

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
AUDIT COMMITTEE MINUTES  
MONDAY, AUGUST 18, 2014  
BOARD ROOM**

**CALL TO ORDER:**

Chair Smisek called the meeting of the Audit Committee to order at 10:02 a.m., on Monday, August 18, 2014, in the Board Room of the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

**PLEDGE OF ALLEGIANCE:** Committee Member Hubbs led the Pledge of Allegiance.

**ROLL CALL:**

PRESENT: Committee Members: Gleason, Hubbs, Sessom, Smisek

ABSENT: Committee Members: Hollingworth, Tartre, Van Sambeek

ALSO PRESENT: Thella F. Bowens, President/CEO; Amy Gonzalez, Sr. Director, General Counsel; Lorraine Bennett, Assistant Authority Clerk II; Linda Gehlken, Assistant Authority Clerk I

**NON-AGENDA PUBLIC COMMENT:** None

**NEW BUSINESS:**

**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the May 12, 2014, regular meeting.

**ACTION: Moved by Board Member Hubbs and seconded by Board Member Sessom to approve staff's recommendation. Motion carried unanimously noting Committee Members Hollingworth, Tartre and Van Sambeek as ABSENT.**

**2. FISCAL YEAR 2014 – ANNUAL REPORT FROM THE AUDIT COMMITTEE:**

Chair Smisek provided an overview of the Fiscal Year 2014 Annual Report from the Audit Committee, noting that one item missing from the report was that the Office of the Chief Auditor underwent an External Assessment Review during the fiscal year and passed satisfactorily.

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

**ACTION: Moved by Board Member Sessom and seconded by Board Member Gleason to approve staff's recommendation. Motion carried unanimously, noting Committee Members Hollingworth, Tartre and Van Sambeek as ABSENT.**

**3. FISCAL YEAR 2014 – ANNUAL AUDIT ACTIVITIES REPORT FROM THE OFFICE OF THE CHIEF AUDITOR, AND AUDIT RECOMMENDATIONS FROM THE OFFICE OF THE CHIEF AUDITOR FOR REVIEW:**

Fred Bolger, Manager, Audit Services, provided a presentation on the Fiscal Year 2014 Annual Audit Activities Report from the Office of the Chief Auditor that included Audit Activities; Audits in Progress; Recommendation Follow-up; Fiscal Year 2014 Performance Measure Outcomes; and Non-Audit Activities and On-Going Activities.

In response to Board Member Gleason regarding the status of Revenue Contract Audit Report No. 14017, Nevada Lease and Rentals, Inc. (Payless), Kathy Kiefer, Sr. Director, Finance & Asset Management, stated that staff met with Payless to discuss the deficiency the audit found, and that Payless has hired a Certified Public Accountant (CPA) firm to assist them. She stated that upon receipt of the work papers from the CPA firm and its assessment of the issues, Authority staff will then meet with Payless to determine how to move forward.

In response to Board Member Gleason regarding business process audits, and whether staff has benefited from the audits in terms of process improvements, Thella F. Bowens, President/CEO, stated that these audits should be coordinated closely between the Audit team and Management and should only be included on the Audit Plan with total agreement beforehand from Management that there is a need.

Mark Burchyett, Chief Auditor, provided insight into the process involved in conducting business process audits, including that he holds meetings with Board Members and Authority staff to gain their input prior to the Audit Plan being brought to the Audit Committee for approval.

Ms. Bowens suggested that before the Audit Plan is established, a meeting with Management should be included about which, if any, performance audits are going to be included in the normal course of business for internal audit responsibilities.

Chair Smisek recommended that Ms. Bowens and Mr. Burchyett meet to discuss the process for conducting Performance Audits, and provide an update at the next Audit Committee meeting.

In response to Board Member Sessom's concern about why there should be agreement between Management and the Office of the Chief Auditor about what audits will be performed, Ms. Bowens stated that this applies to the performance audit function only. She further explained that these audits are in very specialized areas and requires a certain level of expertise by the auditors.

Mr. Burchyett stated that all of Office of the Chief Auditor staff has received specialized training in conducting Performance Audits.

Board Member Hubbs expressed concern about the auditor's involvement with the analysis for converting contract staff to Authority staff as presented in the Soft Savings Estimate table, stating that this should be Management's role.

Mark Burchyett, Chief Auditor, stated that the Office of Chief Auditor provides the analysis only as to show any cost benefit in hiring contract employees as full-time employees.

**RECOMMENDATION:** Staff recommends that the Audit Committee forward this item to the Board for information; and provide, if necessary, direction to staff on audit recommendations.

Chair Smisek requested, with consensus by the Committee, to forward this item to the Board.

**ACTION: No action taken**

4. **REVISION TO THE CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR:** Mark Burchyett, Chief Auditor, provided a presentation of the revisions requested to the Charter for the Office of the Chief Auditor that included Background for Charter Change and Charter Change Recommendation to address consulting services as recommended in the Quality Assessment Review report issued April 2014.

**RECOMMENDATION:** Staff recommends that the Audit Committee approve and forward to the Board for approval revisions to the Charter for the Office of the Chief Auditor to address consulting services recommended as part of the Quality Assessment Review.

**ACTION: Moved by Board Member Gleason and seconded by Board Member Hubbs to approve staff's recommendation. Motion carried unanimously noting Committee Members Hollingworth, Tartre and Van Sambeek as ABSENT.**

**5. UPDATE ON CONCESSION AUDITS:**

Michael Williams, Auditor, provided a presentation update on concession audits that included Background; New to the Authority; Audit Preparation; Office of the Chief Auditor's Role; What We Have Found; Recommendations; and The Road Ahead.

In response to Board Member Sessom's concern regarding what is being done to ensure that street pricing is being charged by the concessionaires to the traveling public at the Airport, Thella F. Bowens, President/CEO, stated that the Authority allows the concessionaires to perform their own surveys on street pricing. She further stated that these issues will continue until such time as the problems are corrected.

In response to Board Member Gleason regarding what is being done to fix this issue, Nyle Marmion, Program Manager, Concession Development, stated that a bottled water survey was conducted over the summer, and that staff is working with the concessionaires to address their bottled water pricing. He also stated that staff is looking at having the Authority provide the comps.

In response to Board Member Hubbs regarding the coordination of concessionaires' and tenants' reporting of information to the auditors, Mark Burchyett, Chief Auditor, stated that there is clear delineation made by the auditors between the Business & Financial Management data and that of the concessionaires. He stated that there is ongoing communication with both entities throughout the audit.

RECOMMENDATION: Information item only.

**ACTION: No action taken.**

**6. UPDATE ON THE GREEN BUILD CONSTRUCTION AUDIT:**

Callie Ullman, Senior Auditor, provided a Green Build Construction Audit update that included a Summary Report of Green Build Audit Activities; R.W. Block Consulting Activities; Office of the Chief Auditor Construction Audit Activities; Observations and Management Actions; and Close Out Activities.

RECOMMENDATION: Information item only.

**ACTION: No action taken.**

**7. REVISION TO THE FISCAL YEAR 2015 AUDIT PLAN:**

Mark A. Burchyett, Chief Auditor, reported that the audit of GGTW, LLC that was a special request from Board Member Cox is completed.

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

**ACTION: Moved by Board Member Gleason and seconded by Board Member Sessom to approve staff's recommendation. Motion carried unanimously noting Committee Members Hollingworth, Tartre and Van Sambeek as ABSENT.**

**NON-AGENDA PUBLIC COMMENT:** None

**COMMITTEE MEMBER COMMENTS:** None

**ADJOURNMENT:** The meeting was adjourned at 11:12 p.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 17<sup>TH</sup> DAY OF NOVEMBER, 2014.

  
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MARK A. BURCHYETT  
CHIEF AUDITOR

ATTEST:

  
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LORRAINE BENNETT  
ASSISTANT AUTHORITY CLERK II