

## Audit Committee and Special Board Meeting

Monday, September 11, 2023

10:00 A.M.

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

### Board Members

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

### Ex-Officio Board Members

Col. Thomas Bedell  
Gustavo Dallarda  
Gayle Miller

### President/CEO

Kimberly J. Becker

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

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

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

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

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

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

# Audit Committee Agenda

Monday, September 11, 2023

## CALL TO ORDER:

## PLEDGE OF ALLEGIANCE:

## ROLL CALL:

Committee Members: Casillas Salas, Huerta, Martinez, Newsom (Chair), 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 May 8, 2023, special meeting.

### **2. FISCAL YEAR 2023 ANNUAL REPORT FROM THE AUDIT COMMITTEE:**

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

(Presented by: Gretchen Newsom, Audit Committee Chair)

### **3. FISCAL YEAR 2023 ANNUAL REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:**

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

(Presented by: Lee Parravano, Chief Auditor; and Shane Ellis, Senior Auditor)

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

RECOMMENDATION: Information item only.

(Presented by: Fred Bolger, Manager, Audit Services)

Monday, September 11, 2023

- 5. ANNUAL REVIEW OF THE CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR:**  
RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed revision to the Charter and forward it to the Board with a recommendation for approval.  
(Presented by: Fred Bolger, Manager, Audit Services)
- 6. REVISION TO THE FISCAL YEAR 2024 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**  
RECOMMENDATION: Staff recommends that the Audit Committee accept the revised Audit Plan and forward it to the Board with a recommendation for approval.  
***(Requires five (5) affirmative votes of the Audit Committee.)***  
(Presented by: Fred Bolger, Manager, Audit Services)
- 7. SELECTION OF AN INDEPENDENT ASSESSOR TO PERFORM A QUALITY ASSESSMENT REVIEW OF THE OFFICE OF THE CHIEF AUDITOR**  
RECOMMENDATION: Information item only.  
(Presented by: Lee Parravano, Chief Auditor)

## COMMITTEE MEMBER COMMENTS:

## ADJOURNMENT:

Monday, September 11, 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](http://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, MAY 8, 2023**  
**BOARD ROOM**

**CALL TO ORDER:** Vice Chair Martinez called the Special Audit Committee Meeting to order at 9:03 a.m., on Monday May 8, 2023, at the San Diego County Regional Airport Authority, Administration Building, 3225 North Harbor Drive, San Diego, CA 92101.

**PLEDGE OF ALLEGIANCE:** Vice Chair Martinez led the pledge of allegiance.

**ROLL CALL:**

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

Absent:                      Committee Members:              Perez

Also Present:              Rick Frances, Vice President/COO; Amy Gonzales, General Counsel;  
Tony R. Russell, Director, Board Services/Authority Clerk; Patricia Willis,  
Assistant Authority Clerk I

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

**NEW BUSINESS:**

**1.      APPROVAL OF MINUTES:**

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

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

*Committee Member Wong Nickerson arrived at the meeting at 9:25 a.m.*

**2. INTERVIEW APPLICANTS TO FILL A VACANCY ON THE AUDIT COMMITTEE:**

Vice Chair Martinez reported that there is a public member vacancy due to the resignation of Carmen Vann and that this vacancy was publicized consistent with the appointment process. She stated that this appointment to the Audit Committee is for the remaining term for Ms. Vann, which expires June 2025.

The Committee interviewed applicants Paul Robinson, Christian Clapp, and Claudia Huerta.

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

**ACTION: Moved by Board Member Sanchez and seconded by Committee Member Newsom to recommend to the Board the appointment of Claudia Huerta to fill the public member vacancy on the Audit Committee and to recommend Christian Clapp as an alternate, if the Board does not select Ms. Huerta, to commence June 1, 2023. Motion carried unanimously, noting Board Member Perez as ABSENT.**

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

Elizabeth Stewart, Director, Accounting; Rachel Ormsby, Director at FORVIS; and Josh Findlay, Senior Manager at FORVIS, provided a presentation on the Required Communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year Ended June 30, 2023, that included Planned Timing and Scope; GASB Pronouncements to be Implemented During FY 2023; and Consideration of Error or Fraud.

RECOMMENDATION: Forward this item to the Board for information.

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

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

Lee Parravano, Chief Auditor, provided a presentation on the Risk Assessment and Proposed Fiscal Year 2024 Audit Plan of the Office of the Chief Auditor that included Defining the Audit Universe; Interpreting the Risk Assessment Results; Audit Plan Development; Audit Resources (Internal); Proposed Audit Plan; and Proposed Contingent Audits and Hours.

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.)***

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

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

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2024 Proposed Budget of the Chief Auditor and Fiscal Year 2025 Proposed Conceptual Budget Expense Summary that also included the Major Drivers of the Fiscal Year 2024 and 2025 Proposed Budgets.

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.)***

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

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

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2023 Third Quarter Report from the Office of the Chief Auditor that included Performance Measures; General Audit Activities; and Audit Highlight – ACE Parking Management of Terminal 2 Parking Plaza.

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

**ACTION: Moved by Board Member Sanchez and seconded by Committee Member Newsom to approve staff’s recommendation. Motion carried unanimously noting Board Member Perez as ABSENT.**

**COMMITTEE MEMBER COMMENTS:**

**CLOSED SESSION:** The Committee recessed into Closed Session at 10:45 a.m. to discuss item 7.

**7. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**  
(Government Code Section 54957)  
Title: Chief Auditor

**REPORT ON CLOSED SESSION:** The Committee adjourned out of Closed Session at 11:30 a.m. There was no reportable action.

**ADJOURNMENT:** The meeting adjourned at 11:30 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 11<sup>th</sup> DAY OF SEPTEMBER 2023.

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LEE PARRAVANO  
CHIEF AUDITOR

ATTEST:

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES/  
AUTHORITY CLERK

## Audit Committee Report

**Meeting Date: September 11, 2023**

**Subject:**

**Fiscal Year 2023 Annual Report from the Audit Committee**

**Recommendation:**

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

**Background/Justification:**

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

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

The Charter of the Audit Committee was most recently revised by Board Resolution No. 2021-0108 on October 7, 2021.

During its September 11 meeting, the Chair of the Audit Committee will present the Fiscal Year 2023 Annual Report from the Audit Committee (Attachment A) for review by the Committee Members. Any revisions requested by the Audit Committee will be incorporated prior to the report's submittal to the Board during a regularly scheduled Board meeting.

**Fiscal Impact:**

None

## Authority Strategies/Focus Areas:

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

### Strategies

- Community Strategy    Customer Strategy    Employee Strategy    Financial Strategy    Operations Strategy

### Focus Areas

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

### Environmental Review:

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

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

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

### Application of Inclusionary Policies:

Not Applicable

### Prepared by:

Lee M. Parravano  
Chief Auditor

**Board Members**

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

**Ex-Officio Board  
Members**

Col. Thomas M. Bedell  
Gustavo Dallarda  
Gayle Miller

**President/CEO**

Kimberly J. Becker

September 11, 2023

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

Dear Chair Cabrera:

The Charter of the Audit Committee states the purpose and responsibilities of the Audit Committee including a requirement to annually report to the Authority Board on its activities performed the previous year. This report provides a summary of the work accomplished by the Audit Committee during Fiscal Year 2023, covering the period from July 1, 2022, through June 30, 2023.

WORK PERFORMED

During Fiscal Year 2023, the Audit Committee's activities included reviewing required communications from the Office of the Chief Auditor (OCA), reviewing required communications from the Authority's external auditor (FORVIS), and reviewing the Charter of the Audit Committee and the Charter for the Office of the Chief Auditor.

Audit Committee members examined numerous documents and reports pertaining to the activities executed by the OCA. The Audit Committee also received quarterly updates from the OCA which included discussions on internal audits performed by the department and the progress made by Authority management to implement recommendations issued by the OCA.

During Fiscal Year 2023, the Audit Committee members reviewed, approved, or received as information the OCA reports and presentations listed here:

- Fiscal Year 2022 Annual Activities Report.
- Fiscal Year 2023 Quarterly Reports and corresponding audit findings and recommendations.
- OCA Audit Reports issued during Fiscal Year 2023, totaling 13.
- OCA recommendations issued during Fiscal Year 2023, totaling 31.

- Management's progress to implement recommendations issued by the OCA.
- Revisions to the Fiscal Year 2023 OCA Audit Plan.
- Fiscal Year 2024 Risk Assessment, Audit Plan, and proposed budget.
- Status on construction audit services.
- Ethics Program and confidential hotline updates.
- Public employee performance evaluation goal setting for the Chief Auditor.

Required communications from the external auditor are presented annually during the regularly scheduled May and November Audit Committee Meetings, as a routine. This coincides with the Authority's audit of its financial statements by the external auditor for the fiscal year ending June 30 of that year. The results of the financial audit are presented to the Audit Committee prior to a full review by the Authority Board.

In 2022, a Special Meeting of the Audit Committee was held on November 21. The external auditor, FORVIS, gave a detailed presentation to the Audit Committee on the audited financial statements for Fiscal Year-ended June 30, 2022. The reports below were submitted, reviewed, and accepted by the Audit Committee, then forwarded to the Authority Board.

- Audited Financial Statements
- Single Audit Report
- Passenger Facility Charge (PFC) Compliance Report
- Customer Facility Charge (CFC) Compliance Report
- Letter to the Board
- 2022 Annual Comprehensive Financial Report

#### MONITORING AND AUDIT RECOMMENDATIONS

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

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

### MEETINGS HELD

The Audit Committee met four times in Fiscal Year 2023. Meetings were held in person and no longer held virtually. The Audit Committee Meeting dates were as follows:

- September 12, 2022 – *Regular Meeting (Included Audit Committee Training.)*
- November 14, 2022 – *Rescheduled to November 21, 2022*
- November 21, 2022 – *Special Meeting*
- February 6, 2023 – *Regular Meeting*
- May 8, 2023 – *Regular Meeting (Included interviews for new Public Member.)*

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

### GOVERNANCE DEVELOPMENTS

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

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

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

The annual review performed by staff during Fiscal Year 2023 determined that no revisions were necessary for either Charter.

In keeping with a mandate in the Charter of the Audit Committee, members new to the Audit Committee received training on the "Role of an Audit Committee Member" presented by FORVIS, the Authority's external auditor, on September 12, 2022.

In February 2023 the presiding Audit Committee chair, also a Public Member, resigned. The Audit Committee vice chair took the role of interim chair from February through June 2023.

Annual Report  
from the Audit  
Committee

To fill the Public Member vacancy a search was conducted through the Authority's Board Services Department. The Audit Committee interviewed candidates and selected a new Public Member during its May 8, 2023, meeting.

*Page 4 of 4*

During the June 1, 2023, Authority Board Meeting, the Audit Committee's new Public Member, Claudia Huerta, was formally appointed for a 3-year term, which commenced July 1, 2023.

Additionally, I accepted the appointment of Audit Committee Chair during the June 1, 2023, Board Meeting, and Public Member Agnes Wong Nickerson was appointed for a new three-year term as a Public Member. Our roles commenced on July 1, 2023.

In closing, I look forward to the year ahead as the Audit Committee continues to perform its monitoring responsibilities, with diligence, and to effectively contribute to the success of the Authority.

Sincerely,

Gretchen Newsom  
Audit Committee Chair  
Public Member

GN/LP/sro

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

## Audit Committee Report

**Meeting Date: September 11, 2023**

**Subject:**

**Fiscal Year 2023 Annual Report from the Office of the Chief Auditor**

**Recommendation:**

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

**Background/Justification:**

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

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

The Fiscal Year 2023 Annual Report from the Office of the Chief Auditor is submitted to the Audit Committee as Attachment A. The report describes the activities and accomplishments of the OCA during the period July 1, 2022, through June 30, 2023, and includes details on all recommendations completed or in progress during the 4th Quarter of Fiscal Year 2023.

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

Staff requests that the Audit Committee review the Fiscal Year 2023 Annual Report and forward the report to the Board for acceptance.

# Audit Committee Report

Meeting Date: September 11, 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

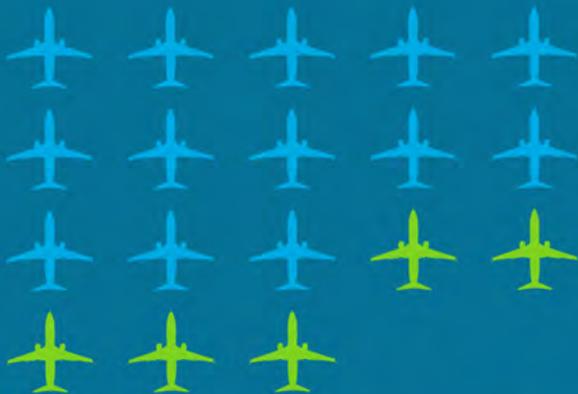
# Office of the Chief Auditor Fiscal Year 2023 Annual Report

ATTACHMENT A

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY



## Audit Engagement Progress



■ Completed (72.22%) ■ In Progress (27.78%)

## 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

## ANNUAL REPORT

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY

**Issue Date: September 11, 2023**

**OFFICE OF THE CHIEF AUDITOR**

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## Summary

### Executive Summary

The purpose of the Fiscal Year 2023 Annual Report is to provide information regarding the activities performed by the Office of the Chief Auditor (OCA) and to communicate required disclosures in conformance with The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*).

Fiscal Year 2023 was a very productive year for the OCA. Aside from the continued audit assurances, the OCA had several notable accomplishments in the year. In Fiscal Year 2023 we continued our partnership with the outside construction auditing firm Baker Tilly to provide assurances related to the New Terminal 1, provided Ethics training to over 97% of Authority staff, completed two outside peer reviews, and we issued our first data analytics audit on Rental Car Companies which examined over \$61 million in fees.

### 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 below and are presented to the Audit Committee/Board quarterly unless noted otherwise.

*Table 1: Status of Performance Measures as of June 30, 2023*

#	Performance Measure	Goal	Actual	Benchmark
1	Conduct engagements that add value measured by: a) Customer Satisfaction Ratings from i. Audit Committee/Board (reported annually) ii. Executive Management (reported annually) iii. Auditee	4.0	i) 5.0 ii) 5.0 iii) 4.9	4.0
	b) Number of Recommendations	30	31	30
2	Percentage of audit and consulting engagements completed.	80%	72%	80%
3	Percentage of recommendations accepted.	95%	100%	83%
4	Provide tools and training for staff measured by: a) Percentage of staff meeting CPE requirements (reported annually)	100%	100%	99%
	b) Number of non-CPE training hours per staff (reported annually)	6	6.1	n/a
5	Percentage of staff time spent on audit and consulting engagements and general audit activities.	81%	83%	81%
6	Percentage of audit and consulting engagements completed within budget.	80%	85%	73%

*Customer Satisfaction Rating*

The OCA sends surveys to the following three customer categories:

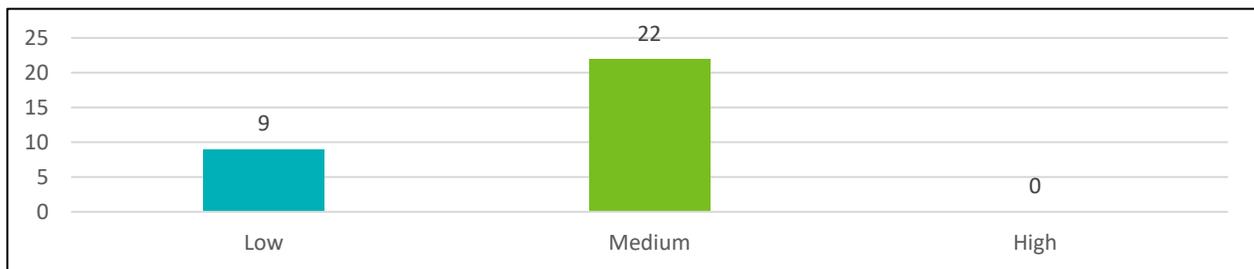
- Authority Board/Audit Committee
- Executive Management
- Auditee

Each survey contains multiple questions, and each response is utilized by the OCA to gauge the performance of audits and activities completed. The OCA gauges customer satisfaction based on scores received on the question, “How would you rate your level of satisfaction with the Office of the Chief Auditor?”. Annually, in the 4<sup>th</sup> Quarter, the Authority Board, Audit Committee, and the Authority’s Executive Management are surveyed. Following the completion of each audit (or consulting engagement) auditees are sent a “post-audit” survey questionnaire. Survey results from the auditees are presented quarterly to the Audit Committee and Board. The OCA tracks each customer category separately. For Fiscal Year 2023 aggregate category scores of 5.0, 5.0, and 4.9, respectively, were received, which exceeded the goal of 4.0 for each category.

*Number of Recommendations*

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. During the fiscal year, the OCA provided 31 recommendations to management to remediate a risk 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 below in Table 2.

*Table 2: Rating of Recommendations*



*Percentage of Audit and Consulting Engagements Completed*

The OCA completed 11 audits and 2 consulting engagements for a total of 13 completed engagements. This represents 72%<sup>1</sup>, of audit and consulting engagements on the Fiscal Year 2023 Audit Plan. For the status of all Fiscal Year 2023 Audit Plan activities on June 30, 2023, see Appendix A.

<sup>1</sup> The 72% is equal to 13 completed engagements divided by 18 (20 total audit and consulting engagements minus 2 that were approved to be completed in Fiscal Year 2024: 1.) Tenant Lease Administration & Management – FY 2023 Rental Car Companies, 2.) Turner-Flatiron Self Perform Work).

*Percentage of Recommendations Accepted*

This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. In Fiscal Year 2023, management accepted 100% of all audit recommendations.

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

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

*Number of Non-Continuing Professional Education Training Hours per Staff*

The OCA provides non-CPE training to audit staff to emphasize or enhance skills on a particular topic. In Fiscal Year 2023 the OCA provided 6.1 hours of training per staff. Training included topics such as Recommendation Ratings, Quality Assurance and Improvements Programs, Quality Assurance Reviews, Construction, On Call Contract Auditing, and Ethics.

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

This measure tracks the time spent on audit and consulting engagements and general audit activities.<sup>2</sup> The OCAs goal is for staff to spend 81% of their working hours<sup>3</sup> on audit engagements, consulting engagements, and general audit activities. For Fiscal Year 2023, the OCA spent 83% of time on audit and consulting engagements and on general audit activities, exceeding the goal established.

*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. In Fiscal Year 2023, the OCA completed 85% of its projects within the budgeted time, exceeding the benchmark and the OCAs goal.

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<sup>2</sup> Appendix A details all planned activities in these categories for Fiscal Year 2023.

<sup>3</sup> Time Off (e.g., Holidays, Paid Time off) has been excluded from this calculation.

*Audit and Consulting Engagements*

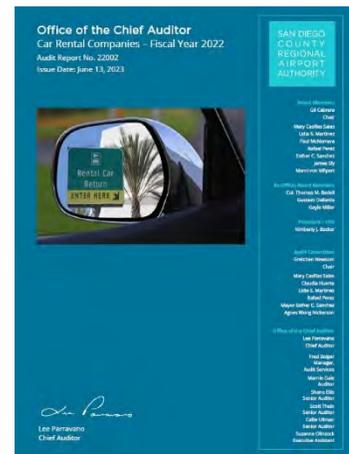
The Fiscal Year 2023 Audit Plan had 20 total audit and consulting engagements that were to be initiated. Of these, two engagements were not anticipated to be completed in the fiscal year due to the reporting deadline requirements of the auditee and due to an engagement which was added later in the fiscal year. These two engagements are included in the Fiscal Year 2024 Audit Plan. This left 18 engagements for the OCA to complete.

During Fiscal Year 2023, the OCA initiated work on all 18 engagements and completed 13. This resulted in the OCA completing 72% of engagements, falling short of its 80% goal. The five remaining audits will carry over to the Fiscal Year 2024 Audit Plan for completion. An agenda item included in the September 11, 2023, Audit Committee meeting will add the audits to the Fiscal Year 2024 Audit Plan.

Below are highlights from the audits completed by the OCA during the fourth quarter of Fiscal Year 2023. Audits completed in the first three quarters were provided to the Audit Committee and Board in the OCAs quarterly activity reports. Also, when completed audit reports are distributed electronically by the OCA to specified recipients.

**Tenant Lease Admin. & Management – FY 2022 Rental Car Companies:**

Together with the Authority’s Business Intelligence Department, the OCA developed a continuous auditing program using data analytics to examine financial data received each month from 7 Car Rental Companies (CRCs). Continuous auditing enables the Authority to detect potential issues earlier through automated real time reporting on critical information. The objective of this audit was to determine if concession fees, Customer Facility Charges (CFCs) and Transportation Facility Charges (TFCs) were accurately paid in all material respects. In total over \$61million of concessions and CFCs/TFCs were collected by the Authority from these 7 CRC. The audit concluded that concession fees and CFCs/TFCs were materially accurate for 5 of the 7 CRCs. The 2 CRCs outside of the materiality range established have been included in the FY2024 Audit Plan for more comprehensive testing. The audit provided three recommendations, all of which were accepted by management.



**Harbor Police Contract Management – Fiscal Year 2021 Costs:** The objective of this audit was to determine if the Harbor Police Department costs for depreciation and transferred-in costs for fiscal year 2021 were accurate and allowed. The audit has been completed; however, was not issued as of September 1, 2023. This audit report references an “In-Progress” audit titled “Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs” and the OCA believes issuing them concurrently will aid in a reader’s understanding.

The conclusion and number of recommendations are not listed as the report has not been released. It is anticipated both reports will be issued in the Fall of 2023.

**Construction Change Order Process:** The objective of this audit was to determine if the Airport Design & Construction Change Order process is effective and efficient. The audit concluded that the process is effective with a robust review and approval process. The audit identified four recommendations to improve the efficiency of the process, which were all accepted by management.

**New T1 Guaranteed Maximum Price Development Phase Direct Labor Billing:** The objective of this audit was to determine if labor billed by Turner-Flatiron and consultants during the audit period complied with contract terms. The audit concluded that Turner-Flatiron and its consultants were generally compliant with the terms of the contract. However, we did identify small potential overcharges totaling \$7,821 and opportunities to improve the process. The audit provided five recommendations, which were all accepted by management. This audit was done in partnership with an on-call construction audit consultant Baker Tilly.

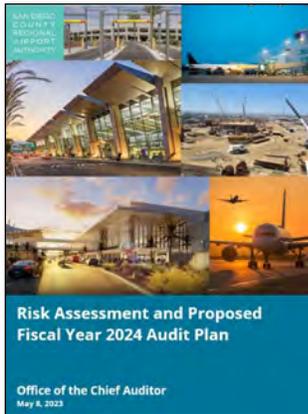
**Grants Consulting:** The objective of this engagement was to assist management in research and interpretation of federal requirements. The OCA provided assistance and appreciated the opportunity to collaborate with management. The OCA did not make any management decisions or perform any management functions during this engagement.

## General Audit Activities

In addition to performing audit and consulting engagements, the OCA is involved in other general audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required<sup>4</sup> to perform these activities or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* is presented below. See Appendix A for a listing of all General Audit Activities.

### Risk Assessment and Audit Plan

The OCA is required to submit a risk-based internal Audit Plan to the Audit Committee annually. Performing the Fiscal Year 2024 Risk Assessment included obtaining input from the Board, Audit Committee, Authority Management, and staff. During Fiscal Year 2023, the OCA worked with Authority Management to identify and rank the likelihood and impact of a risk event occurring for each Key Work Activity within the Authority. The resulting Fiscal Year 2024 Audit Plan was then developed, based on the results of the Risk Assessment process and the discussions with key stakeholders. The Fiscal Year 2024 Risk Assessment and Audit Plan was submitted to the Audit Committee on May 8, 2023, and subsequently approved by the Board on June 1, 2023.



### Construction Activities

Construction audit activities for Fiscal Year 2023 consisted of attending meetings regarding the New T1 Terminal & Roadway, the Airport Administration Building, the Airside Improvements, and other airport construction projects. Audits of the Construction Change Order Process, Terminals and Roadway Validation Phase Cost Controls, and New T1 Guaranteed Maximum Price Development Phase Direct Labor Billing, were completed as part of the Fiscal Year 2023 OCA Audit Plan. The Cost Controls and Direct Labor Billings audit were completed in partnership with Baker Tilly, the on-call construction audit consultant. Additionally, audits of the New Administration Building, Turner-Flatiron Insurance for the New T1, and Turner-Flatiron Self Perform Work were initiated and will be completed as part of the Fiscal Year 2024 OCA Audit Plan.

The OCA Construction Auditor continues to work closely with the Airport Design & Construction team to address any issues with the increase in personnel and with processes, as construction on the New T1 continues to expand. The OCA remains involved with any issues identified by Authority Management, provides assistance, and attends meetings specific to the aspects of the Authority's construction activities.

<sup>4</sup> 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.

### **Information Technology Meeting Attendance**

Information technology's central role to Authority operations makes meeting attendance on this subject a vital activity for the Chief Auditor. 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.

### **Development of Data Analytics**

As discussed in the Audits and Consulting Engagements section of this report, the OCA partnered with the Authority's Business Intelligence Department to develop a continuous auditing program using data analytics to examine financial data from Rental Car Companies. The OCA is building off the success of this audit to improve the process and decrease the level of effort needed to analyze the data received. The Tenant Lease Admin. & Management – FY 2022 Rental Car Companies audit had over 631 Megabytes and 176 million cells of data that needed to be analyzed.

The OCA is planning to use the efforts related to the Rental Car Company data analytics project to develop future audits.

### **Ethics Program Activities**

The OCA manages the Authority's Ethics Program that includes a confidential Fraud, Waste, Abuse, and Ethics reporting hotline. During Fiscal Year 2023, there were 39 tips/reports 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. During the fourth quarter of Fiscal Year 2023 training was scheduled and tracked through the Authority's Learning Management System (LMS). As of the mid-August 2023 over 97% of Authority employees have completed the training. A recorded training will be utilized to provide the training for the remaining employees.

A summary of the tips/reports received in Fiscal Year 2023 is shown in Table 3 below.

Table 3: Ethics Program Tips/Reports Received in Fiscal Year 2023

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)*	Response (email or phone to non-anonymous reports)
<b>Category</b>					
Human Resource, Diversity, and Workplace Respect	34	-	-	-	-
Environment, Health and Safety	4	-	-	-	-
Other	1	-	-	-	-
Total	39	-	-	-	-

\*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 status on progress being made to implement the recommendations.

During Fiscal Year 2023, the OCA issued 31 recommendations that were/are tracked for implementation along with any open recommendations issued during prior fiscal years. Appendix B contains a current status on recommendations *Completed* or *In Progress* as of the fourth quarter (Note, recommendations in confidential audit reports are not tracked publicly.) The Audit Committee is updated each quarter on the status of recommendations. The recommendations that have been remediated by management in prior quarters of Fiscal Year 2023 were presented to the Audit Committee on the following Committee Meeting dates: November 21, 2022, February 6, 2023, and May 8, 2023.

Table 4 below shows the number of recommendations that were *Completed* or *In Progress* as of the fourth quarter of Fiscal Year 2023, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, 3 were implemented within the initial timeframe identified when the recommendations were

issued. Of the In Progress recommendations, 16 recommendations were still within the initial timeframe identified for implementation. Additionally, 12 of the 21 In Progress recommendations were issued in the fourth quarter of Fiscal Year 2023.

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

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

<b>Recommendations</b>	<b>Zero to 7 Months</b>	<b>7 Months to 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Completed	3	-	2	5
In Progress	14	2	5	21

**Quality Assurance and Improvement Program**

The Institute of Internal Auditors' (IIA) *Standards* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP). Comprehensive details are included under the *Quality Assurance and Improvement Program* section of this report.

**Peer Review Participation**

A QAIP requires that the OCA undergo an external Quality Assurance Review (QAR) at least every five years by a qualified, independent, assessor or assessment team from outside the organization to determine if the OCA conforms to the *Standards*. The Association of Local Government Auditors (ALGA) conducted the most recent external QAR in 2019. ALGA is a professional organization committed to improving government auditing and is comprised of audit groups from various government jurisdictions throughout the United States.

The 2019 QAR peer review performed by ALGA contains a reciprocal provision that requires the OCA to volunteer two audit staff to serve on future QAR peer reviews in other organizations within a five-year period. In Fiscal year 2023, the OCA completed two peer reviews for reciprocal agencies. Shane Ellis, Senior Auditor, completed a peer review of the greater Orlando Aviation Authority and Fred Bolger, Manager, Audit Services, completed a peer review of the County of San Luis Obispo.

## Administrative

The activities that reside within the Administrative classification of the Fiscal Year 2023 Audit Plan include meeting attendance by the OCA, holiday and vacation time, and the fulfillment of Continuing Professional Education (CPE) requirements.

### Qualifications and Training

Proficiency and due care for the OCA are the responsibility of the Chief Auditor. Cumulatively, the OCA has over 120 years of auditing experience. The OCA staff maintains 14 professional certifications. The types of professional certifications and number of staff with each certification are as follows:

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



Each of these certifications requires that the holder complete a specified number of hours of CPE. As noted above, all CPE requirements were met for all OCA staff during calendar year 2022.<sup>5</sup>

<sup>5</sup> Professional organizations track Continuing Professional Education (CPE) either by calendar year or a fiscal year. The OCA verifies CPE compliance on a calendar year basis.

### **Audit Committee Support**

During Fiscal Year 2023, the Audit Committee met four times for regularly scheduled meetings on the following dates:

- September 12, 2022
- November 21, 2022
- February 6, 2023
- May 8, 2023

Before each meeting of the Audit Committee the OCA coordinated all activities with the Committee Chair and the Board Services Department relating to agenda preparation and materials required.

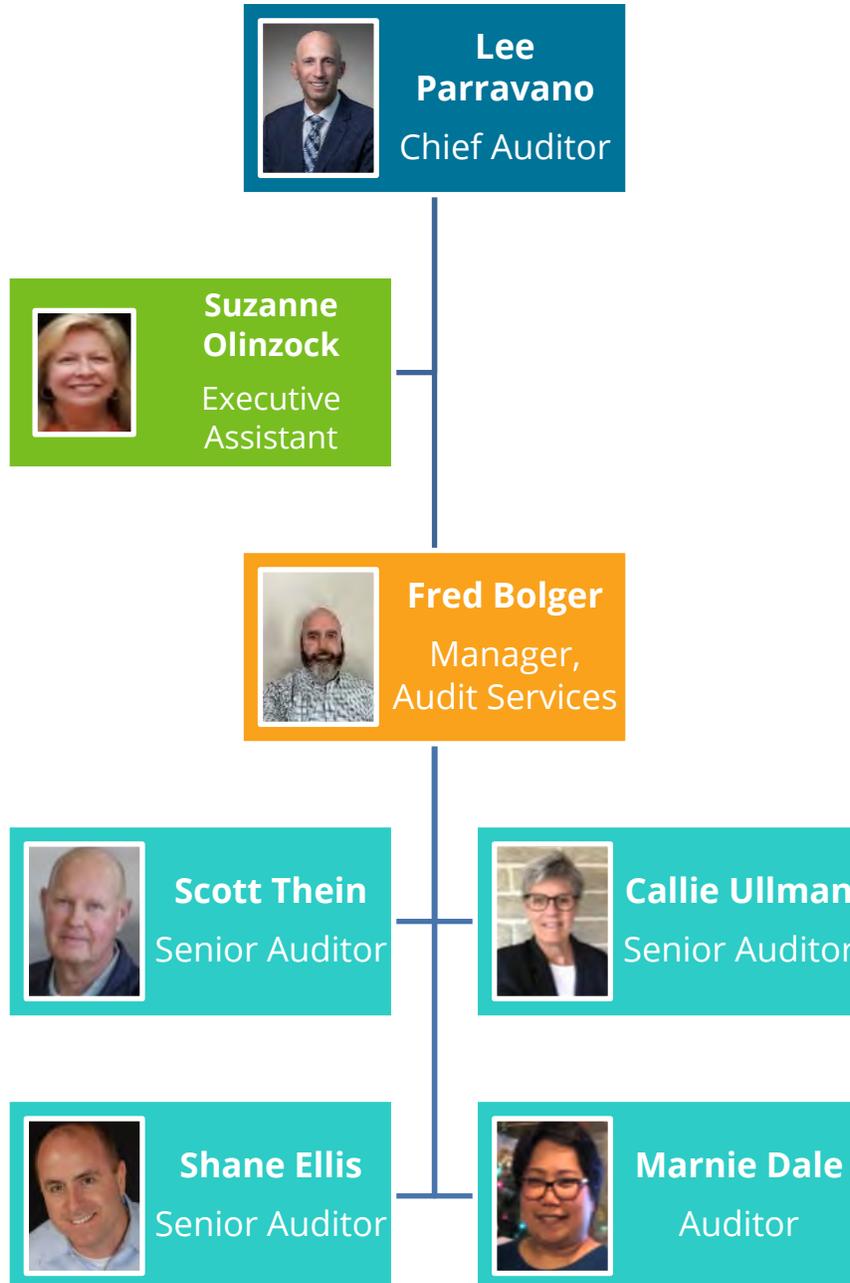
### **Outside Activities**

In addition to the services provided to the San Diego County Regional Airport Authority, OCA staff are involved in various audit related organizations and activities in their personal time. As of June 30, 2023, OCA staff members served on the following community groups:

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

### Organization Chart

As of June 30, 2023, the OCA organizational structure was as follows.



## Quality Assurance and Improvement Program

### Background

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*) require the OCA to maintain a Quality Assurance and Improvement Program that includes external assessments and internal (self) assessments.

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

The *Standards* also contain other mandatory reporting requirements as documented in Appendix D.

### External Assessment - Quality Assessment Review

The most recent external assessment of the OCA was performed by the Association of Local Government Auditors (ALGA) for the five-year period from July 1, 2013, through June 30, 2018. The peer review was performed in April 2019, with results presented to the Audit Committee during its May 13, 2019, meeting. The peer review determined that the OCA provides reasonable assurance of compliance with the *Standards*. This is the highest level of conformance an internal audit function can achieve. The next external assessment will be required for the five-year period ending June 30, 2023. The OCA has included an item on the

September 11, 2023 Audit Committee agenda to discuss the upcoming External Quality Assessment Review.



In a companion letter, the peer review team identified areas where the OCA excels and offered observations and suggestions to enhance the OCAs conformance with the *Standards*. The peer review team noted that the OCA has actively addressed and corrected the observations.

## Internal Assessment – Self-Assessment & Ongoing Monitoring

In July and August of 2023, the OCA conducted a Self-Assessment and performed ongoing monitoring related to Fiscal Year 2023 operations, as required by the *Standards*. The results are provided below.

### Scope and Objectives of Ongoing Monitoring

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

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

### Results of Ongoing Monitoring

There are numerous processes in place to ensure that quality is consistently delivered on each audit engagement. There were no items identified within the OCA that would impact audit report quality.

### Frequency, Objectives, and Scope of a Self-Assessment

The Standards require periodic Self-Assessments to be performed, and the results must be communicated to the Audit Committee and Board when completed. The last Self-Assessment was performed in 2019 in connection with the External Assessment performed by ALGA. The main objectives are to identify the quality of performance and opportunities for improvement. The focus is to determine conformance with the Institute of Internal Auditor’s Code of Ethics and the *Standards*. The scope of this Self-Assessment includes all audit and consulting engagements completed from Fiscal Year 2019-2023.<sup>6</sup> The IIA Implementation Guide states that performing a Self-Assessment shortly before an external assessment may help reduce the time and effort required. The next external assessment is expected to occur in Fiscal Year 2024.

### Results of Self-Assessment

The Self-Assessment validated that the OCA continues to conform with the *International Standards for the Professional Practice of Internal Auditing (Standards)* and the Code of Ethics. The rating of the Self-Assessment was “Generally Conforms”. The term “Generally Conforms” is the top rating, which means that the OCA has a charter, policies, and processes, and the execution and results of these are judged to be in conformance with the Standards. This Self-Assessment will be examined and validated by an external assessor in Fiscal Year 2024.

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<sup>6</sup> Consistent with the Association of Local Government Auditors Peer Review Guide, Fiscal Year 2023 engagements were selected as it reflects the most current processes.

**QAIP Recommendations/Corrective Actions Plans Identified**

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

1. The Charter for the Office of the Chief Auditor should be updated to remove outdated process language. The process to report any potential ethical violations is included in Authority Code 2.16. The OCA recommends removing the process language from the Charter.

The proposed change will be included as part of the annual review of the Charter for the Office Of the Chief Auditor. This has been included as part of the September 2024 Audit Committee materials.

2. The OCA identified some potential process improvements that could be implemented to improve items such as communication and documentation.

The OCA is exploring implementing the potential process improvements.

Appendix A – Fiscal Year 2023 Audit Plan

#	Activity	Status as of 6/30/2023	Over/Under Budget	No. of Recs.
<b>Audit</b>				
1	Tenant Lease Admin. & Management – FY 2022 Rental Car Companies	Completed	Over	3
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 <sup>7</sup>	In Progress		
5	System Security –Web Facing Sites and Applications	Completed	Under	1
6	Harbor Police Contract Management – Fiscal Year 2021 Costs	Completed <sup>8</sup>	Under	-
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	Construction Change Order Process	Completed	Under	4
16	Turner-Flatiron Insurance	In Progress		
17	Turner-Flatiron Self Perform Work <sup>7</sup>	In Progress		
18	New T1 Guaranteed Maximum Price Development Phase Direct Labor Billing	Completed	Under	5
	<b>Total</b>			<b>31</b>
<b>Consulting</b>				
19	Grant, PFC & CFC Administration – Grants (2022)	Completed	Under	-
20	Grant, PFC & CFC Administration – Grants (2023)	Completed	Under	-
<b>General Audit</b>				
21	Risk Assessment & Audit Plan	Completed		
22	Construction Meeting Attendance & Coordination	Completed		
23	Information Technology Meeting Attendance	Completed		
24	Development of Data Analytics	Completed		
25	Ethics Program	Completed		
26	Recommendation Follow-up	Completed		
27	Quality Assurance & Improvement Program	Completed		
28	Peer Review Participation	Completed		

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

<sup>8</sup> Audit Engagement is completed. Will be released concurrently with Audit Report Titled “Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs”. This audit report references the audit “Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs” and the OCA believes issuing them concurrently will aid in a reader’s understanding. The number of recommendations is not listed since the report has not been released.

*Appendix A – Fiscal Year 2023 Audit Plan (Continued)*

#	Activity	Status as of 6/30/2023	Over/Under Budget	No. of Recs.
<b>Administrative</b>				
29	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	Completed		
30	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	Completed		

*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 June 30, 2023
<b>Completed</b>						
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	4/19/2023	The first citation benchmarking review was completed on 04/19/23. Subsequent citation reviews will occur annually in April.
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	6/30/2023	Employees now have the ability to log their external training into LMS 365/SAN University. Internal trainings are already captured in LMS365.
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	All SOPs have been completed.

*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 June 30, 2023
<b>Completed</b>						
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	ACE developed the recommended standard operating procedure.
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	ACE developed the recommended standard operating procedure.

Appendix B - Status of Recommendations

Fiscal Year 2023 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
<b>In Progress</b>						
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	10/1/2023	ADC and the JV have identified a portion that will be credited back to the Authority in the September pay application.  ADC and the JV are working together to resolve the remaining issues.
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	10/1/2023	ADC and the JV have identified a portion that will be credited back to the Authority in the September pay application.  ADC and the JV are working together to resolve the remaining issues.
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	9/30/2023	RGPD staff continues to work with ABRM vendor (Civix) on determining development work needed to integrate GIS with ABRM lease management modules. RGPD has updated concession lease plats to be consistent with GIS and E1.

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 June 30, 2023
<b>In Progress</b>						
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	10/31/2023	ADC is the lead on physical inventory of plats. RGPD is currently transitioning to utilizing ABRM for contract management and aims to upload all relevant data by 10/31/23.
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	10/1/2023	JV will include this in the September pay application.
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	9/30/2023	(1) The audit recommendation to run the system on active mode requires the replacement of all entry and exit ALPR cameras and light kits to ensure image capture accuracy. (2) All the camera's were installed by 7/1/2023. (3) Pending the lighting kits that are on order, the system will be configured, and tested before running on active mode.

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 June 30, 2023
<b>In Progress</b>						
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	9/30/2023	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.
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	9/30/2023	1. The SKIDATA/ALPR system is scheduled to run on active mode by September 30, 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.

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 June 30, 2023
<b>In Progress</b>						
23-20	Audit Report 22002 Issued: June 13, 2023 Title: Car Rental Companies - Fiscal Year 2022  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Revenue Generation & Partnership Development (RG&PD) should evaluate the data provided by the OCA, and collaborate with the OCA, to determine if any other Agreement requirements should be included in the proposed audit scope for the two CRCs.	7/31/2023	7/31/2023	RG&PD has initiated the effort required to implement this recommendation.
23-23	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend that ADC, Procurement, and Finance work with the Information & Technology Services Department (I&TS) to identify what changes to E1 are feasible to improve the Change Order process.	12/1/2023	12/1/2023	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that:  ADC has already begun meeting with various departments to attempt to improve the Change Order process in E-1.
23-24	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC ensure that the supporting documentation for all Change Orders includes justification for the Change Order.	9/1/2023	9/1/2023	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that:  Providing justification for change orders is part of the ADC standard process and ADC will ensure that justifications are included as part of supporting documentation for all future change orders.

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 June 30, 2023
In Progress						
23-25	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC review the documentation supporting CIP Change Orders to verify the necessity of the Internal Form and the External Form to eliminate or revise the forms as determined necessary. Forms that have spaces for signature should be completed as designed.	1/31/2024	1/31/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that:  ADC is completing a major update to change order processes and, as part of that process, is reviewing forms to determine their utility and necessity.
23-26	Audit Report 23009 Issued: June 29, 2023 Title: Construction Change Order Process  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC clarify the signatory approval levels within the ADC procedures when there are decreases to award amounts or both increases and decreases to award amounts combined into one Change Order.	1/31/2024	1/31/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that:  ADC has incorporated the recommended clarification into the draft updated ADC procedures that will be published upon the completion of the ADC change order process update.
23-27	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should require the JV to specifically review all future payment applications for inappropriate billing of holiday or paid time-off hours prior to submission.	1/5/2024	1/5/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that:  ADC will work with the JV to identify and implement a cost control process associated with the payment application process that addresses this concern.

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 June 30, 2023
In Progress						
23-28	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend that ADC notify the JV of the overcharge of \$2,594 for holiday time for the JV staff. Additionally, we recommend ADC request all holiday policies, and other records as necessary, from each consultant listed above with the total of \$4,475 to determine if the Authority's approved labor billing rates already included holiday pay and are duplications. Reimbursement should be requested for duplicate costs.	1/5/2024	1/5/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that:  ADC has notified the JV of overbilling for JV staff and is working to receive reimbursement from the JV. ADC will notify the JV to review potential overbilling identified for consultants against consultant payroll policies and will request reimbursement for the overbilling of those instances in which consultant's burden rate does include Holidays and PTO in the billing rates.
23-30	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	We recommend ADC require the JV to specifically review all future payment applications for inappropriate billing of professional staff lacking Authority approved billing rates.	1/5/2024	1/5/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that:  ADC is working with the JV to ensure consistent implementation of cost controls associated with the payment application process that addresses this concern.

Appendix B - Status of Recommendations

Fiscal Year 2023 Annual Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of June 30, 2023
In Progress						
23-31	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing  Department: AIRPORT DESIGN & CONSTRUCTION	Medium	ADC should determine the most appropriate way to receive the overbilling of \$752 for the unapproved rates.	1/5/2024	1/5/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that:  ADC has notified the JV for this overbilling and is working with the JV to receive reimbursement for overbilling.
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	9/30/2023	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.
23-21	Audit Report 22002 Issued: June 13, 2023 Title: Car Rental Companies - Fiscal Year 2022  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	Revenue Generation & Partnership Development (RG&PD) should educate Avis, Budget, and Hertz on how to accurately report gross revenues, exclusions to concessionable revenue, concession fees, and CFCs/TFCs on the summary reports.	7/31/2023	7/31/2023	RG&PD has initiated the effort required to implement this recommendation.

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 June 30, 2023
<b>In Progress</b>						
23-22	Audit Report 22002 Issued: June 13, 2023 Title: Car Rental Companies - Fiscal Year 2022  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	Revenue Generation & Partnership Development (RG&PD) should take steps to ensure that all CRCs submit audited certified public accountant (CPA) reports by August 31 of each calendar year during the term of the Concession Agreement.	7/31/2023	7/31/2023	RG&PD has initiated the effort required to implement this recommendation.
23-29	Audit Report 23012 Issued: June 30, 2023 Title: New T1 Terminal and Roadway GMP Development Phase Direct Labor Billing  Department: AIRPORT DESIGN & CONSTRUCTION	Low	We recommend that ADC consider charging the JV the audit costs in the amount of \$65,251.	1/5/2024	1/5/2024	This recommendation was issued at the end of the quarter so no follow-up activity was performed. At the time of the audit's issuance, ADC indicated that:  ADC has begun working with Authority management to determine if the Authority will be requesting reimbursement of audit costs.

*Appendix C – Performance Measures Historical Data*

Performance Measure	Fiscal Year				
	2019	2020	2021	2022	2023
Customer satisfaction ratings from:					
i. Audit Committee/Board	i)	i) 5.0	i) 4.4	i) 4.8	i) 5.0
ii. Executive Management	ii)	ii) 4.5	ii) 4.3	ii) 5.0	ii) 5.0
iii. Auditee <sup>9</sup>	iii) 4.6	iii) 4.6	iii) 4.6	iii) 4.4	iii) 4.9
Number of recommendations	35	37	33	37	31
Percentage of audit and consulting engagements completed annually	76%	81%	88%	75%	72%
Percentage of audit recommendations accepted	100%	100%	100%	100%	100%
Percentage of staff meeting educational requirements	100%	100%	100%	100%	100%
Number of non-CPE training hours per staff <sup>10</sup>		6.1	6.1	6.1	6.1
Percentage of staff time spent on audit and consulting engagements and general audit activities <sup>11</sup>	71%	70%	71%	66%	83%
Percentage of audit and consulting engagements completed within budget	45%	59%	86%	89%	85%

<sup>9</sup> This performance measure was added in Fiscal Year 2019. In Fiscal Year 2020 the OCA began sending surveys to the Audit Committee/Board and to Executive Management.

<sup>10</sup> This performance measure was added in Fiscal Year 2020.

<sup>11</sup> Beginning in Fiscal Year 2023 Time Off (e.g., Holidays, Paid Time Off) are excluded from the calculation. Fiscal Years 2019-2022 included Time Off in the calculation. Percentage excludes the Chief Auditor's hours.

## Appendix D – Disclosures

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The following items are being disclosed in conformance with the *Standards*.

### **Purpose, Authority, & Responsibility**

International Professional Practices Framework (IPPF) Standard 2060 requires the OCA to periodically report on the OCA's purpose, authority & responsibility. These are included in the Charter for the OCA and are listed below for reference.

#### Purpose

The purpose of the OCA is to provide independent objective assurance and consulting services designed to add value and improve the Authority's operations. The Mission of the OCA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The OCA helps the Authority accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

#### Authority

The Chief Auditor is accountable to the Board of Directors under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement. The Chief Auditor will report directly to the Board through the Audit Committee and has unrestricted access to communicate and interact directly with the Audit Committee and Board, including private meetings without management present.

#### Responsibility

The responsibilities of the Office of the Chief Auditor are outlined in the Charter for the Office of the Chief Auditor. They include but are not limited to submitting risk-based Audit plan, communicating any fraud or illegal acts that could affect the Authority, ensuring engagements are executed and communicating the results to appropriate parties, following up on engagement findings and recommendations, and ensuring compliance with the *Standards*.

### **Organizational Independence**

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

- ✓ The OCA reports directly to the Board through the Audit Committee, which provides the independence necessary for the OCA to adequately perform its function, separate from the Airport Authority organization.

### Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed based on the International Professional Practices Framework (IPPF) Standard 1130.

- ✓ There were no audits or consulting engagements conducted during Fiscal Year 2023 that had any impairment of independence or objectivity in fact or appearance.

### Disclosure of Nonconformance

Occasionally, circumstances require the completion of projects/engagements in a manner that is not consistent with the *Standards*. When this occurs, the OCA must disclose the non-conformance and the impact to senior management and the Board.

- ✓ During Fiscal Year 2023 there were no instances in which projects were performed in a manner that did not comply with the *Standards*.

### Resolution of Management's Acceptance of Risks

Each audit engagement can potentially identify items that may pose risks to the Authority's operations. Some items may require management's attention, while others may be situations in which management decides to accept the risk associated with continuing the current practice. The OCA is required to disclose to senior management and the Board any situations in which it is believed Authority personnel has accepted a level of residual risk that may not adequately reduce/mitigate the risk of loss.

- ✓ There were no such instances related to risk during the 2023 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 Annual Report from the Office of the Chief Auditor

July 1, 2022, through June 30, 2023

Audit Committee Meeting September 11, 2023

# Agenda

- Fiscal Year 2023 Performance Measures
- General Audit Activities
  - Recommendation Follow-Up
  - Ethics
  - Peer Review Participation
  - Quality Assurance and Improvement Program (QAIP)
- Audit Spotlight: Car Rental Companies - Fiscal Year 2022



# Fiscal Year 2023 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits & Consulting Engagements Completed	80%	72%	80%
Number of Recommendations	30	31	30
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	81%	83%	81%
Percentage of Audit/Consulting Engagements Completed within Budget	80%	85%	73%
Percentage of Recommendations Accepted	95%	100%	83%
Auditee Satisfaction Rating	4.0	4.9	4.0

# General Audit Activities - Recommendation Follow-Up

## Recommendation Follow Up

Status as of June 30, 2023			
Completed	In Progress	Not Accepted	Tracked
5*	21**	-	26

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

\*\* 16 recommendations are still within the initial timeframe identified for implementation.

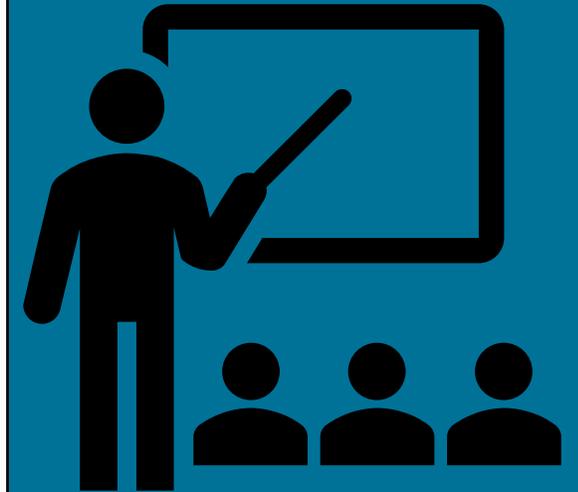
## Estimated Implementation Timeframe for In Progress Recommendations



# General Audit Activities - Ethics

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)	Response (to non-anonymous reports)
<b>Category</b>					
Human Resource, Diversity, and Workplace Respect	34	-	-	-	-
Environment, Health and Safety	4	-	-	-	-
Other	1	-	-	-	-
<b>Total</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

97.5% of Employees Have Taken Ethics Training



# General Audit Activity - Peer Review Participation



## Peer Review Participation

Reciprocal Agreement:

- OCA is required to participate on two peer review teams with the Association of Local Government Auditors (ALGA)
  1. Greater Orlando Aviation Authority - Completed September 2022
  2. County of San Luis Obispo - Completed April 2023

# General Audit Activities - QAIP

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

## Internal Assessments:

- Ongoing Monitoring
  - Required annually
  - Focus is audit quality
- Self Assessments
  - Required periodically
  - Focus is conformance with *Standards* and Code of Ethics

## External Assessments:

- Required every 5 years by a qualified independent assessor
- Focus is conformance with *Standards* and Code of Ethics



# General Audit Activities - QAIP (Cont.)

## Ongoing Monitoring & Self-Assessment Results:

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

Self-Assessment: The OCAs Self-Assessment rating was “Generally Conforms”.

## Two Recommendations:

1. Amend the Charter for the OCA to remove outdated process language related to potential ethical violations. The process is included in Code 2.16.
2. Potential Process Improvements – Consider workpaper improvements for communication and documentation.

## *OCA Response:*

1. The Charter for the OCA is included as Item 5 on the September 11, 2023, Audit Committee agenda.
2. The OCA is currently exploring implementing the potential process improvements.

# General Audit Activities - QAIP (Cont.)

## Required Disclosures

### Disclosure of OCA Purpose, Authority, & Responsibility

- ✓ Included in Fiscal Year 2023 Annual Report

### Operational Independence

- ✓ No independence issues noted

### Impairments to Independence or Objectivity

- ✓ No impairments noted

### Disclosures of Nonconformance

- ✓ No instances noted

### Management's Acceptance of Risk

- ✓ No items noted

# Audit Spotlight - Car Rental Companies-FY 2022

Office of the Chief Auditor  
Car Rental Companies – Fiscal Year 2022  
Audit Report No. 22002  
Issue Date: June 13, 2023



**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

**Board Members**  
Gil Cabrera  
Chair  
Mary Castillas Salas  
Lidia S. Martinez  
Paul McNamara  
Rafael Perez  
Esther C. Sanchez  
James Sly  
Marni von Wilpert

**Ex-Officio Board Members**  
Col. Thomas M. Bedell  
Gustavo Dallarda  
Gayle Miller

**President / CEO**  
Kimberly J. Becker

**Audit Committee**  
Gretchen Newsom  
Chair  
Mary Castillas Salas  
Claudia Huerta  
Lidia S. Martinez  
Rafael Perez  
Mayor Esther C. Sanchez  
Agnes Wong Nickerson

**Office of the Chief Auditor**  
Lee Parravano  
Chief Auditor  
Fred Bolger  
Manager,  
Audit Services  
Marnie Dale  
Auditor  
Shane Ellis  
Senior Auditor  
Scott Thein  
Senior Auditor  
Callie Ullman  
Senior Auditor  
Suzanne Olinzock  
Executive Assistant

  
Lee Parravano  
Chief Auditor

## Background

Multiple Car Rental Companies (CRCs) operate at SDIA.

In exchange, CRCs must remit:

- 10% of Concessionable Revenue
- A Consolidated Facilities Charge (CFC)/ Transportation Facilities Charge (TFC) of \$9/\$3.41 per day, for the first 5 days of each rental transaction.

In FY 2022 the Authority Collected:

**\$61,913,295**

In Concessions Fees and CFCs/TFCs from 7 CRCs

# Audit Spotlight - Car Rental Companies-FY 2022

Is the  
**\$61.9M**  
correct?

## Objective

Determine if the Concession Fee and CFC/TFCs paid by each CRC were accurately paid in all material respects\*.

\*Material Respects = Within 1% and \$50,000 of OCA calculated amount.



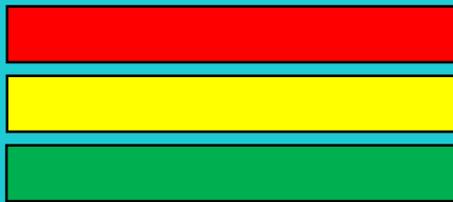
## Scope

- July 2022 – June 2022
- Avis, Budget, Hertz, Enterprise, Payless, NU Car, and Go Rentals

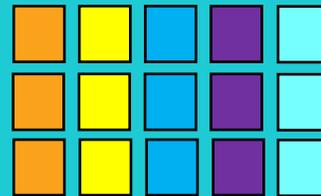
# Audit Spotlight - Car Rental Companies-FY 2022

## Data Analytics & Continuous Auditing

- Worked with CRCs to obtain monthly detailed files and details of accounts.
- Partnered with the Authority's Data Analytics team to load information into a data analytics software tool to create custom visualizations.



**1.3 Million**  
Rows of Data



**176 Million**  
Cells of Data

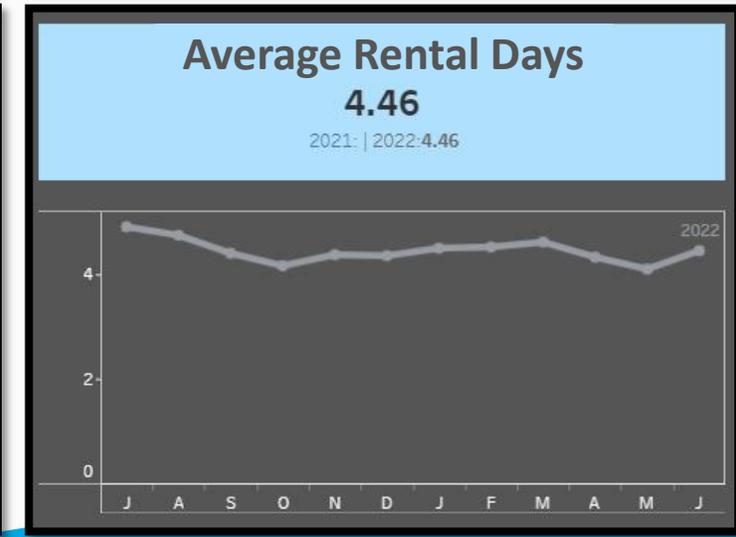
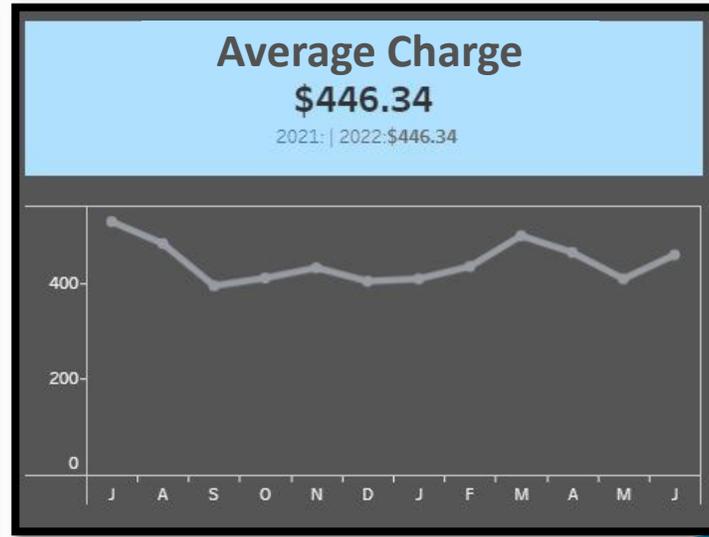
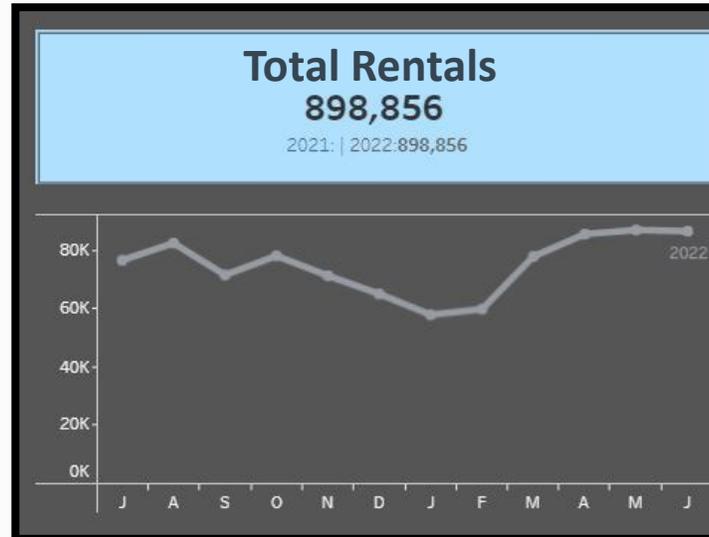


**631 Megabytes**  
Of Data

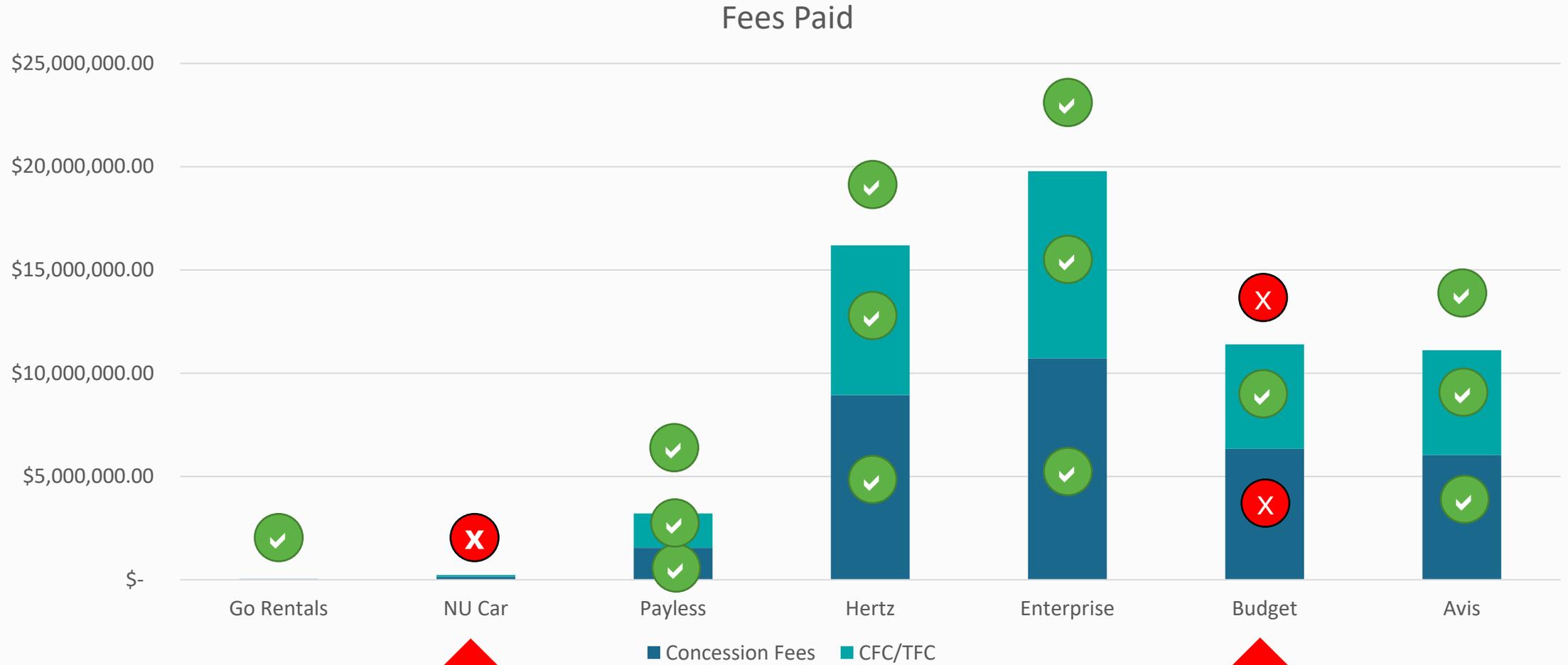
# Audit Spotlight - Car Rental Companies-FY 2022

## Visualizations

- Approximately 20 created
  - Filterable by CRC, month, & year
  - Allows comparisons between prior periods and to other CRCs
  - Assists in decisions to initiate audit



# Audit Spotlight - Car Rental Companies-FY 2022



Finding #1

# Audit Spotlight - Car Rental Companies-FY 2022

## Findings 2 & 3



Monthly Summary Reports don't equal Detailed Reports



Annual Reports were not received for 3 CRCs

## Conclusion & What's Next?

### Conclusion

Concessions & CFCs/TFC are:

1. Materially accurate for 5 of the 7 CRCs
2. Outside of materiality range for 2 of 7 CRCs

### What's Next

The OCA has proposed individual audits for:

- NU Car
- Budget



Questions?

## Audit Committee Report

**Meeting Date: September 11, 2023**

**Subject:**

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

**Recommendation:**

Information item only.

**Background/Justification:**

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

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

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

The last revision to the Charter of the Audit Committee was performed in September 2021 and subsequently approved by Board Resolution No. 2021-0108 on October 7, 2021. Changes included updating terminology within the Charter for it to be gender-neutral and inclusive.

The annual review performed by staff this year has determined that no changes were necessary.

The Charter of the Audit Committee is provided in Attachment A for your reference.

**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

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## CHARTER OF THE AUDIT COMMITTEE

### ORGANIZATIONAL PRINCIPLES

#### **Purpose**

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

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

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

#### **Mandate**

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

#### **Authority**

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

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

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

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

The Committee is empowered to:

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

### **Composition of the Committee**

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

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

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

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

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

## **Terms of Office**

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

## **Quorum and Voting**

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

## **OPERATIONAL PRINCIPLES**

### **Committee Values**

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

### **Communications**

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

### **Work Plan**

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

### **Meeting Agenda**

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

### **Information Requirements**

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

### **Executive Sessions**

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

### **Preparation and Attendance**

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

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

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

### **Orientation and Training**

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

## **OPERATIONAL PROCEDURES AND RESPONSIBILITIES**

### **Meetings**

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

### **Minutes**

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

### **Required Attendance**

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

### **Remuneration of Committee Members**

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

### **Responsibilities**

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

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

### **Values and Ethics**

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

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

### **ORGANIZATIONAL GOVERNANCE**

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

## **Risk Management**

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

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

## **Fraud**

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

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

## **Control**

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

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

## **Compliance**

The Committee shall:

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

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

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

To obtain reasonable assurance with respect to work of the Office of the Chief Auditor, the Committee shall provide the following oversight functions:

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

- Review, and forward to the Authority Board for approval, the Charter of the Office of the Chief Auditor at least annually. The Charter should be reviewed to ensure that it accurately reflects the Office of the Chief Auditor's purpose, authority, and responsibility, consistent with the mandatory guidance of The Institute of Internal Auditors' (IIA) International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the Authority and reflects developments in the professional practice of internal auditing; and
- Advise the Authority Board about increases and decreases to the requested resources to achieve the internal Audit Plan and evaluate whether any additional resources are needed permanently or should be provided through outsourcing.

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

- Advise the Authority Board regarding the qualifications and recruitment, appointment, replacement, reassignment, or dismissal of the Chief Auditor;
- Provide input to the Authority Board or the Executive Personnel and Compensation Committee related to evaluating the performance of the Chief Auditor; and
- Recommend, as needed, to the Authority Board or the Executive Personnel and Compensation Committee the appropriate compensation of the Chief Auditor.

#### ***Internal Audit Strategy and Plan***

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

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

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

***Standards Conformance***

- Inquire of the Chief Auditor about steps taken to ensure that the Office of the Chief Auditor conforms to The IIA’s International Standards for the Professional Practice of Internal Auditing (Standards);
- Ensure that the Office of the Chief Auditor has a quality assurance and improvement program, and that the results of these periodic assessments performed are presented to the Committee;
- Ensure that the Office of the Chief Auditor has an external quality assurance review performed every five years;
- Review the results of the independent external quality assurance review and monitor the implementation of the Office of the Chief Auditor’s action plans to address any recommendations; and
- Advise the Authority Board about any recommendations for the continuous improvement of the Office of the Chief Auditor.

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

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

The Committee shall:

- Advise the Authority Board on the engagement of each external auditor;
- Review the external auditors’ proposed audit team composition, audit scope and approach, including coordination of audit efforts with the Office of the Chief Auditor;

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

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

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

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

The Committee shall:

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

- Review other financial reports, as necessary, issued by the Authority in accordance with generally accepted accounting and/or audit standards and the corresponding external auditor's reports; and
- Review matters required to be communicated by the external auditor to the Committee under generally accepted auditing standards.

### **OTHER DUTIES AND RESPONSIBILITIES**

In addition, the Committee shall:

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

### **REPORTING REQUIREMENTS**

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

The report should include:

- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- A summary of management's progress in addressing the results of internal and external audit reports;
- Details of meetings, including the number of meetings held during the relevant period; and
- Information required, if any, by new or emerging governance developments.

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

## CHARTER OF THE AUDIT COMMITTEE

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

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

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

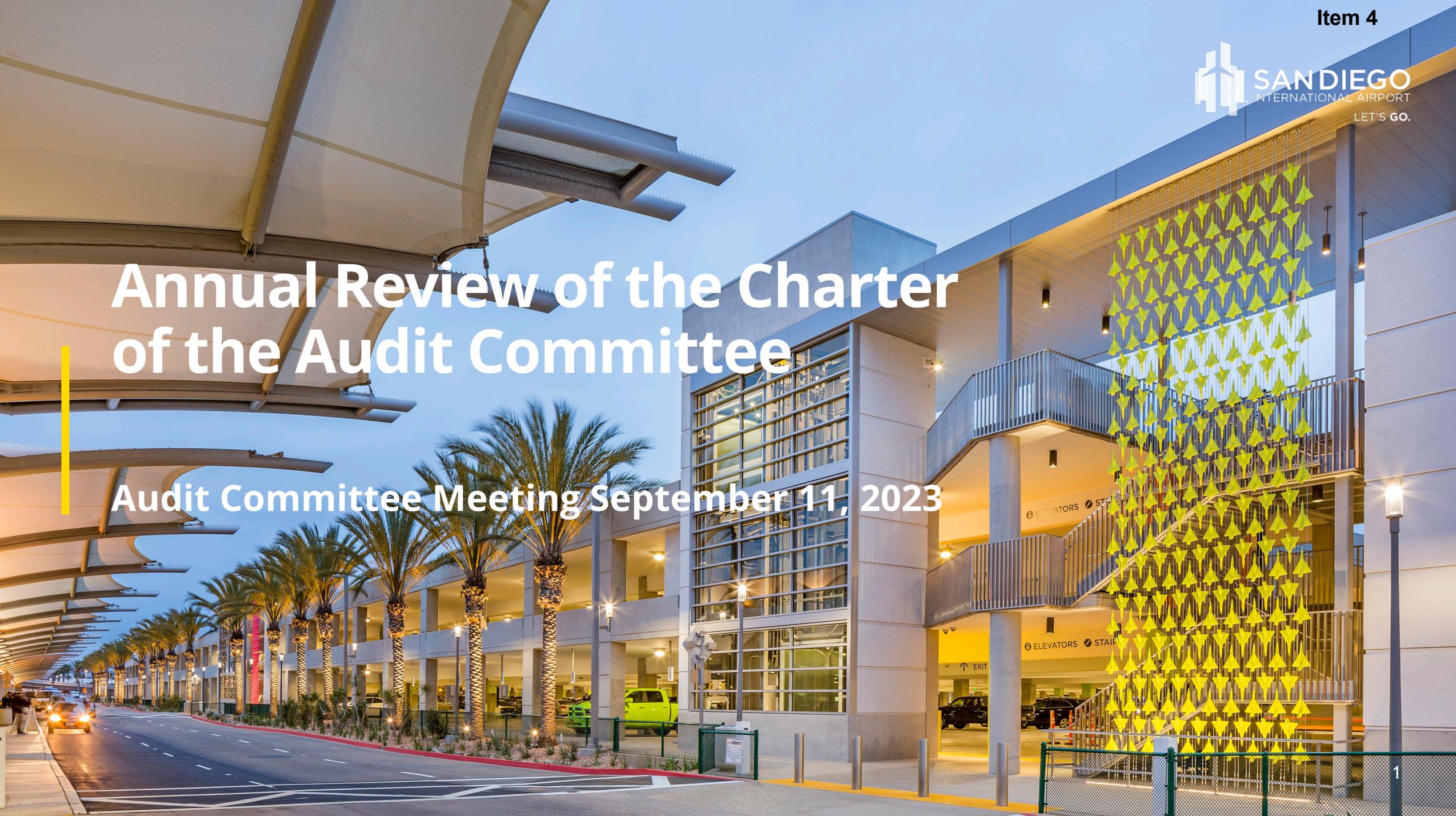
[Amended by Resolution No. 2010-0023 dated March 4, 2010]

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

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

# Annual Review of the Charter of the Audit Committee

Audit Committee Meeting September 11, 2023



# Annual Review of the Charter of the Audit Committee



**PURPOSE**  
To assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

**AUTHORITY**  
The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it deems necessary to perform its duties.
- Meet with management and the auditor.

## Model Charter

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

#### ORGANIZATIONAL PRINCIPLES

##### **Purpose**

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

- Values and
- Governanc

## Authority Charter

## Annual Review Required

The Charter of the Audit Committee requires an annual review.

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

- No changes identified

### Review for Other Changes

- No changes identified

Questions?

## Audit Committee Report

**Meeting Date: September 11, 2023**

**Subject:**

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

**Recommendation:**

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

**Background/Justification:**

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

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

The most recent revision to the Charter for the Office of the Chief Auditor was approved by Board Resolution No. 2021-0109 on October 7, 2021.

The annual review performed by staff this year has determined that the Charter for the Office of the Chief Auditor should be updated to remove the outdated detailed process for reporting illegal acts or irregularities from the Charter. The current process for communicating illegal acts or irregularities is already included in Authority Code 2.16. The Authority Codes can be found at <https://www.san.org/Airport-Authority/codes-policies>.

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

# Audit Committee Report

Meeting Date: September 11, 2023

Page 2 of 2

## Fiscal Impact:

None

## Authority Strategies/Focus Areas:

This item supports one or more of the following:

### Strategies

- Community Strategy    Customer Strategy    Employee Strategy    Financial Strategy    Operations Strategy

### Focus Areas

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

## Environmental Review:

- A. CEQA: This Board action is not a project 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 CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

### **Purpose and Mission**

The purpose of the San Diego County Regional Airport Authority's (Authority) Office of the Chief Auditor is to provide independent objective assurance and consulting services designed to add value and improve the Authority's operations. The Mission of the Office of the Chief Auditor is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Office of the Chief Auditor helps the Authority accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### **Authority**

The Chief Auditor shall be accountable to the Board of Directors (hereinafter "the Board") under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement.

The Chief Auditor will report directly to the Board through the Audit Committee.

To establish, maintain, and assure that the Office of the Chief Auditor has sufficient authority to fulfill its duties, the Audit Committee will:

- Review, and forward to the Board for approval, the Office of the Chief Auditor Charter.
- Review, and forward to the Board for approval, the risk-based Internal Audit Plan.
- Review, and forward to the Board for approval, the Office of the Chief Auditor's budget and resource plan.
- Receive communication from the Chief Auditor on the Office of the Chief Auditor's performance relative to its Audit Plan and other matters.
- Provide recommendations to the Board regarding the appointment and removal of the Chief Auditor.
- Make appropriate inquiries of Authority management and the Chief Auditor to determine whether there is inappropriate or scope limitations pertaining to the Chief Auditor's Office.

The Chief Auditor will have unrestricted access to, and communicate and interact directly with the Audit Committee, including private meetings without management present.

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

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement except for legally privileged and/or legally confidential information. All contracts with outside contractors and subcontractors shall provide for auditor access to all relevant personnel, financial and performance-related records, property, and equipment where Authority funds were expended or Authority facilities were used.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the Authority, as well as other specialized services from within or outside the Authority, in order to complete the audit engagement, subject to budget limitations and the contracting policies of the Authority. A contractor performing an audit should have no financial or other interests in the affairs of the Authority, any member of the Board, or its officers.

### **Standards for the Professional Practice of Internal Auditing**

The Office of the Chief Auditor will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The Chief Auditor will report periodically to the Authority's Audit Committee and executive management regarding the Office of the Chief Auditor's conformance to the Code of Ethics and the *Standards*.

### **Independence of the Chief Auditor**

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

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectivity, and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement matters to others.

The Office of the Chief Auditor will have no direct operational responsibility or authority over any of the activities audited. Accordingly, the Office of the Chief Auditor will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an auditor's judgement, including:

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

Where the Office of the Chief Auditor has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal Auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The Chief Auditor will confirm to the Audit Committee, at least annually, the organizational independence of the Office of the Chief Auditor.

The Chief Auditor will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Authority. Internal audit assessments include evaluating whether:

## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

- Risks relating to the achievement of the Authority's strategic objectives are appropriately identified and managed.
- The actions of the Authority's officers, directors, employees and contractors are in compliance with Authority policies, procedures and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Authority.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have credibility.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

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

- The Office of the Chief Auditor's purpose, authority, and responsibility.
- The Office of the Chief Auditor's Audit Plan and performance relative to its Audit Plan.
- The Office of the Chief Auditor's conformance with the Institute of Internal Auditor's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audits, consulting services, or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable by the Authority.

The Chief Auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

The Chief Auditor will assist the Audit Committee to ensure its responsibilities listed in the Charter of the Audit Committee are met.

The Office of the Chief Auditor may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Office of the Chief Auditor does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during audits or consulting engagements. These opportunities will be communicated to the appropriate level of management.

## Responsibility

The Chief Auditor has the responsibility to:

- Submit, at least annually, a risk-based internal Audit Plan for review to Authority executive management. The risk-based internal Audit Plan will also be submitted to the Audit Committee for review and forwarded to the Board for approval.
- Communicate to the Audit Committee and Authority executive management the impact of resource limitations on the Audit Plan, if applicable.
- Communicate any fraud or illegal acts that the Chief Auditor becomes aware of that could affect the Authority. ~~The Chief Auditor shall report the irregularities to the Chair of the Audit Committee, the General Counsel, and the President/Chief Executive Officer. Where one or more of the aforementioned persons is or is believed to be a responsible or culpable party, the Chief Auditor shall report the matter to the full Board in Closed Session called for that purpose in accordance with the requirements of the Ralph M. Brown Act.~~ The process for a confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters shall be carried out through the Office of the Chief Auditor.
- Review and adjust the nature of the internal Audit Plan, as necessary, in response to changes in the Authority's business risks, operations, programs, systems, and controls.
- The Audit Plan may be adjusted to accommodate for special requests by the Audit Committee or Authority management.
- Changes to the Audit Plan will occur after consultation with the Chair of the Audit Committee. Changes to the Audit Plan will be presented to the Audit Committee for review and forwarded to the Board for approval.
- Communicate to the Audit Committee and Authority executive management any significant interim changes to the Audit Plan.
- Ensure that each engagement contained in the Audit Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work

programs and testing results, and the communication of recommendation(s) to appropriate parties.

- Follow up on audit engagement findings and the corrective actions taken, and report periodically to the Audit Committee and Authority executive management any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure that the Office of the Chief Auditor collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements in the Charter for the Office of the Chief Auditor.
- Ensure trends and emerging issues that could impact the Authority are considered and communicated to the Audit Committee and Authority executive management as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to the Office of the Chief Auditor's Policies and Procedures / Office Manual designed to guide the Office of the Chief Auditor.
- Ensure adherence to the Authority's relevant policies and procedures, unless such policies conflict with the Charter for the Office of the Chief Auditor.
- Ensure conformance with the IIA *Standards*.

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

The Office of the Chief Auditor will maintain a quality assurance and improvement program that covers all aspects of the Office of the Chief Auditor. The program will include an evaluation of the Office of the Chief Auditor's conformance with the IIA *Standards* and an evaluation of whether internal auditors apply The Institute of Internal Auditor's Code of Ethics in their conduct. The program will also assess the efficiency and effectiveness of the Office of the Chief Auditor and identify opportunities for improvement.

The Office of the Chief Auditor will communicate to executive management and the Audit Committee on the Office of the Chief Auditor's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Authority.

CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

[Amended by Resolution No. 2023-xxxx dated xxxx]

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

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

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

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

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

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

# **SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

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

### **Purpose and Mission**

The purpose of the San Diego County Regional Airport Authority's (Authority) Office of the Chief Auditor is to provide independent objective assurance and consulting services designed to add value and improve the Authority's operations. The Mission of the Office of the Chief Auditor is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Office of the Chief Auditor helps the Authority accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### **Authority**

The Chief Auditor shall be accountable to the Board of Directors (hereinafter "the Board") under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement.

The Chief Auditor will report directly to the Board through the Audit Committee.

To establish, maintain, and assure that the Office of the Chief Auditor has sufficient authority to fulfill its duties, the Audit Committee will:

- Review, and forward to the Board for approval, the Office of the Chief Auditor Charter.
- Review, and forward to the Board for approval, the risk-based Internal Audit Plan.
- Review, and forward to the Board for approval, the Office of the Chief Auditor's budget and resource plan.
- Receive communication from the Chief Auditor on the Office of the Chief Auditor's performance relative to its Audit Plan and other matters.
- Provide recommendations to the Board regarding the appointment and removal of the Chief Auditor.
- Make appropriate inquiries of Authority management and the Chief Auditor to determine whether there is inappropriate or scope limitations pertaining to the Chief Auditor's Office.

The Chief Auditor will have unrestricted access to, and communicate and interact directly with the Audit Committee, including private meetings without management present.

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

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement except for legally privileged and/or legally confidential information. All contracts with outside contractors and subcontractors shall provide for auditor access to all relevant personnel, financial and performance-related records, property, and equipment where Authority funds were expended or Authority facilities were used.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the Authority, as well as other specialized services from within or outside the Authority, in order to complete the audit engagement, subject to budget limitations and the contracting policies of the Authority. A contractor performing an audit should have no financial or other interests in the affairs of the Authority, any member of the Board, or its officers.

### **Standards for the Professional Practice of Internal Auditing**

The Office of the Chief Auditor will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The Chief Auditor will report periodically to the Authority's Audit Committee and executive management regarding the Office of the Chief Auditor's conformance to the Code of Ethics and the *Standards*.

### **Independence of the Chief Auditor**

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

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectivity, and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement matters to others.

The Office of the Chief Auditor will have no direct operational responsibility or authority over any of the activities audited. Accordingly, the Office of the Chief Auditor will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an auditor's judgement, including:

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

Where the Office of the Chief Auditor has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal Auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The Chief Auditor will confirm to the Audit Committee, at least annually, the organizational independence of the Office of the Chief Auditor.

The Chief Auditor will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Authority. Internal audit assessments include evaluating whether:

## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

- Risks relating to the achievement of the Authority's strategic objectives are appropriately identified and managed.
- The actions of the Authority's officers, directors, employees and contractors are in compliance with Authority policies, procedures and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Authority.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have credibility.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

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

- The Office of the Chief Auditor's purpose, authority, and responsibility.
- The Office of the Chief Auditor's Audit Plan and performance relative to its Audit Plan.
- The Office of the Chief Auditor's conformance with the Institute of Internal Auditor's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audits, consulting services, or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable by the Authority.

The Chief Auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

The Chief Auditor will assist the Audit Committee to ensure its responsibilities listed in the Charter of the Audit Committee are met.

The Office of the Chief Auditor may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Office of the Chief Auditor does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during audits or consulting engagements. These opportunities will be communicated to the appropriate level of management.

## **Responsibility**

The Chief Auditor has the responsibility to:

- Submit, at least annually, a risk-based internal Audit Plan for review to Authority executive management. The risk-based internal Audit Plan will also be submitted to the Audit Committee for review and forwarded to the Board for approval.
- Communicate to the Audit Committee and Authority executive management the impact of resource limitations on the Audit Plan, if applicable.
- Communicate any fraud or illegal acts that the Chief Auditor becomes aware of that could affect the Authority. The process for a confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters shall be carried out through the Office of the Chief Auditor.
- Review and adjust the nature of the internal Audit Plan, as necessary, in response to changes in the Authority's business risks, operations, programs, systems, and controls.
- The Audit Plan may be adjusted to accommodate for special requests by the Audit Committee or Authority management.
- Changes to the Audit Plan will occur after consultation with the Chair of the Audit Committee. Changes to the Audit Plan will be presented to the Audit Committee for review and forwarded to the Board for approval.
- Communicate to the Audit Committee and Authority executive management any significant interim changes to the Audit Plan.
- Ensure that each engagement contained in the Audit Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of recommendation(s) to appropriate parties.
- Follow up on audit engagement findings and the corrective actions taken, and report periodically to the Audit Committee and Authority executive management any corrective actions not effectively implemented.

## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure that the Office of the Chief Auditor collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements in the Charter for the Office of the Chief Auditor.
- Ensure trends and emerging issues that could impact the Authority are considered and communicated to the Audit Committee and Authority executive management as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to the Office of the Chief Auditor's Policies and Procedures / Office Manual designed to guide the Office of the Chief Auditor.
- Ensure adherence to the Authority's relevant policies and procedures, unless such policies conflict with the Charter for the Office of the Chief Auditor.
- Ensure conformance with the IIA *Standards*.

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

The Office of the Chief Auditor will maintain a quality assurance and improvement program that covers all aspects of the Office of the Chief Auditor. The program will include an evaluation of the Office of the Chief Auditor's conformance with the IIA *Standards* and an evaluation of whether internal auditors apply The Institute of Internal Auditor's Code of Ethics in their conduct. The program will also assess the efficiency and effectiveness of the Office of the Chief Auditor and identify opportunities for improvement.

The Office of the Chief Auditor will communicate to executive management and the Audit Committee on the Office of the Chief Auditor's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Authority.

## CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

[Amended by Resolution No. 2023-xxxx dated xxxx]

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

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

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

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

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

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

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

Audit Committee Meeting September 11, 2023



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

## Annual Review Required

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

### Compare Charter for the OCA to Model Charter

- No changes identified

### Review for Other Changes

- One change identified

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

##### Purpose and Mission

The purpose of the San Diego County Regional Airport Authority's (Authority) Office of the Chief Auditor is to provide independent objective assurance and consulting services designed to add value and improve the Authority's operations. The Mission of the Office of the Chief Auditor is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Office of the Chief Auditor helps the Authority accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

##### Authority

The Chief Auditor shall be accountable to the Board of Directors (hereinafter "the Board") under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment contract.

### Charter for the OCA



### Supplemental Guidance

#### Model Internal Audit Activity Charter

The Model Internal Audit Activity Charter is designed to illustrate common practices typically set out in an internal audit activity charter. The generic nature of this draft is intended to encourage customization.

The document may not reflect all legal or regulatory requirements that exist in the every jurisdiction. Additionally, stakeholder expectations may influence the inclusion or deletion of certain practices.

In drafting an internal audit activity charter, the chief audit executive should exercise care to customize the charter, including replacing bracketed blue text with language that accurately reflects the user's situation.

### Model Charter

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

## Charter of OCA

The Chief Auditor has the responsibility to:

- Submit, at least annually, a risk-based internal Audit Plan for review to Authority executive management. The risk-based internal Audit Plan will also be submitted to the Audit Committee for review and forwarded to the Board for approval.
- Communicate to the Audit Committee and Authority executive management the impact of resource limitations on the Audit Plan, if applicable.
- Communicate any fraud or illegal acts that the Chief Auditor becomes aware of that could affect the Authority. ~~The Chief Auditor shall report the irregularities to the Chair of the Audit Committee, the General Counsel, and the President/Chief Executive Officer. Where one or more of the aforementioned persons is or is believed to be a responsible or culpable party, the Chief Auditor shall report the matter to the full Board in Closed Session called for that purpose in accordance with the requirements of the Ralph M. Brown Act.~~ The process for a confidential, anonymous submission of complaints including, but not limited to, fraud, accounting, auditing, ethics, and code of conduct matters shall be carried out through the Office of the Chief Auditor.

## Removing Obsolete Detailed Reporting Process From Charter

- Requirement to communicate illegal acts or irregularities still in effect.
- Code 2.16 contains the current reporting process for allegations against:
  - Board Members
  - Employees appointed by the Board
  - Others
    - Considers potential conflict of interests

Questions?

## Audit Committee Report

**Meeting Date: September 11, 2023**

**Subject:**

**Revision to the Fiscal Year 2024 Audit Plan of the Office of the Chief Auditor**

**Recommendation:**

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

**Background/Justification:**

The Charter for the Office of the Chief Auditor, instituted by Board Resolution No. 2003-062 on October 2, 2003, and most recently amended on October 7, 2021, per Board Resolution No. 2021-0109, defines the role and requirements of the Office of the Chief Auditor (OCA).

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

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

The OCAs Audit Plan for Fiscal Year 2024 was approved by the Audit Committee during its May 8, 2023, meeting, and was subsequently approved on June 2, 2022, by Board Resolution No. 2023-0041. This initial Audit Plan estimates the hours required to complete the new Fiscal Year 2024 audits and estimates audits from the Fiscal Year 2023 Audit Plan that will be issued by Fiscal Year-end June 30, 2023, or will carry forward to the Fiscal Year 2024 Audit Plan.

During the first quarter of Fiscal Year 2024 a review of the Audit Plan was undertaken by the OCA. At this time, a revision is requested. The proposed revision precisely accounts for the audits that carried over from Fiscal Year 2023 and adjusts the allocation of audit hours to reflect the OCAs current operational requirements.

Meeting Date: September 11, 2023

Staff requests that the Audit Committee accept the proposed revision to the Audit Plan and forward it to the Board for subsequent approval. The proposed revision to the Fiscal Year 2024 Audit Plan is provided as Attachment A. The Fiscal Year 2024 Audit Plan with all changes incorporated is provided as Attachment B.

## Fiscal Impact:

The Chief Auditor Department's adopted Operating Expense Budget for Fiscal Year 2024 and conceptually approved budget for Fiscal Year 2025 have been sufficiently funded to meet the allotted budget requirements for the proposed revision to the Fiscal Year 2024 Audit Plan.

## Authority Strategies/Focus Areas:

This item supports one or more of the following:

### Strategies

- Community Strategy    Customer Strategy    Employee Strategy    Financial Strategy    Operations Strategy

### Focus Areas

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

## Environmental Review:

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

# Audit Committee Report

Meeting Date: September 11, 2023

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## Application of Inclusionary Policies:

Not Applicable

## Prepared by:

Lee M. Parravano  
Chief Auditor

Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan September 11, 2023

ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
<b>Audit Hours</b>				
Tenant Lease Administration and Management <sup>2</sup>	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	-	300
Turner-Flatiron Self Perform Work <sup>2</sup>	To determine if work self-performed by Turner-Flatiron complies with the agreement. <sup>3</sup>	104	-	104
Harbor Police Contract Mgmt. <sup>2</sup>	To determine if selected Harbor Police costs and services are appropriate and equitable for the fiscal years 2018, 2019, and 2020.	100	-	100
Employee Benefits <sup>2</sup>	To determine if employee payroll deductions are administered appropriately.	150	100	250
Accounts Payable <sup>2</sup>	To determine if the controls for Paymode X are appropriate.	200	-	200
Contractor Monitoring <sup>2</sup>	To determine if the construction of the new administration building is properly managed.	-	40	40
Turner-Flatiron Insurance <sup>2</sup>	To determine if insurance billed is appropriate and complies with the agreement. <sup>3</sup>	-	200	200
Tenant Lease Administration and Management	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	-	500
System Security	To evaluate the Authority's security posture by performing testing of the Authority's Virtual Private Network access.	350	-	350
Harbor Police Contract Mgmt.	To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2022.	425	-	425
Tenant Lease Administration and Management	To determine in terminal concessionaires are complying with selected elements of their contracts.	550	-	550
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	-	550
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450	-	450

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

<sup>2</sup> Audit activity has been carried forward from fiscal year 2023.

<sup>3</sup> 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.

Office of the Chief Auditor  
Fiscal Year 2024  
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ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
Tenant Lease Administration and Management	To determine if Budget Rent a Car accurately paid concessions and Customer Facility Charges (CFC).	300	(50)	250
Tenant Lease Administration and Management	To determine if Fast Track Rent a Car accurately paid concessions and Transportation Facility Charges (TFC).	350	-	350
Small Business Management	To determine if Small Business Management is managed appropriately.	550	-	550
To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	700	(240)	460
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	573	(50)	523
	<b>Total Audit Hours</b>	<b>6,152</b>	-	<b>6,152</b>
<b>Consulting Hours</b>				
Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract.	200	-	200
	<b>Total Consulting Hours</b>	<b>200</b>	-	<b>200</b>

Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan September 11, 2023

ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
<b>General Audit Hours</b>				
Risk Assessment and Audit Plan <sup>4</sup>	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	252	-	252
Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the External Construction Auditor.	380	-	380
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed.	20	-	20
Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200	-	200
Ethics Program <sup>4</sup>	To review ethics policies, perform training, and investigate reported incidents.	300	-	300
Recommendation Follow-up <sup>4</sup>	To verify that internal and external audit recommendations have been implemented as intended.	160	-	160
Quality Assurance & Improvement Program <sup>4</sup>	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	350	-	350
	<b>Total General Audit Hours</b>	<b>1,662</b>	-	<b>1,662</b>
<b>Administrative Hours</b>				
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,290	-	2,290
Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,176	-	2,176
	<b>Total Administrative Hours</b>	<b>4,466</b>	-	<b>4,466</b>
	<b>Total Hours</b>	<b>12,480</b>	-	<b>12,480</b>

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

Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan September 11, 2023

ATTACHMENT A

Key Work Activity	Objective <sup>5</sup>	Estimated Hours	Change Requested	Revised Hours
<b>Contingent Audit Hours</b>				
Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for a selected Airport Rental Car Company.	400	-	400
Diversity & Inclusion	To determine if the Diversity & Inclusion Program is accurately tracking metrics and best practices.	500	-	500
Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450	-	450
Accounts Payable	To determine if the controls related to the Accounts Payable automated payment files are appropriate.	450	-	450
Tenant Lease Administration and Management	To determine if the food and beverage concessionaire surcharge is administered appropriately.	450	-	450
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650	-	650
Tenant Lease Administration and Management	To determine if airport lounge concession contracts are administered appropriately.	500	-	500
Asset Management	To determine if computer imaging is administered appropriately.	500	-	500
Parking Management Contract Administration	To determine if Dynamic Pricing is being managed appropriately.	550	-	550
TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475	-	475
Curfew Violations	To determine if curfew violations are administered appropriately.	450	-	450
Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525	-	525
Advertising	To determine if the concessions marketing program is managed appropriately.	500	-	500
Parking Management Contract Administration	To determine if the close out process for parking management contract is administered appropriately.	600	-	600
ARFF Management	To determine if costs included in ARFF billings are appropriate.	500	-	500

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

## Office of the Chief Auditor

ATTACHMENT A

Fiscal Year 2024

Proposed Audit Plan September 11, 2023

Air Service Management	To determine if fuel rights are administered appropriately.	500	-	500
Tenant Lease Administration and Management	To determine the operations of a new SDIA Rental Car Company Agreement holder.	-	400	400
	<b>Total Contingent Audit Hours</b>	<b>8,000</b>	<b>400</b>	<b>8,400</b>

Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan September 11, 2023

ATTACHMENT B

Key Work Activity	Objective <sup>1</sup>	Revised Hours
<b>Audit Hours</b>		
Tenant Lease Administration and Management <sup>2</sup>	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
Turner-Flatiron Self Perform Work <sup>2</sup>	To determine if work self-performed by Turner-Flatiron complies with the agreement. <sup>3</sup>	104
Harbor Police Contract Mgmt. <sup>2</sup>	To determine if selected Harbor Police costs and services are appropriate and equitable for the fiscal years 2018, 2019, and 2020.	100
Employee Benefits <sup>2</sup>	To determine if employee payroll deductions are administered appropriately.	250
Accounts Payable <sup>2</sup>	To determine if the controls for Paymode X are appropriate.	200
Contractor Monitoring <sup>2</sup>	To determine if the construction of the new administration building is properly managed.	40
Turner-Flatiron Insurance <sup>2</sup>	To determine if insurance billed is appropriate and complies with the agreement. <sup>3</sup>	200
Tenant Lease Administration and Management	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
System Security	To evaluate the Authority's security posture by performing testing of the Authority's Virtual Private Network access.	350
Harbor Police Contract Mgmt.	To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2022.	425
Tenant Lease Administration and Management	To determine in terminal concessionaires are complying with selected elements of their contracts.	550
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
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450
Tenant Lease Administration and Management	To determine if Budget Rent a Car accurately paid concessions and Customer Facility Charges (CFC).	250
Tenant Lease Administration and	To determine if Fast Track Rent a Car accurately paid concessions and Transportation Facility Charges (TFC).	350

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

<sup>2</sup> Audit activity has been carried forward from fiscal year 2023.

<sup>3</sup> 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.

Office of the Chief Auditor  
 Fiscal Year 2024  
 Proposed Audit Plan September 11, 2023

ATTACHMENT B

Key Work Activity	Objective <sup>1</sup>	Revised Hours
Management		
Small Business Management	To determine if Small Business Management is managed appropriately.	550
To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	460
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	523
	<b>Total Audit Hours</b>	<b>6,152</b>
<b>Consulting Hours</b>		
Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract.	200
	<b>Total Consulting Hours</b>	<b>200</b>

Office of the Chief Auditor  
Fiscal Year 2024  
Proposed Audit Plan September 11, 2023

ATTACHMENT B

Key Work Activity	Objective <sup>1</sup>	Revised Hours
<b>General Audit Hours</b>		
Risk Assessment and Audit Plan <sup>4</sup>	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	252
Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the External Construction Auditor.	380
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed.	20
Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200
Ethics Program <sup>4</sup>	To review ethics policies, perform training, and investigate reported incidents.	300
Recommendation Follow-up <sup>4</sup>	To verify that internal and external audit recommendations have been implemented as intended.	160
Quality Assurance & Improvement Program <sup>4</sup>	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	350
	<b>Total General Audit Hours</b>	<b>1,662</b>
<b>Administrative Hours</b>		
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,290
Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,176
	<b>Total Administrative Hours</b>	<b>4,466</b>
	<b>Total Hours</b>	<b>12,480</b>

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

Key Work Activity	Objective <sup>5</sup>	Revised Hours
<b>Contingent Audit Hours</b>		
Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for a selected Airport Rental Car Company.	400
Diversity & Inclusion	To determine if the Diversity & Inclusion Program is accurately tracking metrics and best practices.	500
Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450
Accounts Payable	To determine if the controls related to the Accounts Payable automated payment files are appropriate.	450
Tenant Lease Administration and Management	To determine if the food and beverage concessionaire surcharge is administered appropriately.	450
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
Tenant Lease Administration and Management	To determine if airport lounge concession contracts are administered appropriately.	500
Asset Management	To determine if computer imaging is administered appropriately.	500
Parking Management Contract Administration	To determine if Dynamic Pricing is being managed appropriately.	550
TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475
Curfew Violations	To determine if curfew violations are administered appropriately.	450
Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525
Advertising	To determine if the concessions marketing program is managed appropriately.	500
Parking Management Contract Administration	To determine if the close out process for parking management contract is administered appropriately.	600
ARFF Management	To determine if costs included in ARFF billings are appropriate.	500
Air Service Management	To determine if fuel rights are administered appropriately.	500
Tenant Lease Administration and Management	To determine the operations of a new SDIA Rental Car Company Agreement holder.	400
<b>Total Contingent Audit Hours</b>		<b>8,400</b>

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

# Revision to the Fiscal Year 2024 Audit Plan of the Office of the Chief Auditor

Audit Committee Meeting September 11, 2023

# Reasons for Revision

Description	Hours
Employee Benefits	100
Contractor Monitoring – Sundt Admin Building	40
Turner-Flatiron Insurance	200
<b>Total</b>	<b>340</b>

\*\*\* Contingent Audit - Tenant Lease Admin. and Management – Rental Car Company 400 hours

Description	Hours
Tenant Lease Admin. And Management - Budget	(50)
To Be Determined – Construction	(240)
To Be Determined	(50)
<b>Total</b>	<b>(340)</b>

Questions?

## Audit Committee Report

**Meeting Date: September 11, 2023**

**Subject:**

**Selection of an Independent Assessor to Perform a Quality Assessment Review of the Office of the Chief Auditor**

**Recommendation:**

Informational item only.

**Background/Justification:**

The Charter of the Audit Committee, instituted by Board Resolution No. 2003-061 on October 2, 2003, and most recently amended on October 7, 2021, per Board Resolution No. 2021-0108, defines the role and responsibilities of the Audit Committee. As stated in the Charter, a requirement of the Audit Committee's oversight function is to ensure that the Office of the Chief Auditor (OCA) has an external Quality Assurance Review (QAR) performed.

The Charter for the Office of the Chief Auditor, as approved by the Board per Resolution 2021-0109, dated October 7, 2021, requires the OCA to maintain a quality assurance and improvement program that includes an evaluation of the OCA's conformance with the Institute of Internal Auditor (IIA) Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics in their conduct. The OCA's quality assurance and improvement program requires that a QAR be conducted at least every five years by a qualified, independent, assessor or assessment team from outside the organization.

The Association of Local Government Auditors (ALGA) conducted the previous external QAR in 2019 covering the period July 1, 2013, through June 30, 2018. ALGA is a professional organization committed to supporting and improving local government auditing through advocacy, collaboration, education, and training while upholding and promoting the highest standards of professional ethics. ALGA is comprised of audit groups from various government jurisdictions throughout the United States. ALGA is well qualified to perform the QAR and has performed over 500 peer reviews.

Meeting Date: September 11, 2023

The QAR for the period July 1, 2018, through June 30, 2023, is currently due. The OCA considers that ALGA's high standards, promotion of collaborative support between government agencies, and professionalism in auditing, supports its recommendation that ALGA perform the required QAR.

The OCA has determined that ALGA can provide this service in a cost-effective manner. ALGA's requirements and related costs to the Authority for the QAR would include:

- Travel expenses for the QAR team (including but not limited to hotel, airfare, local transportation, and meal per diem). There are typically two to three people on a QAR team.
- Reciprocal provision that requires the OCA to volunteer its audit staff to serve on future QAR peer reviews in other organizations (two or three auditors to serve anytime within a five-year period).

## Fiscal Impact:

Estimated costs for expenses are \$6,000 and will be incurred on the line item for professional services in the Chief Auditor Department's 2024 Fiscal Year Budget. The Chief Auditor Department's adopted Operating Expense Budget for Fiscal Year 2024 and conceptually approved budget for Fiscal Year 2025 includes these costs and have been sufficiently funded.

## Authority Strategies/Focus Areas:

This item supports one or more of the following:

### Strategies

- Community Strategy    Customer Strategy    Employee Strategy    Financial Strategy    Operations Strategy

### Focus Areas

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

## Environmental Review:

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

# Audit Committee Report

Meeting Date: September 11, 2023

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

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

## **Application of Inclusionary Policies:**

Not Applicable

## **Prepared by:**

Lee M. Parravano  
Chief Auditor

# Selection of an Independent Assessor to Perform a Quality Assessment Review (QAR) of the Office of the Chief Auditor

# QAR Purpose

To Determine the OCAs level of compliance with:



The Institute of Internal Auditors Code of Ethics



*The Standards*

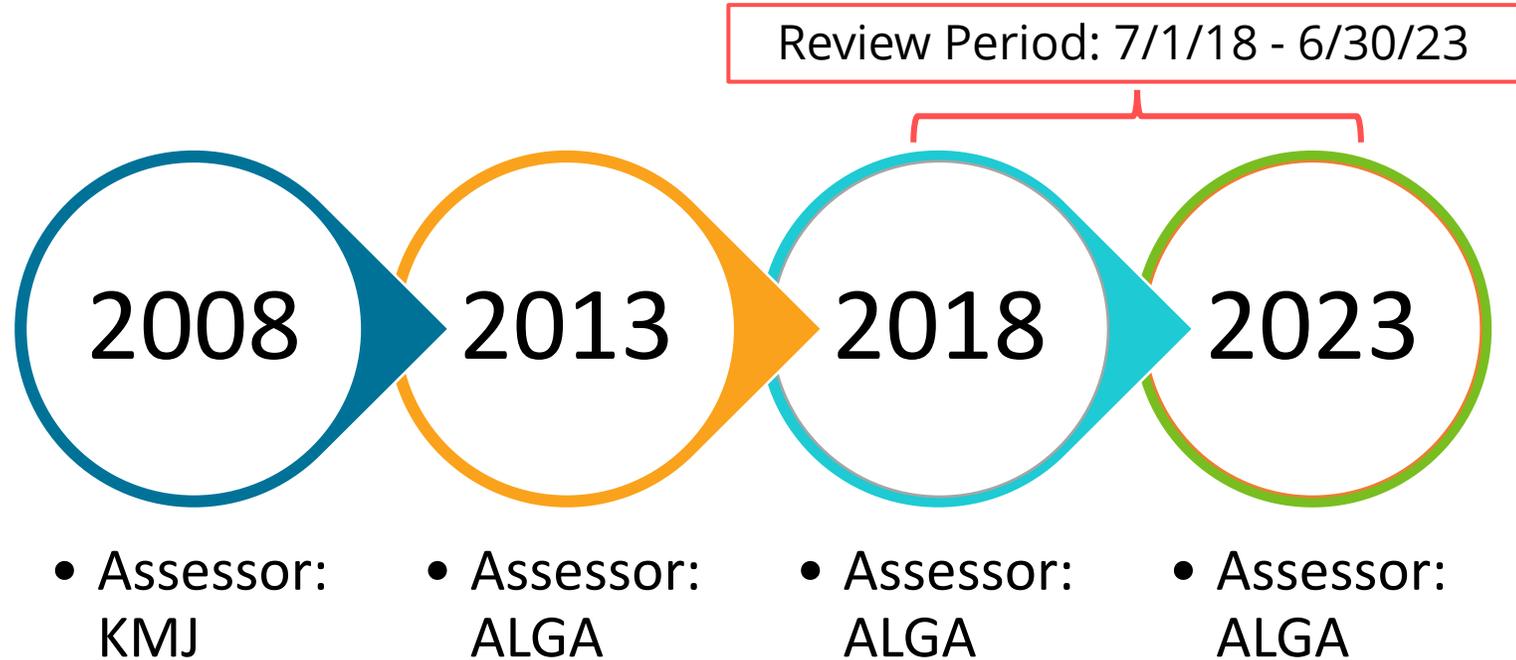
# QAR Frequency & Form

## Frequency

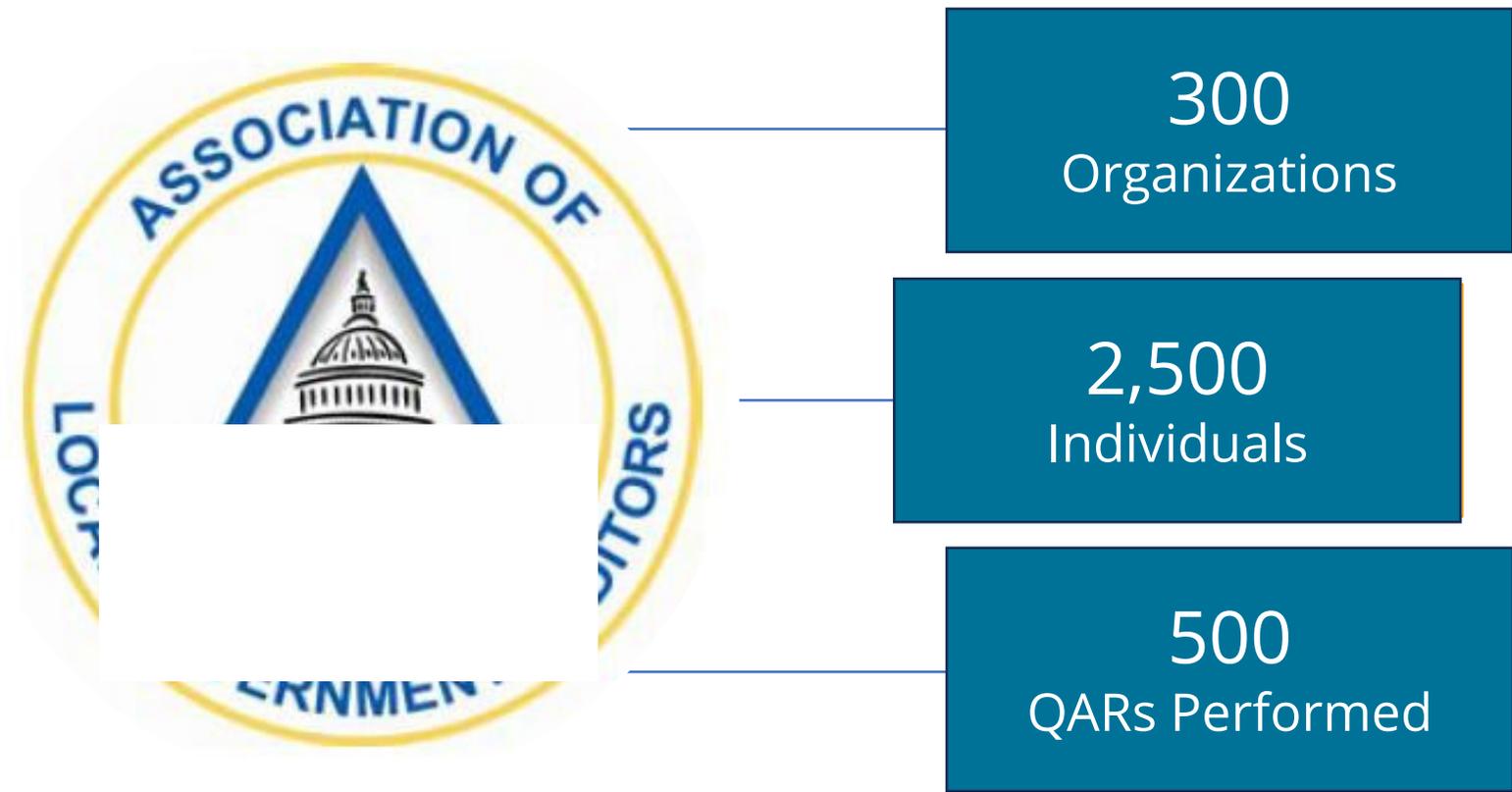
- Must be Conducted at Least Every 5 Years

## Form

- Self Assessment with External Validation

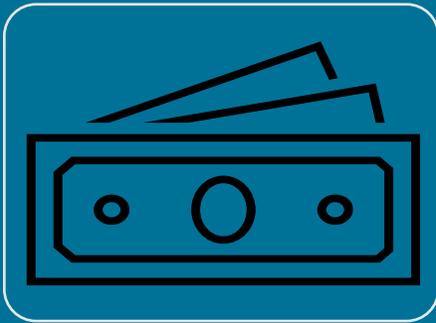


# ALGA Qualifications



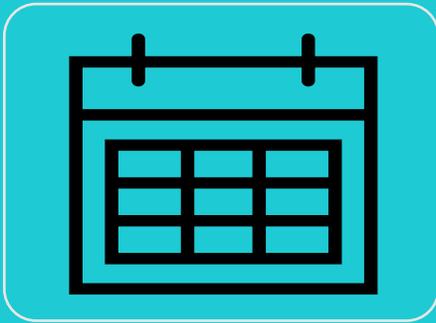
**Requirement:**  
Assessor must be  
Qualified and  
Independent

# QAR Costs & Commitment



## Costs

- Reimburse QAR Team for Travel expenses
- Approx. \$6,000



## Time Commitment

- Staff must volunteer to serve on a future QAR peer review for another organization

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?