

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE MEETING
MINUTES
TUESDAY, MAY 6, 2008
BOARD ROOM**

CALL TO ORDER:

Chairperson Finnila called the special meeting of the Audit Committee to order at 10:00 a.m., Tuesday, May 6, 2008, 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: Finnila, Panknin, Zettel

ABSENT: Committee Members: Boland

ALSO PRESENT: Thella F. Bowens, President/CEO; Breton Lobner, General Counsel; Maritza C. Steele, Assistant Authority Clerk II; Linda Gehlken, Assistant Authority Clerk I

PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 12, 2008, Special Audit Committee/ Special Board meeting.

ACTION: Moved by Board Member Panknin and seconded by Board Member Zettel to approve the minutes of the February 12, 2008, Special Audit Committee meeting. Motion carried unanimously, noting Board Member Boland as ABSENT.

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

Mark Burchyett, Chief Auditor, stated that there have been some changes regarding what external auditors are required to review.

Jeff Altshuler, Partner, McGladrey & Pullen, LLP, provided a presentation outlining the Auditor's role with the Audit Committee, the Audit process, the Audit Arrangements, Auditor Deliverables and Audit Plan/Schedule, Auditing Standards, 2007 Peer Review Reports, and Independence Statement.

Mr. Altshuler stated that the Management and Audit Committee Letter will be provided in keeping with standard practice. He provided an overview of the 13 new auditing standards being implemented. He stated that to ensure compliance with the new auditing standards, external auditors will report directly to the Audit Committee. He stated that under the new format, what used to be reported under Statement of Auditing Standard (SAS) 61 is now being reported under SAS 114, to provide a more comprehensive report.

In response to Board Member Zettel regarding how McGladrey & Pullen, LLP, will ensure that the new audit process is implemented as required, Mr. Altshuler stated that several auditors from their firm specialize in governmental audits and are accustomed to similar types of processes.

In response to Chairperson Finnila regarding the need for volunteers to serve as "fraud risk" contact monitors, Board Member Panknin volunteered to assist in this capacity.

Chairperson Finnila stated that if the Committee did not object, she could volunteer to fulfill the need of a required "communicator" between the Authority and McGladrey & Pullen, LLP.

3. DISCUSS THE IMPACT OF NEW AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTS (AICPA) RISK ASSESSMENT AUDITING STANDARDS ON EXTERNAL AUDIT AND FINANCIAL REPORTS:

Jeff Altshuler, Partner, McGladrey & Pullen, LLP, provided a presentation on the New American Institute of Certified Public Accountants (AICPA) Risk Assessment Auditing Standards, and on the External Audit of Financial Reports. He explained how the new standards impact auditors' work, and how they have re-written many key audit concepts like: 1) materiality; 2) the nature of audit evidence; 3) internal control; 4) audit planning; and 5) the evaluation of misstatements. He provided an overview of the Auditor's responsibilities related to internal control and to identifying control deficiencies. He provided an overview of how McGladrey & Pullen, LLP has prepared their staff to handle the new auditing standards.

In response to Chairperson Finnila regarding how far back the new standards will need to be applied, Jeff Altshuler, Partner, McGladrey & Pullen, LLP, stated that the standards will apply to this year's audit, beginning in June or July, 2008.

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

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

Fred Bolger, Manager, Audit Services, provided a presentation on the revisions made to the Fiscal Year 2008 Audit Plan of the Office of the Chief Auditor.

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

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

Mark A. Burchyett, Chief Auditor, provided an overview of the Fiscal Year Third Quarter Audit Report and Recommendations awaiting implementation. He stated that of the 22 Recommendations tracked, he anticipates completion of the remaining 11 Recommendations by the end of the year.

In response to Board Member Zettel regarding how Jimsair is related to the outstanding billing for The Hertz Corporation, reflected in Appendix B of FY08 Third Quarter Report, Number 6, Mr. Bolger stated that Hertz has a counter at Jimsair.

In response to Board Member Zettel regarding whether different locations of Host concessions could have separate meters installed to track each utility usage to facilitate the accounting process, Mark Burchyett, Chief Auditor, stated that this is currently not a viable option.

In response to Board Member Zettel regarding why it is taking six months to develop an invoice for Host, Mr. Bolger stated that Host has had difficulty deciding how they want the payments processed.

Chairperson Finnila suggested being careful when using the term “mark ups”, and stated that in the future substituting that term with “administration overhead” may ensure clarity of the expenses as was reflected in the Gable Cook & Schmid (GCS) Audit Report.

In response to Board Member Panknin regarding how costs are tracked for special meetings and events, Mr. Burchyett stated that the category of “promotional activities” would cover this area, since the individual events are not identified in sub-object codes.

Board Member Panknin stated that to ensure overview of this area, an approval should be required if expenditures for an event or special meeting are over its budgeted allowance.

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

6. UPDATE ON THE ETHICS PROGRAM AND CONFIDENTIAL HOTLINE:
Christy Carlson, Ethics Compliance Coordinator/Auditor, presented an update on the Ethics Program and Confidential Hotline.

In response to Board Member Zettel regarding whether the option to provide Ethics training online will be possible for everyone, Ms. Carlson stated that it was possible; however, some functionality issues are still being resolved.

Ms. Carlson stated that the planned Quarterly Ethics Challenges have been delayed at this time due to other ongoing Authority events. She stated that staff is working to incorporate ethical standards and messages within these other programs.

In response to Board Member Zettel regarding her suggestion to include an ethics component to events such as SAN meetings, Ms. Carlson stated that she would contact the Human Resource Department to explore the feasibility of implementing the concept.

In response to Board Member Panknin regarding what training Ms. Carlson receives in ethics, Ms. Carlson responded that she receives yearly training.

Thella F. Bowens, President/CEO, stated that the Audit Department staff has been very thorough in handling ethics issues. She stated that her office will work with the Auditor’s Office to identify a time to implement ethics initiatives at the Authority.

7. FISCAL YEAR 2009 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Mark Burchyett, Chief Auditor, provided an overview of the Fiscal Year 2009 Audit Plan. He stated that the Audit Plan is a valuable tool for establishing risk assessment methodologies.

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

8. INTERVIEW OF PUBLIC MEMBER CANDIDATES FOR THE AUDIT COMMITTEE:

Chairperson Finnila provided a brief explanation of how the interviews of the candidates would be conducted.

Tony Russell, Director, Corporate Services/Authority Clerk, provided details of the recruitment process. He stated that to ensure the best possible pool of applicants, public outreach efforts were extensive, and that the recruitment had been ongoing for 45 days.

Mr. Russell informed the Committee that candidate James Janette notified staff that he was rescinding his application.

In response to Board Member Panknin as to whether a candidate who resides in the airport influence area could be considered for the position, Breton Lobner, General Counsel, stated that in accordance with Senate Bill 10, this circumstance did not preclude an individual from consideration. Mr. Lobner provided a review of the categories as reflected under Senate Bill 10.

The Committee recessed at 11:43 a.m., and reconvened at 11:46 a.m.

The Audit Committee interviewed nine candidates from the public to serve on the Committee. The candidates were interviewed in this order: Don Tartre, Paul Bitter, Edward Embly, Jaime Barton, John E. Sturla II, Kenneth Buck, Jack Van Sambeek, Steven Blanden, and Dan McAllister.

The Committee recessed at 12:30 p.m., and reconvened at 1:30 p.m.

Chairperson Finnila provided a brief overview and synopsis of the candidates interviewed, while involving discussion from fellow Committee Members.

The Committee recessed at 2:12 p.m. and reconvened at 2:18 p.m.

Tony Russell, Director, Corporate Services/Authority Clerk, provided an overview and summary of the requirements for each category, and identified the candidate representing the area of expertise required by Senate Bill 10.

MOTION #1

ACTION: Moved by Board Member Zettel and seconded by Board Member Panknin to recommend Kenneth Buck to serve a two year term as a Real Estate/Construction Expert. Motion carried unanimously, noting Board Member Boland as ABSENT

MOTION #2

ACTION: Moved by Board Member Panknin and seconded by Board Member Zettel to recommend Don Tartre to serve a three year term as a Financial Expert Representative. Motion carried unanimously, noting Board Member Boland as ABSENT.

MOTION #3

ACTION: Moved by Board Member Panknin and seconded by Board Member Zettel to recommend Jack Van Sambeek to serve a one year term as Community Representative. Motion carried unanimously, noting Board Member Boland as ABSENT.

MOTION #4

ACTION: Moved by Board Member Panknin and seconded by Board Member Zettel to recommend that Dan McAllister be considered as a First Alternate in the event that one of the above primary recommendations made by the Audit Committee is not approved by the Board. Motion carried unanimously, noting Board Member Boland as ABSENT.

MOTION #5

ACTION: Moved by Board Member Panknin and seconded by Board Member Zettel to recommend that John E. Sturla II be considered as a Second Alternate in the event that one of the above primary recommendations made by the Audit Committee is not approved by the Board. Motion carried unanimously, noting Board Member Boland as ABSENT.

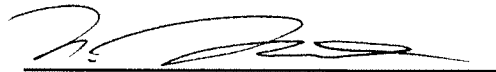
Chairperson Finnila requested that a letter be sent to each candidate following the June 5, 2008 Board meeting to notify the respective applicants of the outcome.

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT:

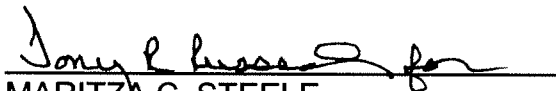
The meeting was adjourned at 2:40 p.m. The next regular meeting will be held on Tuesday, September 9, 2008 at 10:00 a.m., in the Board Room at the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 9TH DAY OF SEPTEMBER, 2008.



MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:



MARITZA C. STEELE
ASSISTANT AUTHORITY CLERK II
CORPORATE SERVICES