

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MINUTES
MONDAY, MAY 12, 2014
BOARD ROOM**

CALL TO ORDER:

Chair Smisek called the meeting of the Audit Committee to order at 10:03 a.m., on Monday, May 12, 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 Hollingworth led the Pledge of Allegiance.

ROLL CALL:

PRESENT: Committee Members: Hollingworth, Hubbs, Smisek, Tartre,
Van Sambeek

ABSENT: Committee Members: Gleason, Sessom

ALSO PRESENT: Angela Shafer-Payne, Vice-President, Operations; 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:

Chair Smisek announced that Item 2 would be heard first.

2. RESULTS OF THE QUALITY ASSESSMENT REVIEW:

Mark A. Burchyett, Chief Auditor, provided a presentation on the results of the Quality Assessment Review (QAR), which included information on the QAR process, QAR Results, and Management Letter suggestions.

In regard to Management Letter Suggestion 5, Committee Member Van Sambeek suggested looking at swapping out the audit of Board Member expenses with another public agency.

In response to Committee Member Tartre regarding how "consulting" services are defined in the Office of the Chief Auditor's Charter, Mr. Burchyett stated that staff is currently crafting language to re-define consulting services in the Charter, and will bring the matter back to the Committee for any further refinements. Committee Member Tartre also suggested that staff work together with General Counsel on language definition.

In response to Committee Member Tartre's concern that auditors be allowed to continue to do their due diligence and not be constrained due to pending initial approval of their audit plan, Mr. Burchyett stated that he would only ask that the auditors not sign off on their work papers until their audit plan is approved. He further stated that this process would not impede the work that needs to be done.

RECOMMENDATION: Staff recommends that the Audit Committee accept the Peer Review's reported conclusions for quality assurance of the Office of the Chief Auditor, and forward it to the Board for approval.

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

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 10, 2014, regular meeting and the April 21, 2014 special meeting.

ACTION: Moved by Board Member Hubbs and seconded by Committee Member Tartre to approve staff's recommendation. Motion carried noting the ABSTENTION of Board Member Hubbs for the February 10, 2014, regular meeting and the ABSTENTION of Committee Member Van Sambeek for the April 21, 2014, special meeting, and noting Board Members Gleason and Sessom as ABSENT.

3. REQUIRED COMMUNICATIONS FROM THE EXTERNAL AUDITOR TO THE AUDIT COMMITTEE ON THE FISCAL YEAR ENDED JUNE 30, 2014, FINANCIAL AND COMPLIANCE AUDIT:

Joseph P. Vande Bosche, Partner, BKD, LLP, CPAs & Advisors, provided the external auditor's presentation, which included an Overview of Auditing Guidelines, Planned Scope, Planned Timing, Approach to Planning, Tools, Revisions to Professional Standards, Consideration of Errors or Fraud, Contacts, and Client Service Culture. He also provided a presentation about BKD Client Services, which included the history of BKD and their qualifications.

In response to concern expressed by Committee Member Hollingworth regarding how toxic waste will be handled, Joseph P. Vande Bosche, Partner, BKD, stated that there is a standard that applies specifically to this type of issue, and this would include being evaluated for any potential environmental remediation.

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

Committee Member Hubbs left the dais at 11:05 a.m.

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

Committee Member Hubbs returned to the dais at 11:10 a.m.

4. FISCAL YEAR 2014 THIRD QUARTER AUDIT ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Fred Bolger, Manager, Audit Services, provided an overview of the Fiscal Year 2014 Third Quarter Audit Activities Report, which included Audits in Progress, Recommendation Follow-up, Fiscal Year 2014 Performance Measure Outcomes, and Summary of Ethics Inquiries.

In response to Committee Member Tartre regarding the audit recommendation for monitoring of concessionaire menu price lists, Angela Shafer-Payne, Vice President, Operations, provided an overview of the operation of concessions and how pricing of items are monitored. She stated that the Authority has made a commitment as part of this program, to put in place "street pricing" to provide passengers fair pricing.

In response to Committee Member Van Sambeek's concern that the process appears to be cumbersome, Ms. Shafer-Payne responded that "street pricing" is a common practice in airports around the country.

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 Hubbs and seconded by Committee Member Van Sambeek to approve staff's recommendation. Motion carried unanimously, noting Board Members Gleason and Sessom as ABSENT.

5. FISCAL YEAR 2015 PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor, provided a presentation on the Fiscal Year 2015 proposed Audit Plan of the Office of the Chief Auditor, which included Risk Assessment Methodology, Audit Activity Categories, Audit Coverage, Available Audit Resources, Business Process Audits, Expense Contract Audits, Revenue Contract Audits, Annual Ongoing Audits and Support, and Audit Hours Summary.

Board Member Hubbs requested that the reference to the CONRAC Fund Review in the presentation be revised to accurately reflect the name change to Rental Car Center.

Committee Member Tartre suggested that staff communicate with those concessionaires who are less sophisticated with their operations, about what is expected of them for their reporting requirements, to avoid any issues down the road.

Board Member Hubbs suggested that in order to assist the auditing process for rental car companies, to consider utilizing a software package that would allow all rental car companies to provide the required information with uniformity and consistency.

In response to Board Member Hubbs, Scott Brickner, Vice President, Finance & Asset Management/Treasurer, stated that the new rental car contracts will have a new reporting format incorporated that will alleviate this concern.

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed audit plan and forward it to the Board for approval.

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

6. FISCAL YEAR 2015 PROPOSED BUDGET OF THE OFFICE OF THE CHIEF AUDITOR AND FISCAL YEAR 2016 PROPOSED CONCEPTUAL BUDGET EXPENSE SUMMARY:

Mark A. Burchyett, Chief Auditor, provided a presentation on the Fiscal Year 2015 Proposed Budget of the Office of the Chief Auditor and Fiscal Year 2016 Proposed Conceptual Budget Expense Summary, which included Fiscal Year 2015 Proposed – Fiscal Year 2016 Proposed Conceptual Budget Expense Summary, and Major Drivers of Fiscal Year 2015 and Fiscal Year 2016 Proposed Budget.

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed budget and forward it to the Board as part of the Authority's Fiscal Year 2015 Budget for approval.

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

CLOSED SESSION: The Committee recessed into Closed Session at 11:45 a.m. to discuss Item 7.

7. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

(Government Code Section 54957)

Title: Chief Auditor

REPORT ON CLOSED SESSION: The Committee reconvened into Open Session at 12:32 p.m. There was no reportable action.

COMMITTEE MEMBER COMMENTS: None


ADJOURNMENT: The meeting was adjourned at 12:33 p.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 18TH DAY OF AUGUST, 2014.



MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:



LORRAINE BENNETT
ASSISTANT AUTHORITY CLERK II