

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE/SPECIAL BOARD MEETING
MINUTES
TUESDAY, FEBRUARY 12, 2008
SHERATON SAN DIEGO HOTEL AND MARINA
WEST TOWER – FAIRBANKS BALLROOM**

CALL TO ORDER:

Chairperson Finnila called the special meeting of the Audit Committee to order at 9:00 a.m., Tuesday, February 12, 2008, at the Sheraton San Diego Hotel and Marina, West Tower, Fairbanks Ballroom, 1590 Harbor Island Drive, San Diego, CA 92101.

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

ROLL CALL:

PRESENT: Committee Members: Boland, Finnila, Panknin

ABSENT: Committee Members: Zettel

ALSO PRESENT: Jeffrey Woodson, Vice President, Administration; Breton Lobner, General Counsel; Maritza C. Steele, Deputy Authority Clerk; Linda Gehlken, Administrative Assistant II

PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the November 26, 2007, Special Audit Committee meeting.

ACTION: Moved by Board Member Boland and seconded by Board Member Panknin to approve the minutes of the November 26, 2007, Special Audit Committee meeting. Motion carried unanimously, noting Board Member Zettel as ABSENT.

2. REVISION TO THE FISCAL YEAR 2008 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Fred Bolger, Manager, Audit Services, stated that a revision to the Fiscal Year 2008 Audit Plan of the Office of the Chief Auditor was being requested. He stated that the revision was a result of two Special Request audits on behalf of the Real Estate Management Department for Jazz Air and Fox Rental Cars, Inc.

In response to Board Member Boland regarding Jazz Air's departure, Mr. Bolger stated that the company left on their own accord.

RECOMMENDATION: Forward this item to the Board for information.

ACTION: Moved by Board Member Panknin and seconded by Board Member Boland to forward this item to the Board for information. Motion carried unanimously, noting Board Member Zettel as ABSENT.

3. QUARTERLY AUDIT ACTIVITIES REPORT – FISCAL YEAR 2008 SECOND QUARTER, AND AUDIT RECOMMENDATIONS FROM THE OFFICE OF THE CHIEF AUDITOR FOR REVIEW AND APPROVAL:

Mark Burchyett, Chief Auditor, presented the Fiscal Year 2008 Second Quarter Report, and Audit recommendations which included Audit Results, Performance Measures, Non-audit and Ongoing Activities, and reflected Recommendation follow-up.

Mr. Burchyett stated that a new Senior Auditor had been hired, and he introduced Scott Thein.

In response to Board Member Boland regarding whether issues with the San Diego Unified Port District have been resolved, Mark Burchyett, Chief Auditor, stated that the Authority's General Counsel and the Port District's general counsel had come to an agreement.

In response to Board Member Boland regarding whether Board Members were participating in the Audit Department's ethics training, Mark Burchyett, Chief Auditor, stated that Board Members are receiving the required training through the General Counsel's office.

In response to Chairperson Finnilla's concern regarding what benefit Federal government lobbyists such as McBee are providing to SDIA, Mike Kulis, Director, Inter-Governmental Relations, stated that a report would be provided to apprise the Board of this information.

In response to Chairperson Finnila regarding concerns with the contract for Mead and Hunt Inc., Mark Burchyett, Chief Auditor, stated that additional training is needed for staff handling contracts. He suggested providing Authority wide training for staff members managing contracts.

Keith Wilschetz, Director, Airport System Planning, stated that changes have been instituted to prevent a situation similar to that with Mead and Hunt Inc., from occurring again. He stated that all incoming invoices are reviewed thoroughly to ensure that they conform directly to the contract and the expense reports.

Mark Burchyett suggested that a uniform procedure be adopted to handle contracts.

Jeffrey Woodson, Vice President, Administration, stated that he would work with staff to ensure that procedures are developed, as well as training.

In response to Chairperson Finnila regarding when the audit for Jimsair Aviation Services, Inc. is expected to be completed, Fred Bolger, Manager, Audit Services, stated that the audit is currently scheduled to begin in May, and is expected to be completed by early to mid June.

In response to Chairperson Finnila regarding what is specifically expected from this audit, Mr. Bolger stated that this is primarily a revenue audit.

Chairperson Finnila requested that the Chief Auditor and General Counsel discuss the possibility of changing the start date for the Jimsair Aviation Services, Inc. audit to March.

In response to Board Member Boland regarding how the additional savings from early completion of audits are recorded by the Finance Department, Vernon Evans, Vice President, Finance/Treasurer, stated that the type of savings identified determines how the audits are recorded.

ACTION: Moved by Board Member Boland and seconded by Board Member Panknin that standardized training relating to handling contracts be developed and instituted to ensure that the Audit measures are carried out across the Authority. Motion carried unanimously, noting Board Member Zettel as ABSENT.

RECOMMENDATION: Forward these items to the Board for information, and provide direction to staff on audit recommendations.

ACTION: Moved by Board Member Boland and seconded by Board Member Panknin to forward this item to the Board for information. Motion carried unanimously, noting Board Member Zettel as ABSENT.

4. DISCUSSION OF AUDIT COMMITTEE PUBLIC MEMBER SELECTION PROCESS:

Mark Burchyett, Chief Auditor, provided an overview of the Chief Auditor's perspective regarding the Audit Committee public member selection process. He stated that staff recommends the addition of three public members to the Committee, and that additional members could be added later in the capacity of ex-officio. Mr. Burchyett stated that staggered 3, 2, and 1 year terms are initially recommended, and suggested that the Committee include the Chief Auditor's Office in the selection process.

Chairperson Finnila stated that to ascertain a consensus among Committee Members, each section of the Chief Auditor's Office proposal would be discussed separately.

The Committee concurred with Chairperson Finnila that there would initially be three (3) compensated public members, and that they would serve staggered terms of 3, 2, and 1 year from categories representing Financial, Real Estate/Construction, and Community.

Chairperson Finnila recommended that the terms of the public members be assigned, and suggested a term of 3 years for the Financial Expert Representative, a term of 2 years for the Real Estate/Construction Expert Representative, and a term of 1 year for the Community Representative.

Board Member Boland expressed concern that assigning specific terms to explicit categories may project a pre-conceived notion of impartiality by the Authority, and could be misconstrued. He stated that initial selection of terms should be totally random, with the understanding that at the end of each term, any one member could be selected to serve a second term. He also recommended that an open and public process for recruitment should begin by soliciting professional organizations, and advertising through local newspapers such as The Daily Transcript, San Diego Business Journal, and The Union Tribune.

ACTION: Moved by Board Member Panknin and seconded by Chairperson Finnila that the terms of the public members be assigned as follows: Financial Expert Representative to serve 3 years, Real Estate/ Construction Representative to serve 2 years, and Community Representative to serve 1 year. Motion carried with Board Member Boland voting NO and noting Board Member Zettel as ABSENT.

RECOMMENDATION: Provide recommendations to the Board regarding the public member selection process.

The Audit Committee concurred to make the following recommendations to the Board regarding the selection of public members:

- **3 public members assigned**
- **Compensation of \$200 per day of service plus travel expenses**
Note: day of service will qualify as attendance of an Audit Committee meeting and any required training required by the Audit Committee.
- **Form 700 will be required from all applicants**
- **Designate additional funds in Chief Auditor's budget to cover yearly training expense for all Audit Committee members (training to be given by Chief Auditor's Office)**
- **Initial staggered 3 year terms to be assigned as follows:**
 - **Financial Expert Representative – 3 years**
 - **Real Estate/Construction Expert Representative – 2 years**
 - **Community Representative – 1 year**
- **Initiate an open process for recruiting:**
 - **Contacting professional organizations**
 - **Advertising in local newspapers: *The Union Tribune, The Daily Transcript and San Diego Business Journal***
 - **Posting on Authority's website**
- **Timeline: Solicitation to begin April 1, closing in May, interview process to be handled by Audit Committee and final candidates to be presented to Board at the June 5, 2008 meeting. Seating and swearing in to be done by September 9, 2008.**
- **Any complaints to be handled by the Ethics Hotline.**

CLOSED SESSION: The Committee did not meet in Closed Session.

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT:

The meeting was adjourned at 9:58 a.m. The next regular meeting will be held on Tuesday, May 6, 2008 at 10:00 a.m., in the Wright Conference Room at the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY THIS 6TH DAY OF MAY, 2008.



MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:



MARITZA C. STEELE
ASSISTANT AUTHORITY CLERK II
CORPORATE SERVICES