

Board Members

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

Special Audit and Special Board Meeting Agenda

Monday, May 8, 2023
9:00 A.M.

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

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.**

Special Audit Committee Agenda

Monday, May 8, 2023

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CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Casillas Salas, Martinez, Newsom, Perez, Sanchez, Wong
Nickerson

NON-AGENDA PUBLIC COMMENT:

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

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

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 6, 2023, regular meeting.

2. INTERVIEW APPLICANTS TO FILL A PUBLIC MEMBER VACANCY ON THE AUDIT COMMITTEE

RECOMMENDATION: Interview applicants and select a primary and alternate to recommend to the Board for appointment to fill a vacancy on the Audit Committee. (Presented by: Tony Russell, Director, Board Services/Authority Clerk)

3. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDITS FOR THE FISCAL YEAR ENDED JUNE 30, 2023:

RECOMMENDATION: Forward this item to the Board for information. (Presented by: Elizabeth Stewart, Director, Accounting; and, Rachel Ormsby, Director and Lead Audit Engagement Executive, FORVIS)

Monday, May 8, 2023

4. FISCAL YEAR 2023 THIRD QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Forward this item to the Board with a recommendation for acceptance.

(Presented by: Lee Parravano, Chief Auditor; and Fred Bolger, Manager, Audit Services)

5. RISK ASSESSMENT AND PROPOSED FISCAL YEAR 2024 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

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

(Presented by: Lee Parravano, Chief Auditor)

6. FISCAL YEAR 2024 PROPOSED BUDGET OF THE CHIEF AUDITOR AND FISCAL YEAR 2025 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

RECOMMENDATION: Accept the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2024-2025 Budget process that may include debt issuance or refinancing, with a recommendation for Board approval.

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

(Presented by: Lee Parravano, Chief Auditor)

CLOSED SESSION:

7. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

(Government Code Section 54957)

Title: Chief Auditor

REPORT ON CLOSED SESSION:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Monday, May 8, 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, FEBRUARY 6, 2023
BOARD ROOM

CALL TO ORDER: Vice Chair Martinez called the Audit Committee Meeting to order at 10:00 a.m., on Monday, February 6, 2023, at the San Diego County Regional Airport Authority, Administration Building, 3225 North Harbor Drive, San Diego, CA 92101.

ROLL CALL:

Present: Committee Members: Casillas Salas, Martinez (Vice Chair),
Newsom, Perez, Sanchez

Absent: Committee Members: Wong Nickerson, Vann (Chair)

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

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 21, 2022, special meeting.

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

2. FISCAL YEAR 2023 SECOND QUARTER REPORT FROM THE OFFICE OF CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2023 Second Quarter Report that included the Fiscal Year 2023 Performance Measures, General Audit Activity, Administration-Audit Software, and Ethics.

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

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

3. CONSTRUCTION AUDIT UPDATE:

Callie Ullman, Senior Auditor, provided a presentation on the Construction Audit Update that included Background New T1 Overall Program Scope, Construction Audits Completed; Construction Audit in Process; Proposed Terminal and Roadways Audits; and Terminal and Roadways GMP (Guaranteed Maximum Price) Phase Process.

RECOMMENDATION: Information item only.

4. 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 that included the Reasons for Revision.

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

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

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

CLOSED SESSION: The Committee did not meet in 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: None

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting adjourned at 10:26 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY THIS 8th DAY OF MAY 2023.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

Audit Committee

Meeting Date: May 8, 2023

Subject:

Interview Applicants to Fill a Public Member Vacancy on the Audit Committee

Recommendation:

Interview applicants and select a primary and alternate to recommend to the Board for appointment to fill a vacancy on the Audit Committee.

Background/Justification:

Section 170018 of the Public Utilities Code and Authority Policy 1.50 (5)(c)(ii) describes the Audit Committee, its composition, function, oversight responsibilities, membership and qualifications for public members.

Due to the resignation of public member Carmen Vann, a Notice of Vacancy on the Audit Committee was posted on March 13, 2023, to fill the vacancy. The recruitment flyer was posted on www.san.org; published in the San Diego Union-Tribune; San Diego Daily Transcript; San Diego Voice and Viewpoint; emailed to Authority Art and Advisory Committee members; posted on the Authority's LinkedIn account; and emailed to numerous civic, professional and other stakeholder groups. The deadline to submit applications for the Public Audit Committee Member vacancy was March 31, 2023.

Five (5) applications were received. All applicants met one or more of the qualifications.

During the review of the applications, it was determined that all five of the applicants met one or more of the following criteria required for the public member vacancy:

- An architect or civil engineer licensed to practice in the State of California.
- A professional with experience in the field of real estate or land economics.
- A person with public or private sector executive level decision making experience.
- A person with experience in managing construction of large-scale public works projects.
- A person with experience in environmental justice as it pertains to land use.

Meeting Date: May 8, 2023

The qualifications of the current public Audit Committee members are 1) A professional with experience in the field of public finance and budgeting (Committee Member Agnes Wong Nickerson); and 2) A person who resides within the airport influences area of the San Diego International Airport (Committee Member Gretchen Newsom).

Lee Parravano, Chief Auditor, and Tony Russell, Director, Board Services and Authority Clerk, met with Lidia Martinez, Vice Chair of the Audit Committee, to review the applications. As a result of the review, three of the five candidates were selected by the Vice Chair to be interviewed. The next step in the process is for the Audit Committee to interview the applicants. Applicants are allotted 20 minutes each for their interview.

It is requested that the Audit Committee interview the three applicants selected to move forward and select a primary and alternate to recommend for appointment to fill the public member vacancy on the Audit Committee. The applications are attached as Attachment A.

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:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/AUTHORITY CLERK

ATTACHMENT A

APPLICANTS

PAUL ROBINSON

**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY**

APPLICATION FOR APPOINTMENT TO THE: AUDIT COMMITTEE

DEADLINE FOR SUBMITTAL: March 31, 2023 AT 5:00 P.M.

(Please type or print in ink.)

Name: Karl Robinson Home Phone: [REDACTED]

Address: [REDACTED] City: San Diego Zip: 92101

Occupation: Attorney

Employer: Heath Selberg Robinson Work Phone: [REDACTED]

Educational Background/Qualifications: B.S. Marketing SDSU
JD USD School of Law

Licenses or Special Certificates held: State Bar of California 58142

Organizations to which you belong (professional, technical, community, service): San Diego Downtown Partnership Board, Lincoln Club Board, Chair Downtown Parking Mfg. Group

Briefly state why you wish to serve on a committee or commission and why you believe you are qualified for the position. (Please be specific and limit your response to 1000 words. Use additional paper if necessary). (Use additional paper if necessary).

My Practice is Land Economics and Development

References:

- 1) Betsy Brannen [REDACTED]
Name and Telephone Number
- 2) Jerry Sanchez [REDACTED]
Name and Telephone Number
- 3) Mara Elliott [REDACTED]
Name and Telephone Number

I understand that any or all information on this form may be verified. I consent to the release of this information for public purposes.

Signature: Karl B. Robinson Date: 3/28/2023

CHRISTIAN CLAPP

I would like to serve on the San Diego Airport Authority Audit Committee because I have the skills, knowledge and experience to make a meaningful contribution. In terms of qualifications listed in Public Utilities Code §170018, I would qualify under both public and private sector experience at an executive level, and also a would qualify as having experience in environmental justice. I have served on committees in various roles from an advising attorney to risk management, and my career provides the necessary backdrop to successfully partake in this committee.

I am a graduate of the University of Minnesota Law School and have been practicing law since 2005. I served as Assistant Attorney General for the State of Minnesota for several years. In this role, I worked to protect consumers and taxpayers from corporate fraud. For example, one case I litigated involved working with a public utility company (PUC) that was overcharging taxpayers for exorbitant expenses for questionable business purposes, such as private planes to Europe and luxury hotel stays in Paris. This case required extensive line by line auditing of all the PUC's expenses going back years. Additionally, I worked on protecting consumers from unwarranted cell phone contract cancellation fees. The major carriers were often extending consumers' contracts without their knowledge or consent, and subsequently collecting thousands of dollars in fees to cancel contracts. My work on this case also involved lobbying to change the laws in both Minnesota and nationally to protect consumers from unwarranted contract extensions and cancellation fees. During my tenure at the Minnesota Attorney General's Office, I also worked on mortgage fraud cases resulting from the 2008 housing crash, and helped keep many Minnesotans in their home. This case required extensive review of lenders' internal policies and procedures.

In private law practice, I am involved in class action cases that often involve high level fraudulent activities by companies. I have litigated everything from securities fraud cases, where funds were being moved around from shell company to shell company to make a parent company appear profitable, to litigating consumer fraud cases where companies misled consumers to make extra profit. These class action cases bring to the forefront the values and ethics of companies and highlight what happens when there is a breakdown of internal controls. Litigating these cases involves detailed reviews of all company policies and procedures, and also requires extensive interviews (depositions) of individuals to discover where the breakdown occurred.

Additionally, I am involved in environmental cases in which drinking water, especially water in nonaffluent areas, is polluted with chemicals known to cause cancer. Many environmental cases involve communities that do not have the resources to fight to protect their water, resulting in the less fortunate having limited access to clean water, air and soil. Many times these communities are faced with having to live with health problems due to repeated exposure to toxic chemicals. The nature of environmental cases highlights the disparity of protections and quality of life that nonaffluent communities endure.

In addition to litigation, I also am an executive at a consulting firm that deals with class action settlements. This position requires high level executive decision-making and management of resources and people.

In sum, my experience fits squarely into the roles this audit committee performs such as ethics, fraud, internal controls and public accountability reporting. I have both the executive level experience and leadership as well and the professional experience of working with large companies facing ethical and legal dilemmas.

CLAUDIA HUERTA

Claudia Huerta, San Diego Airport Audit Committee Applicant

I want to serve on the San Diego Airport Audit committee because am passionate building inclusive cities and know that a city's airport plays a core component in advancing economic access in any city. How an airport spends its budget is indicative of its overall priorities and I want to ensure that our airport operations and policies are more equitable and inclusive. As a prominent economic engine of San Diego, the airport needs to offer more opportunities to all San Diegans, including minority, women and local businesses and talent pools. I want to help champion how to make it easier to do business with the airport, demystify how to get a job at the airport, identify policies to support and retain airport tenants, and provide a perspective on how businesses may be impacted by new regulations or investments, and offer solutions to mitigate negative impacts of airport growth.

My professional and educational experience as an urban planner and economic development professional makes me a strong candidate to join the Audit Committee. Throughout my career I have excelled in gaining support and approval for various urban development projects and rezoning efforts in urban, suburban and rural areas. I also understand the complicated nature of transportation infrastructure finance to help build new projects, and to also help fund general operations.

I have directed consultants and cross functional teams to complete renewable energy, sustainable transportation, downtown revitalization, retail and commercial development, parking management and lighting technical studies. I have extensive experience developing public policy. I am well versed in drafting state legislation and working with planning commissions, coastal commissions and elected officials.

I have also headed efforts to develop incentives and land use policies to streamline the entitlement processes and secure economic development partnerships to attract and retain tech, biotech, life sciences, manufacturing, communications, and action sports businesses in Southern California.

Before joining the San Diego Workforce Partnership, as the VP of Business Engagement and Partnerships I held leadership roles strengthening collaborative teamwork and stakeholder engagement. Most recently, as the Director of Implementations at Veyo, I spearheaded cross-functional teams to ensure seamless client transitions for Non-Emergency Medical Transportation services with public agencies and private managed healthcare organizations. Before then, I led revitalization efforts in Carlsbad Village, was instrumental in securing a multi-agency partnership between the City of Carlsbad, NCTD and SANDAG to advance a microtransit project in Carlsbad and helped launch Carlsbad's Transportation Demand Management program to help reduce greenhouse gas emissions and vehicle miles traveled.

I have also managed local, state and federal lobbying efforts, voter engagement campaigns and partnered with legislators, city agencies, industry associations and community organizations to attract and retain businesses, negotiate municipal code updates, and expand access to healthcare and advance social justice in Southern California.

I have tracked the growth of the SD Airport and fully understand the complexities of managing the growth of a world class airport and would be honored to serve on the Audit Committee.

AUDIT COMMITTEE

Meeting Date: May 8, 2023

Subject:

Required Communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year Ended June 30, 2023

Recommendation:

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

Background/Justification:

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

The Board adopted Resolution No. 2019-0035 during its April 4, 2023, Board Meeting, approving and authorizing the President/CEO to execute an agreement with BKD, LLP, for an amount not to exceed \$950,000 for a three-year term with an option for two (2) one-year extensions, which may be exercised at the discretion of the Authority., the President/CEO exercised the first one-year extension on March 23, 2022 and the second one-year extension on March 7, 2023.

Effective June 1, 2022, BKD, LLP merged with the accounting firm, Douglas Hughes Goodman, LLP to create a new firm, FORVIS, LLP. Also, effective June 1, 2022, FORVIS LLP assumed the agreement from BKD.

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

Meeting Date: May 8, 2023

As required, the lead engagement partner from FORVIS, LLP, will give a presentation during the May 8, 2023, Audit Committee Meeting on matters pertaining to the scope, timeline, planning, and revisions to professional standards effecting the Financial and Compliance Audit for the fiscal year ending June 30, 2023. In addition, a copy of the FORVIS most recent Peer Review Letter is provided, as Attachment A.

Fiscal Impact:

Adequate funding for the agreement with FORVIS, LLP for performing the Authority's financial audit services is included in the Fiscal Year 2023 Adopted Budget and Fiscal Year 2024 Conceptual Budget within the Services-Auditing line item. Expenses that will impact budget years not yet adopted by the Board will be included in future year budget requests.

Authority Strategies/Focus Areas:

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

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

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

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

Application of Inclusionary Policies:

Staff Report

Meeting Date: May 8, 2023

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Prepared by:

ELIZABETH STEWART
DIRECTOR, ACCOUNTING



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

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

Report on the Firm's System of Quality Control

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

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

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

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. BKD, LLP has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
 November 2, 2020

FORVISTM



Required Communication to the Audit Committee Financial and Compliance Audits for the Fiscal Year Ended June 30, 2023

Presented By: Rachel Ormsby, Director & Josh Findlay, Senior Manager

May 8, 2023

Engagement Team

- Rachel Ormsby, CPA, Engagement Executive
- Kevin Kemp, CPA, Concurring Review Partner
- Josh Findlay, CPA, Senior Manager
- Meagan Holyfield, CPA, Senior Associate



Overview

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

Planned Timing and Scope

FORV/S

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office.

Planned Scope

- The following are considered as having a higher risk of material misstatement due to error or fraud:
 - Management override of controls
 - Revenue recognition
 - Investment classification
 - Compliance with Federal Awards (Airport Improvement Program)

Planned Timing

Week of June 19th – Planning, interim fieldwork and risk assessment, and preliminary analysis of GASB standards to be implemented during FY2023

Week beginning August 28th – Final audit fieldwork, including Single Audit, Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) testing

Week of September 4th – Continued final audit fieldwork

Week of September 11th – Continued final audit fieldwork, exit conference with management to review draft financial statements and other required communications

September 29th – Concurring partner review to be performed

October 13th – Release final deliverables

November 13th – Presentation of financial statements, our required communications and other deliverables to the Audit Committee

Approach to Planning

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

GASB Pronouncements to be Implemented During FY2023

FORV/S

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office.

GASB Statement No. 94

- *GASB 94, Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements*
 - A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use an infrastructure or other nonfinancial asset (the underlying PPP asset) for a period of time in an exchange or exchange-like transaction. Statement 94 also addresses APAs, which are arrangements where a government compensates an operator for services that may include designing, constructing, financing, maintaining or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction.
 - This statement requires governments to report assets and liabilities related to PPPs consistently and disclose information about PPP transactions.
 - GASB 94 is effective for the Authority's 2023 fiscal year.

Revisions to Professional Standards

- GASB 96, Subscription-Based Information Technology Arrangements (SBITA)
 - This Statement addresses the accounting for the costs related to cloud computing agreements. The standard defines a subscription-based information technology arrangements (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The statement's language and concepts closely mirror the lease guidance provided in Statement 87, *Leases*.
 - GASB 96 is effective for the Authority's 2023 fiscal year.

Consideration of Error or Fraud

FORV/S

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office.

Consideration of Errors or Fraud

- Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*
 - Fraud interviews will be held with key members of the Airport Authority through this requirement

Consideration of Errors or Fraud (*Continued*)

- Our audit approach includes:
 - Engagement Team Brainstorming
 - Inquiries of management and others:
 - Audit Committee Chair
 - President/CEO
 - Chief Internal Auditor
 - General Counsel
 - Chief Financial Officer
 - Chief Development Officer

Consideration of Errors or Fraud (*Continued*)

- Inquiries of management and others (*Continued*):
 - Others as deemed appropriate in the following areas:
 - Accounting
 - Finance
 - Grants Management & Compliance
 - Procurement
 - Airport Development
 - Information Technology
 - Human Resources

Contacts

- It is our understanding that the appropriate people within the Authority's governance structure with whom to communicate are:
 - Lee Parravano, Chief Internal Auditor
 - Lidia Martinez, Audit Committee Vice Chair
 - Gil Cabrera, Board Chair
- If you need to contact us:
 - Rachel Ormsby, Director – 469.492.8829 Rachel.Ormsby@forvis.com
 - Josh Findlay, Senior Manager – 972.702.8262 Josh.Findlay@forvis.com

Questions?

forvis.com

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities. FORVIS has been registered in the U.S. Patent and Trademark Office, which registration is pending.

FORVIS

Assurance / Tax / Advisory

Audit Committee

Meeting Date: May 8, 2023

Subject:

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

Recommendation:

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

Background/Justification:

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

The Fiscal Year 2023 Third Quarter Report from the OCA (Attachment A) is submitted to the Audit Committee to provide an account of activities performed by the OCA during the period January 1, 2023, through March 31, 2023. The report includes details on all recommendations completed or in progress during the third quarter.

A presentation by the OCA on its third quarter activities will be provided to the Audit Committee on May 8, 2023.

Fiscal Impact:

None

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

- A. CEQA: This Board action is not a project 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

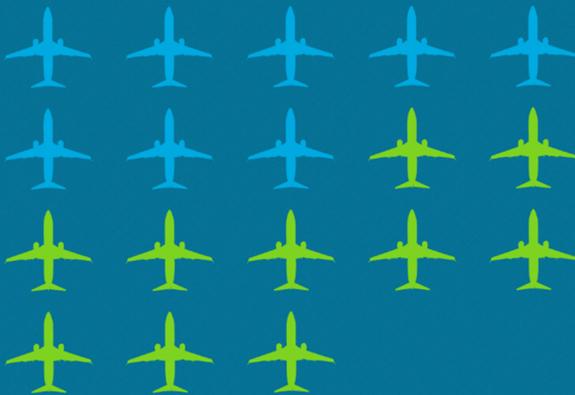
Prepared by:

Lee M. Parravano
Chief Auditor

Office of the Chief Auditor Fiscal Year 2023 3rd Quarter Report



Audit Engagement Progress



■ Completed (44.44%) ■ In Progress (55.56%)

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

Third Quarter Report

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Issue Date: May 8, 2023

OFFICE OF THE CHIEF AUDITOR

Third Quarter Summary

Executive Summary

During the third quarter, the Office of the Chief Auditor (OCA) continued work on the Fiscal Year 2023 Audit Plan. The OCA added 4 new audits and one consulting engagement to the Fiscal Year Audit Plan. Two audit reports were completed during the quarter and ten recommendations were issued. Additionally, the OCA began to conduct the Risk Assessment process to develop the Fiscal Year 2024 Audit Plan. Details on all activities included in the Fiscal Year 2023 Audit Plan are presented in this report.

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 March 31, 2023

#	Performance Measure	Goal	Actual	Benchmark
1	Customer satisfaction ratings from auditee	4.0	4.9	4.0
2	Number of recommendations	23	19	23
3	Percentage of audit and consulting engagements completed	60%	44%	60%
4	Percentage of recommendations accepted	95%	100%	83%
5	Percentage of staff time spent on audit and consulting engagements and general audit activities	81%	84%	81%
6	Percentage of audit and consulting engagements completed within budget	80%	88%	73%

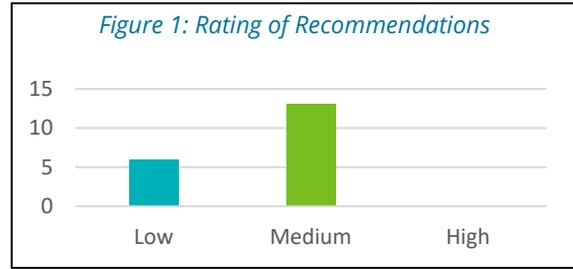
Customer Satisfaction Rating:

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 4.9.

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

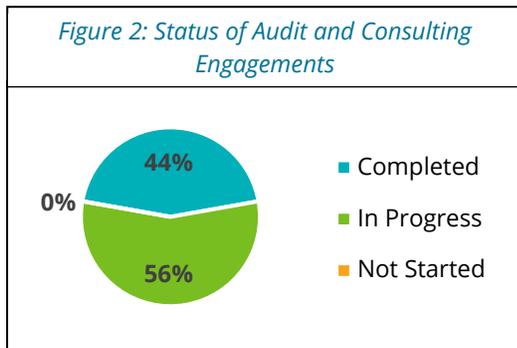
Number of Recommendations:

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. As of March 31, 2023, the OCA provided 19 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 third quarter, the OCA completed eight engagements, or 44%, of audit and consulting engagements (8/18 = 44%) that are planned to be completed on the Fiscal Year 2023 Audit Plan.² In addition to the eight engagements completed, the OCA had 56% of engagements in progress as of the end of the third quarter, as shown in Figure 2. The engagements completed in the third 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 third 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 84% of time on audit engagements, consulting engagements, and general audit activities.

² The Fiscal Year 2023 Audit Plan has 18 audits and 2 consulting engagement. However, the audits titled “Tenant Lease Administration and Management – FY2023 Rental Car Companies” and Turner-Flatiron Self Insurance will be carried forward, as anticipated, into Fiscal Year 2024. This results in 16 audits and 2 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 THIRD 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 third quarter of Fiscal Year 2023, the OCA completed 88% of its projects within the budgeted time, exceeding the benchmark and the OCAs goal.

Engagements Issued

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

ACE Parking Management of Terminal 2 Parking Plaza: The objective of this audit was to evaluate the management responsible for the operation of the Terminal 2 Parking Plaza. The audit determined that ACE and Ground Transportation generally managed the parking operations at the Terminal 2 Parking Plaza appropriately; however, certain system limitations were identified. The audit identified 3 findings and provided 10 recommendations.



Electronic Signature Policy Compliance: The objective of the audit was to determine if the electronic signature practices in place meet Authority requirements. The audit determined the electronic signatures meet Authority requirements. The audit did not identify any findings or provide any recommendations.

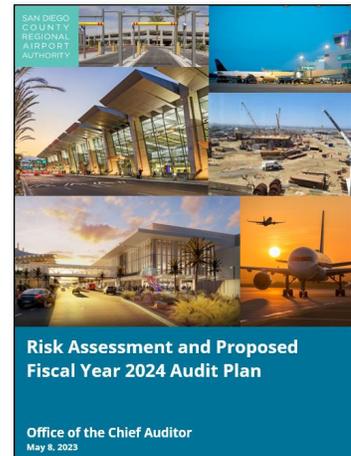


General Audit Activities

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 through discussions with management and Audit Committee Members, surveys, and data analysis. The annual Risk Assessment and Audit Plan was initiated during the third quarter of the Fiscal Year. The Risk Assessment and Proposed Fiscal Year 2024 Audit Plan will be presented at the May 8, 2023, Audit Committee meeting.



Construction Activities

Construction audit activity for the third 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), kicked off three audits: Direct Labor GMP Development Phase, New T1 Insurance, and New T1 Self-Perform Work, included in the Fiscal Year 2023 audit plan. Additionally, the OCA continued work on the construction change order process audit requested by the Airport Design & Construction Department (ADC). 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 in Authority operations makes meeting attendance on this subject a vital activity for the Chief Auditor. The OCA has been involved in meetings focused on the audit related to the Authority's web-facing sites and future initiatives. Additionally, the OCA participated in a two-day onsite visit by the Transportation Security Administration (TSA) to discuss cybersecurity risks.

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

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 THIRD QUARTER REPORT

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 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. The audit 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 fourth quarter of Fiscal 2023.

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 three quarters of Fiscal Year 2023, 36 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.

The OCA also provides ethics-specific training every other year to Authority employees. The last training was completed in Fiscal Year 2021. During the third quarter, the OCA began preparing materials that will be used for upcoming employee training.

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

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

Category	Number of Tips / Reports Received	Investigation Initiated by OCA	Investigation Results Supported Code Violation (Ethics or Workplace) *
Human Resource, Diversity, and Workplace Respect	34	-	-
Environment, Health, and Safety	2	-	-
Total	36	-	-

*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.

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). These inquiries allow the OCA to determine how many recommendations have been completed, as well as to obtain the

FISCAL YEAR 2023 THIRD QUARTER REPORT

status of progress being made to implement the recommendation. A detailed status is provided in Appendix B.

Table 3 below shows the number of recommendations that were *Completed* or *In Progress* as of the third quarter of Fiscal Year 2023, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, three were implemented within the initial timeframe identified when the recommendations were issued. Of the In Progress recommendations, seven were still within the initial timeframe identified for implementation. From our inquiries during the tracking process, the OCA is satisfied with the progress that Authority departments are currently making with implementation.

Table 3: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total ⁶
Completed	3	1	-	4
In Progress	6	1	7	14

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 continues to monitor its activities and report results on performance measures each quarter, presented in this quarterly communication to the Audit Committee.

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 join a team assigned to assess another organization's compliance to the Institute of Internal Auditors' (IIA) *Standards*.

When COVID restrictions began to lift, ALGA resumed scheduling peer reviews and the necessary review teams. Shane Ellis, Senior Auditor, completed a peer review of the Greater Orlando Aviation Authority in September 2022. Fred Bolger, Manager, Audit Services, is scheduled to perform a peer review in April 2023.

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.

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. The following is a summary of the *Administrative* activities performed by the OCA.

Tracking Budget and Expenses

The OCA expenses totaled approximately \$956,000 through the end of the third quarter, which represents 71% of the Fiscal Year 2023 budget. No unexpected or large outlays occurred within the department during the third 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 by calendar year. At the end of calendar year 2022 all OCA staff met their respective CPE requirements. In the third quarter, staff attended training on topics that included information technology security and fraud.

Procedural/Supervisory

The OCA assisted in the coordination of a regularly scheduled Audit Committee meeting during the third quarter in conjunction with the Committee vice chair and Board Services. The February 6, 2023, meeting took place with a new composition of Board Members. Due to a Public Member vacancy that occurred during the third quarter, the Authority's Board Services Department performed a recruitment for potential Public Member candidates. Interviews to fill the vacancy are planned to take place during the May Audit Committee meeting.

Audit Software

The OCA has made progress in obtaining a cloud-based audit software solution. Currently, the OCA utilizes software that is housed "on-site" and generally requires staff to be in the office to access information. We anticipate a new solution to be more robust allowing greater functionality and reporting. A new solution will provide the OCA with greater 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 this 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 THIRD QUARTER REPORT

Appendix A – Fiscal Year 2023 Audit Plan

#	Activity	Status as of 3/31/2023	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 ⁷	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	In Progress		
9	Records Management – Official Records & Electronic Signatures	Completed	Under	-
10	Parking Management- Ace Parking Mngt. of Terminal 2 Parking Plaza	Completed	Over	10
11	Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs	In Progress		
12	Harbor Police Contract Management –True-Up Controls	Completed	Under	-
13	Tenant Lease Admin. & Management – Avis	Completed	Under	4
14	Accounts Payable – Paymode X	In Progress		
15	Change Orders	In Progress		
16	Turner-Flatiron Insurance	In Progress		
17	Turner-Flatiron Self Perform Work ⁸	In Progress		
18	Turner-Flatiron Direct Labor GMP Development Phase	In Progress		
	To Be Determined – Construction	N/A		
	To Be Determined - Discretionary	N/A		
	Total			19
Consulting				
19	Grant, PFC & CFC Administration – Grants (2022)	Completed	Under	-
20	Grant, PFC & CFC Administration – Grants (2023)	In Progress		
General Audit				
19	Risk Assessment & Audit Plan	In Progress		
20	Construction Meeting Attendance & Coordination	In Progress		
21	Information Technology Meeting Attendance	In Progress		
22	Development of Data Analytics	In Progress		
22	Ethics Program	In Progress		
23	Recommendation Follow-up	In Progress		
24	Quality Assurance & Improvement Program	In Progress		
25	Peer Review Participation	In Progress		
Administrative				
26	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	In Progress		
27	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	In Progress		

⁷ Audit engagement was not anticipated to be completed in Fiscal Year 2023 and was planned to be carried forward to Fiscal Year 2024.

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 March 31, 2023
Completed						
23-11	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend GT and ACE upgrade or update the parking software systems.	3/7/2023	3/7/2023	This recommendation was completed after the conclusion of audit field work but prior to the audit report's issuance. Specifically, the SKIDATA software upgrade from Version 10 to Version 15 was completed March 7, 2023.
23-13	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend that ACE, when faced with lost ticket issues, note the customer's license plate and estimated date and time of entry, to be reconciled against open tickets in the system daily; and manually close them when identified.	3/31/2023	3/31/2023	This recommendation was completed after the conclusion of audit field work but prior to the audit report's issuance. Specifically, Ace has adjusted the way they process lost tickets beginning in October 2022. Instead of processing as "lost tickets", Ace is now using the pay by plate function, which closes out the ticket associated with the existing plate. Additionally, Ace has implemented several measures to reduce the number of open tickets in the system. Some examples include: <ol style="list-style-type: none"> a. Collecting all test tickets and manually closing them in the system each night, b. Closing all tickets that are processed manually during equipment outages, c. Collecting and closing tickets pulled by oversized vehicles, and d. Using license plate information to close tickets for towed vehicles.

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 March 31, 2023
Completed						
23-14	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend that GT, ACE, and SKIDATA, to prevent the issuance of Lost Tickets due to masked credit or debit card numbers, should discuss and develop a workaround and SOP for the treatment of debit and credit card entries; or disable this feature.	3/7/2023	3/7/2023	This recommendation was completed after the conclusion of audit field work but prior to the audit report's issuance. Specifically, the SKIDATA software upgrade from Version 10 to Version 15 completed on March 7, 2023 disabled this feature.
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	Surveys have been sent to those who have completed instructor lead trainings. LMS365 has a rating system that each learner uses to rate completed courses. Courses have quizzes within each module to determine subject retention.

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 March 31, 2023
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	7/1/2023	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	7/1/2023	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	6/30/2023	GT developed a methodology to review citation fine amounts. The first review will occur during the 4th 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 March 31, 2023
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	RGPD staff is working with ABRM vendor (Civix) on determining development work needed to integrate GIS with ABRM lease management modules. (Property management software system is Airport Business & Revenue Management = ABRM.)
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 remains the lead on performing a physical inventory of plats. RGPD is responsible for adding new plats to the E1 system as changes to revenue locations are added/deleted or modified. Primary focus is now on implementation of property management software system (Airport Business & Revenue Management = ABRM) where all lease related information, including plats, will be managed. E1 will thereafter not be a duplicate system.

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 March 31, 2023
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	7/1/2023	Work in progress. JV has been notified, ADC and JV continue to work to resolve this item.
23-12	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend GT and ACE run SKIDATA on active mode, when the system upgrade/update is completed, to prevent the risk of system circumvention and possible loss of revenues.	7/31/2023	7/31/2023	This audit report was issued on the last day of the quarter so no follow-up activities were performed. At the time of the report's issuance GT indicated: The audit recommendation to run the system on active mode requires the replacement of all entry and exit ALPR cameras to ensure image capture accuracy. On March 13, 2023, GT approved Ace to proceed with the replacement of the rear ALPR cameras at each T2PP entry and exit lane. The SKIDATA system is scheduled to run on active mode beginning July 1, 2023, once all cameras are installed, configured, and tested.

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 March 31, 2023
In Progress						
23-16	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend that ACE develop a standard operating procedure to perform a nightly license plate inventory.	6/30/2024	6/30/2024	This audit report was issued on the last day of the quarter so no follow-up activities were performed. At the time of the report's issuance GT indicated: <ol style="list-style-type: none"> 1. As stated in the audit report, Ace does not currently have a mobile LPR system to meet this requirement. 2. Ace will explore existing system technology capabilities to meet this recommendation. 3. Ace will also procure quotes for a mobile system to be used for periodic inventories. 4. Ace will also develop an SOP to perform a nightly license plate inventory with available technology solutions.

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 March 31, 2023
In Progress						
23-17	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Medium	We recommend ACE develop a standard operating procedure to regularly perform a reconciliation of open tickets versus license plates of vehicles parked at T2PP and close out any tickets where an entry and a legitimate exit is found.	7/31/2023	7/31/2023	This audit report was issued on the last day of the quarter so no follow-up activities were performed. At the time of the report's issuance GT indicated: <ol style="list-style-type: none"> 1. The SKIDATA/ALPR system is scheduled to run on active mode by July 1, 2023, which will minimize the number of open tickets in the system. Currently, the system is scheduled to purge open tickets at 184 days. 2. Ace will develop an SOP to conduct a license plate inventory of all vehicles in the T2PP and overflow lot before the system is switched to active mode. 3. Ace will develop an SOP to conduct periodic license plate inventory and reconcile to the system.
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	4/30/2023	LMS365 will have the capability for all users to enter their own external trainings in about 2 weeks. Training will be provided via video on how to do this. Internal trainings are already captured in LMS365.

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 March 31, 2023
In Progress						
23-10	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Low	We recommend ACE develop and maintain a standard operating procedure document for the [parking]process.	6/30/2023	6/30/2023	This audit report was issued on the last day of the quarter so no follow-up activities were performed. At the time of the report's issuance GT indicated: GT will have Ace review, document, and update the SOP for the following processes: a- T2PP lot vehicle and license plate inventory b. Reservation parking c. Non-reservation parking
23-15	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Low	We recommend GT continue to monitor the wayfinding and available space signage repair part supply issues and provide support to ACE as needed.	8/31/2023	8/31/2023	This audit report was issued on the last day of the quarter so no follow-up activities were performed. At the time of the report's issuance GT indicated: 1. GT directed Ace to escalate this issue with SKIDATA and or Indect to resolve. 2. Ace contacted Indect directly for support to resolve existing wayfinding signage and system issues. 3. GT will monitor this issue each month until resolved.

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 March 31, 2023
In Progress						
23-18	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Low	We recommend ACE develop a standard operating procedure to transfer their nightly inventory records of Out-of-State and Vanity plates onto an electronic file to allow ACE to easily search/access accurate information.	4/30/2023	4/30/2023	This audit report was issued on the last day of the quarter so no follow-up activities were performed. At the time of the report's issuance GT indicated: 1. Ace will procure a tablet device with MS Excel to digitally record out of state and personalized/vanity plate information. 2. This data will be entered and transferred to the Control Room computer each morning upon completion of the inventory. Ace will draft an SOP outlining this process to be followed nightly.
23-19	Audit Report 23007 Issued: March 31, 2023 Title: ACE Parking Management of Terminal 2 Parking Plaza Department: GROUND TRANSPORTATION	Low	We recommend ACE develop a standard operating procedure to perform T2PP vehicle counts and document any adjustment to the SKIDATA counters.	6/30/2023	6/30/2023	This audit report was issued on the last day of the quarter so no follow-up activities were performed. At the time of the report's issuance GT indicated: Ace will develop an SOP to perform T2PP vehicle counts and document any adjustments to the SKIDATA counters.

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

January 1, 2023, through March 31, 2023

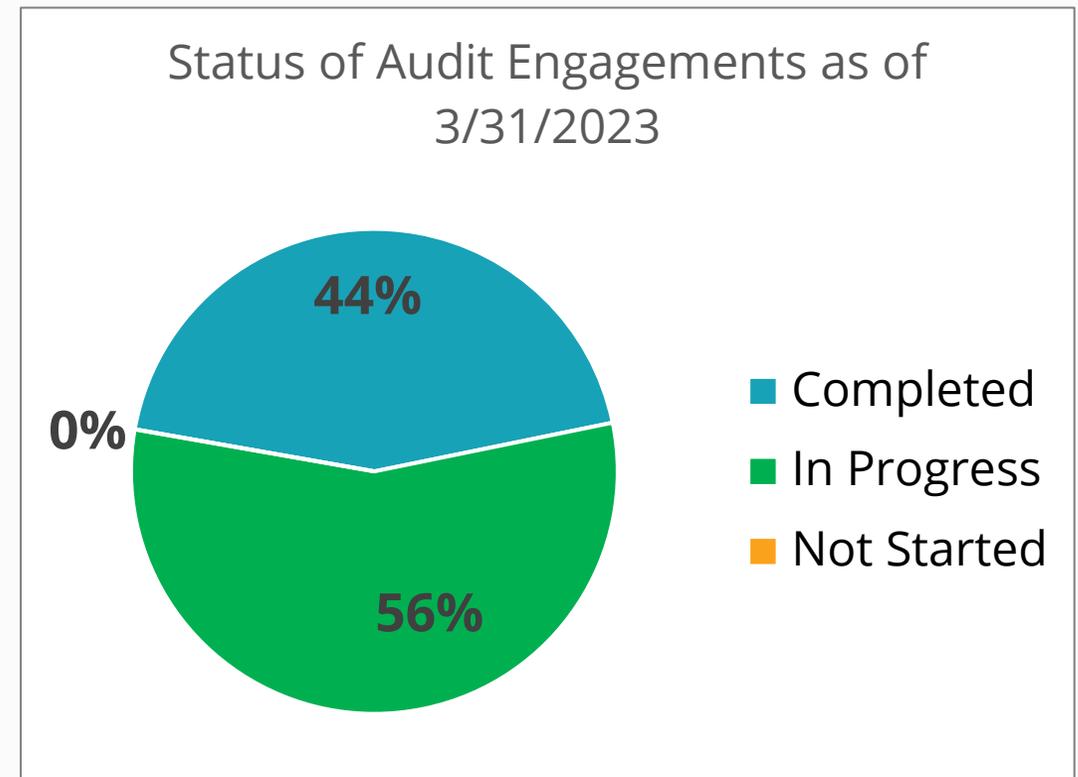
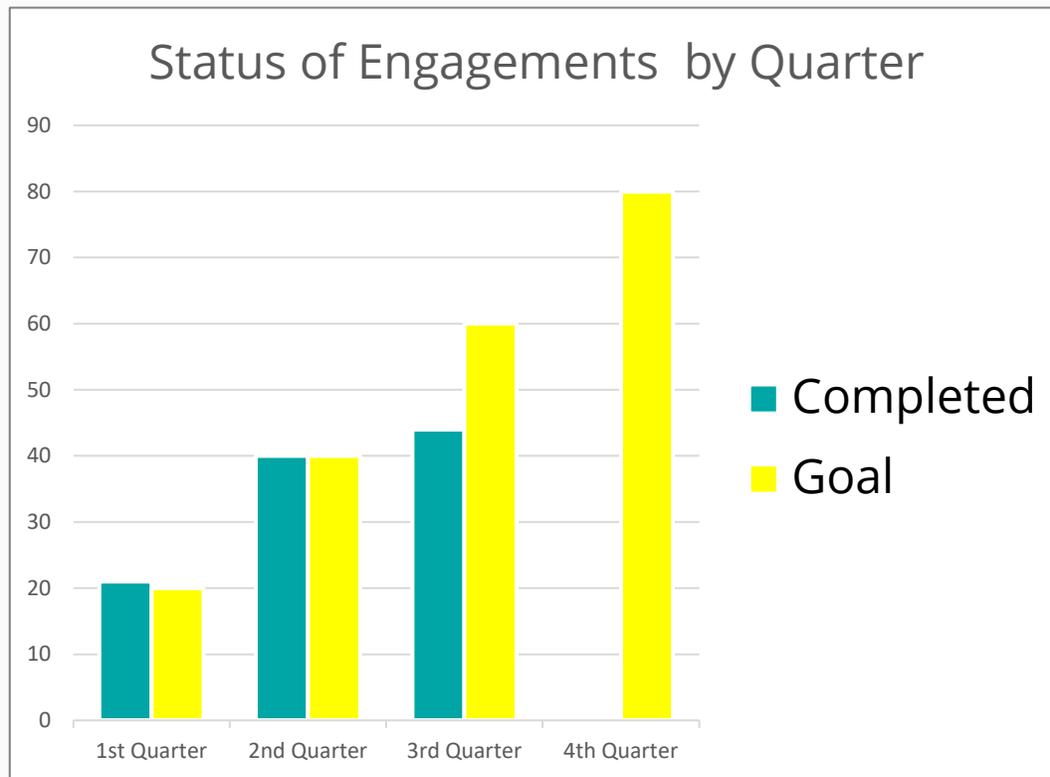
Audit Committee Meeting May 8, 2023

Fiscal Year 2023 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Customer Satisfaction Rating from Auditee	4.0	4.9	4.0
Number of Recommendations	23	19	23
Percentage of Audit and Consulting Engagements Completed	60%	44%	60%
Percentage of Recommendations Accepted	95%	100%	83%
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	81%	84%	81%
Percentage of Audits and Consulting Engagements Completed within Budget	80%	88%	73%

Performance Measures - Additional Details

Percentage of Engagements Completed



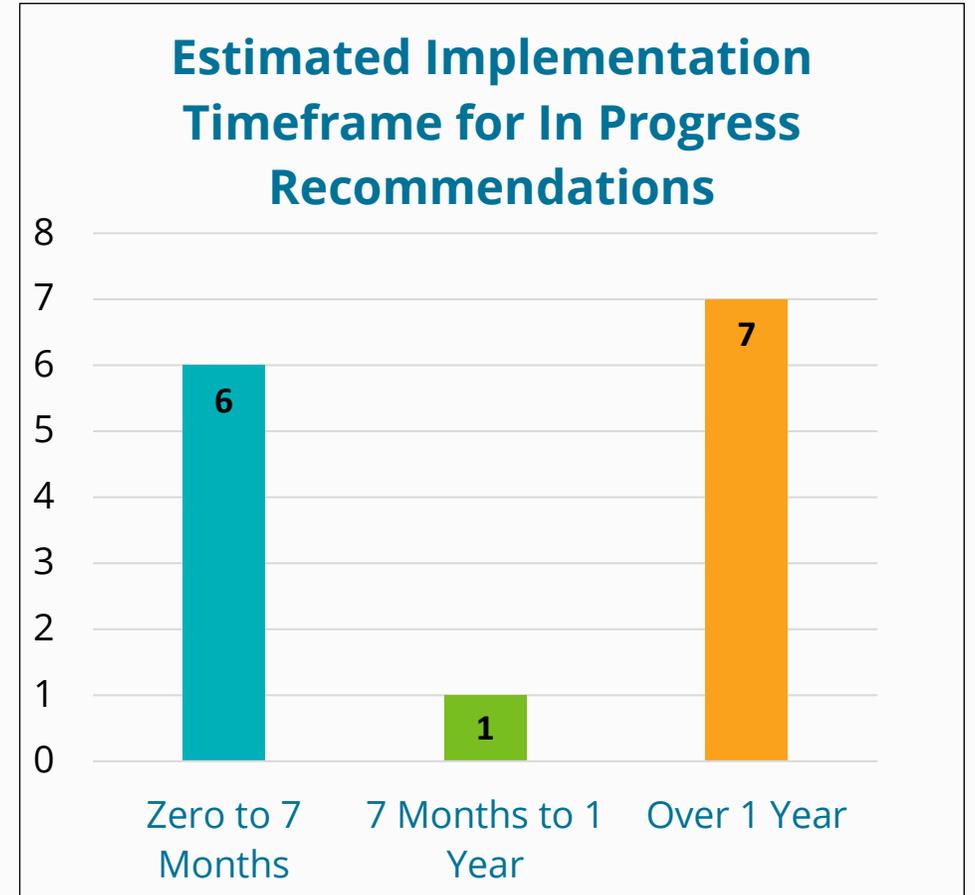
General Audit Activity - Recommendation Follow-Up

Recommendation Follow Up

Status as of March 31, 2023			
Completed	In Progress	Not Accepted	Tracked
4*	14**	-	18

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

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



General Audit Activity - Ethics

Category	Number of Tips / Reports Received	Investigation Initiated by OCA	Investigation Results Supported Code Violation (Ethics or Workplace)
Human Resource, Diversity, and Workplace Respect	34	-	-
Environment, Health and Safety	2	-	-
Total	36	-	-

Audit Highlight - ACE Parking Management of Terminal 2 Parking Plaza (T2PP)



Background

ACE provides parking management services and is overseen by the Ground Transportation Department.

The Terminal 2 Parking Plaza (T2PP) is the primary parking location at SDIA and has:

- Approximately 3,000 public parking spaces.
- A parking access and revenue control system called SKIDATA.

Audit Highlight - ACE Parking Management of Terminal 2 Parking Plaza (T2PP)



License Plate Imaging
at Entrance



License Plate Imaging
at Exit



Payment Kiosk at Exit

Audit Highlight - ACE Parking Management of Terminal 2 Parking Plaza (T2PP)



Objective

Evaluate the management of the T2PP.

Scope

- Processes in place
- Parking Transactions
April – August 2022

Audit Highlight - ACE Parking Management of Terminal 2 Parking Plaza (T2PP)



Strengths

- Separation of Duties
- Accurate Nightly Vehicle Counts

Conclusion

- GT & ACE generally managed the T2PP operations appropriately
- Certain system limitations were identified

Audit Highlight - ACE Parking Management of Terminal 2 Parking Plaza (T2PP)



3 Findings & 10 Recommendations

- Management has already addressed several of the recommendations.
- Addressing the system limitations and performing a nightly vehicle count would improve:
 - Data Accuracy
 - Customer Experience
 - Accuracy of Parking Fees

Audit Highlight - ACE Parking Management of Terminal 2 Parking Plaza (T2PP)



System Limitations

SKIDATA has not been upgraded. Tested license plate accuracy rate:

- California Non-Vanity Plates: 93%
- Non-California and Vanity: 20%

Nightly Inventory

A nightly computerized license plate inventory is not performed.

- Vehicle counts are accurate; however, this does not indicate which vehicles are in T2PP.

A large commercial airplane is flying in the upper left quadrant of the frame against a sky filled with soft, pinkish-orange clouds. Below the plane, a city skyline is visible, featuring numerous high-rise buildings. In the foreground, there is a body of water and a line of green trees. The overall scene is captured during the "golden hour" of sunset.

Questions?

Audit Committee

Meeting Date: May 8, 2023

Subject:

Risk Assessment and Proposed Fiscal Year 2024 Audit Plan of the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

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

The Fiscal Year 2024 Proposed Audit Plan was prepared by the Chief Auditor based on the following elements: a comprehensive Risk Assessment; input from the Board Members and Audit Committee Members; input from Authority management; and the review of staff resources available. Details on the Risk Assessment methodology are included in Attachment A.

The proposed OCA Fiscal Year 2024 Audit Plan (Attachment 1) will be presented during the regularly scheduled meeting of the Audit Committee on May 8, 2023. The Fiscal Year 2024 Audit Plan, and any subsequent revisions, require five (5) affirmative votes of the Audit Committee prior to Board approval.

Fiscal Impact:

A proposed Fiscal Year 2024 Operating Budget for the OCA to execute the Fiscal Year 2024 Audit Plan is \$1,424,000. In addition, the OCA will continue to augment its staff for audit work pertaining to the New T1 by utilizing the consulting services of a professional on-call construction audit service provider with expertise in large construction projects. The estimated cost for New T1 construction auditing is approximately \$1,500,000 over a seven-

year period and is funded from the Airport Development Program capital budget. The proposed budget for New T1 construction auditing is \$265,000 in Fiscal Year 2024.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

Application of Inclusionary Policies:

Not Applicable

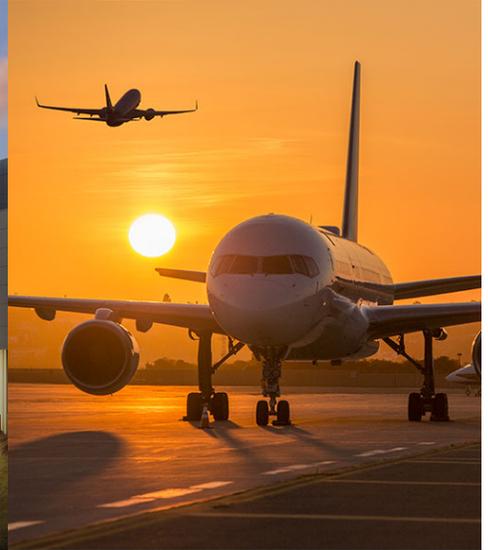
Prepared by:

Lee M. Parravano
Chief Auditor

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



ATTACHMENT A



Risk Assessment and Proposed Fiscal Year 2024 Audit Plan

Office of the Chief Auditor
May 8, 2023

Office of the Chief Auditor

Risk Assessment and Proposed Fiscal Year 2024 Audit Plan

INTRODUCTION

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

A risk assessment for audit planning is a process of systematically scoring (or rating) the relative impact of a variety of “risk factors”. A risk factor is an observable or measurable indicator of conditions or events that could adversely affect the San Diego County Regional Airport Authority (Authority). This Risk Assessment and Audit Plan were prepared to help identify, measure, and prioritize potential activities based on the level of risk to the Authority. The risk assessment results combined with input from the Authority Board, Audit Committee, and management were utilized in preparing the OCA Audit Plan for Fiscal Year 2024. The Proposed Audit Plan is designed to cover high risk activities or areas where the OCA could have the greatest impact, while limiting the scope of work to what can realistically be accomplished during the fiscal year.

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2024 Audit Plan is a five-part process consisting of:

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

DEVELOPING THE RISK ASSESSMENT FRAMEWORK

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

DEFINING THE AUDIT UNIVERSE

After the framework is adopted, the next step is to define the audit universe. The audit universe is a listing of all the potential audits that can be performed for the Authority. The list of potential audits is created by surveying Authority management and asking them to provide a list all the Key Work Activities within their specific departments. Key Work Activities are the major functions/activities carried out by the Authority. An example of an Accounting Department Key Work Activity is Bank Reconciliations. Key Work Activities do not include items like checking email.

For the New Terminal 1 Development (New T1), in Fiscal Year 2022 the OCA began a multi-year partnership with an on-call construction audit service provider (Baker Tilly, U.S., LLP) to audit the related construction activities. Baker Tilly is performing individual Risk Assessments

Office of the Chief Auditor

Risk Assessment and Proposed Fiscal Year 2024 Audit Plan

on each specific package of the New T1. Internal auditing *Standards* require the OCA to ensure proper coverage and minimize the duplication of effort. Therefore, in compliance with the *Standards*, the OCA is utilizing Baker Tilly's individualized risk assessments to prioritize potential construction audit activities based on the level of risk. Key Work Activities for the Development Division in charge of the New T1 were excluded from this assessment.

IDENTIFYING AND RANKING RISKS

The next step is to identify and rank major risks associated with each Key Work Activity. To achieve this, a management questionnaire that was developed by the OCA measured several risk factors examining the Likelihood and Impact each risk factor could have on the Authority. The questionnaire used the seven risk factors shown in Table 1 below.

Table 1

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

Management scored the level of risk/control on each of their department's Key Work Activities from Low to High. An integral step to complete the Risk Assessment was to calculate the total Likelihood and Impact for each Key Work Activity, in order from highest risk score to the lowest. The Key Work Activities with the highest risk score within each Authority Division is provided in **Attachment 3**.

Office of the Chief Auditor

Risk Assessment and Proposed Fiscal Year 2024 Audit Plan

INTERPRETING THE RISK ASSESSMENT RESULTS

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

DEVELOPING THE AUDIT PLAN

The Audit Plan reflects the results of a continuous Risk Assessment process gathered from various sources including, but not limited to, management questionnaires, interviews with staff, and the results of previous audits/ consulting engagements/ risk assessments. Additionally, selection of activities for the Audit Plan includes examining various factors, such as: time of last audit engagement, velocity of impact if a risk event were to occur, relevant or current events, areas where the OCA can have the greatest impact, requests by Authority management or Board, resource limitations that may exist, and if outsourcing or co-sourcing arrangements are available to supplement the Audit Plan. This can result in the OCA selecting activities for inclusion in the Audit Plan that may not have the highest likelihood or impact scores. The Audit Plan reflects consideration given to all of these factors. The proposed Fiscal Year 2024 Audit Plan is included as **Attachment 1**.

AUDIT RESOURCES

The Audit Plan is highly dependent upon the nature of the risks identified and the availability of internal audit resources. Such availability becomes identified through the budgeting process and examination of audit resources. The Fiscal Year 2024 budget for the OCA includes six full-time auditors and one executive assistant. The Audit Plan anticipates that 12,480 staff hours will be available, as calculated below in Table 2, and as detailed in Attachment 1.

Table 2

Office of the Chief Auditor	Staff	Hours per Staff	Hours Available
Full Time Auditors	6	2,080	12,480
Hours for Fiscal Year 2024 Audit Plan			12,480

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

Fiscal Year 2024 resources also include the OCAs continuing partnership with the outside construction auditing firm, Baker Tilly. The firm will assist the OCA in conducting audit construction activities related to the New T1. The OCA plans to utilize Baker Tilly to supplement current staff capabilities and the Proposed Audit Plan in Attachment 1. Audits conducted by Baker Tilly are based on Risk Assessments performed and will only occur after

Office of the Chief Auditor

Risk Assessment and Proposed Fiscal Year 2024 Audit Plan

the OCA has approved the scope and associated costs. The OCAs proposed construction auditing costs for the Fiscal Year 2024 capital budget includes approximately \$265,000 to perform audits related to the New T1.

CONTINGENT AUDIT ACTIVITIES

The OCA has also included contingent audit activities for the Proposed Fiscal Year 2024 Audit Plan that will be started if all planned activities for the Fiscal Year are completed. If these contingent audit activities are not started in Fiscal Year 2024, they will be considered when developing the Fiscal Year 2025 Audit Plan. Contingent audit activities are included as **Attachment 2**.

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

AMENDMENTS TO THE AUDIT PLAN

Requests to amend the Audit Plan will be presented to the Audit Committee by the Chief Auditor. Priority will be given to revisions that have the potential for significant financial savings and issues of integrity in the workplace. The Board must approve any amendment, which requires five (5) affirmative votes of the Audit Committee prior to Board approval.

Division	Key Work Activity	Objective ¹	Estimated Hours
Audit Hours			
Revenue Management and Business Development	Tenant Lease Administration and Management ²	To determine if fiscal year 2023 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for Airport Rental Car Companies.	300
Development	Turner-Flatiron Self Perform Work ²	To determine if work self-performed by Turner-Flatiron complies with the agreement. ³	104
Operations	Harbor Police Contract Mgmt. ²	To determine if selected Harbor Police costs and services are appropriate and equitable for the fiscal years 2018, 2019, and 2020.	100
Human Resources	Employee Benefits ²	To determine if employee payroll deductions are administered appropriately.	150
Finance	Accounts Payable ²	To determine if the controls for Paymode X are appropriate.	200
Revenue Management and Business Development	Tenant Lease Administration and Management ⁴	To determine if fiscal year 2024 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for Airport rental car companies.	500
Finance	System Security	To evaluate the Authority's security posture by performing testing of the Authority's Virtual Private Network access.	350
Operations	Harbor Police Contract Mgmt.	To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2022.	425
Revenue Management and Business Development	Tenant Lease Administration and Management	To determine in terminal concessionaires are complying with selected elements of their contracts.	550
Revenue Management and Business Development	Tenant Lease Administration and Management	To determine if appropriate internal controls in the property management software (ABRM) are appropriate and if data is accurate.	550
Finance	Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450
Revenue Management	Tenant Lease Administration	To determine if Budget Rent a Car accurately paid concessions and Customer Facility Charges (CFC).	300

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

² Audit activity has been carried forward from fiscal year 2023.

³ This audit is being performed in partnership with the external 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 into fiscal year 2024. 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
Proposed Fiscal Year 2024 Audit Plan

ATTACHMENT 1

Division	Key Work Activity	Objective ¹	Estimated Hours
and Business Development	and Management		
Revenue Management and Business Development	Tenant Lease Administration and Management	To determine if Fast Track Rent a Car accurately paid concessions and Transportation Facility Charges (TFC).	350
Revenue Management and Business Development	Small Business Management	To determine if Small Business Management is managed appropriately.	550
Development	To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	700
N/A	To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	573
		Total Audit Hours	6,152
Consulting Hours			
Operations / Finance	Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract.	200
		Total Consulting Hours	200

Division	Key Work Activity	Objective ¹	Estimated Hours
General Audit Hours			
N/A	Risk Assessment and Audit Plan ⁵	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	252
Development	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
Finance	Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed.	20
N/A	Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200
N/A	Ethics Program ⁵	To review ethics policies, perform training, and investigate reported incidents.	300
N/A	Recommendation Follow-up ⁵	To verify that internal and external audit recommendations have been implemented as intended.	160
N/A	Quality Assurance & Improvement Program ⁵	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	350
		Total General Audit Hours	1,662
Administrative Hours			
N/A	Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,290
N/A	Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,176
		Total Administrative Hours	4,466
		Total Hours	12,480

⁵ 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 2024 Contingent Audit Activities

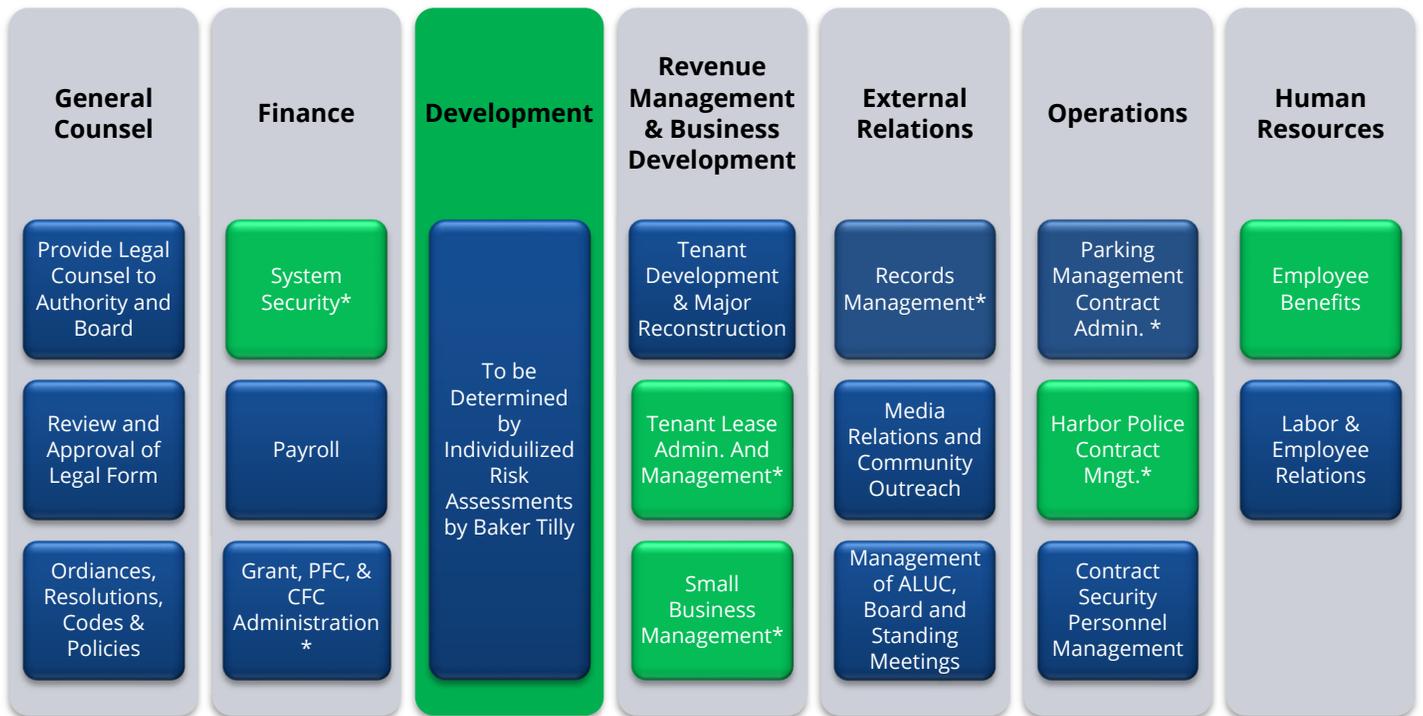
ATTACHMENT 2

Division	Key Work Activity	Objective ⁶	Estimated Hours
Revenue Management and Business Development	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
Human Resources	Diversity & Inclusion	To determine if the Diversity & Inclusion Program is accurately tracking metrics and best practices.	500
Revenue Management and Business Development	Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450
Finance	Accounts Payable	To determine if the controls related to the Accounts Payable automated payment files are appropriate.	450
Revenue Management and Business Development	Tenant Lease Administration and Management	To determine if the food and beverage concessionaire surcharge is administered appropriately.	450
Operations	Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
Development	Tenant Lease Administration and Management	To determine if airport lounge concession contracts are administered appropriately.	500
Finance	Asset Management	To determine if computer imaging is administered appropriately.	500
Operations	Parking Management Contract Administration	To determine if Dynamic Pricing is being managed appropriately.	550
Operations	TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475
Development	Curfew Violations	To determine if curfew violations are administered appropriately.	450
Talent, Culture & Capability	Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525

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

Office of the Chief Auditor
Fiscal Year 2024 Contingent Audit Activities

Revenue Management and Business Development	Advertising	To determine if the concessions marketing program is managed appropriately.	500
Operations	Parking Management Contract Administration	To determine if the close out process for parking management contract is administered appropriately.	600
Operations	ARFF Management	To determine if costs included in ARFF billings are appropriate.	500
Marketing & Air Service Development	Air Service Management	To determine if fuel rights are administered appropriately.	500
		Total Contingent Audit Hours	8,000



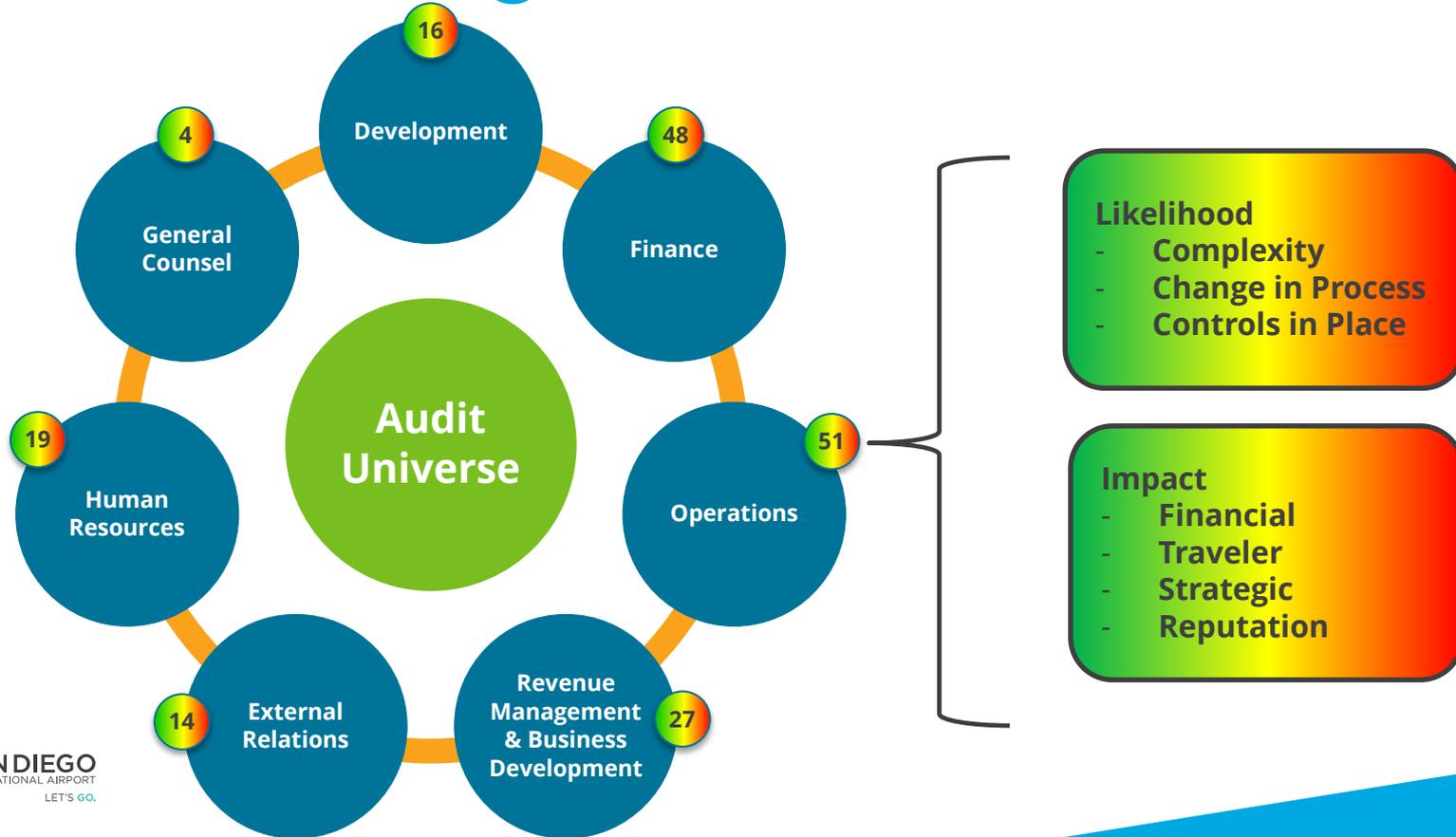
* Indicates this Key Work Activity or components of this Key Work Activity have been audited within the last five fiscal years.

Risk Assessment and Proposed Fiscal Year 2024 Audit Plan of the Office of the Chief Auditor

Defining the Audit Universe



Defining the Audit Universe



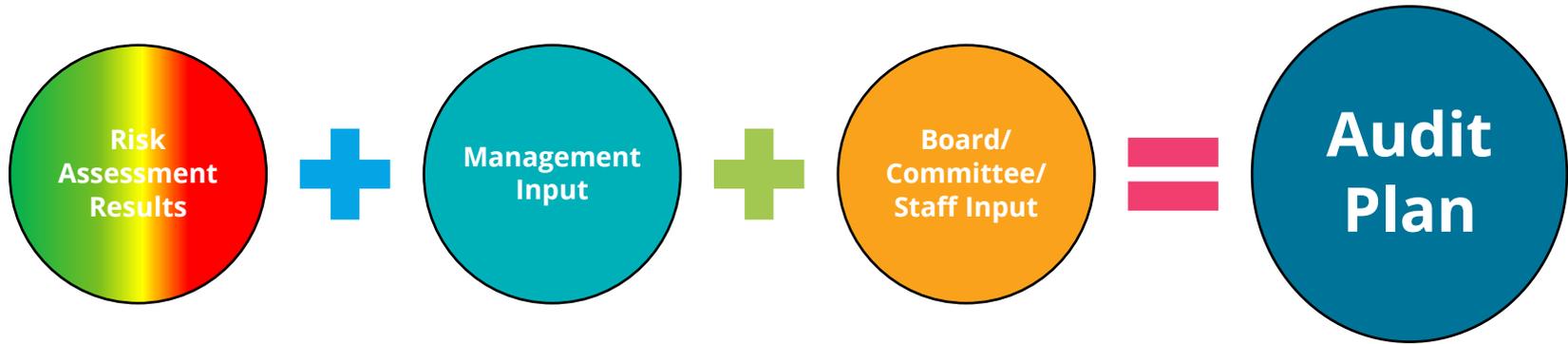
Interpreting the Risk Assessment Results

San Diego County Regional Airport Authority Risk Assessment Fiscal Year 2024

Department	Division	Key Work Activity	Likelihood	Impact
Board Services	External Relations	Records Management *	Medium	Low to Medium
Board Services	External Relations	Management of ALUC, Board and Standing Board	Medium	Low to Medium
Board Services	External Relations	Maintain Authority Agreements, Contracts and Leases	Medium	Low
Board Services	External Relations	Manage Conflict of Interests Filings	Medium	Low
Board Services	External Relations	Manage the Authority Privacy Policy and Requirements *	Low to Medium	Low
Board Services	External Relations	Maintain Authority Codes and Policies	Low to Medium	Low
Board Services	External Relations	Provides Administrative Support to the Board and onboarding	Low to Medium	Low
Board Services	External Relations	Manage the AB1234 Training Requirements	Low to Medium	Low
Board Services	External Relations	Manage the Authority Lobbyist Program	Low to Medium	Low

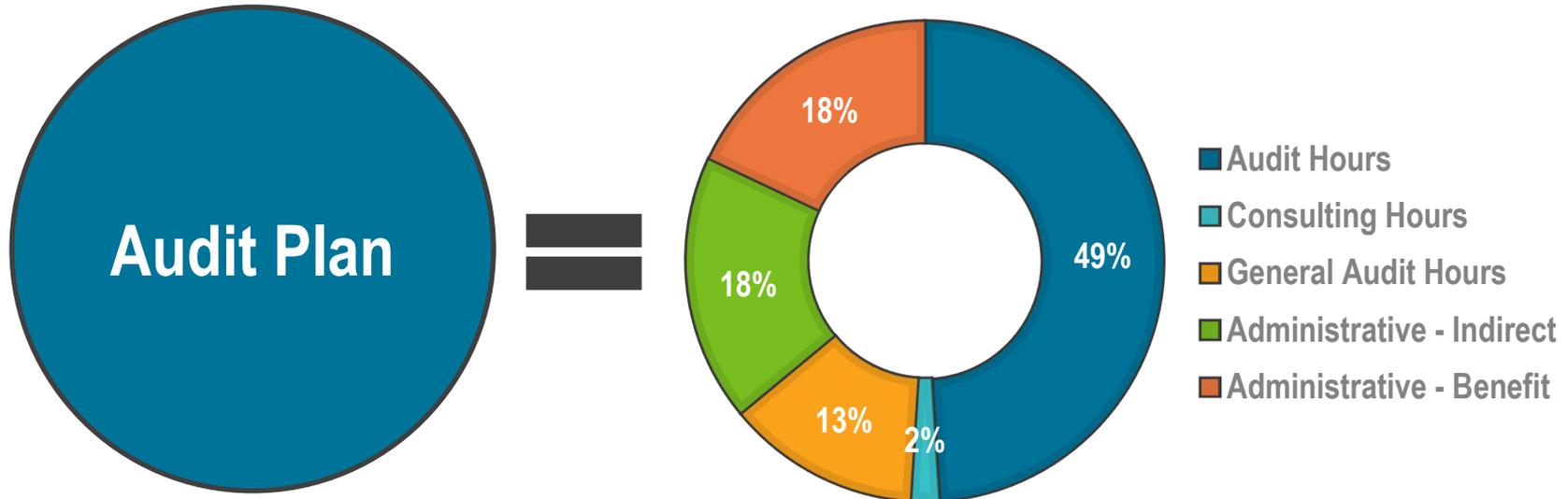


Audit Plan Development

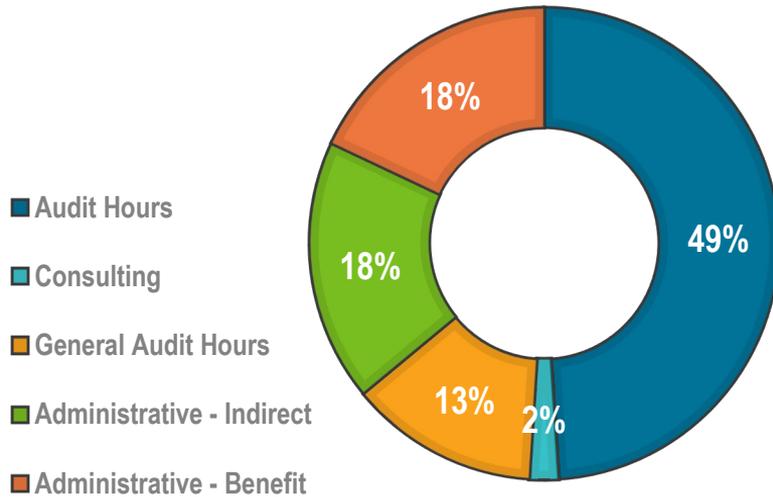


Audit Resources (Internal)

6 Full Time Auditors = **12,480 Hours**
Excludes On-Call Construction Audit Service Provider

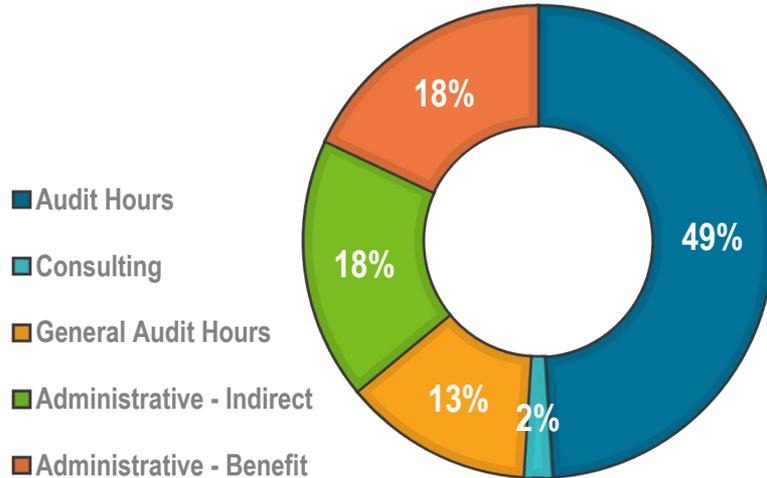


Proposed Audit Plan & Hours



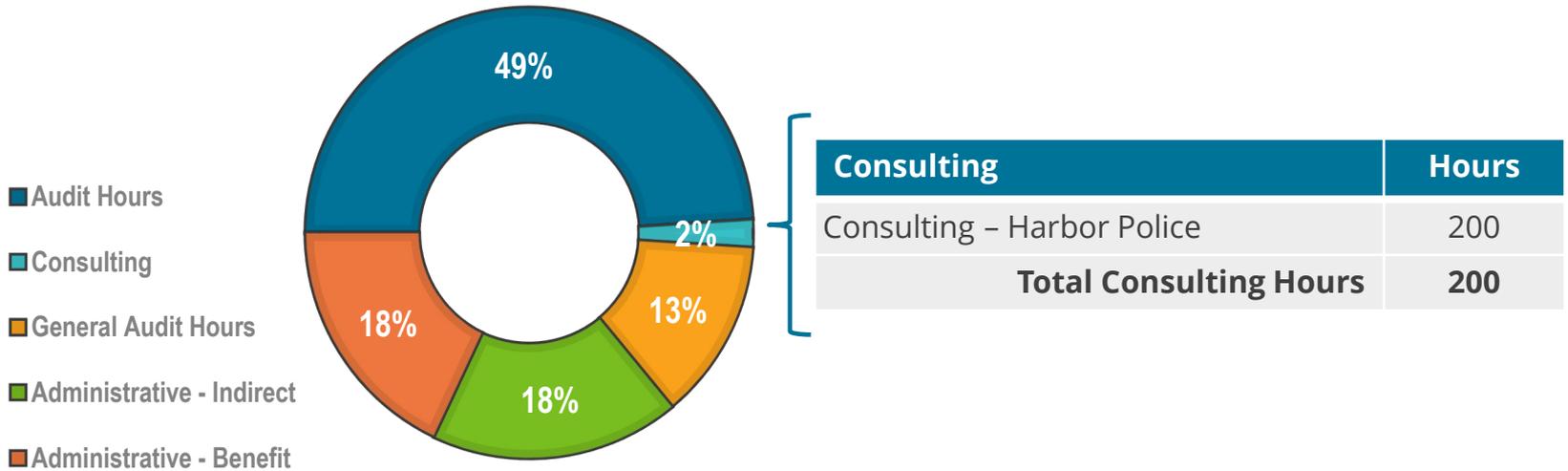
Audit	Hours
Tenant Lease Administration and Management – Audit of Rent A Car Companies FY 2023	300
Turner-Flatiron –Self Perform Work	104
Harbor Police Contract Management – Fiscal Years 2018-2020	100
Employee Benefits	150
Accounts Payable - Paymode X	200
Tenant Lease Administration and Management – Audit of Rent A Car Companies FY 2024	500
System Security – Virtual Private Network Access	350
Harbor Police – Fiscal Year 2022	425

Proposed Audit Plan & Hours

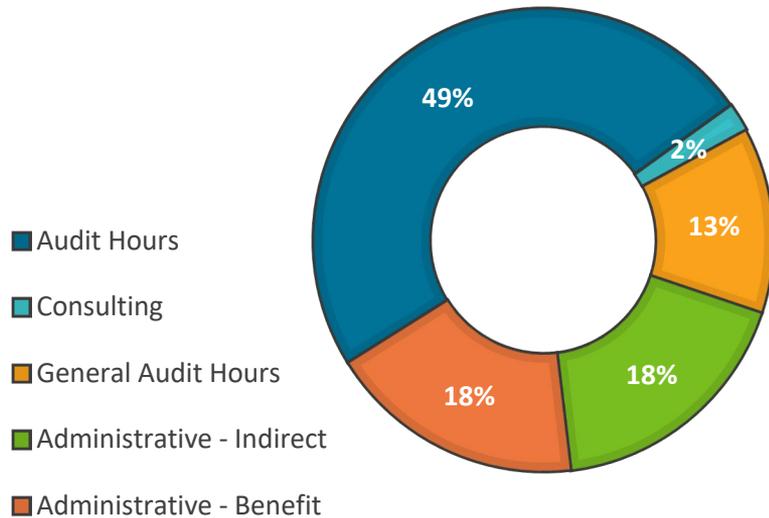


Audit	Hours
In Terminal Concessionaire Contract Compliance	550
Property Management Software - ABRM	550
Account Provisioning / Deprovisioning	450
Budget Rent A Car	300
Fast Track Rent A Car	350
Small Business Management	550
To Be Determined – Construction	700
To Be Determined - Other	573
Total Audit Hours	6,152

Proposed Audit Plan & Hours



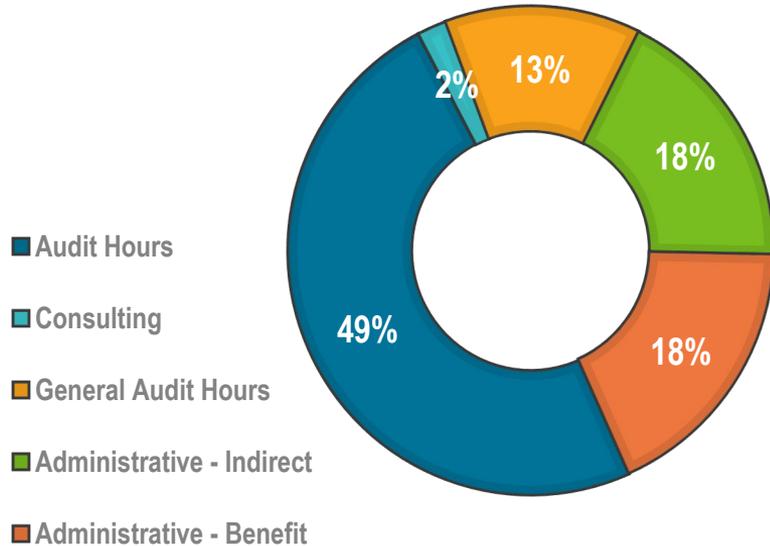
Proposed Audit Plan & Hours



General Audit	Hours
Construction Activities	380
Risk Assessment & Proposed Audit Plan*	252
Development of Data Analytics	200
Ethics Program*	300
Information Technology Meeting Attendance	20
Recommendation Follow-up *	160
Quality Assurance & Improvement Program*	350
Total General Audit Hours	1,662

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

Proposed Audit Plan & Hours



General & Administrative Activity	Hours
Administrative - Indirect (Meetings, CPE, Other)	2,290
Administrative - Benefit (Vacation & Holiday)	2,176
Total General & Administrative Hours	4,466

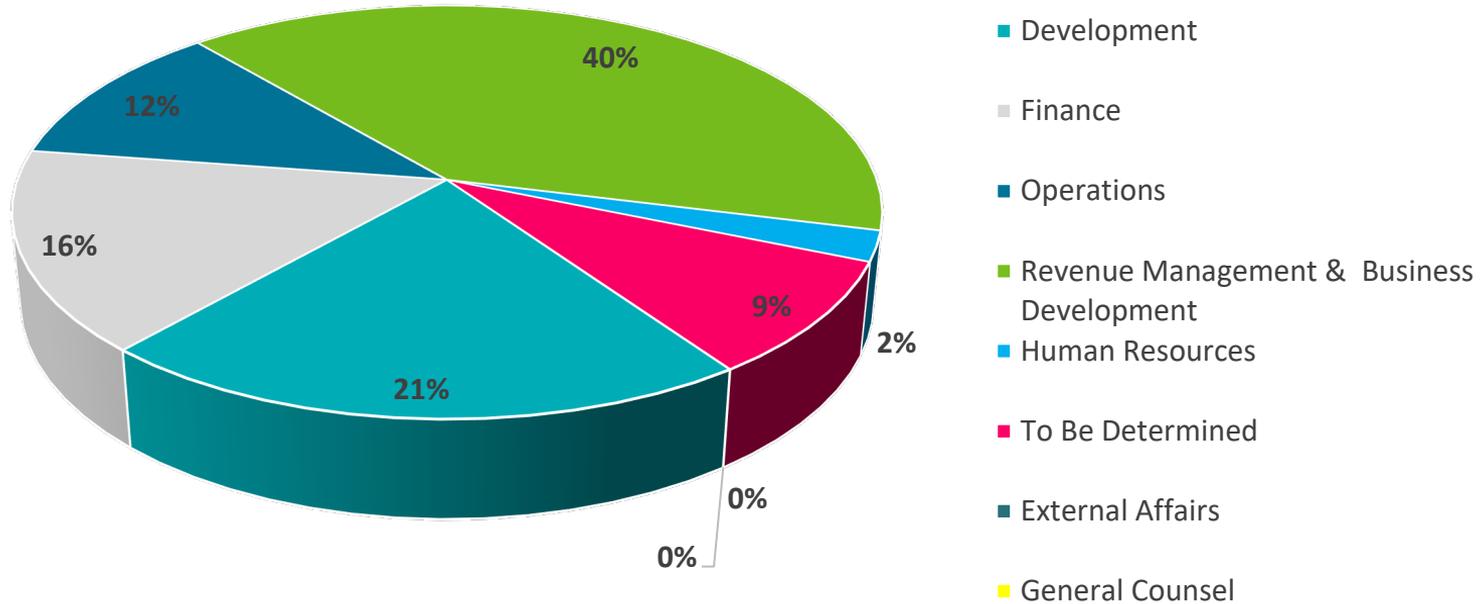
Top Risks By Division



Indicates this Key Work Activity or components of this Key Work Activity are included in the Fiscal Year 2024 Audit Plan.

*Indicates this Key Work Activity or components of this Key Work Activity have been audited in the last 5 Fiscal Years.

Proposed Audit Hours by Department



Proposed Contingent Audits & Hours

Audit	Hours
Tenant Lease Administration and Management – Rent A Car Co. To Be Determined	400
Diversity & Inclusion	500
Social Media / Website / Webmaster	450
Accounts Payable	450
Tenant Lease Administration and Management – Food and Beverage Surcharge	450
Rental Car Shuttle Service Contract Administration	650
Tenant Lease Administration and Management – Airport Lounge	500
Asset Management – Computer Imaging	500
Parking Management Contract Administration - Dynamic Pricing	550
TNC Contract Administration & Revenue Collection	475
Curfew Violations	450
Leaves of Absence / Catastrophic Leave	525
Advertising – Concessions Marketing	500
Parking Management Contract Administration – Close Out Process	600
ARFF Management	500
Air Service Management – Fuel	500

Total Contingent Hours 8,000

QUESTIONS?

Audit Committee

Meeting Date: May 8, 2023

Subject:

Fiscal Year 2024 Proposed Budget of the Chief Auditor and Fiscal Year 2025 Proposed Conceptual Budget Expense Summary

Recommendation:

Staff recommends that the Audit Committee accept the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2024-2025 Budget process that may include debt issuance or refinancing, with a recommendation for Board approval. *(Requires five (5) affirmative votes of the Audit Committee.)*

Background/Justification:

In accordance with the San Diego County Regional Airport Authority's Fiscal Year 2024-2025 Budget process, which was initiated by the Authority's Finance Division on January 31, 2023, the Chief Auditor created a Proposed 2024 Budget and a Proposed 2025 Conceptual Budget for the Office of the Chief Auditor (OCA). The OCAs proposed budgets contain the anticipated expenditures and headcount necessary to carry out its duties in the coming fiscal years.

The Fiscal Year 2024 Proposed Budget and 2025 Proposed Conceptual Budget will be presented to the Audit Committee for review on May 8, 2023. The accompanying presentation provides the budgets in detail by line item.

Subsequent to the May 8 Audit Committee Meeting, the OCAs proposed budgets will be forwarded for inclusion with the Authority's overall budget to the Budget Workshop scheduled for May 18, 2023, for approval by the Board.

The Authority anticipates new debt to be issued in Fiscal Year 2024 for the New T1-related construction projects, other capital projects, and potential debt refinancing. Any new debt is approved by the Board.

Fiscal Impact:

The proposed Fiscal Year 2024 Operating Budget for the Office of the Chief Auditor to execute the Fiscal Year 2024 Audit Plan is \$1,424,000. In addition, the OCA will continue to augment its staff for audit work pertaining to the New T1 by utilizing the consulting services

of a professional on-call construction audit service provider with expertise in large construction projects. The estimated cost for New T1 construction auditing is approximately \$1,500,000 over a seven-year period and is funded from the ADP capital budget. The proposed budget for New T1 construction auditing is \$265,000 in Fiscal Year 2024.

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

Fiscal Year 2024 Proposed Budget of the Chief Auditor and Fiscal Year 2025 Proposed Conceptual Budget Expense Summary

Audit Committee Meeting May 8, 2023

FY 2024 Proposed Budget - FY 2025 Proposed Conceptual Budget Expense Summary

(in thousands)

	FY 2022 Actuals	FY 2023 Budget	FY 2024 Budget	Inc / (Dec) FY24 Proposed vs FY23 Budget	% Change	FY 2025 Conceptual Budget	Inc / (Dec) FY25 Conceptual vs FY24 Budget	% Change
Operating Expenses								
Salaries & Wages	\$ 852	\$ 879	\$ 952	\$ 73	8.3%	\$ 995	\$ 43	4.6%
Benefits	384	399	390	(9)	-2.2%	413	\$ 23	5.8%
Total Personnel Costs	1,236	1,278	1,342	64	5.0%	1,408	66	4.9%
Contractual Services	10	25	31	6	24.0%	25	(6)	-19.4%
Utilities	-	-	-	-	0.0%	-	0	5.0%
Operating Supplies	-	1	1	-	0.0%	1	-	0.0%
Employee Development	9	16	29	12	73.6%	31	2	7.1%
Business Development	4	5	5	1	17.0%	6	0	4.3%
Equipment Rentals and Repairs	7	15	16	1	5.8%	17	1	7.0%
Total Non-Personnel Costs	30	62	82	20	31.9%	79	(3)	-3.2%
Total Operating Expenses	1,266	1,340	1,424	84	6.3%	1,487	64	4.5%
Non-Operating Expenses	-	-	-	-	0.0%	-	-	0.0%
Total Expenses	1,266	1,340	1,424	84	6.3%	1,487	64	4.5%
Equipment Outlay Expenditures	-	-	-	-	0.0%	-	-	0.0%
Total Authority Expenses Incl Equip Outlay	\$ 1,266	\$ 1,340	\$ 1,424	\$ 84	6.3%	\$ 1,487	\$ 64	4.5%

***Numbers may not foot due to rounding

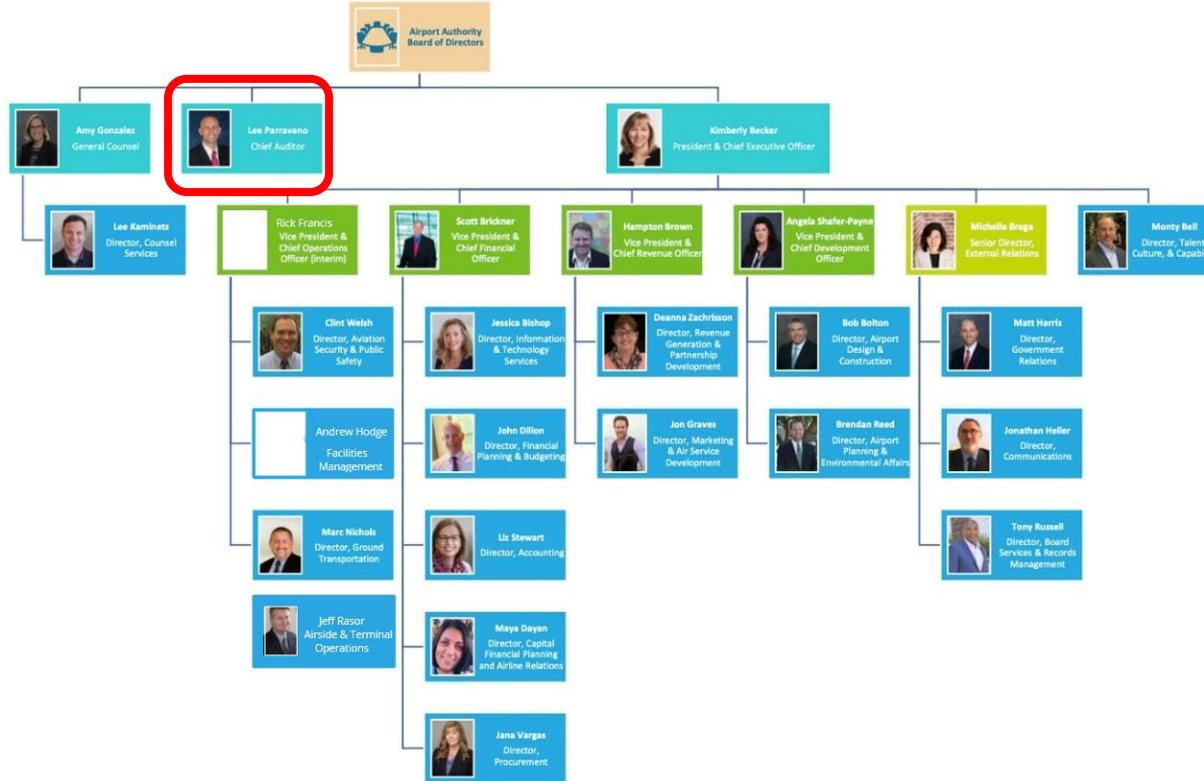
Note - The OCA operating budget does not include the external On-Call Construction Auditor (Baker Tilly) expenditures estimated at \$1,500,000 over a seven-year period. Those expenditures are funded from the ADP capital budget.

Major Drivers of Fiscal Year 2024 & 2025 Proposed Budgets

<i>(in thousands)</i>	Inc / (Dec) FY24 vs FY23	Inc / (Dec) FY25 Conceptual vs FY24
FY 2023 Budget / FY 2024 Budget	\$ 1,340	\$ 1,424
Personnel Costs		
Salary Adjustments and Pay For Performance	73	43
Burden (Benefits & Employer Taxes) for Current Staff	(9)	23
Total Increase / (Decrease) in Personnel Costs	64	66
Non-Personnel Costs		
Employee Development	12	2
ALGA Peer Review	6	(6)
Other, net	2	1
Total Increase / (Decrease) in Non-Personnel Costs	20	(3)
Total Increase / (Decrease)	84	64
FY 2024 Budget / FY 2025 Conceptual Budget	\$ 1,424	\$ 1,487

***Numbers may not foot due to rounding

Chief Auditor, Authority Budget, & Debt



- The Chief Auditor's budget is part of the Authority's overall budget.
- The Authority's budget is approved by the Board.
- The Authority's budget includes both operating and capital expenses.
- Debt may be issued to finance capital costs.
- Staff anticipates new debt issuance in FY 2024 for the New T1 and other capital projects and potential debt refinancing.

Questions?