

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE MEETING
MINUTES
MONDAY, NOVEMBER 14, 2011
BOARD ROOM**

CALL TO ORDER:

Chair Smisek called the special meeting of the Audit Committee to order at 10:04 a.m., on Monday, November 14, 2011, 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 Hollingworth led the pledge of allegiance.

ROLL CALL:

PRESENT: Committee Members: Gleason, Hollingworth, Hubbs, Smisek, Tartre, 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 D. Gehlken, Assistant Authority Clerk I

Tony R. Russell, Director, Corporate Services/Authority Clerk, administered the Oath of Office to Committee Member Hollingworth.

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the August 29, 2011 regular meeting.

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

Board Member Young arrived at the meeting at 10:06 A.M.

2. QUIETER HOME PROGRAM DOCUMENTATION OF CONTRACTOR EXPENSES "BEST PRACTICES" (EDUCATIONAL ITEM):

Sjohnna Knack, Manager, Quieter Home Program, provided a presentation, which included Program Background; Examples of Unique Housing Stock; Process for Each Home; Organization of Homeowners; Individual Home Designs; Construction Management – Electronic Project Management (ePM); Coordination of Each Home in Construction; Closeout of Construction; and Quieter Home Program Team.

3. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2011, REPORTS: A) AUDITED FINANCIAL STATEMENTS, B) COMPLIANCE (SINGLE AUDIT) REPORT, C) PASSENGER FACILITY CHARGE COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) REPORT TO THE AUDIT COMMITTEE:

Peter George, Director, and Christie Kubicek, Partner, McGladrey & Pullen, LLP, provided a presentation of the external auditor's Fiscal Year Ended June 30, 2011, reports, which included Auditor Responsibilities; Communications to the Audit Committee; Types of Deficiencies in Internal Control; Specific Findings Applicable to the Authority; Current Assets as of June 30, 2011, and 2010; Noncurrent and Restricted Assets as of June 30, 2011, and 2010; Current Liabilities as of June 30, 2011, and 2010; Non-Current Liabilities as of June 30, 2011, and 2010; 2009-2011 Total Net Assets; 2011 and 2010 Operating Revenue; 2011 and 2010 Operating Expenses; Investments as of June 30, 2011, and 2010; Debt Activity for the Fiscal Year Ended June 30, 2011; 2011 and 2010 Federal Expenditures; 2011 Passenger Facility Charge Activity; and 2011 Customer Facility Charge Activity.

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

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

4. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2011:

Vernon Evans, Vice President, Finance/Treasurer, provided an overview of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2011.

In response to Committee Member Tartre's question regarding a more visible disclosure of how depreciation is characterized and described given the substantial Capital Expenditures being incurred under the Green Build project, Mr. Evans stated that staff would investigate re-evaluating the depreciable lives currently assigned and consider providing a more robust financial statement disclosure of depreciation policies in the future.

Board Member Gleason requested that the spelling of Board Member Hubbs be corrected on page XI of the report and suggested that staff include photos of other airlines in addition to Southwest.

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

5. UPDATE ON THE GREEN BUILD CONSTRUCTION AUDIT:

Scott Thein, Senior Auditor, provided an update on the Green Build Construction Audit, which included a Look Back Review of Activities; Next Steps for Review Process; and Additional Activities.

RECOMMENDATION: Information item only.

ACTION: No Action Taken.

6. QUARTERLY AUDIT ACTIVITIES REPORT – FISCAL YEAR 2012 FIRST QUARTER, AND REPORT ON AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor, provided a presentation, which included Audits in Progress; Recommended Follow-up; FY 2012 Performance Measure Outcomes; Non-Audit Activities, and Ongoing Activities.

In response to Committee Member Tartre's concern that more clarity may be needed regarding the scope for identifying findings related to the P-Card program, Mr. Burchyett stated that this issue has been discussed at length and a consensus has not been reached. He requested direction from the Committee as to where his office should focus, such as fraud and misuse. He suggested that the President/CEO, Chair, and he meet to discuss this issue and seek direction.

Chair Smisek stated that the Committee should discuss this issue and present the pros and cons to the Board. He stated that he feels that audits of the P-Card program should be focused on fraud and misuse.

Jeffrey Woodson, Vice President, Administration, provided examples of some P-Card issues of concern. He stated that the monetary components were of minimal consequence, and that the attention was on the philosophical differences between the expectations of the OCA and the staff.

In response to concerns expressed by Committee Member Tartre regarding the audit report finding of insufficient evaluation panel scoring documentation noted while reviewing the agreement and Authority procedures, (Audit Report Number 12015, dated September 2011, Pg. 5 - Appendix A, WTS, Inc.,) Thella F. Bowens, President/CEO, stated that management reviewed the process, and considered adjustments in line with the recommendations made by the OCA.

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.

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

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT: The meeting was adjourned at 11:20 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 6TH DAY OF FEBRUARY, 2012.


MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:



TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK