

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MEETING
MINUTES
MONDAY, AUGUST 31, 2009
BOARD ROOM**

CALL TO ORDER:

Board Member Smisek called the meeting of the Audit Committee to order at 10: 00 a.m., on Monday, August 31, 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 Watkins led the pledge of allegiance.

ROLL CALL:

PRESENT: Committee Members: Buck, Smisek, Tartre, Watkins, Young
Board Members: Gleason

ABSENT: Committee Members: Van Sambeek, Zettel

ALSO PRESENT: Thella F. Bowens, President/CEO; Amy Gonzalez, Director, Counsel Services; 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 May 4, 2009, regular meeting, and the May 27, 2009 special meeting.

ACTION: Moved by Board Member Watkins and seconded by Board Member Young to approve staff's recommendation. Motion carried unanimously, noting Committee Member Van Sambeek and Board Member Zettel as **ABSENT**.

2. EXTERNAL AUDITOR MCGLADREY AND PULLEN'S AUDIT PLAN, QUALITY CONTROL REPORT, PEER REVIEW, AND STATEMENT OF INDEPENDENCE:

Christie Kubicek, Partner, and Peter George, Manager, McGladrey and Pullen, LLP, provided a presentation which covered: an introduction of the key members of the McGladrey and Pullen, LLP Audit team; the Audit timeline; the components and requirements in the Statement of Auditing Standard (SAS) 114; Interim Audit Testwork and Internal Controls; Focus Areas; Engagement Communications with the Audit Committee; and Required Deliverables.

In response to Board Member Young regarding fraud, and what the external auditor's analysis indicated as areas of vulnerability for the Authority, Ms. Kubicek stated that construction projects and contractor fraud were areas of concern.

Board Member Young expressed concern regarding any possible Authority fraud exposure relating to transportation vendors, and recommended that staff look into this area as well.

In response to Board Member Young regarding whether there are any other entities that audit the Authority besides the external auditing firm McGladrey and Pullen, LLP, Thella F. Bowens, President/CEO, stated that there are several Federal Audits done throughout the year, which occur with little or no previous notification to the Authority.

In response to Committee Member Buck regarding whether there were any special separate audits planned to cover the work of the Terminal Development Program (TDP), Ms. Kubicek stated that there were not; however, since this program is part of the Authority's expenditures, this area would be included and thoroughly reviewed by the external auditing team.

Ms. Bowens stated that a project's control group was imbedded within the TDP, and also stated that the internal Office of the Chief Auditor has assigned an auditor specifically, and exclusively, for monitoring the TDP project.

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

ACTION: Moved by Board Member Watkins and seconded by Board Member Young to forward this item to the Board for information. Motion carried unanimously, noting Committee Member Van Sambeek and Board Member Zettel as ABSENT.

3. **FISCAL YEAR 2009 – ANNUAL REPORT FROM THE AUDIT COMMITTEE:** Board Member Smisek presented the Annual Report from the Audit Committee for Fiscal Year 2009.

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

ACTION: Moved by Board Member Young and seconded by Committee Member Buck to forward this item to the Board for information. Motion carried unanimously, noting Committee Member Van Sambeek and Board Member Zettel as ABSENT.

4. **FISCAL YEAR 2009 – ANNUAL AUDIT ACTIVITIES REPORT FROM THE OFFICE OF THE CHIEF AUDITOR, AND REPORT ON AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:**
Mark A. Burchyett, Chief Auditor, provided an overview of the Fiscal Year 2009 Annual Audit Activities Report from the Office of the Chief Auditor (OCA), which included: Audit Activities; Recommendation Follow-up; Non-audit activities; Ethics Compliance; and Performance Measure Outcomes.

In response to a suggestion by Mr. Burchyett that the Authority consider having an on-call construction consultant assist with the audit of the TDP Greenbuild Project, Board Member Young stated that the Office of the Chief Auditor should decide if additional staff is required, and if so, the matter should be brought forth before the Committee for discussion.

Board Member Gleason suggested that the OCA consider adding a trend analysis over several years to its Performance Measures, not just during the fiscal year.

Board Member Watkins suggested that to address staffing needs, the Office of the Chief Auditor work with the Human Resources Department.

Committee Member Tartre suggested that it would be important to have a goal for soft savings, and stated that it also would be helpful to have data presented in the future that distinguishes between hard savings and soft savings.

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

ACTION: Moved by Board Member Young and seconded by Board Member Watkins to forward this item to the Board for information. Motion carried unanimously, noting Committee Member Van Sambeek and Board Member Zettel as ABSENT.

5. **STATUS UPDATE ON SUSTAINABILITY EFFORTS REGARDING THE DISTRIBUTION OF BOARD AND COMMITTEE AGENDA PACKETS:**
Tony R. Russell, Director, Corporate Services/Authority Clerk, provided a presentation on staff's sustainability efforts regarding the distribution of Board and Committee agenda packets which included: background information; suggested alternatives; Board Members' distribution preferences; actions; and savings.

RECOMMENDATION: Receive the report.

6. **UPDATE ON THE AUDIT OF THE TERMINAL DEVELOPMENT PROGRAM:**
Scott Thein, Senior Auditor, Construction, provided a presentation regarding the audit of the Terminal Development Program which included a distribution of his total FY10 audit hours for performing work on: audits from the OCA Audit Plan; Capital Improvement Program support; and The Green Build.

RECOMMENDATION: Information item only.

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

Board Member Gleason suggested that it would be helpful if the data could be presented in a way that would provide more description on the types of complaints received, and indicate how the issues brought forth were addressed.

RECOMMENDATION: Information item only.

8. **REVISE THE JOB TITLE OF A POSITION WITHIN THE OFFICE OF THE CHIEF AUDITOR:**

Mark A. Burchyett, Chief Auditor, provided a presentation on revising the job title of a position within the office of the Chief Auditor which included the justification for changing the title; and the effect the change would have on the position.

Ms. Bowens stated that staff would review this issue, because it is not standard practice to bring an item of this type to the Board for approval.

RECOMMENDATION: Staff recommends that the Audit Committee endorse changing the position title "Ethics Compliance Coordinator/Auditor" to "Senior Auditor – Ethics", and forward this item to the Board for approval.

ACTION: Moved by Board Member Young and seconded by Board Member Smisek to forward this item to the Board for approval, pending clarification from Human Resources that the Board needs to approve the revision. Motion carried unanimously, noting Committee Member Van Sambeek and Board Member Zettel as ABSENT.

9. **REVISION TO THE FISCAL YEAR 2010 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**

Mark A. Burchyett, Chief Auditor, provided a report of the revisions made to the Fiscal Year 2010 Audit Plan of the Office of the Chief Auditor. He stated that special requests were received by the OCA to conduct two additional audits.

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

ACTION: Moved by Board Member Watkins and seconded by Board Member Young to forward this item to the Board for information. Motion carried unanimously, noting Committee Member Van Sambeek and Board Member Zettel as ABSENT.

10. BUSINESS, TRAVEL, AND LODGING REIMBURSEMENT POLICIES:

Board Member Watkins stated that he has asked the Audit Department, Legal, and staff, to review the Authority's processes and policies regarding business travel and lodging reimbursement, and to compare them against current practices, and provide recommendations. He suggested that the policies be more specific and defined.

Jeffrey Woodson, Vice President, Administration, provided a presentation regarding the proposed revisions to Business, Travel, and Lodging Reimbursement Policies 3.30 and 3.40, which included: background information; a Staff Task Force Review; recommended revisions; and proposed revisions.

Board Member Young left the dais at 11:45 a.m.

Board Member Smisek stated that it is important for the Authority to be sensible on this issue, and to rely on the integrity of the individuals using the system. He stated that accountability needs to be visible.

Board Member Watkins stated that it is important to become clearer in our policies, to ensure this issue of concern is addressed, and procedurally be able to show the public that the Authority can be trusted not to spend money frivolously.

Board Member Gleason suggested that what's most important is the issue of transparency and disclosure. He suggested that the travel request form and the form for reimbursement be clearer, and that the Board might want to consider auditing these records annually. He suggested there be no meals between Authority employees and consultants.

Thella Bowens stated that today's input pertaining to revising Policy 3.30 and 3.40 will be considered a draft, and that a final revision will be forwarded to the full Board in October.

Amy Gonzalez, Director, Counsel Services, stated that there would be a correction made to the legal code referenced in the Policy 3.30 and 3.40 Policy Statement (1)(a), pursuant to Senate Bill 10, and that it would be made prior to forwarding the information on to the Board.

Board Member Smisek requested that it be made mandatory to have an annual review performed by the Office of the Chief Auditor of the Business, Travel, and Lodging Reimbursement Policies.

Board Member Watkins suggested that McGladrey and Pullen, LLP also review and comment on the revised policies.

RECOMMENDATION: Forward the revisions to Authority Policies 3.30 and 3.40 to the Board for action.

ACTION: No Action Taken

CLOSED SESSION: The Committee recessed into Closed Session at 12:10 p.m. to discuss Item 11.

11. **PUBLIC EMPLOYEE PERFORMANCE EVALUATION GOAL SETTING FOR FISCAL YEAR 2010:**
(Government Code Section 54957):
Title: Chief Auditor

REPORT OUT ON CLOSED SESSION: The Committee reconvened into Open Session at 12:46 p.m. There was no reportable action.


COMMITTEE MEMBER COMMENTS

ADJOURNMENT: The meeting was adjourned at 12:47 p.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 18TH DAY OF NOVEMBER, 2009.


MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:



TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK