

DRAFT

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MEETING
MINUTES
MONDAY, AUGUST 30, 2010
BOARD ROOM**

CALL TO ORDER:

Chair Smisek called the regular meeting of the Audit Committee to order at 10:00 a.m., on Monday, August 30, 2010, 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 Gleason led the pledge of allegiance.

ROLL CALL:

PRESENT: Committee Members: Buck, Finnila, Gleason, Tartre, Smisek, Young

ABSENT: Committee Members: Van Sambeek

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

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the May 3, 2010, and the June 8, 2010, Special Audit Committee Meetings.

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

2. REQUIRED COMMUNICATIONS FROM THE EXTERNAL AUDITOR TO THE AUDIT COMMITTEE:

Christie Kubicek, Partner, and Peter George, Director, McGladrey & Pullen, LLP, provided a presentation on required communications from the external auditor, that included Engagement Objectives; Audit Planning Process; Audit Focus Areas; Required Deliverables; and Communications with Audit Committee Members.

Board Member Young arrived at 10:32 a.m.

In response to Board Member Finnila regarding whether there would be greater focus on contract amendments and expenditures in light of the current construction at the airport, Ms. Kubicek stated that external audit staff will review certain invoices to ensure they support the project, and any concerns would be brought to the Committee's attention.

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 Finnila to approve staff's recommendation. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT.

3. UPDATE ON THE GREEN BUILD CONSTRUCTION AUDIT:

Scott Thein, Senior Auditor; and Roy Block, President, RW Block Consulting, Inc., provided an update on the Green Build Construction Audit Work Plan.

Chair Smisek requested an update of the audit activities of RW Block Consulting at every meeting.

In response to Board Member Young, Mr. Block stated that his firm's audit will include a review for compliance with all regulations.

In response to Board Member Young, regarding Disadvantaged Business Enterprises (DBE) participation, Thella F. Bowens, President/CEO, stated that DBE involvement is required when federal dollars are used.

In response to Committee Member Tartre, Mr. Block confirmed that the diagnostics performed is to ensure adequate controls are in place and for use in their ongoing monitoring of the Green Build.

RECOMMENDATION: Information item only.

4. FISCAL YEAR 2010 – ANNUAL REPORT FROM THE AUDIT COMMITTEE:

Chair Smisek provided an overview of the Fiscal Year 2010, Annual Report from the Audit Committee.

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 Finnila to approve staff's recommendation. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT.

5. FISCAL YEAR 2010 – ANNUAL AUDIT ACTIVITIES REPORT FROM THE OFFICE OF THE CHIEF AUDITOR, AND AUDIT RECOMMENDATIONS FROM THE OFFICE OF THE CHIEF AUDITOR FOR REVIEW AND APPROVAL:

Mark A. Burchyett, Chief Auditor, and Fred Bolger, Manager, Audit Services, provided a presentation on the Fiscal Year 2010 Annual Audit Activities Report from the Office of the Chief Auditor (OCA) that included Audit Activities; Audits in Progress as of June 30, 2010; Recommendation Follow-up; FY10 Performance Measure Outcomes; and Non-Audit Activities and On-Going Activities.

In response to concerns by Committee Member Tartre regarding Recommendation No. 10-27, relating to Network Security Electronics, and how the monies identified are still reflected by the OCA as a “cost savings” although the recommendation was not accepted, Angela Shafer-Payne, Vice President, Planning and Operations, provided an explanation for this issue, and stated that some savings did in fact occur based on the research done by staff.

Committee Member Tartre suggested that the OCA’s reported savings regarding Recommendation No. 10-27 is adjusted to reflect the actual savings realized by the Authority.

In response to Committee Member Tartre regarding non-acceptance of Audit Recommendation No. 10-34, relating to Neal Electric, Inc., Thella F. Bowens, President/CEO, stated that this request by the OCA was reviewed by her office, and it was ascertained that it was a duplication of a process already in place.

Board Member Finnila expressed concern regarding Report Number 09005, dated August, 2009, as it relates to Finding #2 – Lack of Proper Accounting for “Attic Stock,” and requested a follow-up on this issue.

In response to Board Member Finnila in regard to the unaccepted recommendation on Report Number 10010, dated November, 2009, identified as “HNTB Corporation,” Ms. Payne stated that there were numerous requests for additional work made of the corporation regarding the project.

Thella F. Bowens, President/CEO, stated that each amendment to the contract with HNTB Corporation was approved by the Board. She stated that this was an anomaly and that the policy is followed.

Board Member Gleason requested that greater detail of management’s responses and supporting documentation be provided by the OCA in a report for recommendations that are not accepted. He also requested to see an expansion of the details regarding how ethic complaints are handled.

Chair Smisek requested that moving forward, audit reports with “not accepted” recommendations are to be presented at the following quarterly meeting of the Committee for review and discussion.

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 Finnila to forward this item to the Board for information, with the direction that the Office of the Chief Auditor review and revise the savings amounts outlined within the report as discussed during the meeting. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT.

6. REVISION TO THE FISCAL YEAR 2011 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Chair Smisek reported that there was nothing to report on this item.

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

ACTION: No Action Taken.

CLOSED SESSION: The Committee recessed into Closed Session at 11:15 a.m. to discuss Item 7.

7. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

(Government Code Section 54957):

Title: Chief Auditor

REPORT OUT ON CLOSED SESSION: The Committee reconvened into open session at 11:55 a.m. Chair Smisek stated that there was no reportable action.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT: The meeting was adjourned at 11:56 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 15th DAY OF NOVEMBER, 2010.

MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK