

AUDIT OVERSIGHT COMMITTEE

June 25, 2025



OFFICE OF THE PORT AUDITOR

Mark Yeilding, Port Auditor
Jane Mascarenas, Assistant Port Auditor
Karen Mabesa, Acting Assistant Port Auditor
Dori Dial-Blok, Deputy Port Auditor
Robert Synnott, Deputy Port Auditor
Debra Benavidez, Assistant to the Port Auditor



COMMITTEE MEMBERS



Secretary Zucchet
Chair of AOC



Chair Moore
Vice Chair of AOC



Ricardo Rodriguez



Taylor Samuelson



Kellen Gill



SAN DIEGO UNIFIED PORT DISTRICT
Audit Oversight Committee

June 25, 2025

11:00 A.M.

Boardroom, 1st Floor
Don L. Nay Port Administration Building
3165 Pacific Highway
San Diego, CA 92101

1. CALL TO ORDER
2. WELCOME
3. PUBLIC COMMENTS
4. APPROVAL OF MINUTES FOR THE MARCH 26, 2025, COMMITTEE MEETING
5. ACTION ITEM
 - a. REVIEW OF THE PROPOSED PORT AUDITOR'S AUDIT PLAN FOR FISCAL YEAR 2026 AND RECOMMENDATION TO THE BOARD FOR APPROVAL
6. PRESENTATIONS/STAFF REPORTS
 - a. MOSS ADAMS FIRM UPDATE
 - b. FINANCIAL UPDATE
 - c. PORT AUDITOR'S STATUS REPORT FOR FISCAL YEAR-TO-DATE ENDING JUNE 4, 2025
 - d. FRAUD, WASTE, AND ABUSE HOTLINE STATUS REPORT FOR FISCAL YEAR-TO-DATE ENDING JUNE 4, 2025
 - e. TENANT AUDIT – SAN DIEGO SYMPHONY ORCHESTRA
7. ADJOURNMENT

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Date: June 25, 2025

To: Chair Michael Zucchet and Members of the Audit Oversight Committee

From: Mark Yeilding
Port Auditor, Office of the Port Auditor
myeilding@portofsandiego.org

Subject: **MINUTES OF THE MARCH 26, 2025, AUDIT OVERSIGHT COMMITTEE MEETING**

The Audit Oversight Committee (AOC or Committee) met in person on March 26, 2025. The following members constituted a quorum:

Chair Danielle Moore
Member Ricardo Rodriguez
Member Taylor Samuelson
Member Kellen Gill

Excused:
Secretary Michael Zucchet

Presenters included:

Matt Dinsdale, Senior Manager, Moss Adams
Olga Darlington, Partner, Moss Adams
Billy Marsh, Chief Information Security Officer, Information Security
Jane Mascarenas, Assistant Port Auditor, Office of the Port Auditor (OPA)
Mark Yeilding, Port Auditor, OPA

No members of the public were in attendance.

The meeting was called to order at 10:00 a.m. The following is a summary of the meeting.

CHAIR COMMENTS

Chair Moore thanked everyone for attending and began the meeting.

PUBLIC COMMENTS

Chair Moore asked if there were any public comments. There were none.

APPROVAL OF MINUTES FROM PREVIOUS COMMITTEE MEETING

Approval of December 12, 2024, Committee Meeting Minutes

The minutes of the December 12, 2024, meeting was unanimously approved following a motion by Member Rodriguez, seconded by Member Gill, and a vote conducted by Chair Moore.

ACTION ITEMS

Review of the Audit Oversight Committee's Annual Work Plan for 2025 and Recommendation to the Board for approval

Mr. Yeilding introduced Scott Chadwick, the Port's new CEO, who shared brief opening remarks. Mr. Yeilding reviewed the 2025 Annual Work Plan (Plan), noting no changes or questions. The Plan was unanimously approved after a motion by Member Rodriguez, seconded by Member Samuelson, and a vote conducted by Chair Moore.

PRESENTATIONS/DISCUSSIONS

Orientation of the Committee Members (BPC Policy No. 776, Port Audit Oversight Committee and BPC Policy No. 035, Powers and Functions of the Port Auditor)

Mr. Yeilding reviewed BPC Policy Nos. 776 and 035, summarizing committee responsibilities. No questions or comments were raised.

Global Internal Audit Standards Update

Ms. Mascarenas presented the Global Internal Audit Standards update and focused her discussion on Domain 3 – Governing, emphasizing governance, transparency, and ethical oversight in internal audits.

Mr. Yeilding noted the inclusion of a new deputy auditor in the FY 2026 budget to address compliance audits. He also outlined potential cost-saving alternatives for external quality assessments, such as self-assessments. Members shared input on performance indicators and alternative assessment options, and Mr. Yeilding advised that he would keep the Committee updated on the progress.

External Auditor's Required Engagement Letter with Fee for the Financial Statement Audit and Single Audit Ending June 30, 2025, and Introductory Presentation by Moss Adams

Mr. Yeilding introduced Moss Adams representatives, Ms. Darlington and Mr. Dinsdale, who presented the FY 2025 audit plan, covering audit scope, requirements, and new

accounting standards. A brief Q&A followed, and Chair Moore thanked them for their presentation.

Cybersecurity Update

Mr. Marsh discussed modern cybersecurity measures and mandatory employee training. He highlighted vulnerabilities from mobile phone use and future plans for Artificial Intelligence (AI) policies. Member questions centered on AI adoption and training trends.

Chair Moore thanked Mr. Marsh, and the meeting moved to the next agenda item.

Port Auditor's Status Report for Fiscal Year-to-Date Ending March 7, 2025

Ms. Mascarenas reported \$1.3 million in rent identified from tenant audits, with year-end projections approaching \$2 million. Discussions focused on tenant reporting incentives and best practices for re-auditing and training.

Chair Moore thanked Ms. Mascarenas and moved to the next agenda item.

Fraud, Waste, and Abuse (FWA) Hotline Update for Fiscal Year-to-Date Ending March 7, 2025

Mr. Yeilding reported five submissions to the FY 2025 hotline, with four cases closed and one under review, and provided a summary of case outcomes.

Chair Moore thanked Mr. Yeilding, and with no further comments, the meeting was adjourned.

ADJOURNMENT

Chair Moore thanked everyone for their time and presentations and adjourned the meeting at 11:29 a.m.

AUDIT OVERSIGHT COMMITTEEITEM: **5a**

June 25, 2025

ACTION: ACTION ITEM**SUBJECT****REVIEW OF THE PROPOSED PORT AUDITOR'S AUDIT PLAN FOR FISCAL YEAR 2026 AND RECOMMENDATION TO THE BOARD FOR APPROVAL****OVERVIEW**

In accordance with the Board of Port Commissioners Policy No. 035, Powers and Functions of the Port Auditor, and the Institute of Internal Auditors International Professional Practices Framework, the attached report presents, for your review, the Port Auditor's Proposed Audit Plan for FY 2026. The report outlines the risk-based planning approach employed in developing the Audit Plan. Additionally, it provides information on the resources allocated to implement the plan.

NEXT STEPS

The Port Auditor's Proposed Audit Plan for Fiscal Year 2026 will be presented to the Board of Port Commissioners at its meeting on July 15, 2025.

Mark Yeilding
Port Auditor

Staff Contact: Mark Yeilding, (619) 686-6583, myeilding@portofsandiego.org
Attachment A: Port Auditor's Proposed Audit Plan for Fiscal Year 2026



PORT AUDITOR'S AUDIT PLAN FOR FISCAL YEAR 2026

OFFICE OF THE PORT AUDITOR

Mark Yeilding, Port Auditor
Jane Mascarenas, Assistant Port Auditor
Karen Mabesa, Acting Assistant Port Auditor
Dori Dial-Blok, Deputy Port Auditor
Robert Synnott, Deputy Port Auditor
Debra Benavidez, Assistant to Port Auditor



**PORT of
SAN DIEGO**
Waterfront of Opportunity

June 25, 2025

Chair Michael Zucchet
Members of the Audit Oversight Committee

Proposed Audit Plan for Fiscal Year 2026

The following is the Audit Plan proposed by the Office of the Port Auditor (OPA) for FY 2026. This plan will be reviewed and considered at the Audit Oversight Committee meeting scheduled on June 25, 2025.

The proposed audit plan for FY 2026 includes 21 assignments that comply with the Board of Port Commissioners (Board or BPC) Policy No. 35 and the Institute of Internal Auditors International Professional Practices Framework. These assignments include nine tenant audits, six performance audits, and six from support services including the corporate and procurement card review; fraud, waste, and abuse hotline; data assurance; Board and management requests; office improvements, and quality assurance.

Our team has used a comprehensive, risk-based planning methodology to formulate this Audit Plan. We have taken valuable feedback from Port management and other stakeholders into account while creating this plan. The plan provides a detailed framework for executing our work, including a clear allocation of resources. We carefully assessed high-risk areas while considering our available staff resources to ensure the plan was feasible and constructive. Our approach was informed by a thorough evaluation of the risks and opportunities associated with the audit, resulting in a plan that effectively prioritizes areas of high risk.

If you have any questions, please contact me at (619) 686-6583 or email me at myeilding@portofsandiego.org.

Respectfully submitted,



Mark Yeilding
Port Auditor

Table of Contents

Mission	1
Introduction	1
Alignment With Strategic Goals/Operations.....	1
Audit Resources	1
<i>Table 1 – Calculation of Estimated Audit Hours Available for FY 2026</i>	2
Risk-Based Planning Approach	2
Audit Universe – Port Tenants.....	3
Audit Universe – Internal Processes/Programs.....	3
Audit Universe – Port IT Applications and Infrastructure.....	4
Proposed Audit Plan FY 2026	5
<i>Table 2 – Proposed Tenant Audits</i>	5
<i>Table 3 – Proposed Internal Performance and IT Applications and Infrastructure Audits</i>	6
<i>Table 4 – Proposed Support Services</i>	6
Attachment A – Tenant Risk Assessment	7
Attachment B – Internal Processes/Programs Risk Assessment	12
Attachment C – IT Risk Assessment	24



Mission

Our mission is to provide independent, objective assurance, and advisory services to the Board of Port Commissioners (Board) and Port management. We support the Board and Port leadership in achieving their goals by applying a systematic, disciplined approach to evaluating and enhancing the effectiveness of governance, risk management, and internal controls.

Introduction

In accordance with the International Professional Practices Framework Standard 9.4 (Internal Audit Plan), a risk-based approach is required to establish priorities for the Port's Audit Plan. Following this standard, the Port Auditor has completed the annual risk assessment mandated by *BPC Policy No. 035, Powers and Functions of the Port Auditor*. This assessment was developed using the Port's audit universe, discussions with the Board and Port management, risk evaluations, and professional judgment. The results help identify, measure, and prioritize potential audits, with risk scores informing the selection of audits for FY 2026.

Alignment With Strategic Goals/Operations

The Port's strategic goals are organized into four key areas: Culture, Operations, Business, and Brand. These goals guide the management of the Port's core functions, including Maritime, Waterfront Development, Environment, Public Safety, and Experiences. The Audit Plan focuses on areas with the highest exposure to critical risks that could impact the Port's ability to achieve its strategic objectives and efficiently manage its operations.

Audit Resources

The proposed FY 2026 OPA budget includes both personnel and non-personnel expenses. Personnel costs cover salaries and benefits for the Port Auditor, Assistant to the Port Auditor, Assistant Port Auditor (APA), and four Deputy Port Auditors (DPA). Non-personnel expenses include training, office supplies, and professional services, such as external audits, outsourced performance audits, and the fraud, waste, and abuse hotline.

The total OPA budget for FY 2026 is **\$1,770,200**, with an estimated **4,730 audit hours** available, calculated as follows:

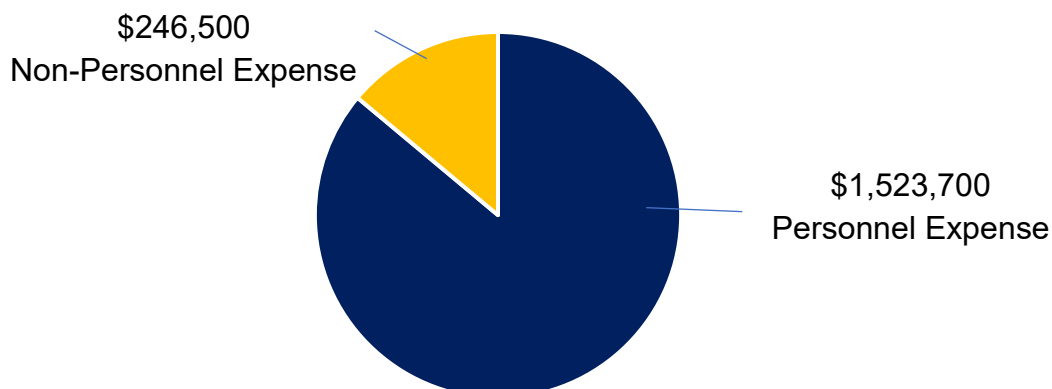


Table 1 summarizes the estimated audit hours available (4,730).

Table 1 – Calculation of Estimated Audit Hours Available for FY 2026

4 Full-time Equivalent (FTE) Positions (1 APA, 3 DPAs)	
Total Annual Hours Available	2,080 x 4 = 8,320
Less Hours	
Vacation, Holidays, and Unclassified Leave	1,686
Review/Management Duties Conducted by APA	1,000
Administrative Duties	416
Continuing Professional Education	160
Other Audit Activities (includes AOC meeting preparation, Audit Software Implementation, Budget Transfers (BPC Policy No. 90), Office Improvements, Quality Assurance, etc.)	328
Total Estimated Audit Hours Available for FY 2026	4,730

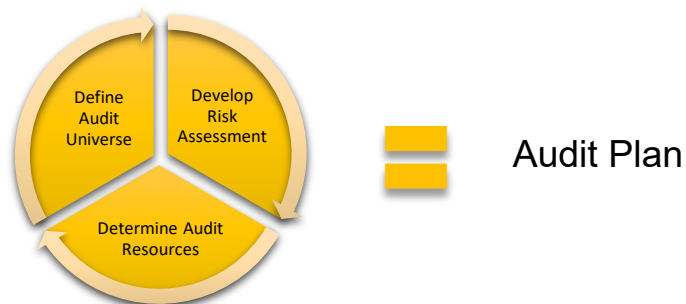
Audit resources are sufficient to complete the proposed Audit Plan for FY 2026. Staff are assigned audits based on project time and skills assessment. Outsourced work is contracted when necessary.

Risk-Based Planning Approach

The Port Auditor's planning approach begins with defining the audit universe, which is made up of tenants, internal processes and programs, and Information Technology (IT) applications and infrastructure. The next step is developing a risk assessment model to evaluate and rank the major risks associated with each auditable activity.

A high-risk score may indicate services or functions that inherently carry greater risk due to significant revenue and expenditure volumes or heightened public interest. However, a high-risk designation does not necessarily imply poor management or operational failure.

Final audit plan selections are determined through a comprehensive process including interviews with the Board, management, stakeholders, and evaluating available resources and professional judgment.



Audit Universe – Port Tenants

The Port's audit universe includes tenants who pay percentage-based rent on sales or a minimum annual guarantee tied to a measurable standard. The OPA compiled a list of 93 tenants across various industries, with Seaport Village consolidated as a single entry.

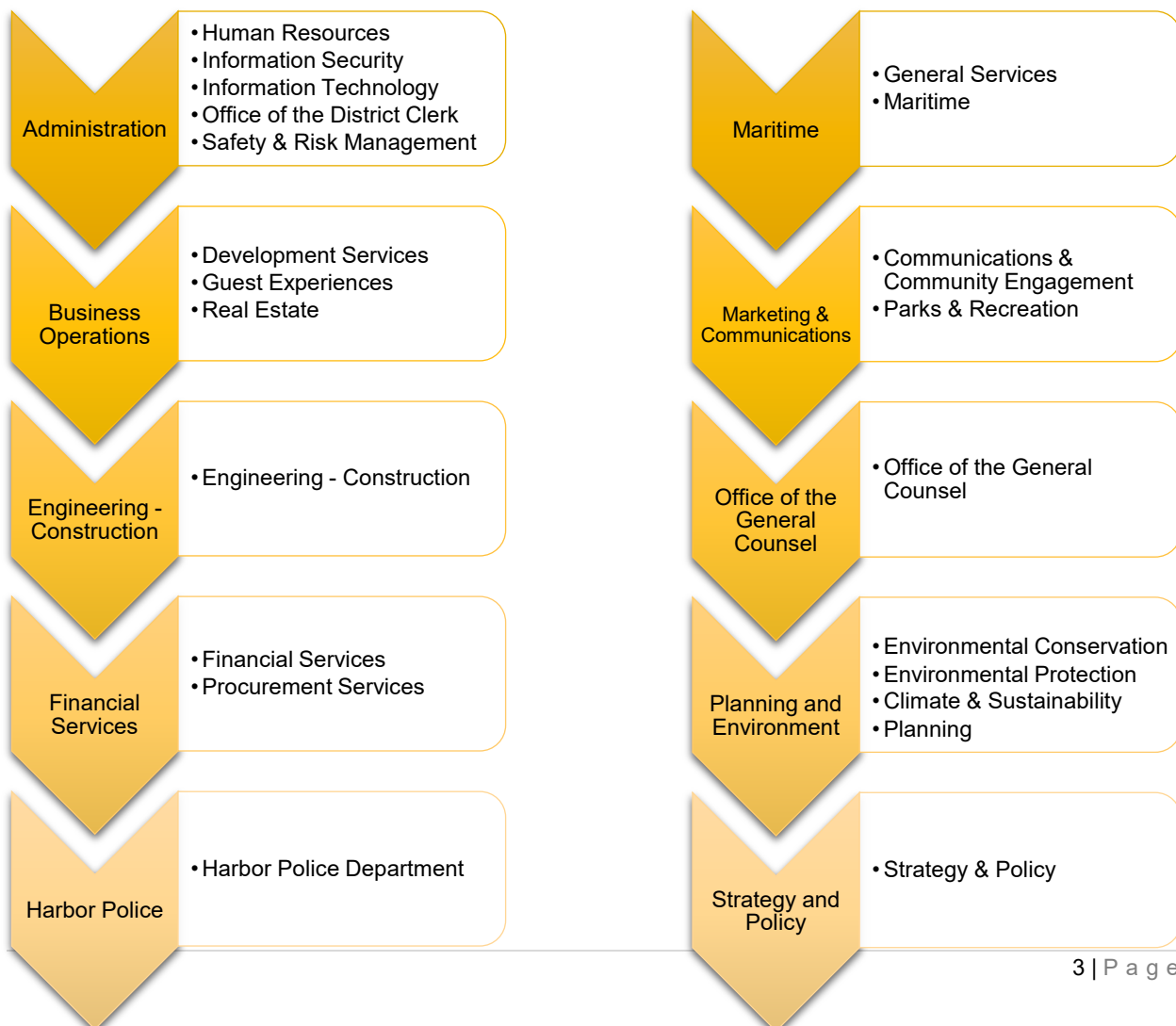
A five-factor risk assessment model was developed to assess risk, with weights assigned based on each factor's significance. Individual risk factor scores were calculated by multiplying each factor's weight by its corresponding scoring criteria points. The total risk score for each tenant was determined by summing all five-factor scores.

See **Attachment A – Tenant Risk Assessment**, which includes scoring criteria, tenant listings, identified risks, and total risk scores.

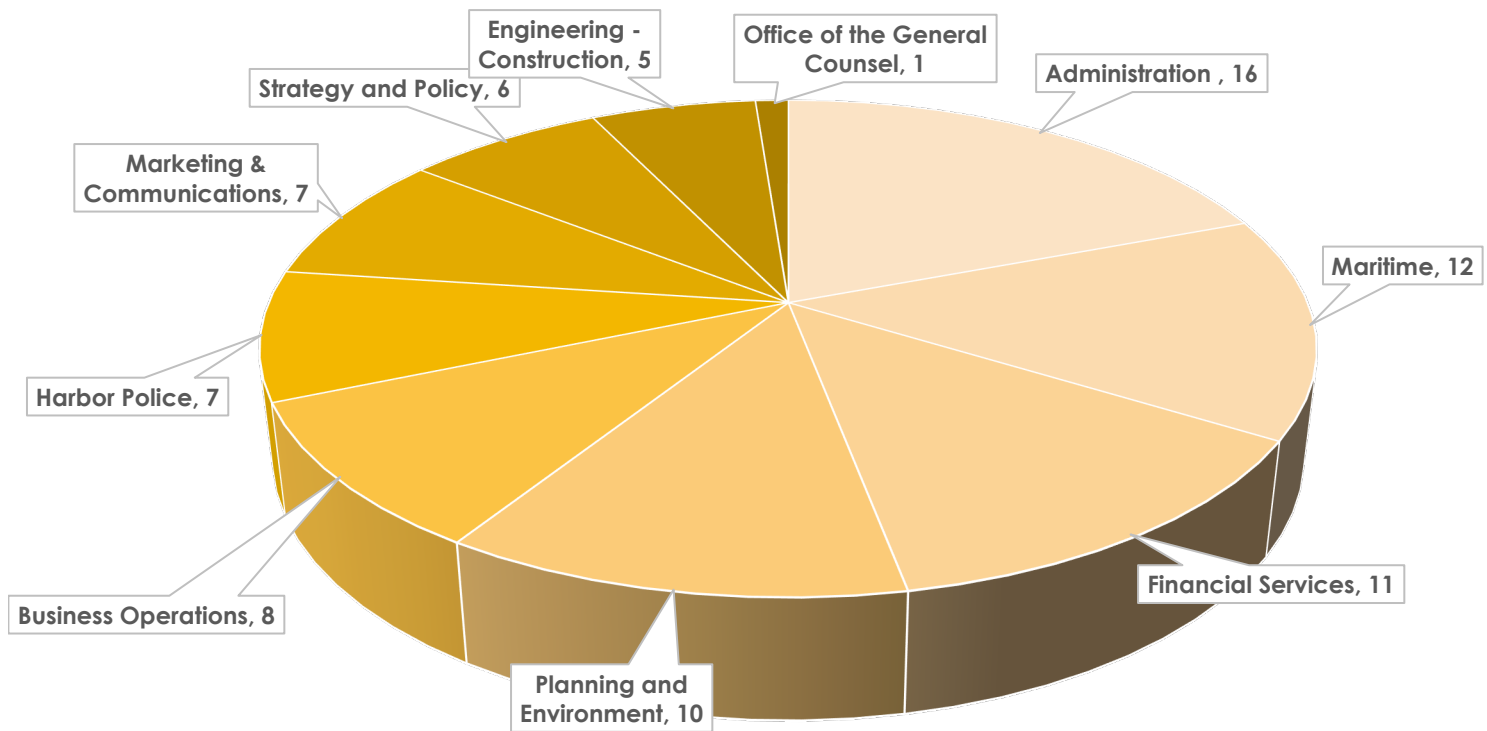
Audit Universe – Internal Processes/Programs

The audit universe also includes auditable activities across all Port branches, including functions, contracts, and programs. These activities were identified using the Port's FY 2026 budget data, Port-wide risk survey, departmental operating plans, and discussions with management.

The departments included in the audit universe are categorized by branches as follows:



The OPA identified 83 auditable activities within the Port's internal processes/programs. The following graph shows the number of auditable activities per division.



The assessment model for internal processes/programs includes four risk factors. Risk factor scores were compiled to reach a range of scores as follows: Low (1), Medium (2), and High (3). Weights were then assigned to each factor based on relative importance, as determined by input from OPA staff. The Port Auditor calculated individual risk factor scores by multiplying each risk factor's weight by the appropriate scoring criteria point. Then, the scores for each risk factor were added together to obtain a total risk score.

See **Attachment B – Internal Processes/Programs Risk Assessment** for the scoring criteria and summarization of auditable processes, activities, applications, and risk scores.

Audit Universe – Port IT Applications and Infrastructure

The IT audit universe consists of 58 distinct processes that define the IT environment. Through assessment, auditable activities are identified within these processes, including key areas such as IT Strategic Planning, IT Governance, and ERP Applications. Once the IT universe is established, the next step involves evaluating business and IT risks across each application and area, such as system continuity and data confidentiality. Risks are categorized based on their likelihood of occurrence and potential impact on the

organization. To ensure a comprehensive analysis, the IT application and infrastructure assessment model measures six key risk factors, applying weighted criteria for probability and impact.

See **Attachment C – IT Risk Assessment** for the scoring criteria and summarization of auditable processes, activities, applications, and risk rating.

Proposed Audit Plan FY 2026

The FY 2026 Audit Plan provides estimated hours for each assignment; however, actual hours may vary. The plan remains flexible to accommodate shifting priorities and emerging needs.

Audits not completed within the fiscal year are re-evaluated for future consideration. The OPA prioritizes audits based on risk level and available resources, ensuring efforts are focused where they are most impactful.

By addressing key risks, ensuring compliance, and safeguarding assets, the Audit Plan supports the Port's strategic goals and enhances its ability to achieve operational objectives.

Tables 2, 3, and 4 summarize the planned audits for FY 2026.

Table 2 – Proposed Tenant Audits – 2,750 (58%) Allocated Audit Hours

Item No.	Risk Assessment Line #	Risk Score	Tenant	Industry	Audit Hours
1	1	255	Bay Club Hotel and Marina	Hotel/Motel	250
2	2	240	Portside Pier Restaurant	Restaurant	300
3	3	240	SHM Cabrillo Isle, LLC	Marina Operations	400
4	4	240	Coronado Island Marriott Resort	Hotel	350
5	5	235	San Diego Yacht Club	Yacht Club	250
6	9, 18	215	Safe Harbor Sunroad (Restaurants & Marina)	Restaurant/Marina	500
7	34	190	Cow-A-Bunga Micro Ice Creamery	Speciality Retail	200
8	46	190	Ketch Grill and Taps	Restaurant	250
9	68	190	Tom Ham's Lighthouse	Restaurant	250

Source: Attachment A

Table 3 – Proposed Internal Performance and IT Applications and Infrastructure Audits – 1,380 (29%) Allocated Audit Hours

Item No.	Risk Assessment Line #	Risk Score	Activity	Description	Audit Hours
10	77	300	Low Carbon Fuel Standard (LCFS) Program	Follow-up on past audit recommendations.	100
11	82	300	Stimulus, Use of Funds Compliance	Ensure compliance with laws, regulations, policies, and procedures. Additionally, expenditure review.	200
12	23, 27	245	Agreements and Contracts for Professional Services	Administration of agreements and contracts for professional services and MIR7 processing.	Carry Over
13	19	245	Parking Management	Review revenue and expense accuracy, including validation of financial records, expense allocation, and contract compliance.	300
14	1	255	Travel Performance	Review travel-related expenditures and internal controls assessment per BPC Policy No. 641 and associated Admin Procedures.	Outsource
15	35, 38, 39, 41	27	IT Environment Operations and Change Controls Management	Review processes and controls related to managing and operating production and testing environments.	280

Source: Attachments B & C

Table 4 – Proposed Support Services – 600 (13%) Allocated Audit Hours

Item No.	Activity	Description	Audit Hours
16	Basic Financial Statements and Single Audit	Port's financial statements audit and single audit.	Outsource
17	Corporate Card Review	The OPA reviews and identifies exceptions and trends in spending.	100
18	Data Assurance	The OPA provides data assurance over the underlying data used to support the Port's management performance reporting and Board/management requests.	140
19	Follow-up on previously issued audit reports	The OPA tracks and follows up on audit recommendations.	100
20	Fraud, Waste, and Abuse Hotline	The OPA administers the Port's Fraud, Waste, and Abuse Hotline and investigates material accusations.	160
21	Procurement Card Review	The OPA reviews and identifies exceptions and trends in spending.	100

Attachment A – Tenant Risk Assessment

SCORING CRITERIA				
Risk Factors	Weight	1 point (Low Risk)	2 points (Medium Risk)	3 points (High Risk)
Risk #1 - Date of Last Audit	45	0 – 2 Years	2.1 – 5 Years	More than 5 Years New Tenant/Never Audited/Audit Requested
Risk #2 – Annual Rent Paid	25	\$1 to \$300,000	\$300,001 to \$1,000,000	Greater than \$1,000,000
Risk #3 – Audit Results – Rental Underpayment/Overpayment	15	\$1 to \$20,000	\$20,001 to \$50,000	Greater than \$50,000
Risk #4 – Number of Subtenants	10	One to Two Subtenants	Three to Four Subtenants	Five or More Subtenants
Risk #5 – Industry Type	5	Marine Industrial/Fuel Sales Maritime – Cargo Parking Lot/Shuttle	Public Recreation Restaurant Specialty Retail Yacht Club	Hotel/Motel Marina Operations Sportfishing Operations

Attachment A – Tenant Risk Assessment – Continued

Tenant	Lease Out	Date of Issuance (Last Audit)	Risk #1 Time Since Last Audit (in years)	Risk #2 Concession Rent Paid (CY 2023)	Risk #3 Underpayment/ (Overpayment)	Risk #4 Number of Subtenants	Risk #5 Industry	Total Score
1 Bay Club Hotel and Marina	0001.0003.002	7/31/2019	5.67	906,995	-	-	Hotel/Motel	255
2 Portside Pier Restaurant	0003.0282.001	11/23/2021	3.33	1,739,925	10,586	1	Restaurant	240
3 SHM Cabrillo Isle, LLC	0002.0103.002	3/1/2022	3.08	1,582,006	48,881	12	Marina Operations	240
4 Coronado Island Marriott Resort	0006.0002.002	3/2/2020	5.08	3,125,388	8,045	-	Hotel/Motel	240
5 San Diego Yacht Club	0001.0136.001	11/13/2019	5.42	1,401,720	1,892	-	Yacht Club	235
6 Hilton San Diego Bayfront Hotel	0003.0183.001	5/28/2024	0.83	12,667,115	98,844	7	Hotel/Motel	220
7 Manchester Grand Hyatt	0003.0041.001	3/10/2025	0.08	14,837,992	288,569	6	Hotel/Motel	220
8 Marina Cortez	0002.0018.002	3/22/2023	2.00	1,516,131	128,730	7	Marina Operations	220
9 Safe Harbor Sunroad (Restaurants)	0002.0025.003	1/26/2022	3.17	1,160,107	44,291	-	Restaurant	220
10 San Diego Marriott Marquis & Marina	0003.0058.001	8/26/2024	0.58	16,074,427	65,835	6	Hotel/Motel	220
11 Sheraton SD Hotel&Marina(Marina)	0002.0044.003	2/10/2025	0.17	6,791,777	845,851	9	Hotel/Motel	220
12 Coronado Ferry Landing Marketplace	0006.0010.001	5/7/2021	3.92	930,504	24,054	29	Specialty Retail	215
13 Fish Market	0003.0279.002	8/2/2018	6.67	626,075	4,312	-	Sportfishing Operations	215
14 Homblower Cruises & Events	0003.0193.002	8/26/2019	5.58	803,605	2,205	-	Hotel/Motel	215
15 Fisherman's Landing	0001.0019.002	5/7/2021	3.92	1,410,009	-	4	Sportfishing Operations	210
16 Intercontinental San Diego	0003.0247.002	2/3/2021	4.17	4,512,279	-	3	Hotel/Motel	210
17 Safe Harbor South Bay	0007.0003.002	1/28/2025	0.17	1,333,889	25,559	3	Marina Operations	210
18 Safe Harbor Sunroad (Marina)	0002.0101.003	1/26/2022	3.17	2,273,550	9,735	3	Marina Operations	210
19 Humphrey's Half Moon Inn and Suites	0001.0031.002	3/5/2025	0.08	1,871,966	92,663	-	Hotel/Motel	200
20 Holiday Inn Bayside	0001.0029.002	10/20/2020	4.50	1,159,288	9,691	-	Hotel/Motel	200
21 PASHA	Multiple	7/14/2021	3.75	13,619,652	-	-	Maritime – Cargo	200
22 San Diego Symphony Orchestra Assoc.	0003.0152.015	3/4/2025	0.08	1,135,877	496,966	1	Public Recreation	200
23 Wyndham San Diego Bayside	0003.0257.001	2/27/2023	2.08	3,811,504	56,130	5	Hotel/Motel	200
24 Fifth Avenue Landing	0003.0216.001	1/13/2022	3.25	781,273	59,659	-	Marina Operations	195
25 Avis Rent A Car	0002.0001.002	Never	Never	-	-	-	Parking Lot/Shuttle	190

Attachment A – Tenant Risk Assessment – Continued

Tenant	Lease Out	Date of Issuance (Last Audit)	Risk #1	Risk #2	Risk #3	Risk #4	Industry	Total Score
			Time Since Last Audit (in years)	Concession Rent Paid (CY 2023)	Underpayment/ (Overpayment)	Number of Subtenants		
26 Baker Marine Instrument & Repair	0001.0001.004	Never	Never	-	-	-	Marine Industrial/Fuel Sales	190
27 Best Western Yacht Harbor	0001.0005.004	4/4/2014	11.00	382,208	-	-	Hotel/Motel	190
28 Caliber Collision	0002.0092.001	Never	Never	-	-	-	Specialty Retail	190
29 Canteen Vending Services	0002.0060.005	Never	Never	21,773	-	-	Specialty Retail	190
30 Carnitas Snack Shack III, LLC	0003.0250.001	10/5/2017	7.50	108,373	410	-	Restaurant	190
31 Channel Outdoor, Inc.	0009.0001.004	Never	Never	33,333	-	-	Specialty Retail	190
32 Clear Channel Outdoor, Inc.	0002.0007.004	Never	Never	25,000	-	-	Specialty Retail	190
33 Costa Vista RV Park	0007.0125.001	Never	Never	118,256	-	-	Public Recreation	190
34 Cow-A-Bunga Micro Ice Creamery	0010.0021.004	10/11/2011	13.50	37,084	-	-	Specialty Retail	190
35 Driscoll Boatworks	0001.0145.001	Never	Never	-	-	-	Marine Industrial/Fuel Sales	190
36 Driscoll's Wharf	0001.0016.001	1/22/2016	9.17	98,653	-	-	Marine Industrial/Fuel Sales	190
37 Everingham Bros. Bait Company	0015.0002.001	Never	Never	59,780	-	-	Marina Operation	190
38 Fathom Bistro Bait & Tackle	0001.0051.005	7/3/2019	5.75	17,584	2,258	-	Specialty Retail	190
39 Ferry Landing Marketplace	0006.0009.001	5/12/2009	15.92	393,966	-	2	Restaurant	190
40 Glorietta Bay Marina	0006.0012.002	Never	Never	148,328	-	-	Marina Operations	190
41 H & M Landing	0001.0025.002	7/8/2024	0.75	1,115,017	18,138	3	Sportfishing Operations	190
42 Harbor Hotel Associates, LLC	0001.0026.003	Never	Never	-	-	-	Marine Sales, Service	190
43 Harvest Meat Company, Inc.	0005.0061.003	Never	Never	-	-	-	Marine Industrial/Fuel Sales	190
44 Intrepid	0001.0133.002	Never	Never	247,817	-	-	Marine Industrial/Fuel Sales	190
45 JAMR Properties	0002.0023.007	1/8/2018	7.25	348,880	3,871	-	Parking Lot/Shuttle	190
46 Ketch Grill and Taps	0001.0140.002	9/23/2019	5.50	262,353	2,593	-	Restaurant	190
47 Koehler Kraft Company, Inc.	0001.0101.002	Never	Never	-	-	-	Marine Industrial/Fuel Sales	190
48 Loews Coronado Bay Resort	0008.0005.001	9/6/2016	8.58	67,693	(64)	-	Hotel/Motel	190
49 Outfront Media LLC	0003.0246.006	Never	Never	-	-	-	Specialty Retail	190
50 Pacific Tugboat Service	0004.0082.003	Never	Never	-	-	-	Marine Industrial/Fuel Sales	190

Attachment A – Tenant Risk Assessment – Continued

Tenant	Lease Out	Date of Issuance (Last Audit)	Risk #1	Risk #2	Risk #3	Risk #4	Industry	Total Score
			Time Since Last Audit (in years)	Concession Rent Paid (CY 2023)	Underpayment/ (Overpayment)	Number of Subtenants		
51 Pearson Marine	0001.0043.003	4/15/2014	11.00	58,131	80	1	Marine Industrial/Fuel Sales	190
52 Point Loma Sea Foods	0001.0044.002	9/19/2018	6.58	253,058	-	-	Restaurant	190
53 PZ Ice	0001.0152.002	Never	Never	2,794	-	-	Specialty Retail	190
54 Quality Coast Burger, Bait & Beer	0003.0223.003	Never	Never	30,556	-	-	Specialty Retail	190
55 San Diego Mooring	0003.0201.001	2/8/2010	15.17	57,676	-	-	Marina Operations	190
56 San Diego Refrigerated Services	0004.0048.002	12/6/2016	8.33	-	-	-	Maritime – Cargo	190
57 San Diego, City of (The)	0003.0078.001	Never	Never	-	-	-	Public Recreation	190
58 SC Commercial, LLC	0003.0296.002	Never	Never	426	-	-	Marina Operations	190
59 Scott Street Parking, Inc.	0001.0115.001	Never	Never	183,140	-	-	Parking Lot/Shuttle	190
60 Scott Street Parking, Inc.	0001.0156.001	Never	Never	-	-	-	Parking Lot/Shuttle	190
61 Searless Valley Minerals Operation	0004.0030.001	12/10/2018	6.33	390,000	-	-	Marine Industrial/Fuel Sales	190
62 Shelter Island's Bali Hai	0001.0068.002	6/13/2018	6.83	395,470	-	-	Restaurant	190
63 SHM Shelter Island, LLC	0001.0066.003	Never	Never	-	-	-	Specialty Retail	190
64 Sound of Beach	0010.0003.006	Never	Never	14,966	-	-	Specialty Retail	190
65 Tesoro Refining and Marketing Co.	0002.0042.003	Never	Never	-	-	-	Marine Industrial/Fuel Sales	190
66 The Jankovich Company, LLC	0004.0032.002	4/11/2011	14.00	68,521	-	-	Marine Industrial/Fuel Sales	190
67 Tin Fish Imperial Beach	0010.0010.006	9/29/2011	13.50	47,109	(1,204)	-	Restaurant	190
68 Tom Ham's Lighthouse	0002.0053.002	3/25/2014	11.00	377,026	-	-	Restaurant	190
69 U.S.A. Eagle Import Export	0003.0139.003	Never	Never	-	-	-	Marine Industrial/Fuel Sales	190
70 U.S.S. Midway	0003.0175.001	7/11/2019	5.75	418,343	(402)	1	Public Recreation	190
71 Shelter Cove Marina	0001.0065.001	11/3/2021	3.42	597,907	5,105	3	Marina Operations	185
72 The Wharf	0001.0109.001	9/16/2024	0.58	827,918	77,191	4	Marina Operations	185
73 Lane Field Developers (North)	0003.0220.003	3/4/2025	0.08	3,056,743	-	5	Hotel/Motel	180
74 Harbor Island West Marina	0002.0009.001	2/14/2023	2.17	1,547,525	6,785	6	Marina Operations	180
75 Hilton San Diego Airport	0002.0099.001	3/2/2023	2.08	1,431,819	21,942	-	Hotel/Motel	180

Attachment A – Tenant Risk Assessment – Continued

Tenant	Lease Out	Date of Issuance (Last Audit)	Risk #1	Risk #2	Risk #3	Risk #4	Industry	Total Score
			Time Since Last Audit (in years)	Concession Rent Paid (CY 2023)	Underpayment/ (Overpayment)	Number of Subtenants		
76 Point Loma Sportfishing	0001.0046.002	8/30/2022	2.58	990,449	3,520	2	Sportfishing Operations	175
77 Kona Kai Marina	0001.0107.003	4/11/2024	1.00	4,255,461	4,983	4	Marina Operations	170
78 Old Police Headquarters (OPH)	0003.0165.002	2/10/2021	4.17	205,421	-	19	Specialty Retail	170
79 Silver Gate Yacht Club	0001.0071.002	4/23/2021	3.92	192,116	20,053	-	Yacht Club	165
80 Best Western Island Palms Hotel/Mar.	0001.0004.002	2/13/2023	2.17	2,164,264	(11,247)	1	Hotel/Motel	160
81 Flagship Cruises & Events	0003.0227.001	10/25/2022	2.42	1,088,861	6,280	-	Public Recreation	160
82 Old Town Trolley Tours	0003.0240.001	6/11/2024	0.83	334,195	271,435	3	Specialty Retail	160
83 Dixie Lumber Company	0005.0036.002	4/27/2020	4.92	141,300	-	-	Marine Industrial/Fuel Sales	150
84 Dole Fresh Fruit Company	0004.0026.002	6/29/2022	2.75	371,696	-	-	Maritime – Cargo	150
85 High Seas Marine Enterprises	0001.0022.003	5/20/2022	2.92	117,465	569	1	Marine Industrial/Fuel Sales	150
86 Seaport Village	Multiple	7/14/2021	3.75	320,406	-	-	Specialty Retail	150
87 Pier 32	0005.0072.001	7/22/2024	0.67	785,454	1,189	3	Marina Operation	145
88 Sun Harbor Marina	0001.0073.002	2/13/2023	2.17	518,775	3,942	3	Marina Operations	145
89 Gold Coast Anchorage	0001.0075.004	4/17/2023	2.00	192,242	37,118	3	Marine Industrial/Fuel Sales	140
90 Maritime Museum	0003.0161.001	3/4/2025	0.08	28,306	37,749	2	Public Recreation	130
91 Southwestern Yacht Club	0001.0072.002	3/4/2025	0.08	508,034	(8,582)	-	Yacht Club	130
92 Coronado Yacht Club	0006.0003.005	3/4/2025	0.08	470,154	42,013	-	Yacht Club	125
93 Joe's Crab Shack at the Rowing Club	0003.0039.004	10/31/2023	1.42	117,974	3,546	-	Restaurant	110

Attachment B – Internal Processes/Programs Risk Assessment

SCORING CRITERIA				
Risk Factors	Weight	1 Point (Low Risk)	2 Points (Medium Risk)	3 Points (High Risk)
<u>Risk #1 - Financial Impact</u> <ul style="list-style-type: none"> Potential Cost/Revenue Impact to the Port Accurate & appropriate financial reporting Exposure to fraud 	45	<ul style="list-style-type: none"> Minor financial impact (revenue/cost \$1 to \$300,000) Minimal effect on financial statements Little opportunity for fraud 	<ul style="list-style-type: none"> Moderate financial impact (revenue/cost \$300,001 to \$1,000,000) Moderate effect on Financial Statements Some opportunity for fraud 	<ul style="list-style-type: none"> Significant financial impact (revenue/cost > \$1,000,000) Issues are complex and could significantly affect financial statements Significant opportunity for fraud
<u>Risk #2 - Adequacy of Controls</u> <ul style="list-style-type: none"> Documentation status Staff knowledge of process/controls Efficiency/effectiveness of process 	25	<ul style="list-style-type: none"> Process is well documented No staffing changes Process meets objective 	<ul style="list-style-type: none"> Some areas of the process are documented Some changes in staff have taken place Process does not meet some objectives 	<ul style="list-style-type: none"> There is no process documentation Significant changes in staffing Process does not meet most of the objectives
<u>Risk #3 - Stakeholder Concerns</u> <ul style="list-style-type: none"> Awareness of process issues Complaints from other stakeholders/process owners Resource constraints 	15	<ul style="list-style-type: none"> Management is not aware of any process issues or risks Unaware of any complaints Sufficient resources 	<ul style="list-style-type: none"> Management is aware of some process issues or risks Some complaints known Some resource issues 	<ul style="list-style-type: none"> Management is aware of significant process issues or risks Significant complaints Resources are significantly strained
<u>Risk #4 - Complexity of Process</u> <ul style="list-style-type: none"> Integrated Data Systems Compliant with laws and regulations Impact on other departments 	15	<ul style="list-style-type: none"> Highly reliant on integrated data systems Not regulated Impacts one department 	<ul style="list-style-type: none"> Moderately reliant on integrated data systems Moderately regulated Impacts two or three departments 	<ul style="list-style-type: none"> Mostly manual process Highly regulated Impacts four or more departments

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity		Description	Last Audit Date	(1) Financial Impact Risk Ranking	(1) Financial Impact Weighting 45 points	(2) Adequacy of Controls Risk Ranking	(2) Adequacy of Controls Weighting 25 points	(3) Stakeholder Concerns Risk Ranking	(3) Stakeholder Concerns Weighting 15 points	(4) Complexity of Process/Program Risk Ranking	(4) Complexity of Process/Program Weighting 15 points	Total Risk Score
ADMINISTRATION												
Office of the District Clerk												
1	Travel Performance	Evaluate the effectiveness and compliance of travel-related expenditures with applicable policies, procedures, and regulations. It includes travel authorizations, reimbursements, supporting documentation, and approval workflows. The audit also assesses internal controls to prevent misuse of travel funds and identifies opportunities for process improvement and cost savings.	FY 2026 Outsourced	2	90	3	75	3	45	3	45	255
2	ODC Operations	Includes managing official records, document processing, record retention program, public records request program, and providing administrative support. This includes filing, retrieving, and distributing documents and printing and duplication services. The office also handles travel arrangements for Port employees and ensures policy compliance (Includes Form 700)		2	90	2	50	2	30	2	30	200
3	Board of Port Commissioners Management	Responsible for coordinating and overseeing Board of Port Commissioners (BPC) meetings, preparing and publishing BPC and committee agendas, managing electronic access to BPC documents, and providing administrative and operational support to the Board of Commissioners.		2	90	1	25	3	45	1	15	175
4	DocuSign/Use of Electronic Signatures	All electronic signatures comply with applicable laws and internal policies, ensuring authenticity, integrity, and auditability. Proper controls are in place to safeguard sensitive information, verify signer identities, and maintain a clear audit trail.		1	45	2	50	1	15	1	15	125
People Services												
5	Variable Staffing	District personnel expenses consist of limited-temporary interns, student workers, and limited employees. FY 2025 Budget = \$1,013,300 (Includes salary, wages, and burden)	6/30/19	3	135	2	50	2	30	3	45	260
6	Regulatory Compliance	Employment law violations and rules and regulations. Rules and Regs are currently being updated through the Policy Review Committee established in FY 2024.	People Services, Ongoing	3	135	2	50	2	30	3	45	260
7	Retirement Benefits Management	Includes processing and coordination with SDCERS and retirement benefits (including health benefits)	6/16/22	3	135	2	50	2	30	3	45	260
8	Labor Relations	Coordinate/facilitate labor and management collaboration opportunities, maintain MOU with unions, and conduct labor negotiations.		3	135	2	50	1	15	3	45	245
9	Agreements and Contracts Management	Administration of agreements and contracts for professional services and FV60 processing.		3	135	2	50	2	30	2	30	245
10	People Services Operations	This includes desk audits, investigations, personnel file management, progressive discipline process management, performance evaluations, workforce analytics, and Form 19 employment verification.		3	135	1	25	2	30	3	45	235
11	Talent Management Program	Talent Management and Employee Development involves the strategies and processes for attracting, hiring, retaining, onboarding, and offboarding employees. This includes managing human capital, maintaining the salary ordinance, and overseeing district classification systems to ensure alignment with organizational needs and goals.	9/5/24	2	90	2	50	3	45	3	45	230

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity			Description	Last Audit Date	(1) Financial Impact		(2) Adequacy of Controls		(3) Stakeholder Concerns		(4) Complexity of Process/Program		Total Risk Score
					Risk Ranking	Weighting 45 points	Risk Ranking	Weighting 25 points	Risk Ranking	Weighting 15 points	Risk Ranking	Weighting 15 points	
ADMINISTRATION													
People Services													
12	DEI	Includes diversity awareness, Port ADA coord., equal opportunity employment and non-discrimination.		3	135	1	25	1	15	2	30	205	
13	Employee Benefits Management	This includes management of COBRA administration and benefits administration, as well as telecommuting, wellness reimbursement program, tuition reimbursement program, and special leave.	7/9/08	2	90	2	50	1	15	2	30	185	
Safety and Risk Management													
14	Insurance Program	The Insurance Program includes the management and oversight of policies covering assets such as vehicles, buildings, and other property owned or operated by the Port. It also includes professional liability involving professional services agreements/contracts, general liability, cybersecurity, and business interruption, etc. This involves ensuring adequate coverage, timely policy renewals, accurate reporting of insured assets, and effective claims management in the event of losses or damages.		3	135	2	50	2	30	3	45	260	
15	Workers Compensation Program	Processes and systems for managing employee injury claims, ensuring compliance with statutory requirements, and providing benefits such as medical care and wage replacement to injured employees.	6/3/15	3	135	2	50	2	30	3	45	260	
16	Safety and Risk Management Operations	Operational - administrative functions, safety training, tracking OSHA regulations, etc. Operations in alignment with strategic goals, department objectives, defined risk and mitigation processes, performance measures. Also includes hazardous materials compliance and ergonomics and employee health monitoring programs.		3	135	1	25	2	30	3	45	235	
BUSINESS OPERATIONS													
Development Services													
17	Agreement and Contract Management	Administration of agreements and contracts for professional services and FV60 processing.	FY 2026	3	135	2	50	2	30	2	30	245	
18	Development Services Operations	Oversee preparation and processing of CEQA documents for District and tenant projects; Prepare and process all CEQA and Coastal Determinations for District and tenant projects, etc. Prepare and provide lease exhibits, establish and maintain standards for for project and design review. Monitor and enforce conditions of approval in project reviews and CEQA/Coastal documents; coordinate with the Portfolio Management team to ensure lease obligations reflect conditions of approval.	5/21/20	3	135	2	50	2	30	2	30	245	

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity		Description	Last Audit Date	(1) Financial Impact			(2) Adequacy of Controls		(3) Stakeholder Concerns		(4) Complexity of Process/Program		Total Risk Score
				Risk Ranking	Weighting 45 points		Risk Ranking	Weighting 25 points	Risk Ranking	Weighting 15 points	Risk Ranking	Weighting 15 points	
BUSINESS OPERATIONS													
Guest Experiences - Parking													
19	Parking Management	Includes the process of collection, deposit, and repair. Parking Meters Asset Management: Parking asset inspections, parking vendor management (including ACE for accuracy, revenue, and expenses), parking asset improvement planning, citation and parking coordination with HP and Community Service Officers, etc. Location of coin safe. Special event coordination for parking, Parking assets and operations management, etc.	FY 2026	3	135	2	50	2	30	2	30	245	
Real Estate													
20	Lease Management	This includes administering the District's commercial and maritime/industrial leases, conducting leasehold inspections, and enforcing tenant obligations. The program also includes performing rent reviews and adjustments, BPC compliance, and managing operator relationships, such as with Seaport Village (Protea).		3	135	2	50	2	30	2	30	245	
21	Charter Registration Management	This activity ensures compliance with regulations governing charter operators within the Port's jurisdiction. It includes registering operators, verifying licensing and insurance, monitoring compliance with safety and operational standards, and addressing illegal charters in collaboration with the Maritime Department. The program promotes safe, equitable, and accountable charter operations while protecting legitimate businesses and the Port's interests. (Received from Assessment Survey Questionnaire)	New Activity - 2026	2	90	2	50	3	45	3	45	230	
22	Municiple Service Agreements Administration	Police, Fire, Rescue, and Emergency Services for the 5 member cities. Currently using a third party consultant to conduct a cost study on emergency services for the providers (FY 2024)	6/30/16	3	135	1	25	2	30	2	30	220	
23	Agreement and Contract Management	Administration of agreements and contracts for professional services and FV60 processing.	FY 2026	2	90	2	50	2	30	2	30	200	
24	Coastal Development Permit Compliance	Evaluate compliance with Coastal Development Permit (CDP) conditions and regulatory requirements to ensure that development activities align with environmental, public access, and land use provisions established by the California Coastal Commission and local coastal programs.	New Activity - 2026	2	90	2	50	2	30	3	45	215	
ENGINEERING - CONSTRUCTION													
Engineering - Construction													
25	Balanced Capital Program (BCP)	Capital expenditures, change orders, and project progress in relation to financial controls.		3	135	3	75	2	30	2	30	270	
26	Asset Management Program (AMP)	Conduct infrastructure asset inventories, condition assessments, and project development. Currently working on a new system and in the first stages of gathering of information/needs (FY 2024)		3	135	2	50	2	30	3	45	260	
27	Agreement and Contract Management	Includes Agreement & Contract Management; develop public works plans and specifications;	6/30/19	3	135	2	50	2	30	2	30	245	
28	Major Maintenance Program (MM)	Provide oversight and monitoring of the program including program and project reporting. BPC Policy No. 130.	6/30/19	3	135	1	25	2	30	2	30	220	
29	Engineering-Construction Operations	Provides other engineering services - project management, maintain record drawings and project documentation, engineering studies, cost estimating, scheduling, and mapping services.		3	135	1	25	1	15	2	30	205	

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity		Description	Last Audit Date	(1) Financial Impact			(2) Adequacy of Controls		(3) Stakeholder Concerns		(4) Complexity of Process/Program		Total Risk Score
				Risk Ranking	Weighting 45 points		Risk Ranking	Weighting 25 points	Risk Ranking	Weighting 15 points	Risk Ranking	Weighting 15 points	
CHIEF FINANCIAL OFFICER/TREASURER													
Financial Services													
30	Payroll Operations	Analysis of payroll process. Examine active employees, pay rates, wages and tax/retirement withholdings.	2/27/24 Outsourced	3	135	3	75	2	30	3	45	285	
31	Financial Services Operations	Includes financial planning, reporting, and key financial tasks, including managing the petty cash program, recording fixed assets, and performing account reconciliations.	2/27/24 Outsourced	3	135	2	50	3	45	3	45	275	
32	Corporate Credit Card	Transaction reviews. Admin. Procedure #127-220 Corporate Credit Card Use.	Annually	3	135	2	50	2	30	3	45	260	
33	Revenue Assurance	Ensure revenue streams (fees, leases, services, and other forms of revenue) are accurately recorded, collected, and optimized. Assess revenue collection processes, the accuracy of billing systems, contracts, and lease agreements, and methods for identifying and resolving revenue discrepancies. It also includes cash receipts and wire transfers.		3	135	2	50	2	30	2	30	245	
34	Expense Management	This includes reviewing and approving expenses, ensuring compliance with budgetary constraints, and maintaining accurate records. The goal is to ensure timely and accurate payment processing, optimize cost control, and maintain financial accountability throughout the organization.		3	135	2	50	1	15	2	30	230	
35	Treasurer Services Operations	Operations in alignment with strategic goals, department objectives, defined risk and mitigation processes, and performance measures. Also includes administrative functions, investments, cash flows, debt management.	9/17/13	3	135	1	25	2	30	2	30	220	
Procurement Services													
36	Agreement and Contract Development Process	Received from the Annual Assessment Questionnaire. A consultant experienced in the field was hired to implement and develop a procedure manual. A potential risk may be oversight and federal executive orders prohibiting PLA's in the federal area, which may impact projects with federal funding.	New Activity - 2026	3	135	3	75	3	45	3	45	300	
37	Procurement Card Program (P-Card)	Perform competitive solicitations, ensure the process incorporates provisions of BPC Policy No. 110. (looking for deviations from policy e.g., series agreements). Admin. Procedure 129-101, Task Authorization Process.	5/1/22	3	135	2	50	3	45	3	45	275	
38	Procurement Operations	Transaction reviews. Admin. Procedure #129-100 Procurement Card Procedures. (Includes Admin Functions)	Annually	3	135	2	50	2	30	3	45	260	
39	Project Labor Agreement Implementation and Compliance	Includes the management of the acquisition of goods, services, and contracts necessary to support organizational functions. This includes vendor selection, contract negotiation, purchase order processing, and ensuring compliance with procurement policies and regulations.		3	135	1	25	2	30	3	45	235	
40	Material Support Operations	Includes the receipt and distribution of packages, management of excess surplus, and coordination of equipment transfers. Additionally, it encompasses the procurement, storage, and distribution of materials and equipment essential for operations. This includes maintaining inventory and ensuring the timely availability of recurring items, such as copy paper, batteries, and other critical supplies.	4/30/09	2	90	1	25	1	15	2	30	160	

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity			Description	Last Audit Date	(1) Financial Impact		(2) Adequacy of Controls		(3) Stakeholder Concerns		(4) Complexity of Process/Program		Total Risk Score
					Risk Ranking	Weighting 45 points	Risk Ranking	Weighting 25 points	Risk Ranking	Weighting 15 points	Risk Ranking	Weighting 15 points	
HARBOR POLICE													
Harbor Police													
41	HPD Enforcement Operations	Includes protecting Tidelands, marine firefighting and patrol, illegal charter enforcement, and handling investigations. Specialized units and programs include the Explosive Detection Canine Unit, SWAT, community policing, dive team, drone program and Peer Support Team.	6/30/21	3	135	2	50	2	30	3	45	260	
42	Homeland Security and Emergency Management	Involves safeguarding assets and coordinating responses to security and emergency situations. Key activities include managing the Asset Seizure Fund, collaborating with agencies like the Coast Guard through the Regional Coordinating Mechanism (RECOM), fostering other strategic partnerships, and overseeing disaster preparedness and emergency response efforts to protect the community and organizational assets. (This also includes the Emergency Management Plan, Hazard Mitigation Plan, Emergency Management Training and Exercise Plan)	6/30/21	3	135	2	50	2	30	3	45	260	
43	High-Risk Material and Supplies Management	Includes the oversight and tracking of critical assets, such as weapons, sensitive equipment, or controlled substances, that pose significant security, safety, or compliance risks if mismanaged, requiring stringent controls and regular audits to ensure proper use, storage, and accountability.	New Activity - 2026	3	135	2	50	1	15	3	45	245	
44	Airport Munciple Services Agreement	Airport law enforcement services. The airport audits this contract annually.	Annually	3	135	2	50	1	15	2	30	230	
45	HPD Support Services Operations	These services include dispatch and communication services, recordkeeping and data management, crime analysis, and coordination of community outreach programs. They also involve overtime administration, managing training, resources, and equipment needed to support officers and staff, as well as ensuring compliance with policies and procedures and BPC reporting.	8/15/18	2	90	2	50	2	30	3	45	215	
46	Use and Management of Body Worn Cameras	Includes the deployment, operation, and oversight of wearable recording devices by law enforcement officers. These cameras capture video and audio during interactions with the public to promote transparency, accountability, and evidence collection. This includes managing the storage, retrieval, and secure handling of recorded footage, ensuring compliance with privacy laws and departmental policies, and maintaining the devices' functionality.		2	90	2	50	2	30	3	45	215	
47	Agreement and Contract Management	Administration of agreements and contracts for professional services and FV60 processing.	7/24/2019	2	90	2	50	2	30	2	30	200	

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity			Description	Last Audit Date	(1) Financial Impact		(2) Adequacy of Controls		(3) Stakeholder Concerns		(4) Complexity of Process/Program		Total Risk Score
					Risk Ranking	Weighting 45 points	Risk Ranking	Weighting 25 points	Risk Ranking	Weighting 15 points	Risk Ranking	Weighting 15 points	
MARITIME													
General Services													
48	Facility Maintenance	This includes the repair and upkeep of infrastructure and equipment, including HVAC, electrical, sewer, and railroad systems, as well as landscaping, custodial services, pest control, and trash removal. Risks include the prioritization and completion of work requests, accuracy of cost allocation, and adherence to preventative maintenance schedules.	5/15/18, 2/5/18	3	135	2	50	2	30	3	45	260	
49	Fleet Management Program	This includes tracking vehicle usage, scheduling preventative maintenance, coordinating repairs, and ensuring compliance with safety and regulatory standards.	4/16/23	3	135	2	50	3	45	2	30	260	
50	Work Order Program	The program involves processing work orders and tracking labor, materials, and overhead (OH) costs. The audit should include the effectiveness of controls over work order processing, compliance with policies and procedures, and the accuracy of labor and material costing.	11/7/14	3	135	2	50	2	30	3	45	260	
51	High-Risk Material and Supplies Management	Monitoring and control of essential assets like fuel, vehicle parts, hazardous materials, scrap metal, tools, or specialized equipment that are critical to operations and require strict oversight to prevent loss, misuse, or safety violations, ensuring operational efficiency and compliance.	New Activity - 2026	3	135	2	50	2	30	3	45	260	
52	Agreement and Contract Management	Administration of agreements and contracts for professional services and FV60 processing.	10/28/16	3	135	2	50	2	30	2	30	245	
53	Abandoned and Derelict Vessel Program	The program includes the identification, removal, and management of abandoned or derelict vessels within the Port's jurisdiction. The audit should include evaluating the effectiveness of processes for identifying and addressing vessels, the accuracy and transparency of financial records, adherence to environmental and safety standards, and the efficiency of interagency collaboration.	1/4/18 Follow-up	2	90	3	75	2	30	2	30	225	
Maritime													
54	Maritime Operations	Includes the management and oversight of cargo terminal activities, ensuring efficient port operations while controlling associated costs. This includes implementing best practices in terminal management, optimizing resource utilization, maintaining smooth cargo handling processes, and security services.	2/13/18	3	135	2	50	2	30	2	30	245	
55	Maritime Transportation Security Administration	Includes overseeing security measures at the port, such as surveillance systems (e.g., cameras), access control, and emergency response plans. The focus is on assessing and managing security risks, implementing best practices, and ensuring the safety of cargo, passengers, and port facilities.		3	135	2	50	2	30	2	30	245	

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity			Description			(1) Financial Impact			(2) Adequacy of Controls		(3) Stakeholder Concerns		(4) Complexity of Process/Program		Total Risk Score
						Last Audit Date	Risk Ranking	Weighting 45 points	Risk Ranking	Weighting 25 points	Risk Ranking	Weighting 15 points	Risk Ranking	Weighting 15 points	
MARITIME															
Maritime															
56	Revenue Management	Includes tracking the generation of revenue from key port services, including dockage, wharfage, bunkering, and storage space rental. This also includes managing the MOIS (Maritime Operations Information System) processing for billing and financial reporting. The program focuses on ensuring accurate invoicing, efficient collection processes, and maximizing revenue through strategic pricing and operational efficiency.	2/13/18, 5/15/18	3	135	2	50	1	15	2	30	230			
57	Commercial Fishing Vessel Slip and Commercial Pier Process	Review the management process and function in compliance with Port District Code Section 4.09 (Regulation of Vessels - G Street Mooring) and Tariff 1-G Item 0575 (Rates for Full Dockage)	2/13/18	2	90	2	50	2	30	2	30	200			
58	Leasehold Operation - Illegal charters	Resolve Illegal Charters; Ordinance and Operations	11/9/20	2	90	2	50	2	30	2	30	200			
59	Terminal Management	Includes overseeing the operations and administration of the Port's cruise ship terminal, including managing associated costs such as shore power and the maintenance of terminal equipment (e.g., shore power systems). This includes ensuring that facilities are well-maintained, cost-effective, and compliant with industry standards.		2	90	2	50	1	15	2	30	185			
MARKETING & COMMUNICATIONS															
Marketing & Communication															
60	Marketing Services Management	Includes handling the organization's marketing strategies, focusing on brand management, tourism, cruise, and cargo marketing, and supporting new business development. This includes ensuring consistent branding, promoting services, and creating marketing strategies to attract new clients and partners, helping drive growth and strengthen the organization's presence.	6/30/21	3	135	2	50	2	30	2	30	245			
61	Social Media and Website Development	Includes managing the organization's online presence, including maintaining and updating social media platforms and the website. This includes creating content, engaging with the public, and ensuring the website is user-friendly and up-to-date.	6/30/21	2	90	2	50	2	30	3	45	215			
62	Media Relations and Community Outreach	Involves managing communication between the organization and the public, including the media, community groups, and stakeholders. This function supports all departments with their marketing, public relations, and outreach needs, ensuring consistent messaging and engagement. Activities include responding to media inquiries, crafting press releases, managing social media, and organizing community events or programs to build positive relationships and promote organizational initiatives.		2	90	2	50	2	30	2	30	200			
63	Agreement and Contract Management	Administration of agreements and contracts for professional services and FV60 processing.	6/7/17	2	90	2	50	2	30	2	30	200			

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity			Description	Last Audit Date	(1) Financial Impact		(2) Adequacy of Controls		(3) Stakeholder Concerns		(4) Complexity of Process/Program		Total Risk Score
					Risk Ranking	Weighting 45 points	Risk Ranking	Weighting 25 points	Risk Ranking	Weighting 15 points	Risk Ranking	Weighting 15 points	
Parks & Recreation													
64	TAP Program	An annual sponsorship initiative, the Port's Tidelands Activation Programs (TAP) support special events that activate Port parks and other public spaces along the waterfront with new experiences and opportunities for all who live, work, and play on and around San Diego Bay. The Port has provided event sponsorships in some capacity since the 1990s. TAP was formalized in 2014 through Board of Port Commissioners Policy 771. Audit should include waived fees.		3	135	2	50	1	15	2	30	230	
65	Parks & Recreation Operations Management	Involves evaluating the administration and compliance of park usage, including the application of BPC Policy No. 452 (Permit Fees for Use of District Parks). Key audit areas include ensuring proper management and documentation of permits for park usage, special events, and entertainers, as well as verifying the accuracy and consistency of fee collection. Audits also review compliance with event-related regulations, track revenue generated from park activities, and ensure that all financial and operational practices align with established policies and guidelines to maintain transparency, accountability, and efficiency in park and recreation operations. (i.e., Commercial Vending Opportunity Drawing)	6/30/20, 8/20/20, 11/10/24	2	90	2	50	2	30	3	45	215	
66	Public Art Master Plan	Includes evaluating the administration, compliance, and financial management of public art programs, including policies such as BPC Policy No. 609 (Public Art), No. 608 (Tenant Percent for Art), and No. 611 (Receipt of Donations and Loans). Key audit areas include ensuring adherence to funding and procurement guidelines, transparency in the allocation of resources, and compliance with contractual and regulatory requirements. The audit also examines the effectiveness of processes for selecting, managing, and maintaining public art projects, as well as the tracking and reporting of funds received through tenant contributions, donations, and loans to ensure accountability and alignment with program objectives.	7/18/18	2	90	2	50	2	30	2	30	200	
OFFICE OF THE GENERAL COUNSEL													
Office of the General Counsel													
67	Agreements and Contracts Management	Administration of agreements and contracts for professional services and FV60 processing.	6/14/16	3	135	1	25	1	15	2	30	205	

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity		Description	Last Audit Date	(1) Financial Impact		(2) Adequacy of Controls		(3) Stakeholder Concerns		(4) Complexity of Process/Program		Total Risk Score
				Risk Ranking	Weighting 45 points	Risk Ranking	Weighting 25 points	Risk Ranking	Weighting 15 points	Risk Ranking	Weighting 15 points	
PLANNING & ENVIRONMENTAL												
Environmental												
68	Environmental Quality and Mitigation Monitoring	This includes the management of air, water, and sediment quality through regular testing and monitoring to ensure compliance with environmental standards. It also involves the tracking and evaluation of mitigation measures to ensure that the environmental impacts of development projects are effectively minimized, with ongoing assessment and compliance checks.	9/24/18 3/29/19	3	135	2	50	3	45	3	45	275
69	Stormwater Management	Includes evaluating the effectiveness and compliance of the systems and processes in place to manage stormwater runoff. Key areas of focus include adherence to local, state, and federal stormwater regulations, such as National Pollutant Discharge Elimination System (NPDES) permit requirements. The audit examines the implementation of best management practices (BMPs), the accuracy and timeliness of water quality monitoring and reporting, and the effectiveness of pollution prevention measures. Additionally, resource allocation, maintenance of stormwater infrastructure, and enforcement of tenant compliance with stormwater regulations are reviewed to ensure program efficiency, cost-effectiveness, and environmental protection.	3/29/19	3	135	2	50	3	45	3	45	275
70	Environmental Compliance Management	Ensure compliance with key environmental regulations, including the Clean Water Act, Endangered Species Act, CEQA, Army Corps permits, and RWQCB permits. This includes monitoring and enforcing permit requirements for all of the District's in-water construction projects to guarantee that environmental standards are met and upheld throughout project execution.		3	135	2	50	2	30	2	30	245
71	Environmental Fund Management	This includes managing the District's expenses for environmental initiatives and ensuring compliance with relevant policies such as BPC Policy No. 730 and WRRDA Funding allocation (Admin Procedure). In FY19, capital project costs were included as expenses against the fund to support these projects. The program focuses on ensuring that the funds are used effectively and in alignment with environmental goals, with proper tracking and reporting of all expenditures.		3	135	2	50	1	15	3	45	245
72	Stakeholder and Public Engagement	Includes evaluating the effectiveness and accountability of programs such as volunteer cleanup events, resource restoration initiatives, and environmental education efforts. Key areas for review include the management and allocation of resources, compliance with environmental objectives, transparency in program operations, and the measurement of outcomes. Audits ensure these activities align with organizational goals, maintain public trust, and effectively support the protection and enhancement of the Bay's natural resources.		3	135	1	25	2	30	2	30	220
73	Natural Resource Management	includes assessing compliance with regulations and policies related to the protection of endangered species, the activities of the Wildlife Advisory Group, and the execution of Natural Resource Damage Assessments (NRDA). Audits focus on ensuring that these programs are effectively managed, appropriately funded, and aligned with legal and environmental requirements. Key areas for review include resource allocation, interagency coordination (e.g., with NOAA and the Office of General Counsel), the accuracy of impact assessments, and the implementation of mitigation measures.		1	45	2	50	2	30	2	30	155

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity			Description	Last Audit Date	(1) Financial Impact		(2) Adequacy of Controls		(3) Stakeholder Concerns		(4) Complexity of Process/Program		Total Risk Score
					Risk Ranking	Weighting 45 points	Risk Ranking	Weighting 25 points	Risk Ranking	Weighting 15 points	Risk Ranking	Weighting 15 points	
Planning													
74	Land Use Planning	This includes evaluating zoning laws, land use regulations, and community needs to guide development and growth. The planning process ensures that land is used efficiently, aligns with environmental and safety standards, and supports economic and social objectives. It also includes coordinating with stakeholders, conducting impact assessments, and ensuring compliance with local, state, and federal regulations to manage land resources effectively.		3	135	2	50	2	30	3	45	260	
75	Maritime Clean Air Strategy (MCAS)	Includes the assessing of compliance with environmental regulations, such as emissions standards for ships, equipment, and port operations. Key areas for audit include the monitoring and reporting of air quality data, the implementation of clean air technologies, and the effectiveness of programs aimed at reducing emissions from vessels and port activities. Audits should also review the accuracy of environmental impact assessments, the effectiveness of mitigation measures, and the financial management of any clean air initiatives, ensuring transparency and cost-effectiveness in achieving air quality goals.		2	90	2	50	3	45	3	45	230	
76	Port Master Plan Administration	Prepare and process PMPA and location-specific planning initiatives; coordinating with other District departments and public agencies.		2	90	2	50	2	30	3	45	215	
77	Planning and Environmental Operations	Includes evaluating compliance with environmental laws, proper management of permits, adherence to BPC Policy 752, and the effective use of resources for sustainability initiatives. Key areas of focus include mitigation monitoring, stormwater management, natural resource protection, and the allocation and oversight of environmental funds.		2	90	2	50	1	15	1	15	170	

Attachment B – Internal Processes/Programs Risk Assessment – Continued

Audit Activity			Description	Last Audit Date	(1) Financial Impact		(2) Adequacy of Controls		(3) Stakeholder Concerns		(4) Complexity of Process/Program		Total Risk Score
					Risk Ranking	Weighting 45 points	Risk Ranking	Weighting 25 points	Risk Ranking	Weighting 15 points	Risk Ranking	Weighting 15 points	
STRATEGY & POLICY													
Energy & Policy													
78	Low Carbon Fuel Standard (LCFS) Program	Includes evaluating the effectiveness, compliance, and financial management of initiatives aimed at reducing carbon intensity in fuels. Key audit areas include verifying compliance with state LCFS regulations, assessing the accuracy of carbon credit generation and reporting, and ensuring the appropriate use of funds derived from LCFS credits. Audits also review the governance of program operations, the integration of LCFS objectives with organizational goals, and the effectiveness of controls to prevent fraud or mismanagement in credit transactions and fund allocations.	6/11/24 Annually	3	135	3	75	3	45	3	45	300	
79	Agreements and Contracts Management	Administration of agreements and contracts for professional services and FV60 processing.		3	135	2	50	1	15	3	45	245	
80	Sustainable Leasing Program and SDGE Local Partnership	Sustainability Policy and Utility Reporting Ordinance; SDGE agreements - benefits vs costs to run; community outreach and stakeholder collaboration; clean transportation planning; energy master planning. Utilize smart streetlight data to improve and grow the waterfront experience.		2	90	2	50	3	45	3	45	230	
81	Climate Action Plan Management	Implementation and Monitoring; climate adaptation planning; community outreach and stakeholder collaboration; implement CAP measures; report and monitor CAP progress. Provide analysis of costs and benefits of electric and alternative fuel vehicles.		2	90	1	25	2	30	3	45	190	
Government & Civic Relations													
82	Grant Management Program	Includes the administration of misc. grant programs (not specifically called out), including the application, allocation, and monitoring of funds. This includes ensuring compliance with grant terms, tracking expenditures, and reporting progress to funders.	Single Audit Annual, Grant/FEMA Review 12/18	3	135	3	75	3	45	3	45	300	
83	Stimulus, Use of Funds Compliance	Stimulus funds received from Treasury/State (2021).	7/22/24 Annually	3	135	3	75	3	45	3	45	300	

Attachment C – IT Risk Assessment

LIKELIHOOD SCALE		
Level	Points	Criteria
H	3	High probability of risk will occur
M	2	Medium probability of risk will occur
L	1	Low probability of risk will occur

LEVEL AND RISK SCORE RANGE	
Level	Total Risk Score
H	35-54
M	20-34
L	6-19

IMPACT SCALE		
Level	Points	Criteria
H	3	The potential for material impact on the organization's earnings, assets, reputation, or stakeholders is high.
M	2	The potential for material impact on the organization's earnings, assets, reputation, or stakeholders may be significant to the audit unit but moderate in terms of the total organization.
L	1	The potential impact on the organization is minor in size or limited in scope.

Risk Factors:

Financial Impact	The dollar impact of risk or operations not continuing.
Quality of Internal Control	Adequacy of internal control environment.
Change in Unit	Turnover and change in positions, and how they can affect the process.
Availability/Continuity	The availability of a service depends on how often the service fails and how long it takes to restore the service.
Integrity	Integrity of data (inputs and outputs).
Confidentiality	Data is secure and confidential.

Attachment C – IT Risk Assessment – Continued

Process		Financial Impact		Quality of Internal		Change in Unit		Availability/Continuity		Integrity		Confidentiality		Score and Level	
		L	I	L	I	L	I	L	I	L	I	L	I	Total	(H,M,L)
Cybersecurity and Access Control Risks															
1	Insufficient User Access Management	3	3	2	2	2	2	2	2	3	3	3	3	39	H
2	Phishing Attacks	3	3	2	2	2	2	2	2	3	3	3	3	39	H
3	Insider Threats (Malicious and Unintentional)	3	3	2	2	2	2	3	3	3	2	3	2	38	H
4	Data Breaches	3	2	3	2	2	2	3	3	2	2	2	3	35	H
5	Inadequate Multi-Factor Authentication	3	2	3	2	2	2	3	3	2	2	2	3	35	H
6	Malware	3	2	3	2	2	2	3	3	2	2	2	3	35	H
7	Privilege Escalation	3	2	3	2	2	2	3	3	2	2	2	3	35	H
8	Ransomware	3	3	2	3	1	1	2	2	3	3	2	2	33	H
Data Integrity, Privacy, and Governance Risks															
9	Insider Threats (where it concerns data exfiltration)	3	3	2	2	2	2	3	3	3	2	3	2	38	H
10	Non-Compliance with Data Privacy Regulations	2	3	2	3	1	3	2	3	3	3	2	3	36	H
11	Unencrypted Data	3	2	3	2	2	2	3	3	2	2	2	3	35	H
12	Data Corruption	3	2	2	2	1	1	2	1	3	3	3	3	31	M
13	Inadequate Data Classification	3	2	2	2	1	1	2	1	3	3	3	3	31	M
14	Data Retention and Disposal Issues	1	1	2	2	1	1	1	3	3	3	2	2	22	M
System Availability and Business Continuity Risks															
15	Downtime and System Outages	2	3	1	2	2	2	3	3	2	2	2	2	29	M
16	Disaster Recovery Plan Failures	2	3	1	2	2	2	2	3	2	1	2	3	26	M
17	Network Downtime	2	1	2	2	2	1	3	3	2	2	2	2	25	M
18	Denial-of-Service (DoS) Attacks	2	1	2	2	2	2	3	2	2	2	2	2	24	M
19	Cooling System Failures	1	1	3	3	1	1	3	3	1	1	1	2	23	M
20	Power Failures	1	1	3	3	1	1	3	3	1	1	1	2	23	M
21	Inadequate Backups	1	1	2	2	1	1	1	3	3	3	2	2	22	M

Attachment C – IT Risk Assessment – Continued

Process		Financial Impact		Quality of Internal		Change in Unit		Availability/Continuity		Integrity		Confidentiality		Score and Level	
		L	I	L	I	L	I	L	I	L	I	L	I	Total	(H,M,L)
IT Governance, Compliance, and Regulatory Risks															
22	Audit Findings	2	3	3	3	3	3	2	3	1	3	2	2	37	H
23	Lack of IT Policy Enforcement	2	3	3	3	3	3	2	3	1	3	2	2	37	H
24	Compliance Gaps	2	3	2	3	1	3	2	3	3	3	2	3	36	H
25	IT Audit Readiness - Cybersecurity Maturity Model Certification (CMMC)	2	3	2	3	1	3	2	3	3	3	2	3	36	H
26	Regulatory Changes	2	3	2	3	1	3	2	3	3	3	2	3	36	H
27	Software Licensing Risks (combined with Unlicensed Software Use)	2	3	2	3	1	3	2	3	3	3	2	3	36	H
28	Inadequate Vendor Management	3	2	2	2	1	1	2	1	3	3	3	3	31	M
Technology and Infrastructure Risks															
29	Mobile Device Security	3	3	2	2	2	2	2	2	3	3	3	3	39	H
30	Unsupported Software	2	3	2	3	1	3	2	3	3	3	2	3	36	H
31	Cloud Security Issues	3	2	2	2	1	1	2	1	3	3	3	3	31	M
32	Legacy Systems	2	3	2	2	2	2	2	3	2	3	1	3	29	M
33	Obsolete Technology	2	3	2	2	2	2	2	3	2	3	1	3	29	M
34	Network Vulnerabilities	2	1	2	2	2	2	3	2	2	2	2	2	24	M
Operational and Process Risks															
35	Rollback Failures	2	3	2	3	1	3	2	3	3	3	2	3	36	H
36	Inadequate Incident Response	3	2	2	2	1	1	2	1	3	3	3	3	31	H
37	End-of-Life Systems (if related to change management and process)	2	3	2	2	2	2	2	3	2	3	1	3	29	M
38	Patch Management Issues (including Delayed Patch Deployment and Incomplete Patch Management)	2	1	2	2	2	1	3	3	2	2	2	2	25	M
39	Change Management Failures	2	2	2	2	2	2	2	1	2	3	1	2	22	M
40	Backup and Recovery Risks	1	1	2	2	1	1	1	3	3	3	2	2	22	M
41	Inadequate Testing	2	1	2	2	1	1	1	2	1	1	1	1	11	L
42	User Support (help desk)	2	2	1	3	2	2	1	2	1	1	1	1	15	L

Attachment C – IT Risk Assessment – Continued

Process	Financial Impact		Quality of Internal		Change in Unit		Availability/Continuity		Integrity		Confidentiality		Score and Level	
	L	I	L	I	L	I	L	I	L	I	L	I	Total	(H,M,L)
Emerging Technology and External Risks														
43 Deepfake Technology	2	3	2	3	1	3	2	3	3	3	2	3	36	H
44 Internet of Things (IoT) Security	3	2	3	2	2	2	3	3	2	2	2	3	35	H
45 Social Media Exploitation	3	2	2	2	1	1	2	1	3	3	3	3	31	M
46 Quantum Computing Threats	3	2	2	2	1	1	2	1	3	3	3	3	31	M
47 Supply Chain Attacks (also combined with Third-Party and Supply Chain Risks)	3	2	2	2	1	1	2	1	3	3	3	3	31	M
48 Artificial Intelligence Misuse	1	1	1	1	1	1	1	1	1	1	3	3	14	L
49 Zero-Day Vulnerabilities	2	2	1	1	1	1	2	3	1	1	1	1	14	L
Human Error and Physical Security Risks														
50 Unintentional Data Breaches	3	2	2	2	1	1	2	1	3	3	3	3	31	M
51 Environmental Hazards	1	1	3	3	1	1	3	3	1	1	1	2	23	M
52 Hardware Theft or Loss	3	2	2	3	1	1	2	2	1	1	2	2	22	M
53 Unauthorized Physical Access	2	2	2	2	2	2	3	2	1	1	1	1	20	M
54 Improper Use of Technology	1	1	1	1	1	1	1	1	1	1	3	3	14	L
55 Lack of Training and Awareness	1	1	1	1	1	1	1	1	1	1	3	3	14	L
IT Programs and Processes														
56 TMP (Technology Management)	3	3	2	2	2	3	2	2	2	2	1	1	28	M
57 Contract Management	3	3	2	2	2	2	2	2	2	1	2	1	25	M
58 Technology Steering Committee	2	2	1	1	1	1	1	1	1	1	1	1	9	L

AUDIT OVERSIGHT COMMITTEE

ITEM: 6a

June 25, 2025

ACTION: UPDATE

SUBJECT

MOSS ADAMS FIRM UPDATE

OVERVIEW

Olga Darlington will provide an update on the recent merger between Baker Tilly and Moss Adams, resulting in the formation of the sixth-largest advisory CPA firm in the United States. Operating under the Baker Tilly name, the combined firm will offer enhanced capabilities, broader geographic coverage, and deeper industry expertise. This strategic merger is supported by private equity firms Hellman & Friedman and Valeas.

Mark Yeilding
Port Auditor

Staff Contact: Olga Darlington, Baker Tilly

AUDIT OVERSIGHT COMMITTEEITEM: **6b**

June 25, 2025

ACTION: UPDATE**SUBJECT****FINANCIAL UPDATE****OVERVIEW**

The mission of Financial Services is to safeguard the District's financial assets, provide expert financial planning and analysis, timely financial reporting, provide liquidity to fund operations and capital requirements, manage risk effectively, and provide excellent services to customers and business partners.

NEXT STEPS

The Financial Services Department will provide the Fiscal Year 2025 Financial Results Update to the AOC. The presentation will compare the actual results to the budget and the results from the prior year.

Mark Yeilding
Port Auditor

Staff Contact: Ryan Rios, Accounting Supervisor, (619) 686-7267,
rrios@portofsandiego.org

Fiscal Year 2025 Results (July – May)

	Fiscal Year-to-Date				ANNUAL BUDGET FY 2025
	ACTUAL FY 2025	BUDGET FY 2025	VARIANCE	%	
Revenues					
Operating					
Real Estate	\$ 129,260,992	\$ 123,631,000	\$ 5,629,992	4.6%	135,535,400
Port As A Service - Parking	16,859,499	18,040,265	(1,180,766)	(6.5)%	19,993,400
Maritime	47,402,750	46,604,300	798,450	1.7%	50,347,400
Harbor Police Department	19,939,566	18,278,276	1,661,290	9.1%	19,914,900
Miscellaneous	5,427,230	2,930,310	2,496,920	85.2%	3,192,200
Total Operating Revenues	\$ 218,890,037	\$ 209,484,151	\$ 9,405,886	4.5%	\$ 228,983,300
Non-Operating					
Total Non-Operating Revenues	\$ 40,730,052	\$ 79,294,602	\$ (38,564,550)	(48.6)%	\$ 86,761,500
Total Revenue	\$ 259,620,089	\$ 288,778,753	\$ (29,158,664)	(10.1)%	\$ 315,744,800
Expenses					
Operating					
Personnel	\$ 115,807,226	\$ 119,617,461	\$ 3,810,235	3.2%	130,309,200
Non-Personnel Expenses (NPE)	73,453,131	89,583,626	16,130,495	18.0%	100,810,700
Economic Recovery Program (ERP) NPE	404,804	2,182,471	1,777,667	81.5%	2,489,000
Total Operating Expenses	\$ 189,665,161	\$ 211,383,558	\$ 21,718,397	10.3%	\$ 233,608,900
Non-Operating					
Total Non-Operating NPE and Capitalized Labor	\$ 3,088,454	\$ 2,496,616	\$ (591,838)	(23.7)%	\$ 3,934,000
Total Expenses	\$ 192,753,615	\$ 213,880,174	\$ 21,126,559	9.9%	\$ 237,542,900
Capital Expenditures, Debt Service, Set-Asides	\$ (53,731,545)	\$ (75,131,608)	\$ 21,400,063	28.5%	\$ (78,074,100)
Unrestricted Sources Over Uses of Funds	\$ 13,134,929	\$ (233,029)	\$ 13,367,958		\$ 127,800

Fiscal Year 2025 Results (July – May) Year-Over-Year

	Fiscal Year-to-Date				ANNUAL BUDGET FY 2025
	ACTUAL FY 2025	ACTUAL FY 2024	VARIANCE	%	
Revenues					
Operating					
Real Estate	\$ 129,260,992	\$ 119,671,982	\$ 9,589,010	8.0%	135,535,400
Port As A Service - Parking	16,859,499	18,189,484	(1,329,985)	(7.3)%	19,993,400
Maritime	47,402,750	46,914,182	488,569	1.0%	50,347,400
Harbor Police Department	19,939,566	18,982,568	956,999	5.0%	19,914,900
Miscellaneous	5,427,230	3,935,066	1,492,163	37.9%	3,192,200
Total Operating Revenues	\$ 218,890,037	\$ 207,693,282	\$ 11,196,756	5.4%	\$ 228,983,300
Non-Operating					
Total Non-Operating Revenues	\$ 40,730,052	\$ 59,939,732	\$ (19,209,680)	(32.0)%	\$ 86,761,500
Total Revenue	\$ 259,620,089	\$ 267,633,014	\$ (8,012,925)	(3.0)%	\$ 315,744,800
Expenses					
Operating					
Personnel	\$ 115,807,226	\$ 105,116,462	\$ (10,690,764)	(10.2)%	130,309,200
Non-Personnel Expenses (NPE)	73,453,131	70,094,444	(3,358,687)	(4.8)%	100,810,700
Economic Recovery Program (ERP) NPE	404,804	963,343	558,539	58.0%	2,489,000
Total Operating Expenses	\$ 189,665,161	\$ 176,174,249	\$ (13,490,912)	(7.7)%	\$ 233,608,900
Non-Operating					
Total Non-Operating NPE and Capitalized Labor	\$ 3,088,454	\$ 4,510,095	\$ 1,421,641	31.5%	\$ 3,934,000
Total Expenses	\$ 192,753,615	\$ 180,684,344	\$ (12,069,271)	(6.7)%	\$ 237,542,900
Capital Expenditures, Debt Service, Set-Asides	\$ (53,731,545)	\$ (46,448,181)	\$ (7,283,364)	(15.7)%	\$ (78,074,100)
Unrestricted Sources Over Uses of Funds	\$ 13,134,929	\$ 40,500,489	\$ (27,365,560)	(67.6)%	\$ 127,800

AUDIT OVERSIGHT COMMITTEEITEM: **6C****June 25, 2025****ACTION: UPDATE****SUBJECT****PORT AUDITOR'S STATUS REPORT FOR FISCAL YEAR-TO-DATE ENDING JUNE 4, 2025****OVERVIEW**

The Office of the Port Auditor (OPA) is an independent office that reports directly to the Board of Port Commissioners (the Board). Our mission is to provide objective assurance and advisory services to improve the efficiency and effectiveness of Port processes and enhance accountability.

Collaboration with the Board, Port management, and stakeholders, including tenants, is a central component of our approach. I am proud of the OPA's staff dedication to fostering these relationships and their commitment to the Port's well-being.

The Audit Plan for FY 2025 includes 16 audits: nine tenant audits, six performance audits, and the Basic Financial Statements and Single Audit. As of June 4, 2025, the OPA has completed eleven audits, issuing 71 recommendations to enhance financial controls and operational effectiveness. The tenant audits alone have identified \$2,631,146 in unreported revenue. Four audits remain in progress, and one has been rescheduled, reinforcing our commitment to rigorous financial oversight and process improvements.

NEXT STEPS

The report will be provided to the Board as information.

Mark Yeilding

Port Auditor

Staff Contact:

Karen Mabesa, Acting Assistant Port Auditor, (619) 686-7264, or
kmabesa@portofsandiego.org

Attachment A:

Port Auditor's Status Report for Fiscal Year-to-Date ending June 4, 2025

PORT AUDITOR'S STATUS REPORT

FOR FISCAL YEAR-TO-DATE
ENDING JUNE 4, 2025



OFFICE OF THE PORT AUDITOR

Mark Yeilding, Port Auditor
Jane Mascarenas, Assistant Port Auditor
Karen Mabesa, Acting Assistant Port Auditor
Dori Dial-Blok, Deputy Port Auditor
Robert Synnott, Deputy Port Auditor
Debra Benavidez, Assistant to Port Auditor



Table of Contents

Introduction	2
Key Highlights – July 1, 2024 – June 4, 2025	2
Audit Findings and Impact.....	2
Next Steps & Continuous Improvement	2
Tenant Audits.....	3
<i>Table 1: Summary of Tenant Audits – 2,880 Allocated Audit Hours</i>	<i>3</i>
Performance Audits.....	4
<i>Table 2: Summary of Performance Audits – 1,150 Allocated Audit Hours</i>	<i>4</i>
Recommendations Dashboard.....	5
Basic Financial Statements and Single Audit	5
Ongoing Audits and Support.....	5
Conclusion.....	6
Appendix: Report Highlights	7

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June 25, 2025

Chair Michael Zucchet
Members of the Audit Oversight Committee

Port Auditor's Status Report for Fiscal Year-to-Date Ending June 4, 2025

Introduction

The Office of the Port Auditor (OPA) continues to advance its mission of promoting transparency, accountability, and operational efficiency within the Port of San Diego. This Fiscal Year (FY) 2025 Status Report provides an update on audit activities through June 4, 2025, detailing key accomplishments, financial recoveries, and ongoing initiatives.

Key Highlights – July 1, 2024 – June 4, 2025

- ✓ **Audits Completed:** 11 out of 16 planned audits
- ✓ **Total Recommendations Issued:** 71
- ✓ **Total Rent Reviewed:** \$65,977,900
- ✓ **Financial Impact:** \$2,631,146 in rent due identified from tenant audits
- ✓ **Cost of Audits:** \$214,384
- ✓ **Audit Hours Allocated:**
 - **Tenant Audits:** 2,880 hours
 - **Performance Audits:** 1,150 hours
- ✓ **Basic Financial Statements & Single Audit:** Completed by external auditors

Audit Findings and Impact

- **Tenant Audits:** Identified underreported revenue across multiple tenants, resulting in potential financial recoveries exceeding \$2.8 million, which includes the cost of four audits. Key areas of concern included revenue misclassifications, unreported income, and inaccurate reporting of income.
- **Performance Audits:** Evaluated operational effectiveness in key areas, completed a status update on the Cybersecurity Maturity Model Certification (CMMC), and provided oversight for the Commercial Vending Permit Opportunity Drawing while issuing recommendations to enhance internal controls and reduce fraud risks.
- **Fraud, Waste, and Abuse Hotline:** Ongoing oversight of the hotline, ensuring prompt reviews and corrective actions.

Next Steps & Continuous Improvement

- **Audit Recommendations Dashboard:** In progress to enhance visibility and accountability for audit findings, with an expected rollout later in 2025.
- **Follow-up on Audit Recommendations:** Ensure the timely implementation of corrective actions across departments.
- **Enhancing Audit Efficiency:** Utilizing new audit tools and improving reporting practices to achieve greater clarity and impact.

Tenant Audits

Table 1 summarizes the status of tenant audits as of June 4, 2025

Table 1: Summary of Tenant Audits – 2,880 Allocated Audit Hours

Tenant	Number of Recommendations Issued	Total Rent Reviewed	Underpayment/ (Overpayment)	Status / Audit Phase	Report / Target Completion Date
Safe Harbor South Bay	6	\$1,029,879	\$25,559	Completed	01/28/25
Sheraton SD Hotel & Marina	21	16,994,195	907,426 ¹	Completed	02/10/25
Humphrey's Half Moon Inn and Suites	7	6,166,434	92,663	Completed	03/05/25
Manchester Grand Hyatt	9	35,829,094	288,569	Completed	03/07/25
Coronado Yacht Club	3	1,081,990	116,498 ²	Completed	05/20/25
Maritime Museum	4	189,085	48,910 ³	Completed	06/02/25
San Diego Symphony Orchestra	10	3,066,027	1,241,272 ⁴	Completed	06/04/25
Southwestern Yacht Club	3	\$1,621,196	124,633 ⁵	Completed	06/16/25
Lane Field Developers	-	-	-	Report	06/30/25
Total	63	\$65,977,900	\$2,845,530		

¹ Includes the cost of the audit: **\$61,575**

² Includes the cost of the audit: **\$39,473**

³ Includes the cost of the audit: **\$35,453**

⁴ Includes the cost of the audit: **\$47,931**

⁵ Includes the cost of the audit: **\$29,952**

Performance Audits

Performance audits evaluate the efficiency, compliance, and effectiveness of Port operations. Each audit highlights key risks and areas for improvement, providing recommendations with assigned risk ratings and added value to guide management in implementing necessary corrective actions.

Table 2 summarizes the status of performance audits as of June 4, 2025.

Table 2: Summary of Performance Audits – 1,150 Allocated Audit Hours

Description	Number of Recommendations Issued	Number of Recommendations Open	Number of Recommendations Completed	Status / Audit Phase
Status Report – IT Audit Readiness – Cybersecurity Maturity Model Certification (CMMC)	0	0	0	Completed
Program Audit – Corporate Card and Travel	8	8	0	Completed
Program Audit – Low Carbon Fuel Standard ⁶	-	-	-	Report
Program Audit – Procurement Card	-	-	-	Fieldwork
Program Audit – Stimulus, Use of Funds Compliance	-	-	-	Fieldwork
Process Audit – Agreements and Contracts for Professional Services	-	-	-	Rescheduled ⁷
Total	8	8	0	

⁶ Program Audit is being outsourced to Tap International.

⁷ Tenant audits took longer due to the size of underpayments identified and as such, this audit will be postponed to a future date.

Recommendations Dashboard

In collaboration with IT, OPA is currently working on a Recommendation Dashboard to provide our management team with enhanced visibility into the status of all audit recommendations. The dashboard will provide an intuitive and centralized platform for tracking observations and recommendations, monitoring progress, and ensuring accountability. Key features will include status updates for each recommendation, detailed information on associated observations, and the departments responsible.

The dashboard will also include completion dates and estimated timelines for open recommendations, enabling proactive management and timely follow-through on audit findings. By streamlining access to this information, the Recommendation Dashboard supports informed decision-making, fosters cross-departmental collaboration, and reinforces our commitment to continuous improvement and operational excellence.

Basic Financial Statements and Single Audit

The external auditor, Moss Adams LLP, completed the review of the Port's Basic Financial Statements and Single Audit for FY 2024. The results were presented to the Audit Oversight Committee (AOC) on December 12, 2024.

Ongoing Audits and Support

The audit team continues to allocate resources to:

- Managing the Fraud, Waste, and Abuse Hotline, ensuring data integrity, and reviewing Procurement and Corporate Card transactions.
- Monitoring and tracking audit recommendations, providing updates to the Board, AOC, and executive management.
- Processing budget transfers per BPC Policy No. 090 and fulfilling other AOC-assigned tasks.
- Participating in Port-wide initiatives, supporting governance and operational efficiency improvements.
- Enhancing departmental processes through updates to audit procedures, implementation of new audit software, and refining audit reports to improve clarity and transparency.

Conclusion

The OPA remains committed to delivering high-impact audit services that improve operational efficiency, financial accuracy, and compliance across the Port. With multiple audits in progress and significant recoveries achieved, the OPA will continue working closely with stakeholders to drive meaningful improvements.

For any questions or further discussion, please contact me at (619) 686-6583 or email me at myeilding@portofsandiego.org.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark Yeilding', with a stylized flourish at the end.

Mark Yeilding
Port Auditor

Appendix: Report Highlights

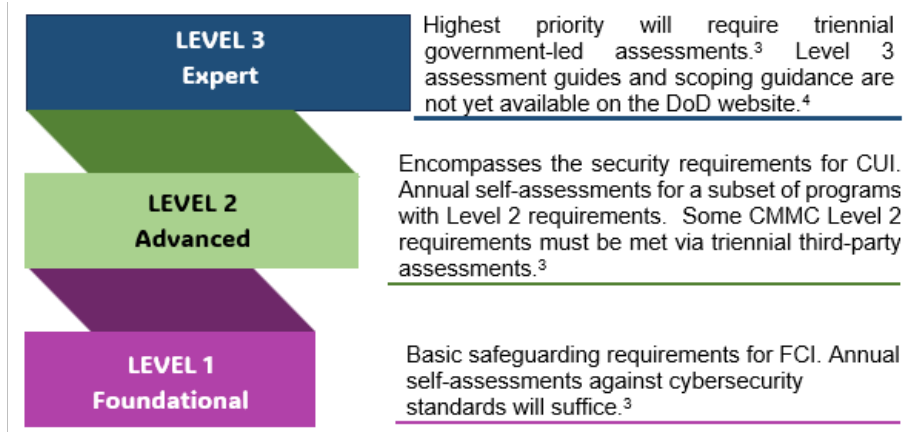
Appendix: Report Highlights

We have condensed each completed audit into a one-page report. The subsequent pages present the Report Highlights for all audit reports issued from July 1, 2024, through June 4, 2025.

- Status Report – Cybersecurity Maturity Model Certification (CMMC)
- Hotline Follow-up – Commercial Vending Permit Opportunity Drawing
- Tenant Audit – Safe Harbor South Bay
- Tenant Audit – Sheraton SD Hotel & Marina
- Tenant Audit – Humphreys Half Moon Inn & Suites
- Tenant Audit – Manchester Grand Hyatt
- Performance Audit – Corporate Credit Card
- Tenant Audit – Coronado Yacht Club
- Tenant Audit – Maritime Museum
- Tenant Audit – San Diego Symphony Orchestra
- Tenant Audit – Southwestern Yacht Club

Why the OPA Did This Audit

As part of the FY 2025 Audit Plan, **Jane Mascarenas, Assistant Port Auditor**, conducted a status assessment of the Port's efforts toward achieving *Cybersecurity Maturity Model Certification (CMMC)*, which is critical for securely managing sensitive information shared with the U.S. Navy. The CMMC certification process is being managed by the Port's Information Technology (IT) department under the oversight of the Vice President of Administration.



Objective, Scope, and Results

The Office of the Port Auditor met with the Port's Information Technology department on October 2, 2024, to understand the steps taken and plans for CMMC. The following is a summary of the discussion:

1. **CMMC Gap Assessment** – A third-party vendor conducted a CMMC Level 2 Gap Assessment, identifying several areas requiring improvement. The assessment results were submitted to the Port's IT department in May 2024 and are currently under review for remediation. Due to confidentiality, the OPA did not obtain or include the results in this report.
2. **Cloud Solution for Secure Communications** – To mitigate risk and ensure compliance with CMMC requirements, the Port has implemented a secure cloud-based email and document storage solution. Access to this solution is restricted to a designated Port employee within the Engineering-Construction department responsible for managing the Naval Base San Diego project.
3. **Port Security Grant Allocation for CMMC Compliance** – The Port intends to allocate a portion of funds from the Port Security Grant Program to address the identified gaps and determine the next steps in the CMMC compliance process. This funding request is scheduled for presentation to the Board of Port Commissioners at the November 13, 2024, Board meeting. Upon board approval, the RFP and vendor selection process is projected to be completed in May 2025, and a project closeout will be held in July 2026.
4. **Potential Organizational Changes for CMMC Compliance** – Achieving full CMMC compliance may require comprehensive organization-wide updates to IT operations, policies, and practices, necessitating close coordination across multiple departments.

Conclusion

The Port's computer systems must achieve a designated certification level to ensure the safe receipt and storage of sensitive information that the Navy provides. As part of this initiative, Port management will propose allocating a portion of the Port Security Grant Program funds to support CMMC remediation efforts and to evaluate the necessary steps for full compliance.

Why the OPA Did This Audit

The OPA received two reports on its Fraud, Waste, and Abuse Hotline on December 3, 2023, and January 2, 2024. These reports raised concerns regarding the fairness and randomness of the *Commercial Vending Permit Opportunity Drawing* held on November 16, 2023. Specific issues cited included the use of color-coded drawing balls and questions about the composition of the applicant pool. One of these individuals also attended the December 5, 2023, Board meeting and expressed similar concerns during the non-agenda public comment period.

In response, the OPA reviewed the opportunity drawing process, shared our recommendations with the Parks & Recreation (P&R) department, and concluded that the November 16, 2023, drawing was not biased or improper. We also provided the P&R department with recommendations that could further enhance transparency and the perceived fairness of future drawings.

Objective, Scope, and Results

Robert Synnott, Deputy Port Auditor, met with P&R to evaluate the progress of these recommendations before the opportunity drawing on November 20, 2024. The OPA confirmed that all its recommendations were fully implemented, including finalizing the Standard Operating Procedure (SOP), standardizing drawing ball colors, and ensuring an OPA representative was physically present to observe the drawing in real-time.

OPA Responsibilities for the November 20, 2024, Drawing

The OPA carried out the following observation and oversight tasks:

1. Pre-Drawing Review:

- Attended dry run meetings, providing feedback on processes, procedures, and presentations.
- Reviewed the finalized P&R Commercial Vending Opportunity Drawing SOP and offered additional feedback as necessary.
- Examined the applicant list for the 2025 calendar year, verifying its accuracy by:
 - Searching for duplicates by event name, organizer, email, and phone.
 - Ensuring unique identifiers (Park Event Numbers) were assigned to each application.
 - Confirming justifications for any applications marked as ineligible or canceled.

2. Application and Label Comparison:

- Cross-referenced the applicant list with labels printed by P&R staff to ensure accuracy.

3. Drawing Day Observations:

- Monitored the matching of application numbers with eligible applicants.
- Confirmed that all application-numbered balls and space-numbered balls were loaded into the drawing machines and kept under constant surveillance.
- During the live drawing:
 - Observed the drawing process for propriety.
 - Verified that logged results matched the scribed board and PowerPoint.
 - Ensured proper handling of any ball not falling into the hopper, instructing staff to re-spin the machine as necessary.

The live drawing was recorded and posted to the Port's website. It is available for public viewing at the following link: <https://www.youtube.com/watch?v=hH0qpg5QZSI>.

Conclusion

The OPA observed that all processes were conducted in alignment with the finalized SOP, ensuring the Commercial Vending Permit Opportunity Drawing was transparent, fair, and free from bias, as confirmed through procedural reviews and live observations. The implementation of OPA's recommendations has notably strengthened the integrity and transparency of the drawing process. OPA will continue to monitor future drawings and provide feedback to uphold these standards.

Why the OPA Did This Audit

Robert Synnott, Deputy Port Auditor, conducted the tenant audit and reviewed transactions between January 1, 2022, and June 30, 2024, per the OPA's FY 2025 Audit Plan. The audit's objectives were: 1) to determine the accuracy of revenue reported to the Port based on the revenue recorded in the tenant's book of accounts, and 2) to evaluate the adequacy of the tenant's revenue control system, considering the operation's size and nature.

What the OPA Found

Rental Underpayment – The audit disclosed a rental underpayment of **\$25,559**, primarily due to reporting errors.

Reporting Errors – The OPA noted that the tenant deducted Electric Recovery – Berth income from the monthly concession reports without an approved *Request for Marina Utility Rent Waiver Form* for the entire audit period, resulting in a rental underpayment.

Unreported Revenue – Subtenants – The OPA noted that the tenant did not report subtenant sales from dock usage fees.

Reporting Misclassifications – Subtenants – The OPA noted that several subtenants reported membership dues and sales under the wrong categories.



What the OPA Recommends

The OPA issued **six** recommendations:

- 1) Invoice the tenant for the rental underpayment of **\$25,559**.
- 2) Instruct the tenant to implement suitable oversight over its reporting process.
- 3) Instruct the tenant to complete the *Request for Marina Utility Rent Waiver Form* and receive approval before excluding rent payments from monthly concession reports.
- 4) Instruct the tenant to report all sales from subtenants on monthly concession reports.
- 5) & 6) Instruct the tenant to report sub-tenants' income under the correct categories.

Why the OPA Did This Audit

Karen Mabesa, Deputy Port Auditor, conducted the tenant audit and reviewed transactions between July 1, 2021, and June 30, 2024, per the OPA's FY 2025 Audit Plan. The audit's objectives were: 1) to determine the accuracy of revenue reported to the Port based on the revenue recorded in the tenant's book of accounts, and 2) to evaluate the adequacy of the tenant's revenue control system, considering the operation's size and nature.



What the OPA Found

Rental Underpayment –

The audit disclosed a rental underpayment of **\$845,851**, primarily due to reporting misclassifications and unreported income.

Inaccurate Reporting of

Income – The OPA noted that the tenant deducted unallowable exclusions (i.e., credit card fees, third-party fees, and equipment rental income) from gross sales.

Reporting Misclassifications – Tenant and Subtenants – The OPA noted that the tenant and several subtenants reported numerous items (i.e., beverages, fees, and rentals) under the incorrect categories.

Unreported Revenue – Subtenants – The OPA noted that the tenant did not report subtenant income from late fees, tours, surcharges, or convenience fees.

Other – Subtenants – The OPA noted that subtenants are collecting a “Port Fee” or “Tax” based on a percentage of their customers’ charter income.

What the OPA Recommends

The OPA issued **21** recommendations:

- 1)** Invoice the tenant for the rental underpayment of **\$845,851**.
- 2)** Instruct the tenant to implement suitable oversight into its reporting process.

The audit report also includes recommendations to ensure accurate reporting and compliance with lease agreements. **Recommendations 3-20** instruct the tenant to report all gross income (including from subtenants), categorize income correctly, and instruct subtenants to remove any references to a “Port fee” or “Port tax” from contracts, invoices, sales, and receipts. Additionally, **Recommendation 21** advises the Port’s Financial Services Department to accurately record the tenant’s reported sales in SAP, aligning with the categories reflected in the monthly concession reports.

Why the OPA Did This Audit

Karen Mabesa, Deputy Port Auditor, conducted the tenant audit and reviewed transactions between February 1, 2021, and July 31, 2024, per the OPA's FY 2025 Audit Plan. The audit's objectives were: 1) to determine the accuracy of revenue reported to the Port based on the revenue recorded in the tenant's book of accounts, and 2) to evaluate the adequacy of the tenant's revenue control system, considering the operation's size and nature.

What the OPA Found

Rental Underpayment – The audit identified a rental underpayment of **\$92,663**, primarily due to reporting misclassifications and unreported income.

Inaccurate Reporting of Income – The tenant reported commission income from Pure Body Spa, which is not subject to percentage rent, improperly deducted a profit share from gross merchandise sales, and underreported non-alcoholic beverage sales due to an outdated percentage adjustment.

Reporting Misclassifications – Items were reported under incorrect categories, resulting in a rental underpayment.

Unreported Revenue – No parking revenue was recorded from LAZ, resulting in gross income for parking services not being reported or paid as the lease requires.



What the OPA Recommends

The OPA issued **seven** recommendations:

- 1) Invoice the tenant for the rental underpayment of **\$92,663**.
- 2) Instruct the tenant to implement suitable oversight over its reporting process.
- 3) Instruct the tenant not to report commissions from Pure Body Spa on the monthly concession report.
- 4) Instruct the tenant to report gross income from merchandise sales and not deduct unallowable exclusions on the monthly concession reports.
- 5) Instruct the tenant to report actual sales identified in the POS system for non-alcoholic beverages on the monthly concession reports.
- 6) Instruct the tenant to report gross income under the correct categories.
- 7) Instruct the tenant to report and pay gross income from the sale of parking services during concerts and events, and report under the correct category.

Why the OPA Did This Audit

Dori Dial-Blok, Deputy Port Auditor, conducted the tenant audit and reviewed transactions between January 1, 2022, and June 30, 2024, per the OPA's FY 2025 Audit Plan. The audit's objectives were: 1) to determine the accuracy of revenue reported to the Port based on the revenue recorded in the tenant's book of accounts, and 2) to evaluate the adequacy of the tenant's revenue control system, considering the operation's size and nature.

What the OPA Found

Rental Underpayment – The audit disclosed a rental underpayment of **\$288,569**, primarily due to reporting misclassifications and reporting errors. The tenant's reporting template does not align with lease agreement categories, leading to income misclassification.



Reporting Misclassifications – Included Room service charges, Food/Non-Alcoholic Beverage Allocation, and subtenant's (Rooftop Cinema & Travel Traders) Beverage and merchandise sales. All were misreported under incorrect categories.

Reporting Errors – The tenant receives sales reports from Encore for AV services but reports the entire amount charged to clients instead of their retained portion, and the sales reports from July 2021 to March 2024 contained errors, leading to a true-up in April 2024.

Other – Subtenant – The OPA observed that revenue from Money Instruments sales was reported to the tenant with a one-month delay due to timing issues.

Other – Incorrect use of Categories in SAP – The OPA noted the tenant's percentage rent categories were posted inconsistently in SAP.

What the OPA Recommends

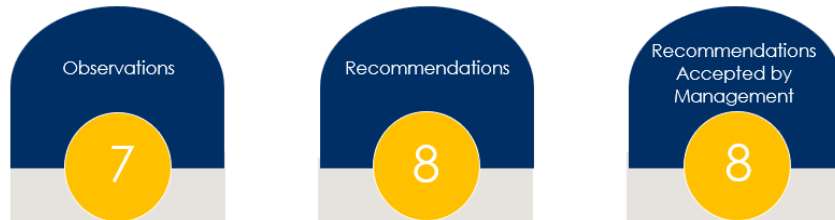
The OPA issued **nine** recommendations:

- 1) Invoice the tenant for the rental underpayment of **\$288,569**.
- 2) Instruct the tenant to implement suitable oversight over its reporting process.
- 3) Work with Real Estate to ensure the tenant uses the correct template for reporting monthly rent concessions.
- 4) Require periodic reviews of percentage adjustments for non-alcoholic beverage allocations. Ensure destination fees are reported under the Miscellaneous & Other Sales category at 10%.
- 5) Instruct the tenant to review sales reports from Encore to prevent future reporting errors.
- 6) & 7) Require accurate reporting for subtenants (Rooftop Cinema & Travel Traders).
- 8) The tenant should remind subtenants to report gross income on time, ensuring detailed reports and rent payments are submitted by the 20th of each month as required by the lease agreement.
- 9) Instruct the Port's Financial Services department to post the tenant's sales in the appropriate category in SAP, as shown in the monthly concession reports.

Why the OPA did this Audit

A Corporate Credit Card Program performance audit was part of the FY 2025 Audit Plan. The review period for this audit covers the fiscal year from July 1, 2023, through June 30, 2024, during which a total of \$184,691.63 was charged on corporate credit cards. Total ELG charges amounted to \$72,403.46 (39%), while all other charges totaled \$112,288.17 (61%).

What the OPA Found and Recommends



Observation	Ranking	Recommendation Summary
1 Excessive and Unreasonable Expenditures	Critical	Recommendations 1 & 2 <ul style="list-style-type: none"> - Set meal cost guidelines - Require supporting documentation - Strengthen expense review and pre-approval for exceptions - Enforce gratuity limits - Evaluate the reasonableness of expenses - Require annual policy review by all cardholders, approvers, processors, etc.
2 Segregation of Duties	Critical	Recommendation 3 <ul style="list-style-type: none"> - Require independent approvals - Update <i>BPC Policy No. 641 and Administrative Procedure #106-121</i> to reinforce segregation of duties
3 Reimbursement to the Port	Critical	Recommendation 4 <ul style="list-style-type: none"> - Enforce timely reimbursement - Reinforce non-reimbursable expense guidance - Provide regular training to all individuals involved in processing corporate card transactions
4 Incomplete Documentation and Substantiation of Expenses	Significant/Major	Recommendation 5 <ul style="list-style-type: none"> - Require full itemized receipts - Properly classify hotel meal expenses - Document group meal participants - Provide refresher training
5 Expense Authority Violations	Significant/Major	Recommendation 6 <ul style="list-style-type: none"> - Enforce correct reporting hierarchy - Require alcohol-related receipts to identify consumers - Require annual policy review by all cardholders and approvers
6 Other Items Noted	Significant/Major	Recommendation 7 <ul style="list-style-type: none"> - Clarify non-reimbursable charges (TSA PreCheck, upgrades) - Prohibit self-approvals - Strengthen the timeliness of expense approvals - Tighten review of promotional meals
7 Inactive Corporate Cardholders Not Aligned with Procedure Criteria	Unsatisfactory/Minor	Recommendation 8 <ul style="list-style-type: none"> - Management should periodically review corporate card usage and ensure that cardholders meet the criteria outlined in Administrative Procedure No. 127-220

Why the OPA Did This Audit

Dori Dial-Blok, Deputy Port Auditor, conducted the tenant audit and reviewed transactions from January 1, 2022, to June 30, 2024, per the OPA's FY 2025 Audit Plan. The objectives of the audit were: 1) to assess the accuracy of revenue reported to the Port based on the records in the tenant's book of accounts, and 2) to evaluate the effectiveness of the tenant's revenue control system, considering the operation's size and nature.

What the OPA Found

Rental Underpayment – The audit disclosed a rental underpayment of **\$77,025**, primarily due to reporting errors.

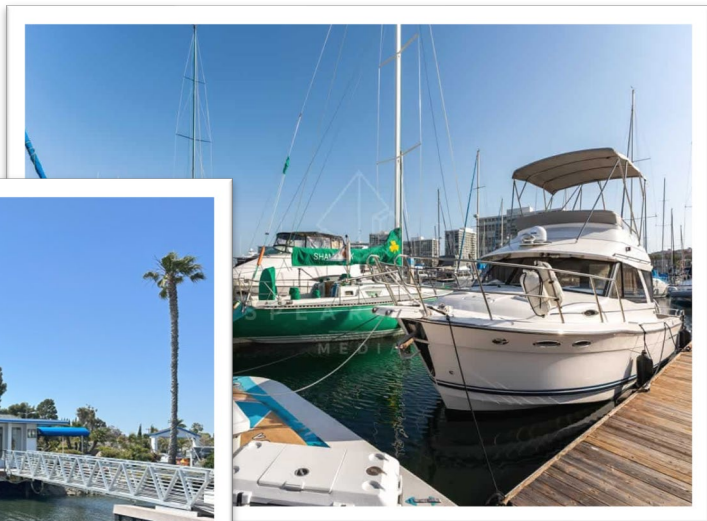
Reporting Errors – Electricity Charges – The tenant improperly excluded Electricity Charge income from rent calculations throughout the audit period, resulting in a rental underpayment. No Marina Utility Rent Waiver Form was completed or approved, as required by Port policy. *No recommendation since the tenant subsequently completed the Marina Utility Rent Waiver Form.*

Reporting Errors – Membership Dues – The tenant excluded a portion of membership dues from rent calculations by allocating it to the Junior Sailing Program. Still, this income is subject to Port rent since it was not generated directly by the program's activities.

What the OPA Recommends

The OPA issued **three** recommendations:

- 1) Invoice the tenant for the rental underpayment of **\$77,025**.
- 2) Instruct the tenant to implement suitable oversight over its reporting process.
- 3) Instruct the tenant to report gross income when reporting monthly sales to the Port and not to deduct unallowable exclusions.



Why the OPA Did This Audit

Robert Synnott, Deputy Port Auditor, conducted the tenant audit and reviewed transactions from January 1, 2021, to December 31, 2023, per the OPA's FY 2025 Audit Plan. The objectives of the audit were: 1) to assess the accuracy of revenue reported to the Port based on the records in the tenant's book of accounts, and 2) to evaluate the effectiveness of the tenant's revenue control system, considering the operation's size and nature.

What the OPA Found

Rental Underpayment – The audit disclosed a rental underpayment of **\$13,457**, primarily due to unreported revenue.

Reporting Misclassifications – The tenant misclassified service charge revenue in the incorrect categories.

Unreported Revenue – The tenant did not report revenue received for DJ/Security Services at Museum events.

What the OPA Recommends

The OPA issued **four** recommendations:

- 1) Invoice the tenant for the rental underpayment of **\$13,457**
- 2) Instruct the tenant to implement suitable oversight over its reporting process.
- 3) Instruct the tenant to report service charge revenue under the correct revenue category.
- 4) Instruct the tenant to report revenue received for DJ/Security Services.



Why the OPA Did This Audit

Karen Mabesa, Deputy Port Auditor, conducted the tenant audit and reviewed transactions between January 1, 2023, and August 31, 2024, per the OPA's FY 2025 Audit Plan. The audit's objectives were: 1) to determine the accuracy of revenue reported to the Port based on the revenue recorded in the tenant's book of accounts, and 2) to evaluate the adequacy of the tenant's revenue control system, considering the operation's size and nature.



What the OPA Found

Rental Underpayment – The audit disclosed a rental underpayment of **\$1,193,341**, primarily due to reporting misclassifications and unreported income.

Unreported income – The tenant failed to report various sources of gross income, including revenue from third-party rentals, private events managed by Padres L.P., special events, and ticket donations or exchanges, as required by the lease. These omissions resulted in underreported

revenue and repeated noncompliance with prior recommendations.

Inaccurate Reporting of Income – The tenant inaccurately reported gross income by deducting unallowable expenses and failing to report revenue from markups on private event venue rentals. These practices led to underreporting and are not in compliance with lease terms.

Reporting Misclassifications – The tenant misclassified several income sources under incorrect reporting categories, resulting in underpayment of percentage rent. Accurate classification is required to ensure compliance with lease reporting requirements.

Unreported Income – Sodexo – The tenant did not report retained service charge income from its vendor, Sodexo, on monthly concession reports, resulting in underreported gross income and noncompliance with lease terms.

Other Observation – New Gross Income Threshold – The Gross Income from any admission, cover, or other entertainment charges from Lease Year 2024 (September 2023 - August 2024) totaled \$31MM, falling between the \$30MM to \$40MM threshold.

What the OPA Recommends

1. Invoice the tenant \$1,193,341 for underreported revenue and provide documentation supporting the findings, including the tenant's signed acknowledgment.
2. Instruct the tenant to strengthen oversight of monthly concession report submissions to prevent future revenue understatements.
3. Instruct the tenant to report all income from third-party and private event rentals (e.g., ticket sales, parking, venue use) under the appropriate revenue categories and rates.
4. Require the tenant to report revenue from special events (e.g., galas, fundraisers) under the Entertainment/Cover Charge Sales category at the applicable rate.
5. Instruct the tenant to report income from donated and exchanged tickets under the Entertainment/Cover Charge Sales category at the appropriate rate.
6. Instruct the tenant not to deduct catering, merchandise, and VIP ticket proceeds from gross income, as these are not allowable exclusions.
7. Require the tenant to include markups on private event venue fees in reported gross income under the Third-Party Rental Sales category.
8. Direct the tenant to reclassify misreported income (e.g., parking, production, stage crew) under the correct revenue categories and applicable percentage rent rates.
9. Require the tenant to report retained service charges from Sodexo under the Miscellaneous & Other Sales category at the applicable percentage rate.
10. For Lease Year 2025 (September 2024 - August 2025), instruct the tenant to report Gross income from any admission, cover, or other entertainment charges in the Entertainment/Cover Charge Sales category at five and three-quarters percent (5.75%).



Why the OPA Did This Audit

Robert Synnott, Deputy Port Auditor, conducted the tenant audit and reviewed transactions between January 1, 2022, and December 31, 2024, per the OPA's FY 2025 Audit Plan. The audit's objectives were: 1) to determine the accuracy of revenue reported to the Port based on the revenue recorded in the tenant's book of accounts, and 2) to evaluate the adequacy of the tenant's revenue control system, considering the operation's size and nature.

What the OPA Found

Rental Underpayment – The audit disclosed a rental underpayment of **\$94,681**, primarily due to reporting errors.

Reporting Error – The tenant did not report revenue in the amount of \$601,200, due to a clerical error on the tenant's worksheet used to calculate the monthly reportable rent, which was deducting \$16,700 per month for the entire audit period.

Reporting Error – The tenant did not report revenue in the amount of \$251,518, due to improperly deducting revenue related to capital improvements that were not approved in advance by the Port, as is required per the lease.

What the OPA Recommends

1. Invoice the tenant \$94,681 for underreported revenue and provide documentation supporting the findings, including the tenant's signed acknowledgment.
2. Instruct the tenant to strengthen oversight of monthly concession report submissions to prevent future revenue understatements.
3. Instruct the tenant to review the lease language as it relates to property improvements and the required approvals thereof.



AUDIT OVERSIGHT COMMITTEEITEM: **6d**

June 25, 2025

ACTION: UPDATE**SUBJECT****FRAUD, WASTE, AND ABUSE PREVENTION HOTLINE STATUS REPORT FOR FISCAL YEAR-TO-DATE ENDING JUNE 4, 2025****OVERVIEW**

Recognizing the threat fraud, waste, and abuse pose to the integrity of the District, the OPA has established the Fraud, Waste, and Abuse Prevention (FWA) Hotline, a confidential, secure channel for employees, contractors, and stakeholders to report concerns. This hotline is a key tool in safeguarding the organization.

The OPA has prepared an update on the FWA Hotline, emphasizing its commitment to ethical standards and sound governance. The update notes that two reports were received during this period.

NEXT STEPS

The report will be provided to the Board as information.

Mark Yeilding
Port Auditor

Staff Contact: Mark Yeilding, (619) 686-6583, myeilding@portofsandiego.org
Attachment A: Port Auditor's Fraud, Waste, and Abuse Hotline Status Report for Fiscal Year-to-Date Ending June 4, 2025

PORT AUDITOR'S FRAUD, WASTE, AND ABUSE HOTLINE STATUS REPORT

FOR FISCAL YEAR-TO-DATE
ENDING JUNE 4, 2025



OFFICE OF THE PORT AUDITOR

Mark Yeilding, Port Auditor
Jane Mascarenas, Assistant Port Auditor
Karen Mabesa, Acting Assistant Port Auditor
Dori Dial-Blok, Deputy Port Auditor
Robert Synnott, Deputy Port Auditor
Debra Benavidez, Assistant to the Port Auditor



OFFICE OF THE PORT AUDITOR

Fraud, Waste, and Abuse Hotline Status Report for Fiscal Year-to-Date ending June 4, 2025

About the Fraud, Waste, and Abuse Hotline

The Office of the Port Auditor (OPA) administers the Port's Fraud, Waste, and Abuse (FWA) Hotline program. The primary objective of the FWA Hotline is to provide a means for Port employees, contractors, and stakeholders to confidentially report any activity or conduct relating to or involving Port personnel, resources, or operations for which they suspect instances of FWA. The FWA Hotline is operated pursuant to California Government Code §53087.6 (Statute). The Statute defines fraud, waste, or abuse as "any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct."

The Statute also requires that investigations conducted pursuant to its authority be confidential except to issue any report of an investigation that has been substantiated or to release any findings resulting from a completed investigation deemed necessary to serve the interests of the public. In any event, the identity of the individual or individuals reporting improper government activity and the subject employee or employees shall be kept confidential.

An independent third-party provider accepts FWA Hotline reports from Port employees and the public at (888) 203-8330 or online at <https://www.portofsandiego.org/about-port-san-diego/port-administration/fraud-prevention-ethics-hotline>.

Whistleblowers can choose to remain anonymous, and all information provided via the FWA Hotline will remain anonymous to the fullest extent provided by law and will be consistent with the Public Records Act.

June 25, 2025

Chair Michael Zucchet
Members of the Audit Oversight Committee

Port Auditor's Fraud, Waste, and Abuse Prevention Hotline Status Report for Fiscal Year-to-Date Ending June 4, 2025

We received **two** FWA Hotline reports during the fourth period of FY 2025 (March 8, 2025 – June 4, 2025).

Table 1 summarizes the types of reports received during FY 2025.

Table 1 – Summary of Types of Reports by Periods

Reports Received in FY 2025				
Types of Reports	Mar. 8, 2025, to Jun. 4, 2025	Dec. 3, 2024, to Mar. 7, 2025	Sept. 6, 2024, to Dec. 2, 2024	Jun. 14, 2024, to Sept. 5, 2024
Fraud/Waste/Abuse	1	1	0	0
Ethics	0	0	0	0
Personnel	1	0	1	0
Violence or Threat	0	0	1	0
Miscellaneous	0	1	0	1
Other	0	3	4	0

Status of Hotline Reports

14 reports were filed with the FWA Hotline between July 1, 2024, and June 4, 2025

2 reports filed between March 8, 2025, and June 4, 2025

5 reports investigated by the OPA

7 reports referred to other Departments, not in OPA's purview

2 reports referred to another agency, not in OPA's purview

16 active reports in the OPA inventory for Fiscal Year 2025

2 reports remain open and unresolved

14 reports closed in FY 2025

Port Auditor Investigations Summary

Table 2 overviews the two FWA Hotline investigations carried over from FY 2024 and closed in FY 2025, along with the 14 FWA Hotline reports received during this fiscal year. The table includes the case number, incident type, report receipt date, case status or outcome, resolution date, and a brief report summary. If a report pertains to a Port department, the department is involved in the investigation.

Table 2 – Summary of All Fraud, Waste, and Abuse Hotline Reports

No.	Case Number	Incident Type	Date Received	Case Status / Outcome	Resolution Date
1	114	Harassment/Ethics	04/29/2024	Closed	09/09/2024
CARRYOVER FROM FY 2024: An employee reported concerns regarding ongoing personnel investigations. The case has been closed, and all parties have been notified of the outcome.					
2	118	Harassment/Falsification of Records	06/10/2024	Closed	07/23/2024
CARRYOVER FROM FY 2024: A citizen reported a concern about Harbor Police Department (HPD) officers and a concern that they have been unlawfully cited by HPD for mooring their boat. The OPA has contacted HPD to investigate the concerns and will provide ongoing monitoring until completion. Per HPD, the complaint has been investigated and completed. HPD will notify the reporting party.					
3	119	Miscellaneous	07/08/2024	Closed	07/08/2024
A partial report was abandoned.					
4	120	Personnel Issue	09/11/2024	Closed	10/31/2024
An anonymous concern was raised regarding HPD's promotion process and potential management involvement. The allegations were thoroughly investigated by People Services and were not sustained.					
5	121	Parking Citation Issue	09/19/2024	Closed	01/29/2024
An anonymous complaint was submitted regarding repeated instances of an officer issuing citations to the reporting party's vehicle despite the parking being paid. The complaint has been investigated by HPD's internal affairs and reviewed by People Services. The complaint has been unsubstantiated.					
6	122	Public Information Request	10/03/2024	Closed	10/05/2024
A citizen requested any unethical reports made against a Port tenant. The case was referred to the Office of the District Clerk Public Records Request. The OPA had no closed or active cases against the tenant.					
7	123	Unfair Hiring Practices	10/10/2024	Closed	10/28/2024
A citizen claimed that a tenant hired an undocumented individual and was being taken advantage of by the employer. The case was referred to the Office of the General Counsel (OGC) and Real Estate for further investigation. The complaint was handled by the Real Estate Department, and the developer had no records of the individual who was identified in the complaint. Both their certified payroll and orientation logs were reviewed, and interviews with employees were conducted.					

Table 2 – Summary of All Fraud, Waste, and Abuse Hotline Reports - Continued

No.	Case Number	Incident Type	Date Received	Case Status / Outcome	Resolution Date
8	124	Violence or Threat	10/25/2024	Closed	10/28/2024
A concerned citizen reported that criminal activity occurred off the Tidelands. The case was closed due to insufficient evidence to conduct a thorough investigation. No contact information (phone number or email address) was provided, and only limited details were available. Additionally, attempts to verify the names provided through online resources were unsuccessful.					
9	125	Other	11/22/2024	Closed	11/22/2024
The reporting party requested a consultation meeting regarding Navy Hydrography with a company not affiliated with the Port. The reporting party was advised that they had contacted the wrong agency. Closed with no further monitoring.					
10	126	Other	12/04/2024	Closed	12/04/2024
An anonymous citizen reported concerns regarding potential criminal charges involving a current tenant and requested an investigation. The matter was referred to the Real Estate and HPD for review. Both departments confirmed they had no documented interactions or records related to the tenant. As a result, the case was closed, and no further action or monitoring was required.					
11	127	Other	12/08/2024	Closed	12/08/2024
An anonymous reporting party provided information on supplier information for marine fuel at the Sunoco Logistics Nederland Terminal in Texas. No concerns about fraud, waste, or abuse were noted. Case closed with no further monitoring.					
12	128	Fraud/Misappropriation of Grant Funds	01/03/2025	Closed	01/03/2025
A report has been submitted alleging fraudulent activities involving the founder of a nonprofit organization outside the Port's jurisdiction. The case has been referred to the appropriate agency and closed without further oversight.					
13	129	Other	02/12/2025	In Progress	
A report has been submitted alleging that someone leaked sensitive video footage prior to approved authorization. HPD has finished its initial investigation and is now being reviewed by command staff for final disposition.					
14	130	Miscellaneous	02/14/2025	Closed	02/14/2025
A partial report was submitted with no actionable information included.					
15	131	Possible Fraud	05/08/2025	Closed	05/12/2025
A citizen reported being denied correct change after making a cash purchase at a hotel in Coronado. The individual later witnessed similar incidents involving other customers, raising concerns about a potential pattern of improperly withholding change from cash-paying patrons. As this matter falls outside the jurisdiction of the OPA, it has been referred to by the appropriate agency for further review, and the citizen was updated. Closed with no further monitoring.					
16	132	Personnel	05/30/2025	Open	
A citizen submitted a complaint indicating the possibility of litigation against the Port. The matter has been referred to OGC. The OPA will maintain oversight of the case until it is resolved.					

Fraud, Waste, and Abuse Prevention Training

On May 1, 2025, the Fraud, Waste, and Abuse Prevention training was assigned to all Port employees via the Learning Management System (LMS). Employees were provided with a 60-day window to complete the mandatory training requirement. At the time of assignment, the Port's workforce totaled 612 employees across all departments. As of June 4, 2025, 241 employees successfully completed the training, reflecting an overall completion rate of approximately 39%. Efforts are ongoing to ensure that all remaining employees fulfill this requirement within the designated timeframe.



AUDIT OVERSIGHT COMMITTEEITEM: **6e**

June 25, 2025

ACTION: UPDATE**SUBJECT****TENANT AUDIT OF SAN DIEGO SYMPHONY ORCHESTRA****OVERVIEW**

The OPA recently completed a tenant audit of the San Diego Symphony Orchestra, located at The Rady Shell at Jacobs Park (Rady Shell). This audit is part of the annual Audit Plan approved by the Board of Port Commissioners for Fiscal Year 2025.

BACKGROUND

The San Diego Symphony Orchestra operates The Rady Shell, a high-profile venue located on Embarcadero Marina Park South in downtown San Diego. The tenant agreement includes revenue-sharing provisions and other compliance requirements that are subject to audit. The audit covered the period January 1, 2023, through August 31, 2024, and focused on financial reporting accuracy, compliance with lease terms, and internal control practices.

KEY AUDIT OBJECTIVES

Verify the accuracy and completeness of reported gross revenues

- Confirm proper calculation and remittance of percentage rent
- Assess compliance with key terms of the lease agreement
- Evaluate internal controls over revenue recognition and reporting

SUMMARY OF RESULTS

The audit identified six observations, which consisted of unreported income, inaccurate reporting of income, and reporting misclassifications. Ten recommendations were provided to enhance compliance and improve transparency in revenue reporting.

NEXT STEPS

- Monitor tenant implementation of corrective actions
- Continue coordination with Real Estate and General Counsel as needed

The report will be provided to the Board as information.

Mark Yeilding
Port Auditor

Staff Contact: Karen Mabesa, Acting Assistant Port Auditor (619) 686-7264,
kmabesa@portofsandiego.org

Attachment A: Tenant Audit – San Diego Symphony Orchestra



TENANT AUDIT THE SAN DIEGO SYMPHONY ORCHESTRA June 5, 2025

OFFICE OF THE PORT AUDITOR

Mark Yeilding, Port Auditor
Jane Mascarenas, Assistant Port Auditor
Karen Mabesa, Deputy Port Auditor



PORTof
SAN DIEGO
Waterfront of Opportunity

June 5, 2025

Christian Anderson
Department Manager, Real Estate

Tenant Audit – The San Diego Symphony Orchestra Association, Location: The Rady Shell at Jacobs Park

Karen Mabesa, Deputy Port Auditor with the Office of the Port Auditor (OPA), has completed a tenant audit of *The San Diego Symphony Orchestra Association Location: The Rady Shell at Jacobs Park (Lease-Out No. 0003.0152.015)*. This was a scheduled audit as noted on the FY 2025 Audit Plan. The review period covered January 1, 2023, through August 31, 2024. The objectives of the audit were to determine the following:

- Is the revenue reported to the Port of San Diego (Port) accurately based on the revenue recorded in the tenant's books of accounts?
- Does the tenant have an adequate revenue control system, considering the size and nature of the operation?

The OPA conducted this audit in accordance with the International Professional Practices Framework of The Institute of Internal Auditors, except for the requirement of an external assessment. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on our audit objectives. We believe that the evidence obtained provides reasonable assurance as to the accuracy of all rent paid (or payable) to the Port by its tenant.

The review disclosed a rental **underpayment of \$1,193,341**, primarily due to reporting misclassifications and unreported income. The following tenant audit report, including Exhibits, will provide a detailed explanation of the audit results.

The OPA recommends that the Real Estate department invoice the tenant and provide a complete copy of the following report (including the exhibits) as an explanation of the underpayment; and provide a copy of the tenant's signed letter acknowledging the findings to the OPA.

Please contact me at 619-686-6583 if you have further questions.

Sincerely,



Mark Yeilding
Port Auditor

cc: S. Chadwick
T. Gordon
C. Hargett

M. LaFleur
A. Meyer
Board of Port Commissioners

Table of Contents

Background	1
Objective, Scope, and Methodology	2
Objective	2
Scope	2
Methodology	2
Observations and Recommendations	3
Observation 1	3
<i>Rental Underpayment</i>	3
Recommendation 1	3
Recommendation 2	3
Observation 2	3
<i>Unreported Income</i>	3
Third-Party Rentals.....	3
Private Events – Padres L.P.....	4
Recommendation 3	4
Special Events	4
Recommendation 4	4
Ticket Donations/Exchanges	5
Recommendation 5	5
Observation 3	5
<i>Inaccurate Reporting of Income</i>	5
Unallowable Exclusions	5
Recommendation 6	5
Private Events - Venue Rental Income.....	5
Recommendation 7	6
Observation 4	6
<i>Reporting Misclassifications</i>	6
Recommendation 8	6
Observation 5	6
<i>Unreported Income – Vendor: Sodexo</i>	6
Recommendation 9	7
Observation 6	7
<i>Other Observation – New Gross Income Threshold</i>	7
Recommendation 10	7
Exhibit A – Audit Summary	8
Exhibit A1 – Master Tenant	9
Exhibit A2 - Sodexo	10
Acknowledgments	11

Background

The San Diego Symphony Orchestra Association, established in 1910, operates as a nonprofit organization and is one of the longest-standing orchestral institutions in California. The organization manages and presents musical performances throughout the region, including those held at The Rady Shell at Jacobs Park.

The Rady Shell at Jacobs Park is an open-air concert venue located in Embarcadero Marina Park South in downtown San Diego. The venue opened to the public in 2021 and is operated by the San Diego Symphony Orchestra Association. It features a distinctive shell-shaped stage structure designed to support outdoor acoustics. The venue has an approximate capacity of 10,000, with a mix of fixed seating and lawn space to accommodate varying event formats.



In addition to hosting San Diego Symphony performances, the venue is used for a range of public events, including classical, popular music, and community-focused programming.



Objective, Scope, and Methodology

Objective

Following the OPA's Fiscal Year 2025 Audit Plan, **Karen Mabesa, Deputy Port Auditor**, conducted a Tenant Audit of *The San Diego Symphony Orchestra Association Location: The Rady Shell at Jacobs Park (SDSO or Shell) (Lease-Out No. 0003.0152.015)*. The objectives of the audit were to determine the following:

- Is the revenue reported to the Port accurately based on the revenue recorded in the tenant's books of accounts?
- Does the tenant have an adequate revenue control system, considering the size and nature of the operation?

Scope

The scope of the audit was limited to reviewing significant differences between the tenant's records and reported gross income from January 1, 2023, to August 31, 2024.

The tenant's records were reviewed to verify their accuracy and reasonableness. The receipt of rental payments was also verified.

Methodology

The OPA conducted this audit in accordance with the International Professional Practices Framework of The Institute of Internal Auditors, except for the requirement of an external assessment. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on our audit objectives. We believe the evidence obtained provides reasonable assurance as to the accuracy of all rent paid (or payable) to the Port by its tenant.

In accordance with these requirements and standard performance audit practices, the audit included but was not limited to the following procedures:

- ✓ Conducted interviews with staff at The San Diego Symphony Orchestra Association.
- ✓ Reviewed the lease and performed inquiries with the Real Estate Asset Manager to obtain an understanding of the rental categories.
- ✓ On a test basis, reviewed the tenant's pertinent files (e.g., profit and loss statements, general ledger detail, sales reports, banquet checks, etc.) to determine the accuracy of reported revenue.
- ✓ Verified receipt of rental payments.

Observations and Recommendations

Total revenue subject to rent and rental due for the audit period is summarized in Exhibit A, Audit Summary, on page 8.

Observation 1

Rental Underpayment

The audit disclosed a rental underpayment of **\$1,193,341** primarily due to reporting misclassifications and unreported income.

Recommendation 1

Invoice the tenant **\$1,193,341** and provide a copy of the Audit Report (including the exhibits) as an explanation of the underpayment; and provide a copy of the tenant's signed letter acknowledging the findings to the OPA.

Recommendation 2

The OPA recommends that the tenant implement suitable oversight over its reporting process on the monthly rent concession reports prior to submitting them to the Port to ensure no future understatement of revenues.

Observation 2

Unreported Income

According to Lease *Section 5.5.2(a)*, *Gross Income* shall include all Revenue without any deductions or exclusions resulting from, directly or indirectly, or connected to or generated from, the occupancy or use of the Premises or any business conducted on or in connection with the Premises in any manner, whether conducted by a Tenant Party,¹ whether for cash or credit, whether collected or uncollected, received, payable or accrued and from whatever source derived, including, but not limited to any type of sales (whether such sales occur with respect to the Premises or elsewhere) arising from Tenant or Tenant Party's customers receiving services, products or benefits.

Third-Party Rentals

The tenant licensed the use of the leasehold area to third parties (e.g., promoters) for ticketed events such as concerts and shows. The Shell and the third-party entered into an agreement specifying the rental fees for the venue, production and stage crew income, parking, etc. Per the agreement, tickets must be sold through a ticket agency under the Shell's contract (e.g., Ticketmaster) or at the Shell's box

¹ Per the Lease *Definitions Addendum*, *Tenant Party* is the Tenant, its agents, employees, representatives, contractors, subcontractors, suppliers, materialmen, workmen, licensees, concessionaires, Affiliates and successors and assigns and its Subtenants, and the agents, employees, representatives, contractors, subcontractors, suppliers, materialmen, workmen, concessionaires, licensees, Affiliates and successors and assigns of those Subtenants.

office. The OPA noted that the gross income from the third-party rentals was not reported as required. Specifically, production and stage crew income were not reported since July 2024, resulting in a rental underpayment.

Private Events – Padres L.P.

The tenant contracted Padres L.P. to assist in the scheduling and production of private events at the Shell. Per the exclusive booking agreement, the Padres will retain all revenue from any additional items or services requested by an event client and provided or sourced by the Padres. Additional items or services may include facility fees and ticket income, parking, and other things such as equipment rentals, production, set-up, staffing, etc. The OPA noted that gross income (including mark-ups) from private event rentals was not reported on the monthly concession reports.

Recommendation 3

Instruct the tenant to report all gross income from third-party and private event rentals in the following categories:

- Facility fees and ticket sales should be reported under Entertainment/Cover Charge Sales at the appropriate percentage rent rate.²
- Parking service income should be reported under Parking Service Sales at fifteen percent (15%).
- Gross income from any and all activities and operations not otherwise addressed within the lease (such as entertainment/cover charges, parking, and venue rental fees) should be reported under Miscellaneous & Other Sales at ten percent (10%).

This was a prior recommendation that was not implemented.

Special Events

The tenant hosts Special Events (e.g., fundraising dinners, galas, donor receptions) to support the Shell's operating expenses. The tenant did not report Special Events income on the monthly concession reports, as required by the lease agreement.

Recommendation 4

Instruct the tenant to report gross income from Special Events under the Entertainment/Cover Charge Sales category at the appropriate percentage rent rate.² **This was a prior recommendation that was not implemented.**

² Refer to Lease Section 5.5.1(c) for the appropriate percentage rent rate based on the prior Lease Year's Gross Income for Entertainment/Cover Charge Sales.

Ticket Donations/Exchanges

Customers who are unable to use the ticket(s) they purchased have the option to either (1) donate the unused ticket back to the SDSO or (2) exchange the unused ticket for a future event, paying any price difference if applicable.

The tenant uses a general ledger account, "Ticket Donations/Exchanges," to capture the activity for donated tickets and exchanges. The tenant did not report the income from ticket donations and exchanges on the monthly concession reports.

Recommendation 5

Instruct the tenant to report income from ticket donations and exchanges under the Entertainment/Cover Charge Sales category at the appropriate percentage rent rate.³ **This was a prior recommendation that was not implemented.**

Observation 3

Inaccurate Reporting of Income

Unallowable Exclusions

Per the agreements between the Shell and third-party rentals (e.g., promoters), the Shell was responsible for organizing specialized catering and selling merchandise and VIP tickets on behalf of the third parties. The profit share for merchandise sales varied, but proceeds collected for VIP tickets were fully distributed to the client. Upon review of the tenant's general ledger, the OPA noted that the payouts for the catering expense, merchandise sales, and VIP ticket sales were deducted from gross income, which were not allowable exclusions per the lease.⁴

Recommendation 6

Instruct the tenant not to deduct unallowable exclusions from gross income on the monthly concession reports. **This was a prior recommendation that was not implemented.**

Private Events - Venue Rental Income

Per the exclusive booking agreement between the SDSO and Padres L.P., the parties shall mutually agree on venue use fees charged to an event client and shall share in all venue use fees, including forfeited deposits, subject to any valid deductions under the agreement. The OPA noted the Padres charged the event client a markup, an amount exceeding the mutually agreed-upon fee. Upon review

³ Refer to Lease Section 5.5.1(c) for the appropriate percentage rent rate based on the prior Lease Year's Gross Income for Entertainment/Cover Charge Sales.

⁴ Refer to Lease Section 5.5.2(b) *Exclusions* for allowable exclusions from gross income.

of the tenant's general ledger, the tenant only reported the agreed-upon fee (through June 2024). As a result, the tenant did not report gross income from venue rentals on the monthly concession reports.

Recommendation 7

Instruct the tenant to report gross income from venue rentals, including mark-ups, under the Third-Party Rental Sales category at five percent (5%).

Observation 4

Reporting Misclassifications

The OPA noted the following misclassifications of income:

- House Flat Package sales were reported under the Third-Party Rental Sales category at five percent (5%). The House Flat Package includes staff from the Shell based on the specific needs of an event, e.g., Box Office staff, House managers, parking and traffic attendants, ushers, etc.
- Management fee income was reported under the Third-Party Rental Sales category at five percent (5%).
- Parking service income was reported under the Third-Party Rental Sales category at five percent (5%).
- Production income was reported under the Third-Party Rental Sales category at five percent (5%).
- Stage Crew income was reported under the Third-Party Rental Sales category at five percent (5%).

Recommendation 8

Instruct the tenant to report gross income under the following category:

- House Flat Package sales should be reported under Miscellaneous & Other Sales at ten percent (10%).
- Management fee income should be reported under Miscellaneous & Other Sales at ten percent (10%).
- Parking service income should be reported under Parking Service Sales at fifteen percent (15%).
- Production income should be reported under Miscellaneous & Other Sales at ten percent (10%).
- Stage Crew income should be reported under Miscellaneous & Other Sales at ten percent (10%).

Observation 5

Unreported Income – Vendor: Sodexo

Per the food services agreement with Sodexo (formerly Centerplate), "service charges" are fees established by the vendor and invoiced to Catering Services customers for Catering Services events. Per Sodexo, twenty-five percent (25%) of service charges are retained, and the remaining portion is distributed to staff. The tenant did not report retained service charges on the monthly concession reports.

Recommendation 9

Instruct the tenant to report retained service charges under the Miscellaneous & Other Sales category at ten percent (10%). **This was a prior recommendation that was not implemented.**

Observation 6*Other Observation – New Gross Income Threshold*

Per the lease, Gross Income from any admission, cover, or other entertainment charges shall be reported to the Port at the applicable Percentage Rent Rate.⁵ The rates are based on Gross Income thresholds from the prior Lease Year. The OPA noted the Gross Income from any admission, cover, or other entertainment charges from Lease Year 2024 (September 2023 - August 2024) totaled \$31MM, falling between the \$30MM to \$40MM threshold.

Recommendation 10

For Lease Year 2025 (September 2024 - August 2025), instruct the tenant to report Gross income from any admission, cover, or other entertainment charges in the Entertainment/Cover Charge Sales category at five and three-quarters percent (5.75%).

⁵ Refer to Lease Section 5.5.1(c) *Percentage Rent Categories – Entertainment/Cover Charge Sales*.

Exhibit A – Audit Summary

Period/Category		REVENUE			RENTAL	Total Rent Due
		Audited	Reported	Difference	Underpayment (Overpayment)	
The San Diego Symphony Orchestra Association Location: The Rady Shell at Jacobs Park	(Exhibit A1)	\$ 55,948,090	\$ 33,577,522	\$ 22,370,568	\$ 1,117,492	\$ 2,127,784
Vendor: Sodexo	(Exhibit A2)	17,980,692	17,247,865	732,827	75,849	938,243
Total		<u>\$ 73,928,782</u>	<u>\$ 50,825,387</u>	<u>\$ 23,103,395</u>	<u>\$ 1,193,341</u>	<u>\$ 3,066,027 ^a</u>

Footnote Explanation:

a - Per the lease, the San Diego Symphony Orchestra Association is entitled to a "Rent Credit" of \$2,900,000. The "Rent Credit Period" is the period commencing on date following the expiration of the Construction Period and ending on the earlier of the Expiration Date of the Term or the date the Tenant has accumulated a Rent Credit totaling \$2,900,000. The tenant has depleted their full Rent Credit in August 2024.

Exhibit A1 – Master Tenant

Period/Category	REVENUE			RENTAL		Total Rent Due
	Audited	Reported	Difference	Rate	Underpayment (Overpayment)	
<u>2023 (Jan - Aug)</u>						
Entertainment/Cover Charge Sales	\$ -	\$ 10,442,768	\$ (10,442,768) b	1.0%	\$ (104,428)	\$ -
Entertainment/Cover Charge Sales	14,089,986	-	14,089,986 b	2.5% c	352,250	352,250
Food and Beverage Sales	8,874	-	8,874 d	5.0%	444	444
Miscellaneous & Other Sales	2,487,377	-	2,487,377 e,f,g	10.0%	248,738	248,738
Parking Service Sales	20,408	-	20,408 h	15.0%	3,061	3,061
Sundries & Merchandise Sales	114,256	111,724	2,532 i	5.0%	127	5,713
Third Party Rental Sales	1,526,691	2,497,141	(970,450) g	5.0%	(48,523)	76,335
Subtotal - Percentage Sales	\$ 18,247,592	\$ 13,051,633	\$ 5,195,959		\$ 451,669	\$ 686,541
Minimum Annual Rent a	\$ 66,667	\$ 66,667	\$ -		\$ -	\$ 66,667
Total	\$ 18,314,259	\$ 13,118,300	\$ 5,195,959		\$ 451,669	\$ 753,208
<u>Lease Year 2024 (Sep - Aug)</u>						
Entertainment/Cover Charge Sales	\$ 31,343,800	\$ 16,368,295	\$ 14,975,505 b	2.5% j	\$ 374,388	\$ 783,595
Miscellaneous & Other Sales	3,566,766	-	3,566,766 e,f,g	10.0%	356,677	356,677
Parking Service Sales	31,405	-	31,405 h	15.0%	4,711	4,711
Sundries & Merchandise Sales	217,133	207,515	9,618 i	5.0%	481	10,857
Third Party Rental Sales	2,374,727	3,783,412	(1,408,685) g	5.0%	(70,434)	118,736
Subtotal - Percentage Sales	\$ 37,533,831	\$ 20,359,222	\$ 17,174,609		\$ 665,823	\$ 1,274,576
Minimum Annual Rent a	\$ 100,000	\$ 100,000	\$ -		\$ -	\$ 100,000
Total	\$ 37,633,831	\$ 20,459,222	\$ 17,174,609		\$ 665,823	\$ 1,374,576
Total - Percentage Sales	\$ 55,781,423	\$ 33,410,855	\$ 22,370,568		\$ 1,117,492	\$ 1,961,117
Total - Minimum Annual Rent	\$ 166,667	\$ 166,667	\$ -		\$ -	\$ 166,667
Grand Total	\$ 55,948,090	\$ 33,577,522	\$ 22,370,568		\$ 1,117,492	\$ 2,127,784

Footnote Explanations:

- a** - Per Section 1.5 of the lease, the Minimum Annual Rent during the Rent Credit Period shall be \$100,000.
- b** - Unreported gross ticket sales from third-party rentals and special events.
- c** - Per section 5.5(c) of the lease, Gross Income thresholds are based on Gross Income from any admission, cover, or other entertainment charges from the Prior Lease Year from September 2021 - August 2022. Based on the prior lease year, gross income should be calculated at 2.50% since income totaled \$19MM, falling between the \$18MM to \$30MM threshold (refer to prior audit).
- d** - Unreported income from Food and Beverage catering services from a third-party rental.
- e** - Audited Miscellaneous & Other Sales includes the following:

	2023 (Jan - Aug)	LY 2024
House Flat	\$ 493,650	\$ 950,945
Management Fee	10,000	15,000
Production Income	1,691,603	1,891,166
Stage Crew Income	292,123	709,656
Audited Miscellaneous & Other Sales	\$ 2,487,377	\$ 3,566,766
Reported Miscellaneous & Other Sales	-	-
Difference	\$ 2,487,377	\$ 3,566,766

- f** - Unreported income.
- g** - Reporting misclassifications. House Flat, Management fees, Production and Stage Crew income were erroneously reported under the Third Party Rental Sales category.
- h** - Primarily due to unreported net income from parking services and some misclassifications.
- i** - Reporting errors.
- j** - Per section 5.5(c) of the lease, Gross Income thresholds are based on Gross Income from any admission, cover, or other entertainment charges from the Prior Lease Year from September 2022 - August 2023. Based on the prior lease year, gross income should be calculated at 2.50% since income totaled \$23MM (Sales from September - December 2022 = \$9MM plus Sales from January - August 2023 = \$14MM), falling between the \$18MM to \$30MM threshold (refer to prior audit).

Exhibit A2 - Sodexo

Period/Category	REVENUE			Rate	RENTAL	Total Rent Due
	Audited	Reported	Difference		Underpayment (Overpayment)	
<u>2023 (Jan - Aug)</u>						
Food and Beverage Sales	\$ 5,980,175	\$ 5,178,195	\$ 801,980 a	5%	\$ 40,099	\$ 299,009
Miscellaneous & Other Sales	330,524	-	330,524 b	10%	33,052	33,052
Total	<u>\$ 6,310,699</u>	<u>\$ 5,178,195</u>	<u>\$ 1,132,504</u>		<u>\$ 73,151</u>	<u>\$ 332,061</u>
<u>Lease Year 2024 (Sep - Aug)</u>						
Food and Beverage Sales	\$ 11,216,353	\$ 12,069,670	\$ (853,317) c	5%	\$ (42,666)	\$ 560,818
Miscellaneous & Other Sales	453,640	-	453,640 b	10%	45,364	45,364
Total	<u>\$ 11,669,993</u>	<u>\$ 12,069,670</u>	<u>\$ (399,677)</u>		<u>\$ 2,698</u>	<u>\$ 606,182</u>
Grand Total	<u>\$ 17,980,692</u>	<u>\$ 17,247,865</u>	<u>\$ 732,827</u>		<u>\$ 75,849</u>	<u>\$ 938,243</u>

Footnote Explanations:

- a** - Reporting error. Tenant reported net sales instead of gross sales for subcontractors.
- b** - Unreported income. Tenant did not report the retained portion of the service charge.
- c** - Reporting error. Tenant double reported subcontractor sales.

Acknowledgments

Our mission is to provide independent, objective assurance and advisory services to the Board of Port Commissioners (Board) and Port management. We aim to assist the Board and organization members in accomplishing their goals and objectives by taking a systematic, disciplined approach to evaluating and improving the effectiveness of control, risk management, and governance processes.

The Office of the Port Auditor would like to thank the Real Estate Department and The San Diego Symphony Orchestra for their assistance during this audit.

Contact Us



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