

Audit Committee and Special Board Meeting

**Monday, May 5, 2025
10:00 AM**

San Diego County Regional Airport Authority
Administration Building
First Floor – Board Room
2417 McCain Road
San Diego, California 92101

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 the Office of the Authority Clerk, and are available for public inspection.

***NOTE:** This Committee Meeting is also 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. This Committee meeting is also noticed as a Special Meeting of the Board to comply with the Brown Act, since sometimes more than a quorum of the Board may be in attendance.

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.**

Board Members

Gil Cabrera (Chair)
James Sly (Vice-Chair)
Whitney Benzian
Lidia S. Martinez
Monica Montgomery Steppe
Rafael Perez
Esther C. Sanchez
Steve Vaus
Marni von Wilpert

Ex-Officio Board Members

Ann Fox
Col. R. Erik Herrmann
Michele Perrault

President/CEO

Kimberly J. Becker

Monday, May 5, 2025

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Huerta, Montgomery Steppe, Newsom (Chair), Perez, Sanchez, Vaus, 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 called by the Committee.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 10, 2025, regular meeting.

2. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDITS FOR THE FISCAL YEAR ENDED JUNE 30, 2025:

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

(Presented by: Elizabeth Stewart, Director, Accounting; and Pamela Hill, Partner, Plante Moran)

3. FISCAL YEAR 2025 THIRD QUARTER 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: Fred Bolger, Manager, Audit Services)

Monday, May 5, 2025

4. RISK ASSESSMENT AND PROPOSED FISCAL YEAR 2026 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

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

5. FISCAL YEAR 2026 PROPOSED BUDGET FOR THE OFFICE OF THE CHIEF AUDITOR AND FISCAL YEAR 2027 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

RECOMMENDATION: Staff recommends that the Audit Committee accept the Office of the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2026-2027 Budget process that may include debt issuance or refinancing, with a recommendation for Board approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***
(Presented by: Lee Parravano, Chief Auditor)

CLOSED SESSION:

6. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9
Number of cases: 1

7. THREAT TO PUBLIC SERVICES OR FACILITIES:

Consultation with Jessica Bishop, Director, Information & Technology Services; Elliott Tanner, Manager, IT Infrastructure Operations, Information & Technology Services; and Clint Welch, Director, Aviation Security and Public Safety.

8. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

(Government Code Section 54957)
Title: Chief Auditor

REPORT ON CLOSED SESSION:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Monday, May 5, 2025

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 called by the Board, ALUC and Committees.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

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

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

For those planning to attend the Board meeting, parking is available in the Airport Administration Building Parking Lot (entrance on the east side of McCain Road). Bring your ticket to the first-floor receptionist for validation.

Visitors can park in the lot from 8:00 a.m. to 5:00 p.m.

You may also reach the SDCRAA Building by using public transit via the San Diego MTS System, Route 923. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.

**DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MEETING
MINUTES
MONDAY, FEBRUARY 10, 2025
BOARD ROOM**

CALL TO ORDER: Chair Newsom called the Audit Committee Meeting to order at 10:00 a.m., on Monday, February 10, 2025, at the San Diego County Regional Airport Authority, Administration Building, 2417 McCain Road, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Board Member Vaus led the Pledge of Allegiance.

ROLL CALL:

Present: Committee Members: Huerta, Montgomery Steppe, Newsom (Chair), Perez, Sanchez, Vaus, Wong Nickerson

Absent: Committee Members: None

Also Present: Kimberly Becker, President/CEO; Lee Kaminetz, Assistant General Counsel; Sonja Banks, Assistant Authority Clerk I; Patricia Willis, Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT: None.

Kim Becker, President/CEO, provided a report that included updates on leadership at the federal level and the potential impact it could have on our operation. She stated that the Secretary of Transportation has been confirmed. She reported that the Administrators of the FAA and TSA and the Associate Administrator for Airports have resigned; however, the Deputy Administrator of the FAA is now in place. She reported that a continuing resolution has been passed to fund the government through March 14th. She stated the largest concerns for the Authority will be the Executive Orders that restrain grant funding and tariffs on steel and aluminum. She closed her report, stating that New T1 progress continues to be on target with the anticipation of opening in late September.

Committee Member Wong Nickerson arrived at 10:03 a.m.

Board Member Sanchez arrived at 10:05 a.m.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 18, 2024, regular meeting.

ACTION: Moved by Board Member Vaus and seconded by Board Member Montgomery Steppe to approve staff's recommendation. Motion carried unanimously.

2. REVISION TO CHIEF AUDITOR JOB DESCRIPTION:

Lee Parravano, Chief Auditor provided a presentation that included relevant sections of the Audit Committee Charter and Global Internal Audit Standard 7.2, Example Qualifications and Competencies, and a review of notable Chief Auditor job description changes.

RECOMMENDATION: Staff recommends that the Audit Committee review this item and accept the changes.

ACTION: Moved by Board Member Vaus and seconded by Board Member Perez to approve staff's recommendation. Motion carried unanimously.

3. FISCAL YEAR 2025 SECOND QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation that included Fiscal Year 2025 Performance Measures, General Audit Activities, Recommendation Follow-up, and an Audit Spotlight.

Chair Newsom requested a follow-up on the plan of execution for the return of funds overcharged to consumers by rental car company, Sixt.

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

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

ACTION: Moved by Board Member Vaus and seconded by Board Member Sanchez to approve staff's recommendation. Motion carried unanimously.

4. CONSTRUCTION AUDIT UPDATE:

Fred Bolger, Manager, Audit Services, provided a presentation on the Construction Audit Services, Baker Tilly Completed Tasks, Potential Initial GMP Phase Audits, Change Order Compliance, Subcontracts, Pay Applications and the Next Phase Process.

RECOMMENDATION: Information item only.

5. REVISION TO THE FISCAL YEAR 2025 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Fred Bolger, Manager, Audit Services, provided a presentation that included Reasons for Revision.

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

ACTION: Moved by Board Member Montgomery Steppe and seconded by Board Member Sanchez to approve staff's recommendation.

COMMITTEE MEMBER COMMENTS:

CLOSED SESSION: The Committee recessed into Closed Session at 10:42 a.m. to discuss item 6.

6. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION:

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9
Number of cases: 1

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

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

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY THIS 5TH DAY OF MAY 2025.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

ANNETTE FAGAN ORTIZ
AUTHORITY CLERK

Audit Committee Report

Meeting Date: May 5, 2025

Subject:

Required Communication to the Audit Committee on the Financial and Compliance Audits for the Fiscal Year Ended June 30, 2025

Recommendation:

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

Background/Justification:

On March 25, 2024, staff presented a recommendation to the Audit Committee to enter into an agreement with Plante & Moran, PLLC, for Financial Audit Services. The Audit Committee recommended that the Board adopt a resolution approving and authorizing the President/CEO to execute an agreement with Plante & Moran, PLLC.

The Board adopted Resolution No. 2024-0025 during its April 4, 2024, Board Meeting, approving and authorizing the President/CEO to execute an agreement with Plante & Moran, PLLC, for an amount not to exceed \$1,200,000 for a three-year term with an option for two (2) one-year extensions, which may be exercised at the discretion of the Authority.

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

As required, Pamela Hill, CPA, the engagement partner from Plante & Moran, PLLC, will give a presentation during the May 5, 2024 Audit Committee Meeting on matters pertaining to the scope, timeline, planning, and required communications related to their audit of the Authority's financial statements for the fiscal year ending June 30, 2025. In addition, a copy of Plante & Moran, PLLCs most recent Peer Review Letter is provided, as Attachment A.

Fiscal Impact:

Adequate funding for the agreement with Plante & Moran, PLLC for performing the Authority's financial audit services is included in the Fiscal Year 2025 Adopted Budget and Fiscal Year 2026 Conceptual Budget within the Services-Auditing line item. Expenses that will impact budget years not yet adopted by the Board will be included in future year budget requests.

Authority Strategies/Focus Areas:

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

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

Application of Inclusionary Policies:

Not applicable

Prepared by:

Elizabeth Stewart
Director, Accounting



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 225-922-4600 Phone – 225-922-4611 Fax – pncpa.com

A Professional Accounting Corporation

Report on the Firm's System of Quality Control

December 16, 2022

To the Partners of
 Plante & Moran, PLLC
 and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Plante & Moran, PLLC (the firm) applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2022. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

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

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Plante & Moran, PLLC applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2022, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Plante & Moran, PLLC has received a peer review rating of *pass*.

Postlethwaite & Netterville

Postlethwaite & Netterville, APAC
 Baton Rouge, Louisiana



San Diego County Regional Airport Authority

Required Pre-Audit Meeting

Year-ended June 30, 2025



Agenda

- Engagement team
- Scope of audit
- Audit timeline
- Required communications
- Audit plan
- Information from You Relevant to Our Audit



Engagement team

- Pam Hill, Partner - Engagement partner responsible for supervising our services performed as part of this engagement.
- Blake Roe, Partner – Colleague Partner
- Rumzei Abdallah, Principal – Senior Manager
- Alissa Flury- Manager
- Hunter Clark – Senior

Same team as last year and all members of our national airport practice.



Scope of Audit

- **Financial Statement Audit**
 - GASB 101, *Compensated Absences*
 - GASB 102, *Certain Risk Disclosures*
- **Federal Single Audit**
- **Passenger Facility Charge (PFC) Compliance Audit**
- **Customer Facility Charge (CFC) Compliance Audit**
- **Management Letter with recommendations, if applicable**



Audit timeline

- Preliminary and information gathering phase – May-August 2025
- Risk assessment phase – May – August 2025
- Audit procedures
 - Interim audit testing – Week of May 19,2025
 - Fieldwork – August and September 2025
- Goal - Issuance – By October 20, 2025



Required Communications

- Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.
- Our audit of the financial statements does not relieve you or management of your responsibilities.



Audit Plan

We have identified the following areas during our initial brainstorming session related to significant risks of misstatement:

- Appropriate accounting for all revenues including inclusion of federal funding expenditures on SEFA (Schedule of Expenditures of Federal Awards) and any related revenue diversion.
- Management override of controls
- New Terminal 1 construction

In response to these identified significant risks, we will perform the following:

- Perform detail compliance testing in accordance with Federal regulations as well as recognition of revenue in the proper period.
- Review of a sample of invoices paid to related parties or others to ensure they are for services and airport related expenditures.
- Review and testing of internal controls over significant cycles.
- Review of internal controls and testing of samples related to construction of the New Terminal 1



Audit Plan

- We will gain an understanding of accounting processes and key internal controls through a review of the accounting procedures questionnaires and control procedures questionnaires prepared by management.
- We will confirm through observation and inspection procedures that accounting procedures and controls included in the questionnaires have been implemented.
- We will not express an opinion on the effectiveness of internal control over financial reporting; however, we will communicate to you significant deficiencies and material weaknesses identified in connection with our audit.
- The concept of materiality is inherent in our work. We place greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.



Information from You Relevant to Our Audit

- An important aspect of this communication process is the opportunity for us to obtain from you information that is relevant to our audit.
- We are in the process of meeting with the Chair's of the Board and Audit Committee
- We will discuss their views on:
 - Matters that warrant particular attention during the audit
 - Concerns related to actual or suspected fraud
 - Any particular business risks that may result in material misstatements
 - Any concerns related to related party transactions
 - Effectiveness of internal control and detection of fraud
 - Significant or unusual transactions
 - Any concerns related to fraud



Thank you for the opportunity to serve as auditors for the San Diego County Regional Airport Authority

For more information contact:

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Pamela.Hill@plantemoran.com

Rumzei Abdallah, Principal
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Blake Roe, Partner
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Alissa Flury, Manager
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Alissa.Flury@plantemoran.com

Audit Committee Report

Meeting Date: May 5, 2025

Subject:

Fiscal Year 2025 Third Quarter 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 the results of internal audit services to the Authority's Audit Committee and executive management quarterly.

The Fiscal Year 2025 Third Quarter Report from the Office of the Chief Auditor is submitted to the Audit Committee as Attachment A. The report describes the activities and the results of the OCA during the period January 1, 2025, through March 31, 2025, and includes details on all recommendations completed or in progress during the third quarter of Fiscal Year 2025.

A presentation by the OCA on its third quarter activities will be provided to the Audit Committee on May 5, 2025. Staff requests that the Audit Committee review the Fiscal Year 2025 Third Quarter Report and forward the report to the Board for acceptance.

Audit Committee Report

Meeting Date: May 5, 2025

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:

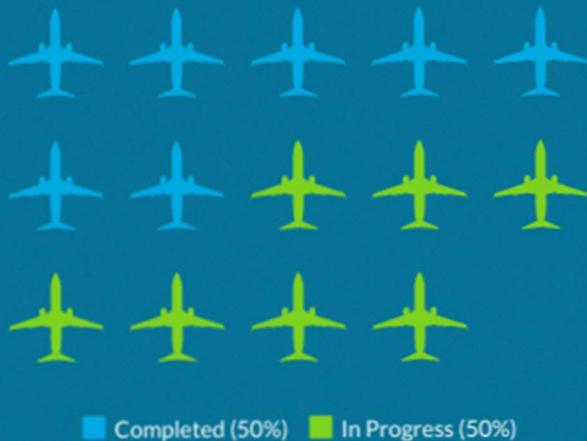
Lee M. Parravano
Chief Auditor



Office of the Chief Auditor Fiscal Year 2025 3rd Quarter Report

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

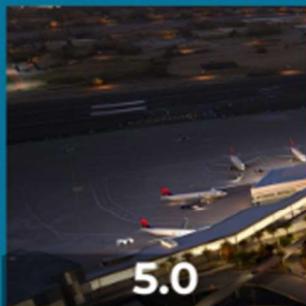
Audit Engagement Progress



Audit Engagements Completed vs. Benchmark & Goal



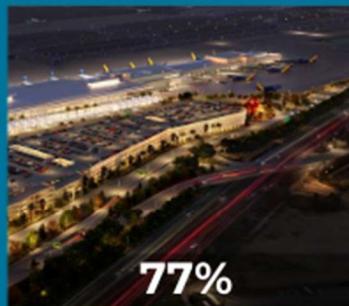
By The Numbers



5.0
Customer
Satisfaction
Rating



71%
Engagements
Completed Under
Budget



77%
Auditor Utilization
Percentage



100%
Recommendations
Accepted By
Management



SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Fiscal Year 2025

Third Quarter Report

Issue Date: May 5, 2025

OFFICE OF THE CHIEF AUDITOR

Third Quarter Summary

Executive Summary

During the third quarter, the Office of the Chief Auditor (OCA) continued its efforts on the Fiscal Year 2025 Audit Plan. By the end of the quarter, six audit reports and one advisory engagement had been completed, with all remaining engagements on the Audit Plan currently in progress. Additionally, the OCA initiated work on the annual Risk Assessment and Audit Plan, which is scheduled to be presented at the Audit Committee meeting on May 5, 2025.

Performance Measures

For Fiscal Year 2025, five major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Table 1.¹

Table 1: Status of Performance Measures as of March 31, 2025

#	Performance Measure	Goal	Actual	Benchmark
1	Customer satisfaction ratings from auditee	4.0	5.0	4.0
2	Percentage of audit and advisory engagements completed	60%	50%	60%
3	Percentage of recommendations accepted	95%	100%	95%
4	Percentage of staff time spent on audit and advisory engagements and general audit activities	76%	77%	76%
5	Percentage of audit and advisory engagements completed within budget	73%	71%	73%

Customer Satisfaction Rating:

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

Percentage of Audit and Advisory Engagements Completed:

As of the third quarter, the OCA completed 7 engagements, or 50%, of audit and advisory engagements (7/14 = 50%) that are planned to be completed in the Fiscal Year 2025 Audit

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

FISCAL YEAR 2025 THIRD QUARTER REPORT

Plan.² In addition to the seven engagements completed, the OCA had 7³ engagements (50%) in progress as of the end of the third quarter. The engagements completed in the third quarter are summarized in the upcoming section titled Audit & Advisory Engagements Completed.

The status of all activities in the Fiscal Year 2025 Audit Plan is included in Appendix A.

Percentage of Recommendations Accepted:

This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. As of the end of the third quarter 100% of all recommendations have been accepted.

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

This measure tracks the time spent on audit and advisory engagements and general audit activities.⁴ The OCAs goal is for staff to spend 76% of their working hours⁵ on audit engagements, advisory engagements, and general audit activities. The OCA is currently exceeding the goal established, spending 77% of time on audit engagements, advisory engagements, and general audit activities.

Percentage of Audit and Advisory Engagements Completed within Budgeted Time:

This category monitors the efficiency of audit staff in performing audits and advisory engagements. Specifically, audit staff are responsible for the internally prepared budget hours assigned to each audit or advisory engagement. As of the end of the third quarter of Fiscal Year 2025, the OCA completed 71% of its projects within the budgeted time⁶. The OCA is slightly below the goal of 73% established.

² The Fiscal Year 2025 Audit Plan has 16 audits and 3 advisory engagements. However, the five audits identified as "Tenant Lease Administration and Management – FY2025 Rental Car Companies", "Parking Management Contract Administration", "Construction Change Orders", "Construction Subcontracts", and "Construction Pay Applications" will carry forward into Fiscal Year 2026. This results in 11 audits and 3 advisory engagements (14 total engagements) on the Fiscal Year 2025 Audit Plan to be completed in the fiscal year.

³ The five audits identified as "Tenant Lease Administration and Management – FY2025 Rental Car Companies", "Parking Management Contract Administration", "Construction Change Orders", "Construction Subcontracts", and "Construction Pay Applications" are not counted as they will be carried forward, as anticipated, into Fiscal Year 2026.

⁴ Appendix A details all planned activities in these categories for Fiscal Year 2025.

⁵ Excludes Time Off (e.g., Holidays, Paid Time off).

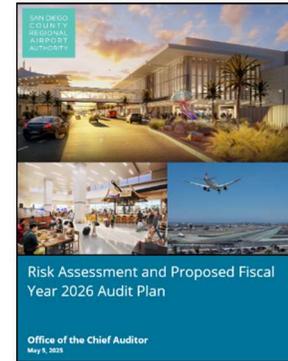
⁶ The audit "Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs" was a multi-year project. The OCA has increased this budget several times and the original budget was exceeded. However, for this audit we only looked at the number of hours in the FY 2025 budget vs the hours utilized.

General Audit Activities

In addition to performing audit engagements, the OCA is involved in other general audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required⁷ to perform these activities or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* is presented below.

Risk Assessment & Audit Plan

The OCA is required to submit a formal risk-based internal Audit Plan to the Audit Committee annually. The Risk Assessment & Audit Plan is the culminating result of data gathering, management discussions, surveys, and data analysis. The annual Risk Assessment & Audit Plan was formally initiated during the third quarter. The Risk Assessment & Proposed Fiscal Year 2026 Audit Plan will be presented to the Audit Committee at the May 5, 2025, Audit Committee meeting.



Construction Activities

During the third quarter of Fiscal Year 2025, the OCA collaborated with Baker Tilly, the on-call construction audit consultant, to develop the next phase of the construction audit plan for the New T1 Terminal & Roadways and Airside projects. Baker Tilly conducted an initial risk assessment on the Guaranteed Maximum Price phase, which was presented to the Audit Committee in February 2025. Consequently, the OCA initiated three new construction audits focusing on Pay Applications, Subcontracts, and Change Orders. Additionally, the OCA attended meetings related to the New T1 terminal and roadways, as well as the New T1 airside improvements projects. The OCA continues to address issues identified by ADC and Authority management, providing assistance as needed and participating in meetings concerning all aspects of the Authority's construction activities.

Development of Data Analytics

The OCA is actively exploring options to increase its audit coverage through data analytics and to identify where in-depth audits should be initiated. During the third quarter the OCA transitioned to a new data analytics platform called Power BI. Power BI is a Microsoft based product and will allow the OCA to easily connect and visualize data. The OCA utilized Power BI during field work on the *Fiscal Year 2024 Car Rental Companies audit*. The OCA anticipates issuing this audit in the fourth quarter of FY 2025.

The OCA is actively exploring other areas where data analytics could benefit the Authority and the OCA.

⁷ 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.

Fraud, Waste, Abuse, and Ethics Program

The OCA manages the Authority’s Ethics Program that includes a confidential Fraud, Waste, Abuse, and Ethics (FWA&E) reporting hotline. During the first three quarters of Fiscal Year 2025, the OCA received 5 tips/reports that were considered FWA&E related and 10 tips/reports that were not considered FWA&E related⁸. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate.

The hotline also allows individuals to ask questions about possible ethical matters, thus allowing individuals to make an informed ethical decision. During the first three quarters of Fiscal Year 2025, two (2) questions were received. We appreciate the efforts made by individuals aiming to ensure an ethical decision is reached.

A summary of the tips/reports received through the third quarter is shown in Table 2 below.

Table 2: Hotline Tips/Reports Received through the Third Quarter Fiscal Year 2025

Category	Number of Tips / Reports Received	Investigation Initiated by OCA or Others	Tip/Report was Investigated and was Substantiated
Fraud, Waste, Abuse, & Ethics Tips/Reports			
Misuse, Misappropriation of Assets	3	3	2
Human Resources	1	1 ⁹	-
Business Integrity	1	1 ⁹	-
Total Fraud, Waste, Abuse, & Ethics Tips/Reports	5	5	2
Non - Fraud, Waste, Abuse, & Ethics Tips/Reports			
Human Resources	8	-	-
Business Integrity	2	-	-
Total Non-Fraud, Waste, Abuse, & Ethics Tips/Reports	10	-	-
Total Hotline Tips/Reports	15	5	2

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

⁸ Tips/Reports that are Non-FWA&E related are tracked but are not investigated by the OCA. An example of a non-FWA&E related tip/report is a traveler reporting an issue with a water filling station in the terminal. Generally, these tips/reports are forwarded to management to address.

⁹ As of the end of the third quarter these tips are still under investigation.

FISCAL YEAR 2025 THIRD QUARTER REPORT

or to the owner of the specific recommendation(s) (See Appendix B). 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.

Table 3 below shows the number of recommendations that were *Completed* or *In Progress* through the third quarter of Fiscal Year 2025, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, two were implemented within the initial timeframe identified when the recommendations were issued. Of the In Progress recommendations, three recommendations were still within the initial timeframe identified for implementation.

In general, the OCA is satisfied with the progress Authority departments are making.

Table 3: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total ¹⁰
Completed	3	-	-	3
In Progress	1	3	3	7

Quality Assurance and Improvement Program

The Institute of Internal Auditors' (IIA) *Standards* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP) that includes:

1. Ongoing monitoring (required annually).
2. Internal assessments (required periodically – Next scheduled for FY 2027).
3. External assessments (required every 5 years - Next scheduled for FY 2028).

The OCA completed ongoing monitoring of its Fiscal Year 2024 activities and operations during the first quarter of Fiscal Year 2025. The OCA found no items that would impact audit report quality. Full results are included in the Fiscal Year 2024 OCA Annual Report as part of the September 9, 2024, Audit Committee Meeting materials.

In the second quarter the OCA updated both executive management and the Audit Committee on the Global Internal Audit Standards (GIAS). The OCA is transitioning to the new GIAS, which became effective in the third quarter on January 9, 2025. To facilitate this transition, the OCA has drafted new Policies and Procedures and conducted a gap analysis to pinpoint areas requiring changes or improvements.

¹⁰ Recommendation(s) contained in confidential audit reports are not included in Table 3 or in Appendix B. They are tracked separately by the OCA.

Administrative

The activities that reside within the administrative classification include meetings attended by the OCA, holiday and vacation time, and the fulfillment of Continuing Professional Education (CPE) requirements.

Tracking Budget and Expenses

The OCA expenses totaled approximately \$886,000 through the end of the third quarter, which represents 59% of the Fiscal Year 2025 budget. No unexpected or large outlays occurred within the department through the end of the third quarter of Fiscal Year 2025. The OCA expects to remain under budget through the fiscal year-end.

Continuing Professional Development

OCA staff continue to obtain Continuing Professional Education (CPE) credits as required by their various certifications. The OCAs CPE credits are tracked on a calendar year basis. At the end of the calendar year 2024 all OCA staff met their respective CPE requirements. In the third quarter, staff attended training on topics that included the new Global Internal Audit Standards and development of an internal audit strategy. Additionally, Shane Ellis and Lee Parravano were speakers at the Association of Airport Internal Auditors Rent A Car Symposium.

Procedural/Supervisory

One Audit Committee meeting took place during the third quarter, which occurred on February 10, 2025. The meeting contained all regularly scheduled agenda items, of which the OCA assisted in coordination with the Committee Chair and the Clerk's Office.

Staffing

During the third quarter, the Office of the Chief Auditor (OCA) worked with Human Resources to recruit for a vacant Senior Auditor position. The OCA aims to hire a new internal auditor as soon as possible.

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 2025 THIRD QUARTER REPORT

Appendix A – Fiscal Year 2025 Audit Plan

#	Activity	Status as of 3/31/2025	Over/ Under Budget
Audit			
1	Tenant Lease Admin. & Management – FY 2024 Rental Car Companies	In Progress	
2	Tenant Lease Admin. & Management – ABRM Data Accuracy	In Progress	
3	Tenant Lease Admin. & Management – Sixt	Completed	Under
4	Tenant Lease Admin. & Management – FY 2025 Rental Car Companies ¹¹	In Progress	
5	System Security	In Progress	
6	Parking Management Contract Administration ¹¹	In Progress	
7	Tenant Lease Admin. & Management – Hertz	Completed	Over
8	Account Provisioning / Deprovisioning	Completed	Under
9	Tenant Lease Admin. & Management – High Flying Foods Package 7	Completed	Under
10	Small Business Management	Completed	Over
11	Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs	Completed	Under
12	Harbor Police Contract Management – Fiscal Years 2021, 2022, 2023, 2024	In Progress	
13	Purchase Goods and Services	In Progress	
14	Construction Change Orders ¹¹	In Progress	
15	Construction Subcontracts ¹¹	In Progress	
16	Construction Pay Applications ¹¹	In Progress	
Advisory			
17	Harbor Police Contract Management	In Progress	
18	Tenant Lease Admin. & Management – New Rental Car Company Reporting	In Progress	
19	Accounts Payable Automation	Completed	Under
General Audit			
20	Risk Assessment & Audit Plan	In Progress	
21	Construction Meeting Attendance & Coordination	In Progress	
22	Development of Data Analytics	In Progress	
23	Fraud, Waste, Abuse, and Ethics Program	In Progress	
24	Recommendation Follow-up	In Progress	
25	Quality Assurance & Improvement Program	In Progress	
Administrative			
26	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	In Progress	
27	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	In Progress	

¹¹ Audit engagement is not anticipated to be completed in Fiscal Year 2025 and will be carried forward to Fiscal Year 2026.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2025
Completed						
25-01	Audit Report 24012 Issued: September 30, 2024 Title: High Flying Foods San Diego Partnership Package #7 Department: TERMINAL BUSINESS DEVELOPMENT	Low	We recommend that RG&PD require High Flying Foods to review its accounting or internal control procedures and ensure that Gross Receipts reported by their store/locations are accurate.	10/31/2024	1/24/2025	RGPD has taken action regarding this recommendation. A letter detailing the Airport's request was sent to HFF on January 24, 2025. Additionally management met with HFF's controller in January to discuss the recommendation further.
25-20	Audit Report 24009 Issued: November 22, 2024 Title: Active Directory Management Department: INFORMATION AND TECHNOLOGY SERVICES	Medium	I&TS should work with HR and other departments to ensure that I&TS is notified of separated employees, contractors, or VPN users to facilitate the deactivation of AD user accounts in a timely manner.	1/30/2025	1/30/2025	I&TS implemented steps to facilitate the deactivations in a timely manner.
25-28	Audit Report 24001 Issued: January 8, 2025 Title: Small Business Development Department: SMALL BUSINESS DEVELOPMENT	Medium	Small Business should leverage, to the extent possible, the efforts of other individuals, departments, and contractors to ensure the accuracy of data.	6/30/2025	3/31/2025	SBD staff is meeting regularly with staff from ADC and Labor Compliance ensure all DBE activity is being captured. CUF reviews by SBD are ongoing.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2025
In Progress						
24-09	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance Department: AIRPORT DESIGN & CONSTRUCTION	High	ADC should work with the JV, and General Counsel if appropriate, to determine the most appropriate way to receive reimbursement of the \$1,290,000.	9/30/2024	6/30/2025	The JV has agreed to reimburse the Authority for the underpayments. ADC is working with the JV on processing the repayment.
24-11	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance Department: AIRPORT DESIGN & CONSTRUCTION	High	ADC should work with the JV to determine the most appropriate way to receive the credits of \$144,915 for the unapproved administrative fees and \$847,195 for the duplicate coverage.	9/30/2024	6/30/2025	The JV has agreed to reimburse the Authority for the underpayments. ADC is working with the JV on processing the repayment.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2025
In Progress						
24-10	Audit Report 23011 Issued: March 14, 2024 Title: Terminal and Roadways Project Insurance Department: AIRPORT DESIGN & CONSTRUCTION	Low	We recommend ADC seek reimbursement for the audit costs in the amount of \$82,413 from the JV.	4/30/2024	6/30/2025	The JV has agreed to reimburse the Authority for the underpayments. ADC is working with the JV on processing the repayment.
25-23	Audit Report 25010 Issued: December 27, 2024 Title: The Hertz Corporation Department: LANDSIDE BUSINESS DEVELOPMENT	Medium	RG&PD should request that the Accounting Department issue a credit to Hertz for \$86,976 for the overpayment of CFCs. Additionally, RG&PD should recommunicate to Hertz on the correct calculation of a rental day.	1/31/2025	4/30/2025	The credit to Hertz was issued and completed on January 6, 2025. The issue with the 25-hour calculation is included in the FY24 audit that is being completed now, and Landside Business Development will meet with Hertz to review the calculation instructions and their current methods. That meeting will be completed no later than April 30, 2025.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2025
In Progress						
25-24	Audit Report 24001 Issued: January 8, 2025 Title: Small Business Development Department: SMALL BUSINESS DEVELOPMENT	Medium	The Authority should ensure adequate resources are available to recruit, train, and retain professionals with the knowledge required to administer a Small Business program in accordance with federal regulations. Specifically, to ensure the accuracy and timeliness of information in B2Gnow, Small Business should allocate resources specifically for its management and should implement processes to regularly monitor and ensure data quality.	12/31/2025	12/31/2025	The recruitment for the Program Coordinator position has started and the top three candidates have scheduled interviews for the first week of April. The Small Business Development department is presently engaged in the recruitment process to fill a staff vacancy. All three SBD staff members have registered for the B2Gnow user conference in April.
25-26	Audit Report 24001 Issued: January 8, 2025 Title: Small Business Development Department: SMALL BUSINESS DEVELOPMENT	Medium	Small Business should submit the DBE Uniform Reports to the FAA as soon as the information is accurate and available. In the future, Small Business should ensure the reporting is done within the required timeframe.	8/30/2025	8/30/2025	We anticipate that all outstanding DBE and ACDBE reports will be ready for General Council review by April 30, 2025.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2025
In Progress						
25-27	Audit Report 24001 Issued: January 8, 2025 Title: Small Business Development Department: SMALL BUSINESS DEVELOPMENT	Medium	Small Business should provide periodic reports to Authority Management and the Board of Directors on ACDBE, DBE, small, local, and veteran-owned business participation.	10/31/2025	10/31/2025	Staff gives regular updates to Division VP. Staff will make a presentation to CIPOC in July. SBD Manager will meet with CEO in June and Division VP and Senior Director, External Relations are in regular communication with CEO regarding Small Business.

Fiscal Year 2025 Third Quarter Report from the Office of the Chief Auditor

January 1, 2025, through March 31, 2025

Audit Committee Meeting May 5, 2025

Agenda

- Fiscal Year 2025 Performance Measures
- General Audit Activities
 - Recommendation Follow-Up
 - Fraud, Waste, Abuse, & Ethics
- Administrative

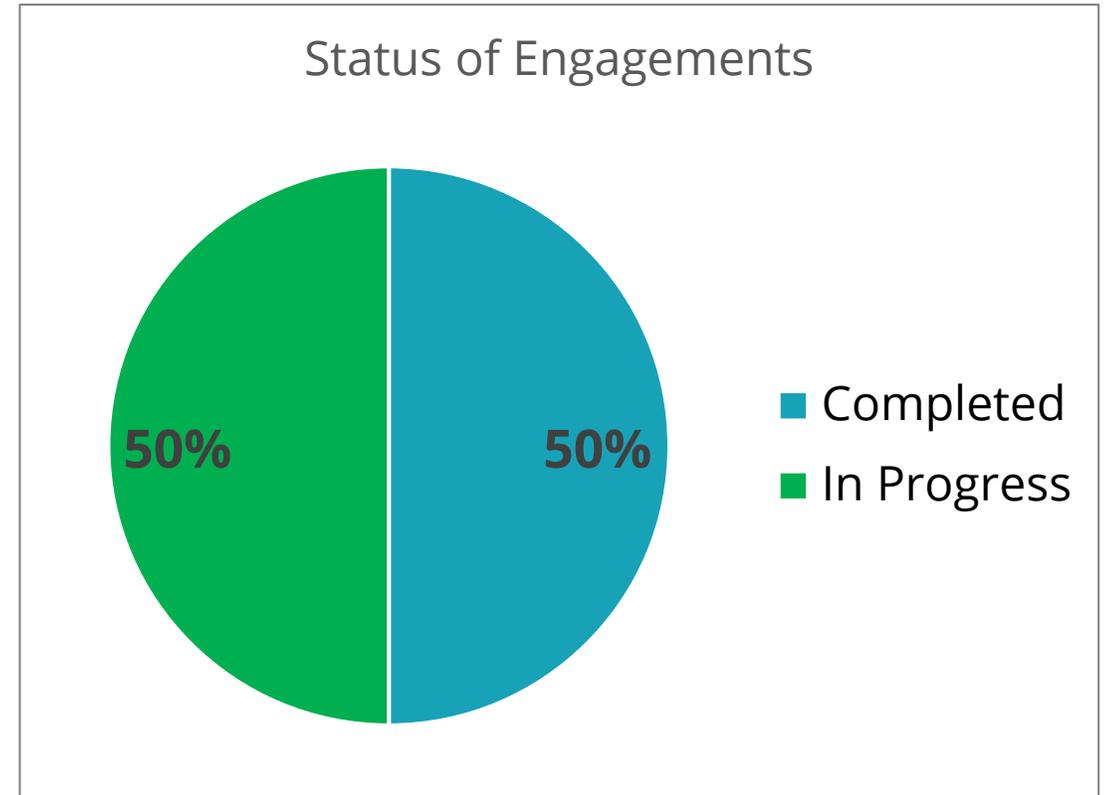
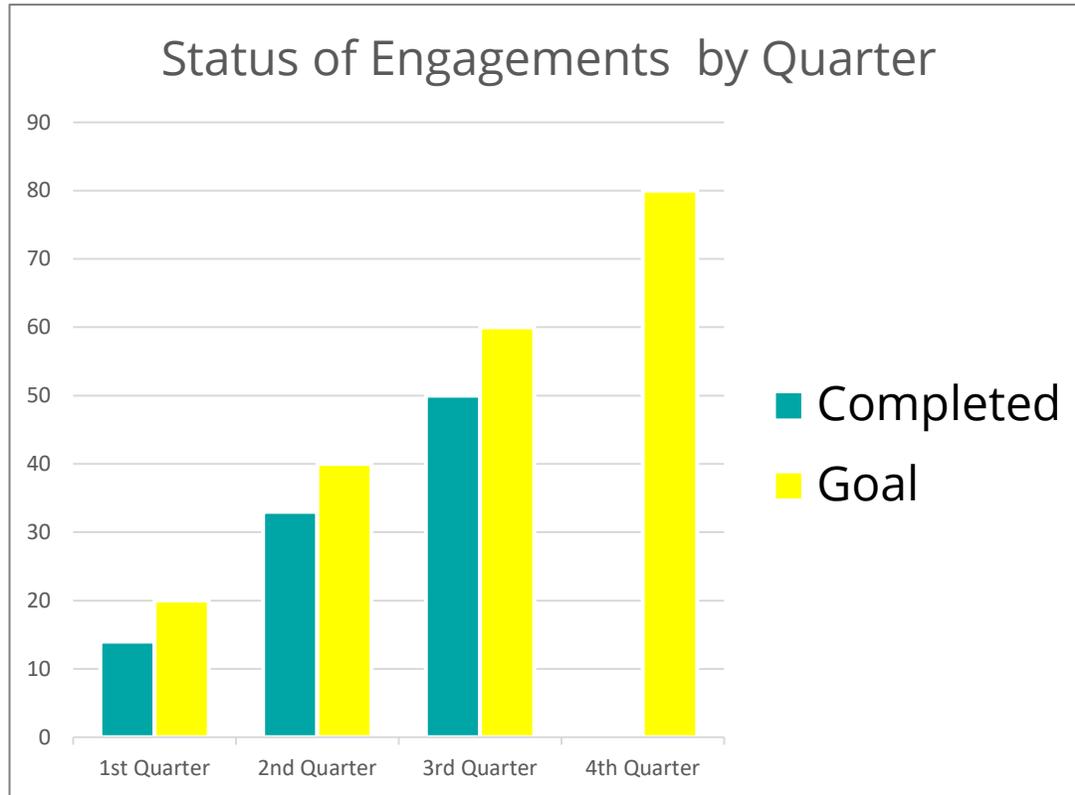


Fiscal Year 2025 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Customer Satisfaction Rating from Auditee	4.0	5.0	4.0
Percentage of Audit and Advisory Engagements Completed	60%	50%	60%
Percentage of Recommendations Accepted	95%	100%	95%
Percentage of Staff Time Spent on Audit and Advisory Engagements and General Audit Activities	76%	77%	76%
Percentage of Audits and Advisory Engagements Completed within Budget	73%	71%	73%

Performance Measures - Additional Details

Percentage of Engagements Completed



General Audit Activities - Recommendation Follow-Up

Recommendation Follow Up

Status as of March 31, 2025			
Completed	In Progress	Not Accepted	Tracked
3*	7**	-	10

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

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

Estimated Implementation Timeframe for In Progress Recommendations

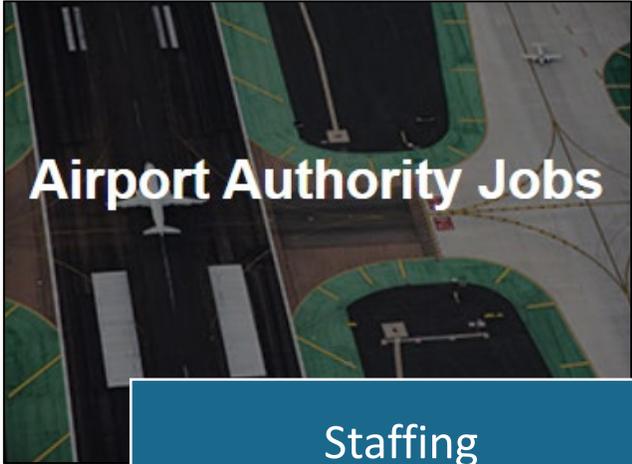


General Audit Activity - Fraud, Waste, Abuse, & Ethics

Category	Number of Tips / Reports Received as of March 31, 2025	Investigation Initiated by OCA or Others	Tip/Report was Investigated and was Substantiated
Fraud, Waste, Abuse, & Ethics Tips/Reports			
Misuse or Misappropriation of Assets	3	3	2
Human Resources	1	1*	-
Business Integrity	1	1*	-
Total Fraud, Waste, Abuse, & Ethics Tips/Reports	5	5	2

*Under investigation as of March 31, 2025.

Administrative



Staffing



Employee Appreciation



Association of Airport Internal Auditors

Questions?

Audit Committee

Meeting Date: May 5, 2025

Subject:

Risk Assessment and Proposed Fiscal Year 2026 Audit Plan of the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

As directed by the Charter for the Office of the Chief Auditor (OCA), a risk-based internal Audit Plan must be submitted at least annually to the Audit Committee. After the Committee reviews and accepts the plan, it is sent to the San Diego County Regional Airport Authority Board for approval.

The Fiscal Year 2026 Proposed Audit Plan was prepared by the OCA based on a comprehensive Risk Assessment, input from Board Members and Audit Committee Members, input from Authority management, and a review of available staff resources. Details on the Risk Assessment methodology are included in Attachment A.

The proposed OCA Fiscal Year 2026 Audit Plan (Attachment 1) will be presented during the regularly scheduled meeting of the Audit Committee on May 5, 2025. The Fiscal Year 2026 Audit Plan, and any subsequent revisions, require five (5) affirmative votes from the Audit Committee before Board approval.

Fiscal Impact:

A proposed Fiscal Year 2026 Operating Budget for the OCA to execute the Fiscal Year 2026 Audit Plan is \$1,529,000. Additionally, the OCA will continue to augment its staff for audit work related to the New T1 by utilizing the consulting services of a professional on-call construction audit service provider with expertise in large construction projects. The estimated cost for New T1 construction auditing is approximately \$1,500,000 over a seven-year period and is funded from the Airport Development Program capital budget. The proposed budget for New T1 construction auditing is \$875,000 in Fiscal Year 2026.

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



Risk Assessment and Proposed Fiscal Year 2026 Audit Plan

Office of the Chief Auditor
May 5, 2025

Office of the Chief Auditor

Risk Assessment and Proposed Fiscal Year 2026 Audit Plan

INTRODUCTION

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

A risk assessment for audit planning involves systematically scoring the impact of various risk factors, which are indicators of conditions or events that could adversely affect the San Diego County Regional Airport Authority (Authority). This assessment helps identify, measure, and prioritize activities based on their risk level. The results, combined with input from the Authority Board, Audit Committee, and management, were used to prepare the OCA Audit Plan for Fiscal Year 2026. The plan focuses on high-risk activities where the OCA can have the greatest impact, while ensuring the scope of work is achievable within the fiscal year.

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2026 Audit Plan is a five-part process consisting of:

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

The annual internal Audit Plan is designed to support the OCAs strategic objectives by focusing on areas that are critical to the Authority's success. This ensures that the audit activities are relevant and contribute to the overall strategic goals and the OCA's vision. See **Attachment 4** for the OCAs Vision and Strategic Objectives.

The Audit Plan also considers the OCAs Mandate as described in the Charter for the Office of the Chief Auditor.

DEVELOPING THE RISK ASSESSMENT FRAMEWORK

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

DEFINING THE AUDIT UNIVERSE

After the framework is adopted, the next step is to define the audit universe. The audit universe is a listing of all the potential audits that can be performed for the Authority. The list of potential audits is created by surveying Authority management and asking them to provide a list of all the Key Work Activities within their specific departments. Key Work Activities are the major functions/activities carried out by the Authority. An example of an

Office of the Chief Auditor

Risk Assessment and Proposed Fiscal Year 2026 Audit Plan

Accounting Department Key Work Activity is Bank Reconciliations. Key Work Activities do not include items like checking email.

For the New Terminal 1 Development (New T1), in Fiscal Year 2022 the OCA began a multi-year partnership with an on-call construction audit service provider (Baker Tilly, U.S., LLP) to audit the related construction activities. Baker Tilly is performing individual Risk Assessments on each specific package of the New T1. Internal auditing *Standards* require the OCA to ensure proper coverage and minimize the duplication of effort. Therefore, in compliance with the *Standards*, the OCA is utilizing Baker Tilly's individualized risk assessments to prioritize potential construction audit activities based on the level of risk. Key Work Activities for the Development Division in charge of the New T1 were excluded from this assessment.

IDENTIFYING AND RANKING RISKS

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

Table 1

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

Management scored the level of risk/control on each of their department's Key Work Activities from Low to High. An integral step to complete the Risk Assessment was to calculate

Office of the Chief Auditor

Risk Assessment and Proposed Fiscal Year 2026 Audit Plan

the total Likelihood and Impact for each Key Work Activity. The Key Work Activities with the highest risk score within each Authority Division is provided in **Attachment 3**.

INTERPRETING THE RISK ASSESSMENT RESULTS

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

DEVELOPING THE AUDIT PLAN

The Audit Plan reflects the results of a continuous Risk Assessment process gathered from various sources including, but not limited to, management questionnaires, interviews with staff, and the results of previous audits/ advisory service engagements/ risk assessments. Additionally, selection of activities for the Audit Plan includes examining various factors, such as: time of last audit engagement, velocity of impact if a risk event were to occur, relevant or current events, areas where the OCA can have the greatest impact, requests by Authority management or Board, resource limitations that may exist, and if outsourcing or co-sourcing arrangements are available to supplement the Audit Plan. This can result in the OCA selecting activities for inclusion in the Audit Plan that may not have the highest likelihood or impact scores. The Audit Plan reflects consideration given to all these factors. The proposed Fiscal Year 2026 Audit Plan is included as **Attachment 1**.

AUDIT RESOURCES

The Audit Plan relies heavily on the identified risks and the availability of internal audit resources, which are determined through the budgeting process. The Fiscal Year 2026 budget for the OCA includes six full-time auditors and one executive assistant. Currently, the executive assistant position and one Sr. Auditor role are vacant. The OCA is actively recruiting for the Sr. Auditor role and aims to fill it by July 1, 2025. The Audit Plan assumes all auditor roles will be filled in Fiscal Year 2026, providing 12,480 staff hours, as detailed in Table 2 and Attachment 1.

Table 2

Office of the Chief Auditor	Staff	Hours per Staff	Hours Available
Full Time Auditors	6	2,080	12,480
Hours for Fiscal Year 2026 Audit Plan			12,480

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

Office of the Chief Auditor

Risk Assessment and Proposed Fiscal Year 2026 Audit Plan

Fiscal Year 2026 resources also include the OCAs continuing partnership with the outside construction auditing firm, Baker Tilly. Baker Tilly will assist the OCA in conducting audit construction activities related to the New T1. The OCA plans to utilize Baker Tilly to supplement current staff capabilities and the Proposed Audit Plan in Attachment 1. Audits conducted by Baker Tilly are based on Risk Assessments performed and will only occur after the OCA has approved the scope and associated costs. The OCAs proposed construction auditing costs for the Fiscal Year 2026 capital budget includes approximately \$875,000 to perform audits related to the New T1.

The OCA believes the human resources are adequate and sufficient to achieve the Audit Plan.

CONTINGENT AUDIT ACTIVITIES

The OCA has included contingent audit activities in the Proposed Fiscal Year 2026 Audit Plan, which will be initiated if all planned activities for the fiscal year are completed. If these contingent activities are not started in Fiscal Year 2026, they will be considered for the Fiscal Year 2027 Audit Plan. These activities are detailed in **Attachment 2**.

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

AMENDMENTS TO THE AUDIT PLAN

Requests to amend the Audit Plan will be submitted to the Audit Committee, with priority given to revisions that could result in significant financial savings or address integrity issues in the workplace. Any amendment must be approved by the Board, requiring five affirmative votes from the Audit Committee before Board approval.

Office of the Chief Auditor
Proposed Fiscal Year 2026 Audit Plan

ATTACHMENT 1

Division	Key Work Activity	Objective ¹	Estimated Hours
Audit Hours			
Revenue Management and Innovation	Tenant Lease Administration and Management ²	To determine if Airport Rental Car Companies accurately paid concession fees and Customer Facility Charges (CFCs) / Transportation Facilities Charges (TFC) in fiscal year 2025, in all material respects. <i>Audit Engagement #25004</i>	300
Operations	Parking Management Contract Administration ²	To determine if the parking management contract is administered appropriately. <i>Audit Engagement #25009</i>	650
Operations	Harbor Police Contract Mgmt. ²	To determine if Harbor Police costs or services are appropriate related to fiscal years 2021, 2022, 2023, and 2024. <i>Audit Engagement #25006</i>	400
Development	Construction ²	To determine compliance with the change order process within ADC. <i>Audit Engagement #25015 - Baker Tilly</i>	100
Development	Construction ²	To evaluate compliance with bid, award, and billing requirements of subcontracts. <i>Audit Engagement #25016 - Baker Tilly</i>	850
Development	Construction ²	To determine if costs within payment applications are allowable and meet requirements. <i>Audit Engagement #25017 - Baker Tilly</i>	150
Revenue Management and Innovation	Tenant Lease Administration and Management ²	To determine if appropriate internal controls in the property management software (ABRM) are appropriate. <i>Audit Engagement #26001</i>	650
Finance	Payroll	To determine if the Social Security (Section 218 Agreement) process was administered appropriately. <i>Audit Engagement #26002</i>	450
Revenue Management and Innovation	Tenant Lease Administration and Management ³	To determine if Airport Rental Car Companies accurately paid concession fees and Customer Facility Charges (CFCs) / Transportation Facilities Charges (TFC) in fiscal year 2026, in all material respects. <i>Audit Engagement #26003</i>	500
Finance	System Security	To evaluate the Authority's security posture by performing testing of a selected Information Technology system. <i>Audit Engagement #26004</i>	350
Operations	ARFF Management	To determine if costs included in ARFF billings are appropriate. <i>Audit Engagement #26005</i>	600

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

² Audit activity has been carried forward from fiscal year 2025.

³ Audit activity will continue into fiscal year 2027.

Office of the Chief Auditor
Proposed Fiscal Year 2026 Audit Plan

ATTACHMENT 1

Division	Key Work Activity	Objective ¹	Estimated Hours
N/A	To Be Determined	To initiate audit(s)/advisory engagements based on risks identified at the discretion of the Chief Auditor.	350
		Total Audit Hours	5,350
Advisory Service Hours			
Operations / Finance	Harbor Police Contract Mgmt.	To provide management assistance with recommendations related to the Harbor Police Contract. <i>Advisory Service Engagement #26006-AS</i>	600
Revenue Management and Innovation	Tenant Lease Administration and Management	To provide management assistance with Rent a Car Companies related to reporting and payment of concession fees and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC). <i>Advisory Service Engagement #26007-AS</i>	50
		Total Advisory Service Hours	650

Office of the Chief Auditor
Proposed Fiscal Year 2026 Audit Plan

ATTACHMENT 1

Division	Key Work Activity	Objective ¹	Estimated Hours
General Audit Hours			
N/A	Risk Assessment and Audit Plan ⁴	To conduct a Risk Assessment that will identify the high-risk activities to be considered when preparing the annual Audit Plan.	252
Development	Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the External Construction Auditor.	300
N/A	Development of Data Analytics	Enhance or develop the data analytics program.	200
N/A	Fraud, Waste, Abuse & Ethics Program ⁴	To review policies, perform training, and investigate reported incidents.	400
N/A	Recommendation Follow-up ⁴	To verify that internal and external audit recommendations have been implemented as intended.	160
N/A	Quality Assurance & Improvement Program ⁴	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	400
		Total General Audit Hours	1,712
Administrative Hours			
N/A	Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,632
N/A	Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,136
		Total Administrative Hours	4,768
		Total Hours	12,480

⁴ 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 2026 Contingent Audit Activities

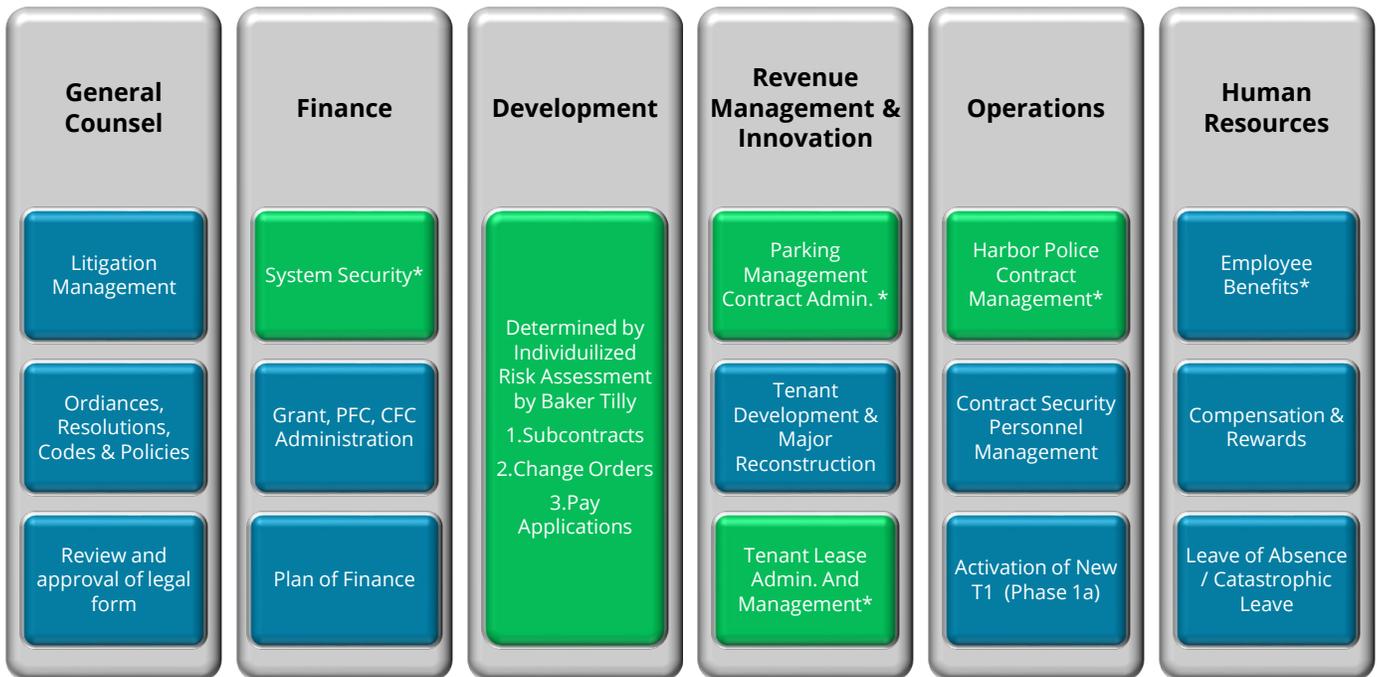
Division	Key Work Activity	Objective ⁵	Estimated Hours
Revenue Management and Innovation	Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) were accurately paid for a selected Rental Car Company based on Data Analytics or new entity.	400
Operations	Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
Revenue Management and Innovation	Tenant Lease Administration and Management	To determine if a selected in terminal concession contract correctly calculated and remitted concession fees due.	350
Revenue Management and Innovation	Tenant Lease Administration and Management	To determine if 3MP Rent a Car accurately paid concessions and Transportation Facility Charges (TFC).	350
Operations	Parking Management Contract Administration	To determine if Dynamic Pricing is being managed appropriately.	550
Operations	TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475
Development	Small Business Management	To determine if the Authority complies with applicable Federal Regulations for Small Business.	525
Revenue Management and Innovation	Advertising	To determine if the concessions marketing program is managed appropriately.	500
Operations	Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	To determine if the processes and controls in place for citations are adequate and appropriate.	500

⁵ Objective may change based on the preliminary survey performed by the OCA.

Office of the Chief Auditor
Fiscal Year 2026 Contingent Audit Activities

ATTACHMENT 2

Division	Key Work Activity	Objective	Estimated Hours
Development	Curfew Violations	Determine if Curfew Violations are administered appropriately.	500
Finance	P Card Administration	To determine if the Authority's P Cards are administered appropriately.	500
Operations	Contract Security Personnel Management	To determine if the contract for the Authority's security personnel is administered appropriately.	550
Operations	On Airport Paramedic Services Contract Management	To determine if the EMT contract is administered appropriately.	500
Revenue Management and Innovation	Tenant Lease Administration and Management	To determine if the contract for advertising is administered appropriately.	500
		Total Contingent Audit Hours	6,850



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

Indicates this Key Work Activity or components of this Key Work Activity are included in the Fiscal Year 2026 Audit Plan.

Vision

To be recognized as a leading internal audit function that is trusted and proactive in promoting a culture of accountability, transparency, and continuous improvement across the Authority.

Strategic Objectives

1. Enhance Audit Methodologies
2. Strengthen Stakeholder & Community Relationships
3. Promote Continuous Improvement & Build a Strong Audit Team
4. Leverage Technology, Innovation, and Outside Professionals
5. Enhance Communication and Reporting

Risk Assessment and Proposed Fiscal Year 2026 Audit Plan of the Office of the Chief Auditor

Defining the Audit Universe



Defining the Audit Universe



Likelihood

- Complexity
- Change in Process
- Controls in Place

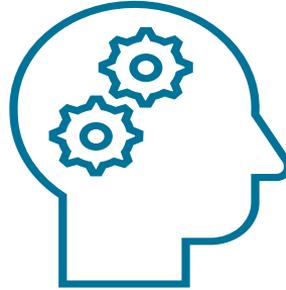
Impact

- Financial
- Traveler
- Strategic
- Reputation

Interpreting the Risk Assessment Results



Sort Results

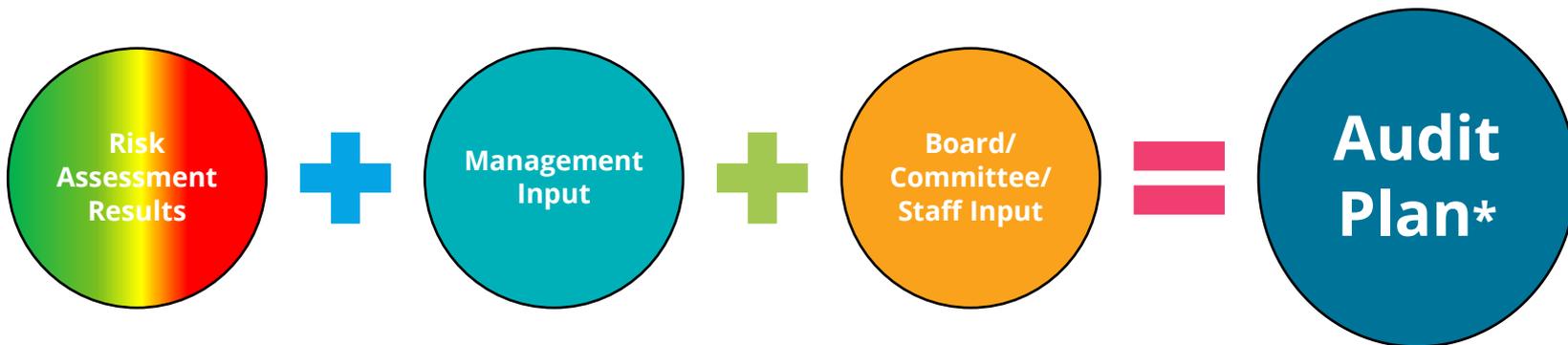


**Compare to
Expectations**



Possibly Re-Rank

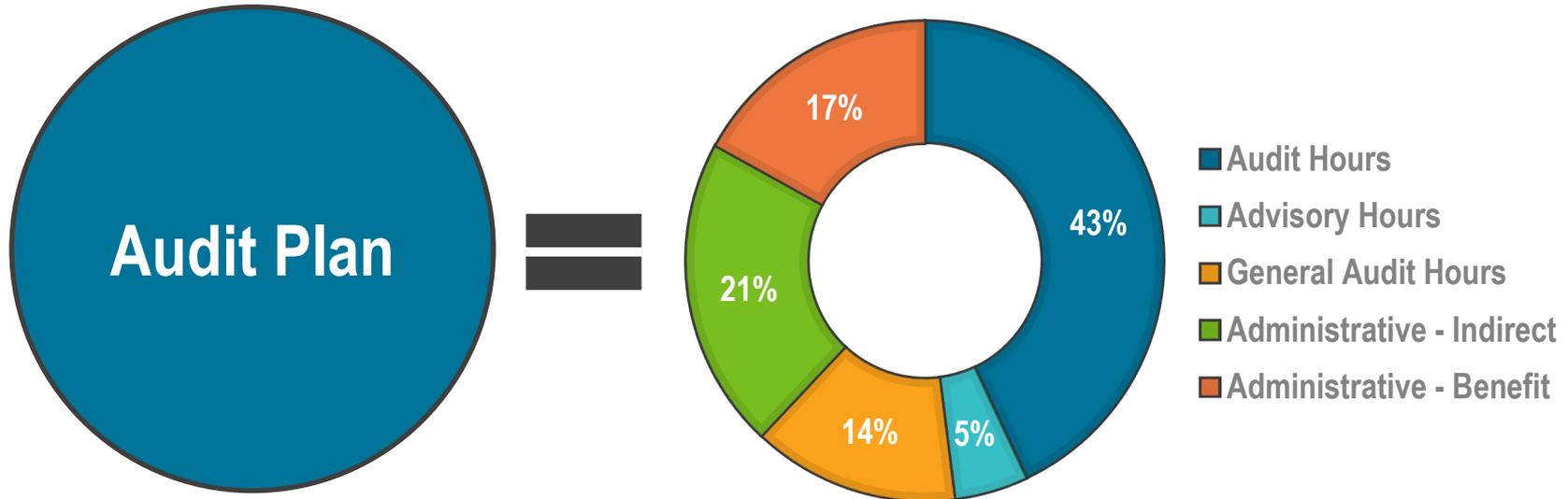
Audit Plan Development



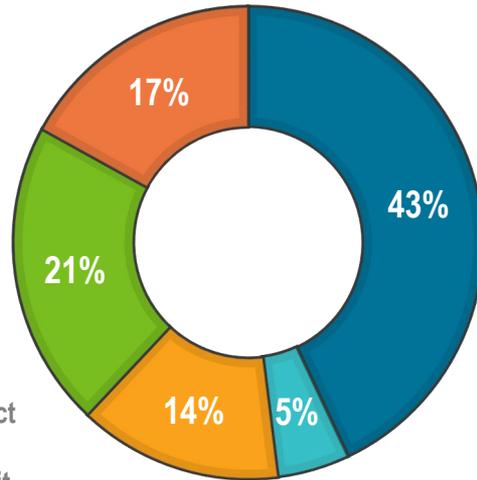
*Supports the OCA's
Vision & Strategic
Objectives

Audit Resources (Internal)

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



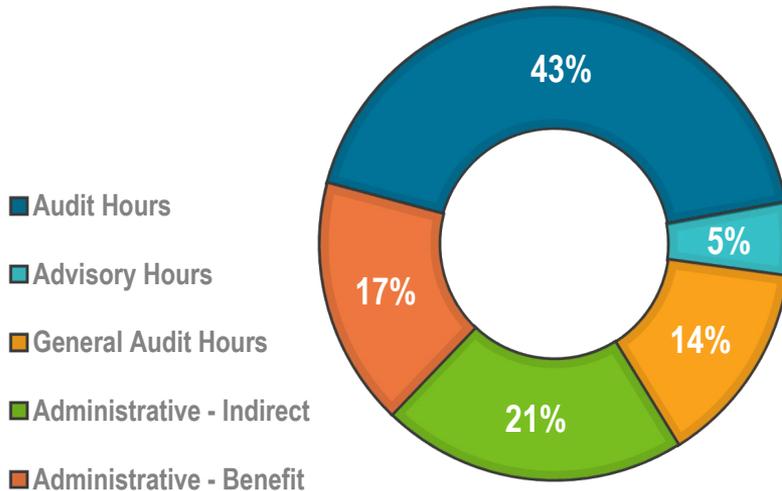
Proposed Audit Plan & Hours



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

Audit	Hours
Data Analytics – Rent A Car Companies FY 2025	300
Parking Management	650
Harbor Police 2021-2024	400
Change Orders	100
Subcontracts	850
Pay Applications	150
Software – ABRM Internal Controls	650
Payroll – 218 Agreement	450
Data Analytics - Rent A Car Companies FY 2026	500
IT Security	350
Aircraft Rescue and Firefighting (ARFF)	600
To Be Determined	350
Total Audit Hours	5,350

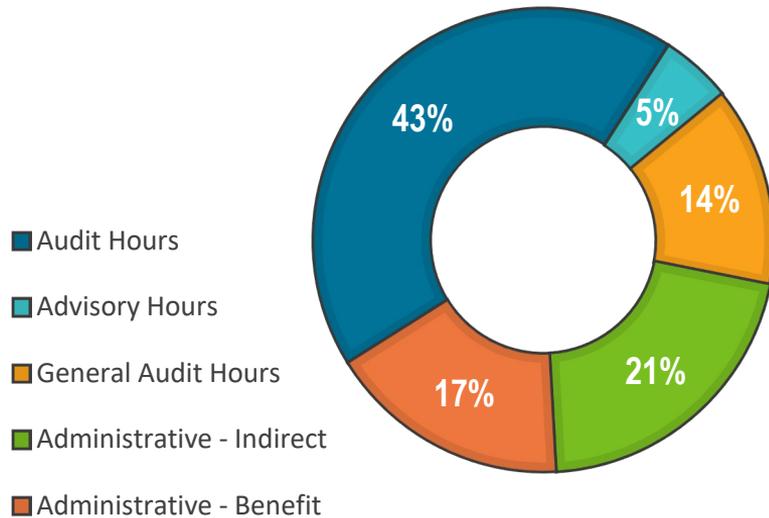
Proposed Audit Plan & Hours



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

Advisory	Hours
Harbor Police	600
Rent A Car	50
Total Advisory Hours	650

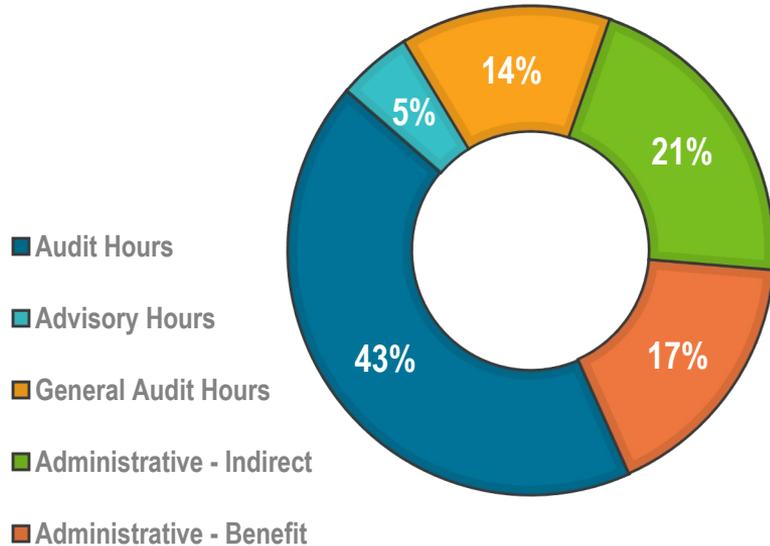
Proposed Audit Plan & Hours



General Audit	Hours
Construction Activities	300
Risk Assessment & Proposed Audit Plan*	252
Development of Data Analytics	200
Ethics Program*	400
Recommendation Follow-up *	160
Quality Assurance & Improvement Program*	400
Total General Audit Hours	1,712

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

Proposed Audit Plan & Hours



General & Administrative Activity	Hours
Administrative - Indirect (Meetings, CPE, Other)	2,632
Administrative - Benefit (Vacation & Holiday)	2,136
Total General & Administrative Hours	4,768

Proposed Contingent Audits & Hours

Audit	Hours
Rent A Car Co. To Be Determined Based on Data Analytics or a New Entity	400
Rental Car Shuttle Service Contract Administration	650
In Terminal Concession	350
3MP Rent A Car	350
Parking Management Contract Administration - Dynamic Pricing	550
TNC Contract Administration & Revenue Collection	475
Small Business	525
Advertising – Concessions Marketing	500
Citations	500
Curfew Violations	500
P Card Administration	500
Contract Security Personnel Management	550
Paramedic / EMT Contract Administration	500
Tenant Lease Administration and Management – Advertising Contract	500
Total Contingent Hours	6,850

OAs Vision and Strategic Objectives

Vision

To be recognized as a leading internal audit function that is trusted and proactive in promoting a culture of accountability, transparency, and continuous improvement across the Authority.

Strategic Objectives

1. Enhance Audit Methodologies
2. Strengthen Stakeholder & Community Relationships
3. Promote Continuous Improvement & Build a Strong Audit Team
4. Leverage Technology, Innovation, and Outside Professionals
5. Enhance Communication and Reporting

QUESTIONS?

Audit Committee Report

Meeting Date: May 5, 2025

Subject:

Fiscal Year 2026 Proposed Budget for the Office of the Chief Auditor and Fiscal Year 2027 Proposed Conceptual Budget Expense Summary

Recommendation:

Staff recommends that the Audit Committee accept the Office of the Chief Auditor's proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2026-2027 Budget process that may include debt issuance or refinancing, with a recommendation for Board approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***

Background/Justification:

In accordance with the San Diego County Regional Airport Authority's Fiscal Year 2026-2027 Budget process, which was initiated by the Authority's Finance Division on January 29, 2025, the Chief Auditor created a Proposed 2026 Budget and a Proposed 2027 Conceptual Budget for the Office of the Chief Auditor (OCA). The OCAs proposed budgets contain the anticipated expenditures and headcount necessary to carry out its duties in the coming fiscal years.

The Fiscal Year 2026 Proposed Budget and 2027 Proposed Conceptual Budget will be presented to the Audit Committee for review on May 5, 2025. The accompanying presentation provides the budgets in detail by line item.

Subsequent to the May 5th Audit Committee Meeting, the OCAs proposed budgets will be forwarded for inclusion with the Authority's overall budget to the Budget Workshop scheduled for May 15, 2025, for approval by the Board.

The Authority is preparing to issue new debt in late Fiscal Year 2025 or Fiscal Year 2026 for the New T1-related construction projects, other capital projects, and potential debt refinancing. Any new debt is approved by the Board.

Meeting Date: May 5, 2025

Fiscal Impact:

The proposed Fiscal Year 2026 Operating Budget for the OCA to execute the Fiscal Year 2025 Audit Plan is \$1,529,000. In addition, the OCA will continue to augment its staff for audit work pertaining to the New T1 by utilizing the consulting services of a professional on-call construction audit service provider with expertise in large construction projects. The estimated cost for New T1 construction auditing is approximately \$1,500,000 over a seven-year period and is funded from the ADP capital budget. The proposed budget for New T1 construction auditing is \$875,000 in Fiscal Year 2026.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

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

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

Fiscal Year 2026 Proposed Budget for the Office of the Chief Auditor and Fiscal Year 2027 Proposed Conceptual Budget Expense Summary

Audit Committee Meeting May 5, 2025

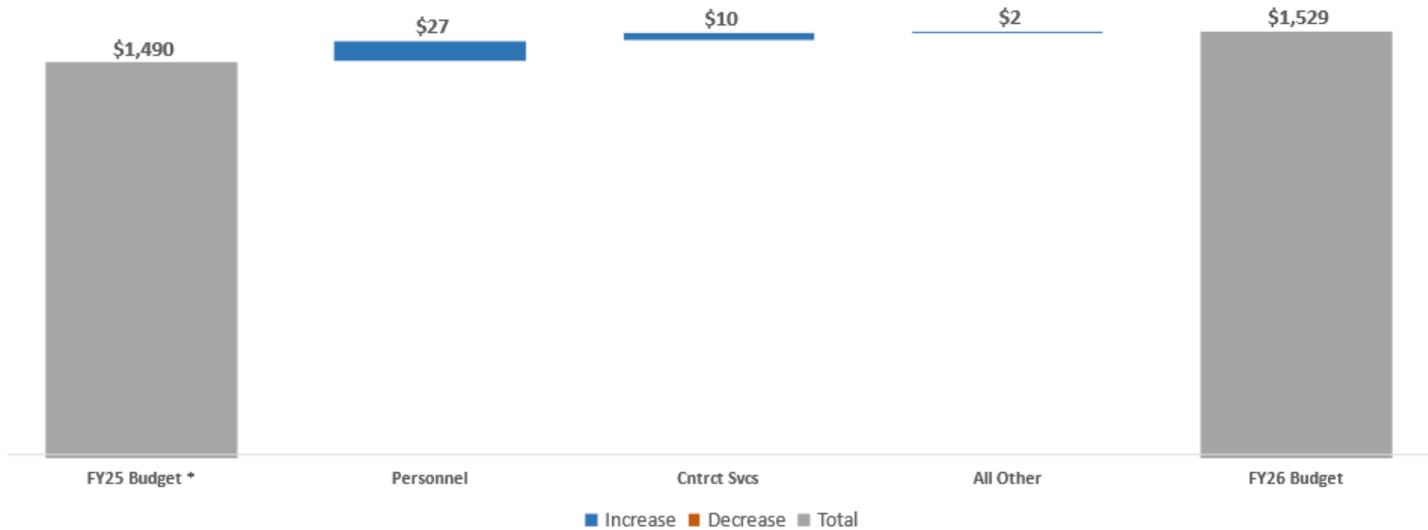
FY 2026 Proposed Budget - FY 2027 Proposed Conceptual Budget Expense Summary

(in thousands)

	FY 2024 Actuals	FY 2025 Budget	FY 2026 Proposed Budget	Inc / (Dec) FY26 Proposed vs FY25 Budget	% Change	FY 2027 Conceptual Budget	Inc / (Dec) FY27 Conceptual vs FY26 Budget	% Change
Operating Expenses								
Salaries & Wages	\$ 918	\$ 1,001	\$ 998	\$ (3)	-0.3%	\$ 1,038	\$ 40	4.0%
Benefits	383	411	442	31	7.3%	471	29	6.6%
Total Personnel Costs	1,302	1,413	1,440	27	1.9%	1,509	69	4.8%
Contractual Services	4	25	35	10	40.0%	36	0	1.4%
Utilities	-	0	-	0	-100.0%	0	-	0.0%
Operating Supplies	0	0	0	(0)	0.0%	-	-	0.0%
Employee Development	16	30	30	1	1.9%	31	1	1.9%
Business Development	5	5	6	0	5.5%	6	0	4.4%
Equipment Rentals and Repairs	27	17	18	1	6.9%	19	1	7.0%
Total Non-Personnel Costs	52	77	89	12	15.4%	91	3	2.9%
Total Operating Expenses	1,354	1,490	1,529	39	2.6%	1,600	72	4.7%
Non-Operating Expenses	-	-	-	-	0.0%	-	-	0.0%
Total Expenses	1,354	1,490	1,529	39	2.6%	1,600	72	4.7%
Equipment Outlay Expenditures	-	-	-	-	0.0%	-	-	0.0%
Total Authority Expenses Incl Equip Outlay	\$ 1,354	\$ 1,490	\$ 1,529	\$ 39	2.6%	\$ 1,600	\$ 72	4.7%

***Numbers may not foot due to rounding

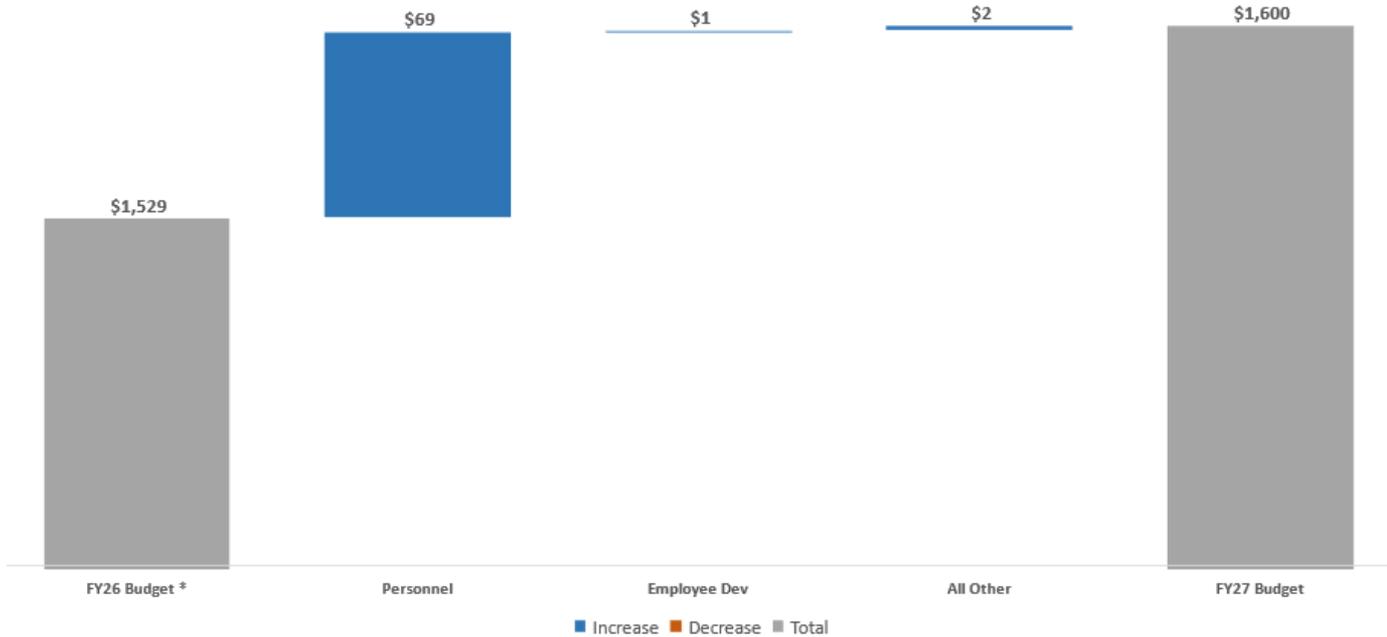
Major Drivers of Fiscal Year 2026 Proposed Budget



(in Thousands)

* Budget starting point not indicative of scale

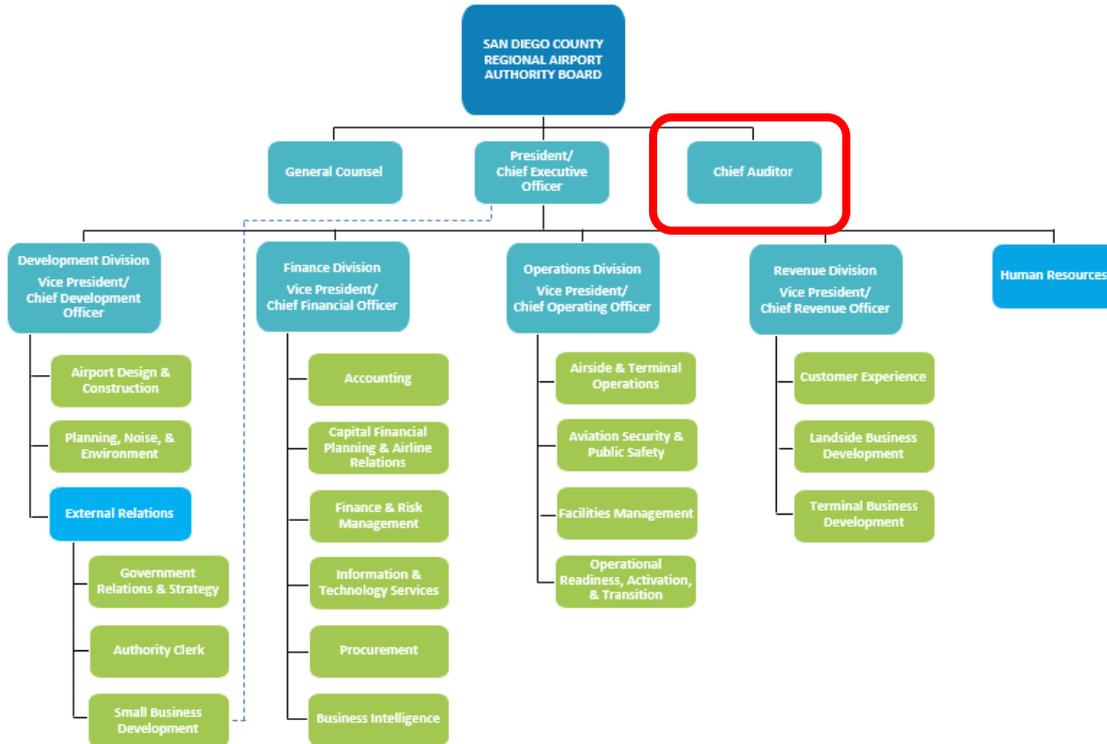
Major Drivers of Fiscal Year 2026 Proposed Budget & 2027 Conceptual Budget



(in Thousands)

* Budget starting point not indicative of scale

Chief Auditor, Authority Budget, & Debt



- The Chief Auditor's budget is part of the Authority's overall budget.
- The Authority's budget is approved by the Board.
- The Authority's budget includes both operating and capital expenses.
- Debt may be issued to finance capital costs.
- Staff is preparing to issue new debt in late FY 2025 or FY2026 for the New T1 and other capital projects and potential debt refinancing.

Questions?