

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE MEETING
MINUTES
MONDAY, FEBRUARY 2, 2009
BOARD ROOM**

CALL TO ORDER:

Chairperson Finnila called the special meeting of the Audit Committee to order at 10:00 a.m., Monday, February 2, 2009, in the Board Room of the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Board Member Panknin led the pledge of allegiance.

ROLL CALL:

PRESENT: Committee Members: Boland, Buck, Finnila, Panknin, Tartre
Van Sambeek, Zettel
Board Members: Bersin, Watkins

ABSENT: Committee Members: None

ALSO PRESENT: Thella F. Bowens, President/CEO; Breton Lobner, General Counsel;
Tony R. Russell, Director, Corporate Services/Authority Clerk; Linda
Gehlken, Assistant Authority Clerk I

PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 6, 2008, Special Audit Committee meeting.

ACTION: Moved by Committee Member Zettel and seconded by Committee Member Boland to approve the minutes of the November 6, 2008, Special Audit Committee meeting. Motion carried unanimously.

2. REPORT ON THE QUALITY ASSESSMENT REVIEW (QAR) OF THE OFFICE OF THE CHIEF AUDITOR:

Jeff Miller, KMJ Corbin & Company LLP, reported on the Quality Assessment Review (QAR) of the Office of the Chief Auditor (OCA), a self-assessment performed by the OCA. He stated that the Institute of Internal Auditors (IIA) recommends that a QAR be completed every five years. He reported that upon completion of his independent validation of the QAR, two areas were recommended for improvement to the Authority's Chief Auditor: 1) to focus more audits on Information Technology related areas; and 2) to increase involvement in construction audits.

In response to Committee Member Zettel regarding how often a construction audit should be performed, Mr. Miller recommended that it should be done continuously.

In response to Committee Member Van Sambeek regarding whether the two recommendations were made verbally or in writing and how they would be incorporated by the OCA, Mr. Miller stated that they were made verbally, and that it was not discussed how they would be implemented.

Board Member Bersin arrived at 10:08 a.m.

In response to Committee Member Tartre regarding whether there had been a review of the Construction Audit Program, Mr. Miller stated it was not reviewed, and that each validating entity utilizes its own methodology as a guideline in this area.

Committee Member Boland suggested that it would be beneficial for new Audit Committee Members to be provided a briefing by the Terminal Development Program (TDP) staff explaining what has been implemented.

In response to Chairperson Finnila regarding what progress has been made in the construction audit process, Fred Bolger, Manager, Audit Services, stated that the Authority's new construction auditor has been attending all TDP meetings as an observer to proactively identify risks. He stated that greater weight behind individual construction audits, as well as individual Information Technology (IT) audits, were being considered in an effort to identify where new risks may be, and to recognize where risks may develop in the future.

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

ACTION: Moved by Committee Member Boland and seconded by Committee Member Zettel to forward this item to the Board for information. Motion carried unanimously.

In response to Committee Member Zettel regarding whether it is recommended that the next QAR be done in its entirety by an outside firm, Jeff Miller, KMJ Corbin & Company LLP, stated that it is his personal opinion that all QAR's should be outsourced, because the feedback provided on best practices is invaluable.

3. QUARTERLY AUDIT ACTIVITIES REPORT – FISCAL YEAR 2009 SECOND QUARTER, AND REVIEW OF AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Fred Bolger, Manager, Audit Services, provided a presentation on the Fiscal Year 2009 Second Quarter Report, and an overview of the Audit Recommendations issued by the Office of the Chief Auditor (OCA). He stated that there has been an increase in special request audits from the Real Estate Department, due to the economic conditions effecting some tenants.

In response to Committee Member Zettel regarding why the various business license fee underpayments by Fox Rent-A-Car were not combined under one recommendation, Mr. Bolger stated that the Audit Department is working with Real Estate Management to address the issue of Fox Rent-A-Car. He stated that because there was incorrect reporting by Fox Rent-A-Car when aggregating airport customers vs. non-airport customers in the company's documentation, it was necessary to split the recommendations. He also stated that billing had to be separated to assist with the validation process.

In response to Chairperson Finnila regarding whether it is possible to clearly specify in future tenant contracts that their primary contractual agreement is with the Authority, Breton Lobner, General Counsel, stated that this could be incorporated, if desired.

RECOMMENDATION: Staff recommends that the Audit Committee forward these items to the Board for information, and, if required, provide direction to staff on audit recommendations.

ACTION: Moved by Committee Member Van Sambeek and seconded by Committee Member Zettel to forward this item to the Board for information. Motion carried unanimously.

4. PRESENTATION OF PROPOSED SUSTAINABILITY EFFORTS FOR SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD MEMBER CONSIDERATION:

Fred Bolger, Manager, Audit Services, provided a presentation on proposed sustainability options for consideration regarding Board and Committee meeting agenda packet distribution.

Committee Member Boland recommended that the information be forwarded to the Board for a thorough discussion, possibly during the upcoming Board Retreat in February.

Board Member Bersin suggested that the Audit Committee provide a recommendation on this item prior to forwarding it to the Board.

Committee Member Zettel expressed the opinion that as a public entity there is a cost associated with doing business for the Authority. She stated that in the interest of transparency, accountability, and better decision making, there is a duty to ensure that all Board Members are provided as much information as possible. She suggested that being flexible when addressing this area of concern would aid in reaching a consensus that supports both sustainability and best practice.

Chairperson Finnila suggested considering the dissemination of the weekly Board Information Packet from a sustainability perspective by mailing it together with the Board Meeting packets. She also suggested that the individual preferences of Board Members should be gathered by the Authority Clerk, and a follow up discussion held at a Board Meeting.

Committee Member Zettel suggested that one hard copy be sent to Board and Committee Members, and that they bring them to the meeting.

In response to Committee Member Zettel regarding whether there are any legal implications relating to the mode of communication used to inform Board Members, Mr. Lobner stated that there are none in this regard.

Board Member Bersin requested that the Authority Clerk poll Board Members, and provide a matrix reflecting their individual preferences for receiving the Board and Committee Meeting materials.

Committee Member Zettel requested that as an immediate cost saving measure, all information provided to the Board and staff could be copied double-sided whenever possible.

Committee Member Panknin suggested that an electronic copy could be sent, and a hard copy provided at the meeting.

RECOMMENDATION: Provide direction to staff.

ACTION: Moved by Committee Member Zettel and seconded by Committee Member Boland to forward this item to the Board, noting that the Audit Committee recommends consideration be given to utilizing Options 1, 2 and 3, in concert with the responses submitted by individual Board Members in a "preference" matrix to the Authority Clerk. Motion carried unanimously.

5. **UPDATE ON THE ETHICS PROGRAM AND CONFIDENTIAL HOTLINE:**
Christy Carlson, Ethics Compliance Coordinator/Auditor, provided a presentation regarding the Ethics Program and Confidential Hotline.

In response to Committee Member Zettel regarding whether there is an Authority policy for employees regarding gift amounts that can be accepted, similar to the one that applies to designated employees that are required to file Conflict of Interests (Form 700) statements, Ms. Carlson stated that there is an Authority Policy that covers all employees.

Breton Lobner, General Counsel, stated that the Authority's policy is based on regulation through the Fair Political Practices Commission (FPPC), and that every odd year the dollar amount limit for gifts received is increased by ten dollars. Mr. Lobner stated that the Authority policy amount is currently \$205 dollars.

Tony R. Russell, Director, Corporate Services/Authority Clerk, stated that approximately thirty to forty employees at the Authority are designated as Statement of Economic Interest (Form 700) filers. He also stated that only this specific group of employees is required to report the receipt of gifts, pursuant to the Authority's Conflict of Interest Code.

RECOMMENDATION: Information item only.

ACTION: No Action Taken

6. **REVISION TO THE FISCAL YEAR 2009 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**
Fred Bolger, Manager, Audit Services, provided a report on the revisions made to the Fiscal Year 2009 Audit Plan of the Office of the Chief Auditor.

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

ACTION: Moved by Committee Member Van Sambeek and seconded by Committee Member Boland to forward this item to the Board for information. Motion carried unanimously.

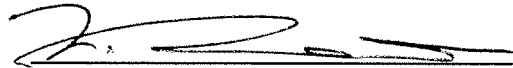
COMMITTEE MEMBER COMMENTS:

Chairperson Finnila suggested that the new Audit Committee Members discuss the process for selecting a new external auditor.

ADJOURNMENT:

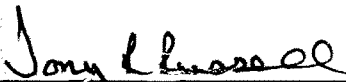
The meeting was adjourned at 11:09 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 4th DAY OF MAY, 2009.



MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:



TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK