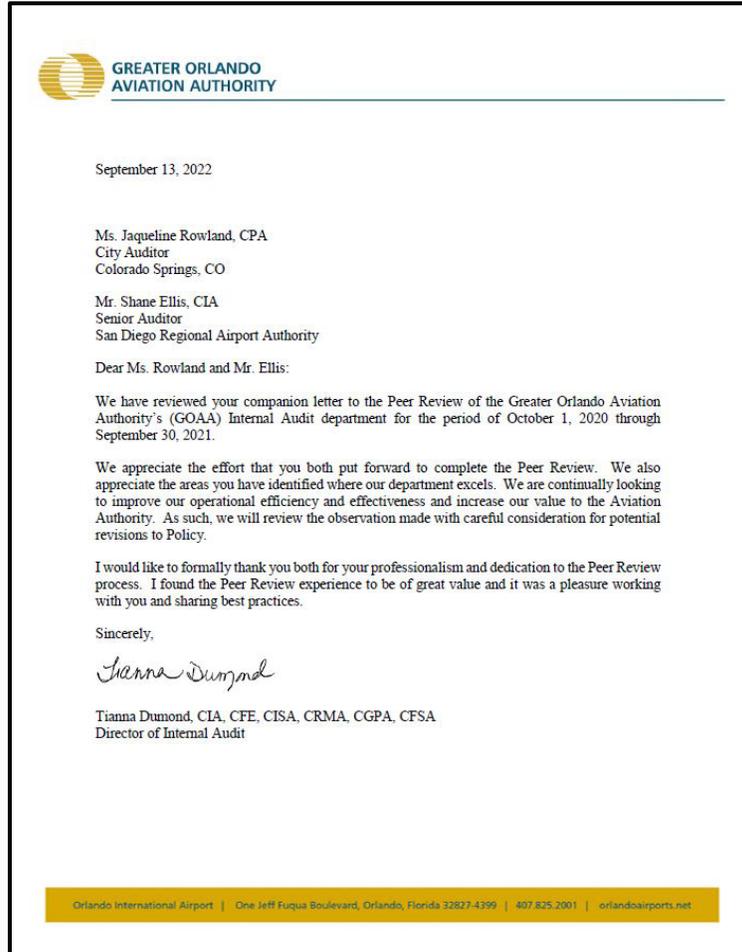
* 9 recommendations were completed within the initial timeframe identified for implementation.

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

Estimated Implementation Timeframe for In Progress Recommendations



General Audit Activity - Peer Review Participation



Peer Review Participation

Reciprocal Agreement:

- OCA is required to participate on two peer review teams with the Association of Local Government Auditors (ALGA)
 1. Greater Orlando Aviation Authority - Completed September 2022
 2. TDB - Anticipated completion June 2023

Administrative - Audit Software



Web Based Solution

- Workpaper Management
- Timekeeping & Budgeting
- Risk Assessment & Audit Plan
- Recommendation Follow-up

General Audit Activity - Ethics

	Number of Tips / Reports Received	Investigation Initiated by OCA	Investigation Results Supported Code Violation (Ethics or Workplace)
Category			
Human Resource, Diversity, and Workplace Respect	34	-	-
Environment, Health and Safety	1	-	-
Total	35	-	-

***Two ethics investigations were completed in the Second Quarter of Fiscal Year 2023. There were no ethics violations found in either of these investigations.

General Audit Activity - Ethics

The screenshot shows the website's navigation menu on the left, including links for 'About The Airport Authority', 'Aviation Security & Public Safety', 'Awards & Recognition', 'Board Members', 'Codes & Policies', 'Disclosure of System Information', 'Employee Standards & Guidelines', 'Financials', 'Form 802 - Ticket Distribution', 'Gate Rules', 'Irregular Operations Plan', 'Lobbyist Information', 'Meetings & Agendas', 'Office of the Chief Auditor', 'PFC Application', 'Public Records Request', 'Reporting Violations on Ethics', 'Rules & Regulations', 'Terminal Activities', 'Terms of Use', 'Privacy Policy', and 'Public Comment Form'. The main content area is titled 'Reporting Fraud, Waste, Abuse, and Ethics Violations' and includes a sub-header 'Reporting Fraud, Waste, Abuse, and Ethics Violations at the San Diego County Regional Airport Authority'. Below this, there is a paragraph explaining the role of the Office of the Chief Auditor (OCA) and a list of two bullet points: 'The hotline and online forms are not forums for employment-related grievances or complaints. The Authority's workplace standards and procedures provide methods for resolution of these issues.' and 'Knowingly submitting a false complaint is an unethical behavior.' The page also features sections for 'Confidentiality', 'Whistleblower Protection', and 'Definitions' for FRAUD, WASTE, and ABUSE. At the bottom, there is a section for 'Fraud, Waste, Abuse, and Ethics Reporting Process'.

New Fraud, Waste, Abuse and Ethics Webpage

Contains:

- General Contact Information
- Ethics Violation Reporting
- Charter for the OCA
- Charter of the Audit Committee
- OCA Annual Reports
- External Quality Assessment Review Information



Questions?

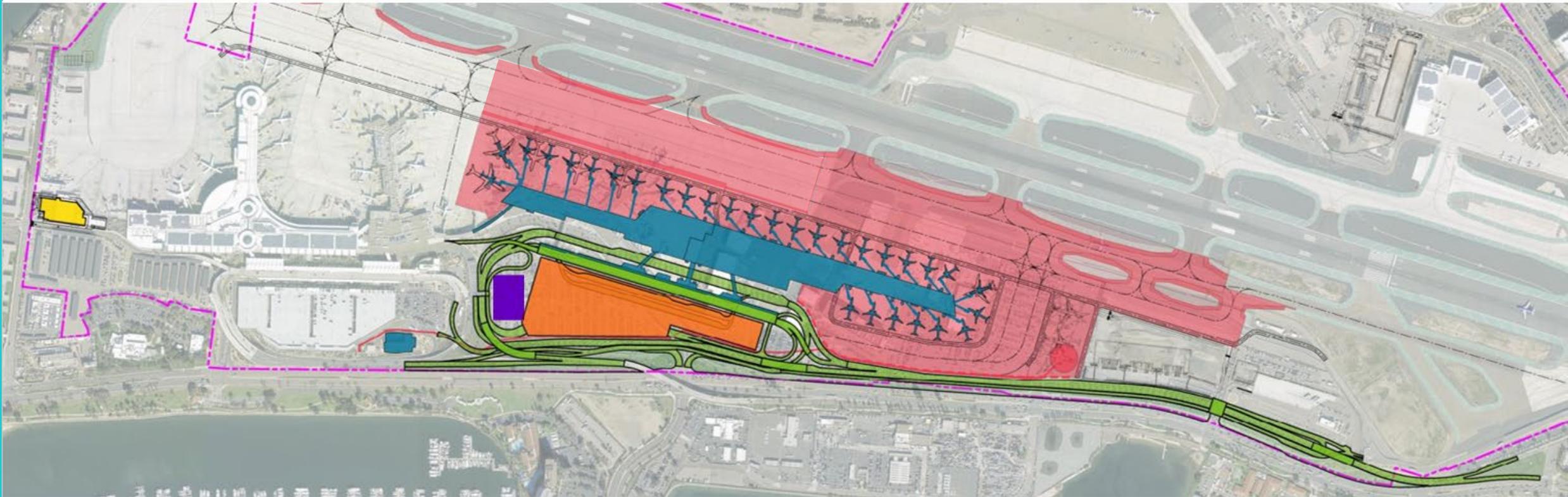
CONSTRUCTION AUDIT UPDATE

Audit Committee Meeting February 6, 2023

Background

NEW TERMINAL 1 OVERALL PROGRAM SCOPE

-  Package 1 – Terminal and Roadways
-  Package 2 – Airside Improvements
-  Package 3 – Administration Building
-  Future Transit Station



Construction Audits Completed - Package 1 Terminals & Roadways Validation Phase

TURNER-FLATIRON DIRECT LABOR BILLING AUDIT

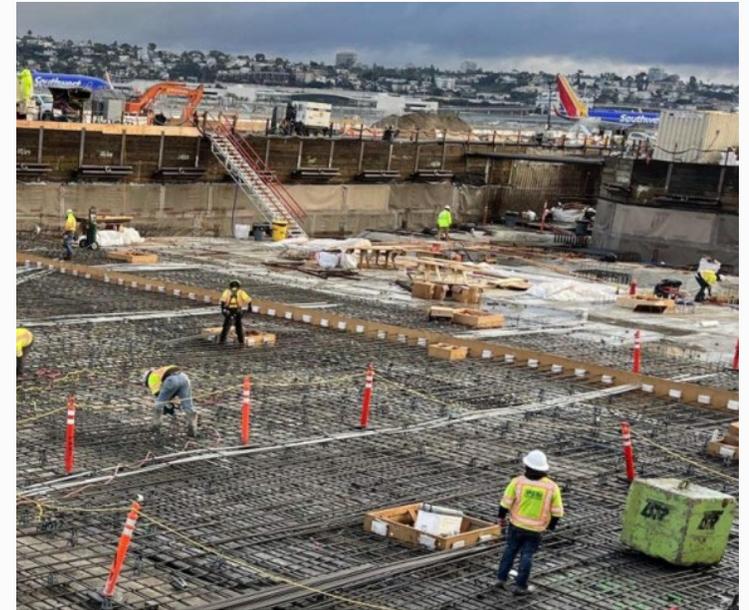
- Completed by Baker Tilly

TURNER-FLATIRON COST CONTROLS AUDIT

- Completed by Baker Tilly in collaboration with the OCA

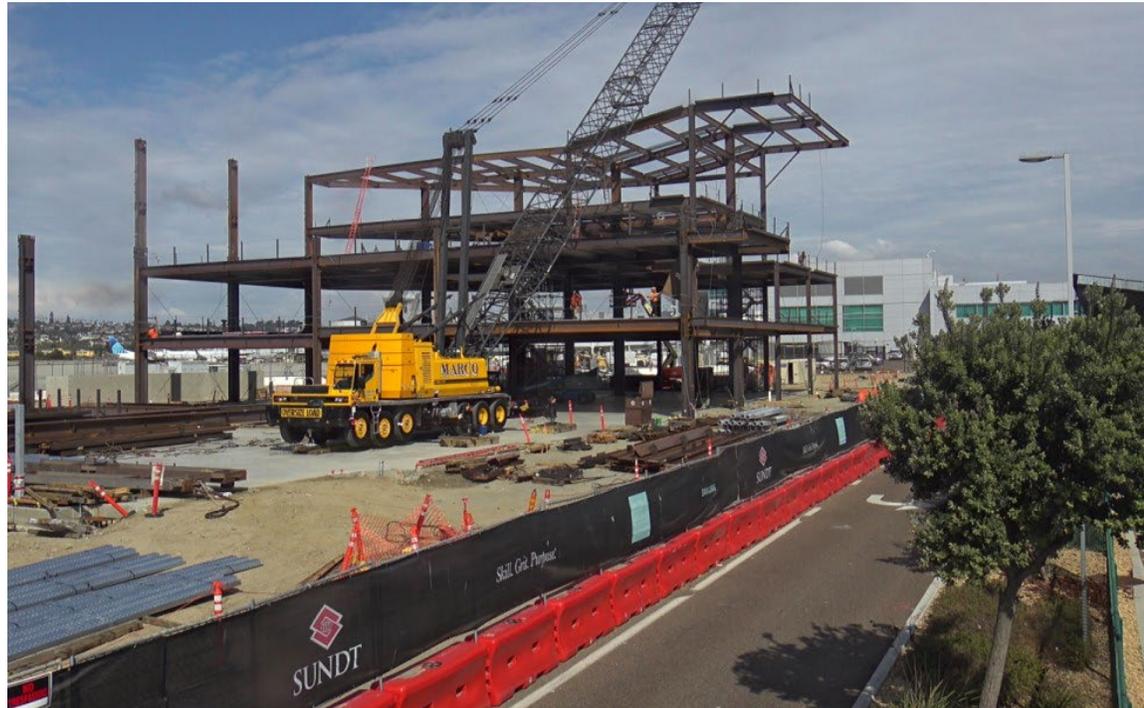
TURNER-FLATIRON PAYMENT APPLICATIONS AUDIT

- Completed by the OCA

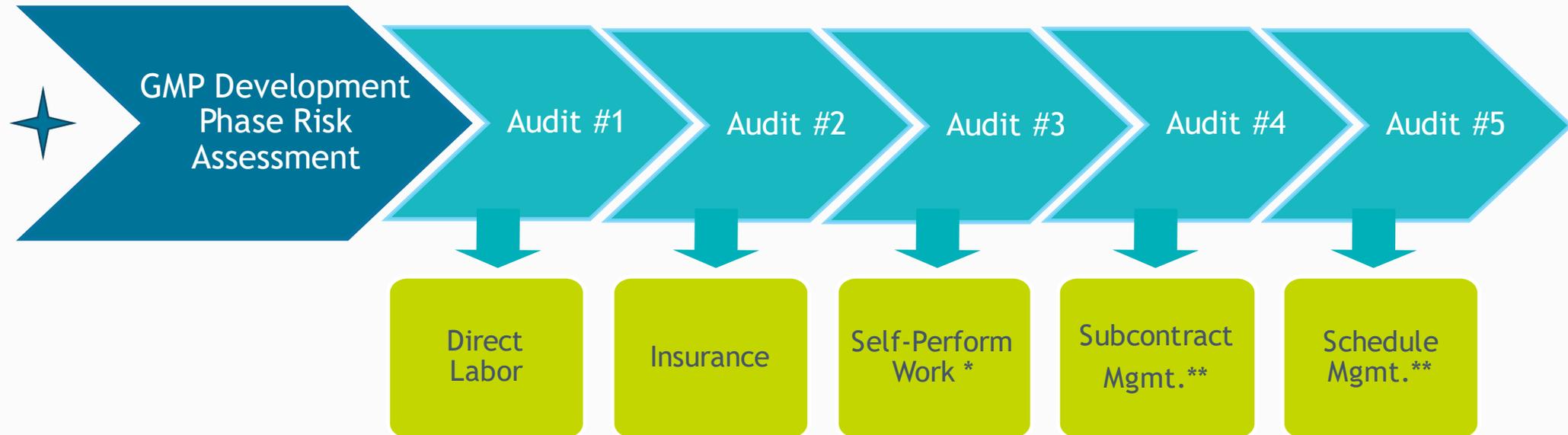


Construction Audit In Process - Package 3 Administration Building

CONTRACT MANAGEMENT & MONITORING: SUNDT CONSTRUCTION



Proposed Terminal & Roadways Audits - Guaranteed Maximum Price (GMP) Development Phase



*Will not be completed until Fiscal Year 2024

**Not included in the OCA Fiscal Year 2023 Audit Plan

Proposed Terminal & Roadways Audits - GMP Development Phase

AUDIT #1: DIRECT LABOR

- Baker Tilly Lead, OCA Staff Audit
 - Hours*: BT 270; OCA 225
 - Cost: BT \$54,000

AUDIT #2: INSURANCE

- Baker Tilly Audit
 - Hours*: BT 200; OCA 175
 - Cost: BT \$37,000

AUDIT #3: SELF-PERFORMED WORK

- Baker Tilly Audit
 - Hours*: BT 340; OCA 96
 - Cost: BT \$65,000

*OCA hours included for review and supervision during Fiscal Year 2023 as required by IIA Standards.

Terminal & Roadways GMP Phase Process

Guaranteed Maximum Price (GMP) Phase Risk Assessment



Guaranteed Maximum Price (GMP) Phase Audit Plan



Authorization of Audits Spanning Through Project Completion



Questions?

Audit Committee Report

Meeting Date: February 6, 2023

Subject:

Revision to the Fiscal Year 2023 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 7, 2021, per Board Resolution No. 2021-0109, defines the role and requirements of the Office of the Chief Auditor (OCA).

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

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

The OCAs initial Audit Plan for Fiscal Year 2023 was approved by the Audit Committee during its May 9, 2022, meeting, and was subsequently approved on June 2, 2022, by Board Resolution No. 2022-0056.

During the first and second quarters of Fiscal Year 2023 a review of the Audit Plan was undertaken by the OCA. It was determined that a revision would be needed. Therefore, a proposed amendment was presented to the Audit Committee on November 21, 2022. The revision precisely accounted for the audits that carried over from Fiscal Year 2022 and adjusted the allocation of audit hours to reflect the OCAs operational requirements. The revision to the Fiscal Year 2023 Audit Plan was approved by the Board on December 1, 2022, by Resolution No. 2022-0111.

Upon continued appraising of the operational requirements within the Authority and the OCA, a revision to the Fiscal Year 2023 Audit Plan is requested at this time; and includes:

1. Add three construction audits to be performed in partnership with Baker Tilly US LLP.
2. Distribute the unallocated time listed as “To Be Determined – Construction” and “To Be Determined” toward new and/or other audits.
3. Replace a planned audit (Small Business Management) with a contingent audit (Accounts Payable – Paymode X).
4. Add one consulting engagement to assist management with grants.

Staff requests that the Audit Committee accept the proposed revision to the Audit Plan and forward it to the Board for subsequent approval. The proposed revision to the Fiscal Year 2023 Audit Plan is provided as Attachment A. The Fiscal Year 2023 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 2023 and conceptually approved budget for Fiscal Year 2024 have been sufficiently funded to meet the allotted budget requirements for the proposed revision to the Fiscal Year 2023 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.

Audit Committee Report

Meeting Date: February 6, 2023

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 2023
Proposed Audit Plan February 6, 2023

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Audit Hours				
Tenant Lease Administration and Management ²	To determine if fiscal year 2022 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for all Airport rental car companies.	425	-	425
Terminals and Roadway Validation Phase Cost Controls ²	To determine if the controls surrounding the Validation Phase costs are adequate and operating as designed. ³	350	-	350
Tenant Lease Administration and Management ²	To determine if the food and beverage concessionaire surcharge is administered appropriately.	90	-	90
Tenant Lease Administration and Management ⁴	To determine if fiscal year 2023 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for all Airport Rental Car Companies.	500	-	500
Tenant Lease Administration and Management ²	To determine if Avis Budget Car Rental, LLC accurately paid concession fees and Customer Facility Charges for the period July 1, 2018, through June 30, 2021.	40	-	40
Harbor Police Contract Mgmt. ²	To determine if Harbor Police costs and services are appropriate and equitable for the fiscal years 2018, 2019, and 2020.	400	-	400
Harbor Police Contract Mgmt. ²	To determine if controls surrounding the Accounting Department's review of the Fiscal Year 2020 True-up of Harbor Police costs are appropriate.	25	-	25
System Security	To evaluate the Authority's security posture by performing penetration testing of the Authority's web facing sites.	250	-	250
Harbor Police Contract Mgmt.	To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2021.	425	-	425
Contractor Monitoring	To determine if the construction of the new administration building is properly managed.	450	-	450
Employee Benefits	To determine if employee payroll deductions are administered appropriately.	550	-	550

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

² Audit activity has been carried forward from Fiscal Year 2022.

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

⁴ Audit activity will continue to the Fiscal Year 2024 Audit Plan. Fiscal Year 2024 audit hours are estimated at approximately 200 hours. Total hours for this audit are estimated at 700.

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan February 6, 2023

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Records Management	To determine if official records and electronic signatures meet Authority requirements.	500	-	500
Parking Management Contract Admin.	To determine if Ace Parking is compliant with the agreement.	600	-	600
Small Business Management	To determine if commitments to small businesses are met and reported.	500	(500)	-
Change Orders	To determine if the construction change order process is effective and efficient.	400	-	400
Turner-Flatiron Insurance	To determine if insurance billed is appropriate and complies with the agreement. ⁵	-	175	175
Turner-Flatiron Self Perform Work	To determine if work self-performed by Turner-Flatiron complies with the agreement. ⁶	-	96	96
Turner-Flatiron Direct Labor GMP Devel. Phase	To determine if direct labor is properly billed in accordance with the terms of the agreement. ⁵	-	225	225
Accounts Payable	To determine if the controls for Paymode X are appropriate.	-	500	500
To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	302	(302)	-
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	244	(244)	-
Total Audit Hours		6,051	(50)	6,001
Consulting Hours				
Grant, PFC, & CFC Administration ⁷	To provide management assistance with grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement (Calendar Year 2022).	75	-	75
Grant, PFC, & CFC Administration	To provide management assistance with grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement (January 1, 2023 – June 2023).	-	50	50
Total Consulting Hours		75	50	125

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

⁶ This audit is being performed in partnership with the construction audit firm, Baker Tilly. The hours listed are the hours for OCA staff only and do not include the hours for Baker Tilly. Audit activity is planned to continue into Fiscal Year 2024. Fiscal Year 2024 audit hours are estimated at approximately 104 hours.

⁷ Consulting activity has been carried forward from Fiscal Year 2022.

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan February 6, 2023

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
General Audit Hours				
Risk Assessment and Audit Plan ⁸	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	232	-	232
Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the external construction auditor.	380	-	380
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed.	40	-	40
Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) reciprocal requirement for the OCA to supply two audit staff to serve on a Quality Assurance Review for another organization.	180	-	180
Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200	-	200
Ethics Program ⁸	To review ethics policies, perform training, and investigate reported incidents.	300	-	300
Recommendation Follow-up ⁸	To verify that audit recommendations have been implemented as intended.	160	-	160
Quality Assurance & Improvement Program ⁸	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	320	-	320
	Total General Audit Hours	1,812	-	1,812
Administrative Hours				
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,390	-	2,390
Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,152	-	2,152
	Total Administrative Hours	4,542	-	4,542
	Total Hours	12,480	-	12,480

⁸ Required activity in the Charter for the Office of the Chief Auditor or Charter of the Audit Committee.

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan February 6, 2023

ATTACHMENT A

Key Work Activity	Objective ⁹	Original Estimated Hours	Change Requested	Revised Hours
Contingent Audit Hours				
Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for a selected Airport Rental Car Company.	400	-	400
Airport Ground Transportation Operations Management	To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate.	500	-	500
Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450	-	450
Accounts Payable	To determine if the controls related to the Accounts Payable automated payment files are appropriate.	450	-	450
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450	-	450
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650	-	650
Contractor Monitoring	To determine if the AECOM contract is administered appropriately.	500	-	500
Asset Management	To determine if computer imaging is administered appropriately.	500	-	500
Curfew Violations	To determine if curfew violations are administered appropriately	450	-	450
TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475	-	475
Employee & Parking Card and Policy Administration	To determine if Parking Cards are administered appropriately.	550	-	550
Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525	-	525
Accounts Payable	To determine if the controls for Paymode X are appropriate.	500	(500)	-
Total Contingent Audit Hours		6,400	(500)	5,900

⁹ Objective may change based on the preliminary survey performed by the OCA.

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan February 6, 2023

ATTACHMENT B

Key Work Activity	Objective ¹	Revised Hours
Audit Hours		
Tenant Lease Administration and Management ²	To determine if fiscal year 2022 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for all Airport rental car companies.	425
Terminals and Roadway Validation Phase Cost Controls ²	To determine if the controls surrounding the Validation Phase costs are adequate and operating as designed. ³	350
Tenant Lease Administration and Management ²	To determine if the food and beverage concessionaire surcharge is administered appropriately.	90
Tenant Lease Administration and Management ⁴	To determine if fiscal year 2023 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for all Airport Rental Car Companies.	500
Tenant Lease Administration and Management ²	To determine if Avis Budget Car Rental, LLC accurately paid concession fees and Customer Facility Charges for the period July 1, 2018, through June 30, 2021.	40
Harbor Police Contract Mgmt. ²	To determine if Harbor Police costs and services are appropriate and equitable for the fiscal years 2018, 2019, and 2020.	400
Harbor Police Contract Mgmt. ²	To determine if controls surrounding the Accounting Department's review of the Fiscal Year 2020 True-up of Harbor Police costs are appropriate.	25
System Security	To evaluate the Authority's security posture by performing penetration testing of the Authority's web facing sites.	250
Harbor Police Contract Mgmt.	To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2021.	425
Contractor Monitoring	To determine if the construction of the new administration building is properly managed.	450
Employee Benefits	To determine if employee payroll deductions are administered appropriately.	550
Records Management	To determine if official records and electronic signatures meet Authority requirements.	500
Parking Management Contract Admin.	To determine if Ace Parking is compliant with the agreement.	600

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

² Audit activity has been carried forward from Fiscal Year 2022.

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

⁴ Audit activity will continue to the Fiscal Year 2024 Audit Plan. Fiscal Year 2024 audit hours are estimated at approximately 200 hours. Total hours for this audit are estimated at 700.

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan February 6, 2023

ATTACHMENT B

Key Work Activity	Objective ¹	Revised Hours
Change Orders	To determine if the construction change order process is effective and efficient.	400
Turner-Flatiron Insurance	To determine if insurance billed is appropriate and complies with the agreement. ⁵	175
Turner-Flatiron Self Perform Work	To determine if work self-performed by Turner-Flatiron complies with the agreement. ⁶	96
Turner-Flatiron Direct Labor GMP Devel. Phase	To determine if direct labor is properly billed in accordance with the terms of the agreement. ⁵	225
Accounts Payable	To determine if the controls for Paymode X are appropriate.	500
	Total Audit Hours	6,001
Consulting Hours		
Grant, PFC, & CFC Administration ⁷	To provide management assistance with grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement (Calendar Year 2022).	75
Grant, PFC, & CFC Administration	To provide management assistance with grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement (January 1, 2023 – June 2023).	50
	Total Consulting Hours	125
General Audit Hours		
Risk Assessment and Audit Plan ⁸	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	232
Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the external construction auditor.	380
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed.	40

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

⁶ This audit is being performed in partnership with the construction audit firm, Baker Tilly. The hours listed are the hours for OCA staff only and do not include the hours for Baker Tilly. Audit activity is planned to continue into Fiscal Year 2024. Fiscal Year 2024 audit hours are estimated at approximately 104 hours.

⁷ Consulting activity has been carried forward from Fiscal Year 2022.

⁸ Required activity in the Charter for the Office of the Chief Auditor or Charter of the Audit Committee.

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan February 6, 2023

ATTACHMENT B

Key Work Activity	Objective ¹	Revised Hours
Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) reciprocal requirement for the OCA to supply two audit staff to serve on a Quality Assurance Review for another organization.	180
Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200
Ethics Program ⁸	To review ethics policies, perform training, and investigate reported incidents.	300
Recommendation Follow-up ⁸	To verify that audit recommendations have been implemented as intended.	160
Quality Assurance & Improvement Program ⁸	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	320
	Total General Audit Hours	1,812
Administrative Hours		
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,390
Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,152
	Total Administrative Hours	4,542
	Total Hours	12,480

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan February 6, 2023

ATTACHMENT B

Key Work Activity	Objective ⁹	Revised Hours
Contingent Audit Hours		
Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for a selected Airport Rental Car Company.	400
Airport Ground Transportation Operations Management	To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate.	500
Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450
Accounts Payable	To determine if the controls related to the Accounts Payable automated payment files are appropriate.	450
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
Contractor Monitoring	To determine if the AECOM contract is administered appropriately.	500
Asset Management	To determine if computer imaging is administered appropriately.	500
Curfew Violations	To determine if curfew violations are administered appropriately	450
TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475
Employee & Parking Card and Policy Administration	To determine if Parking Cards are administered appropriately.	550
Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525
Total Contingent Audit Hours		5,900

⁹ Objective may change based on the preliminary survey performed by the OCA.

Revision to the Fiscal Year 2023 Audit Plan of the Office of the Chief Auditor

Audit Committee Meeting February 6, 2023

Reasons for Revision

Description	Hours
Accounts Payable – Paymode X	500
Turner-Flatiron Insurance	175
Turner-Flatiron Self Performance*	96
Turner-Flatiron Direct Labor GMP Development Phase	225
Grant, PFC, and CFC Administration	50
Total	1,046

* Audit activity is planned to continue into Fiscal Year 2024. Fiscal Year 2024 audit hours are estimated at approximately 104 hours.

Description	Hours
Small Business Management	(500)
To Be Determined – Construction	(302)
To Be Determined	(244)
Total	(1,046)

Questions?