

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MEETING
MINUTES
MONDAY, NOVEMBER 15, 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, November 15, 2010, 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 Tartre led the pledge of allegiance.

ROLL CALL:

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

ABSENT: Committee Members: Finnila, 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

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the August 30, 2010 Audit Committee Meeting.

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

**2. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2010, REPORTS:
A) AUDITED FINANCIAL STATEMENTS, B) COMPLIANCE (SINGLE
AUDIT) REPORT, C) PASSENGER FACILITY CHARGE COMPLIANCE
REPORT, AND D) REPORT TO THE AUDIT COMMITTEE:**

Peter George, Director, McGladrey & Pullen, LLP, on behalf of Christie Kubicek, Partner, provided a presentation of the external auditor's Fiscal Year ended June 30, 2010, reports that included external Auditor's Responsibilities; Communications to the Audit Committee; Types of Deficiencies in Internal

Control; Specific Findings to the Airport Authority; Current Assets as of June 30, 2010; Non Current & Restricted Assets as of June 30, 2010; Current Liabilities as of June 30, 2010; Non Current Liabilities as of June 30, 2010; 2008-2010 Total Net Assets; 2010 and 2009 Operating Revenue; 2010 and 2009 Operating Expenses; 2010 and 2009 Federal Expenditures; and 2010 Passenger Facility Charge.

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 Board Member Finnila and Committee Member Van Sambeek as ABSENT.

**3. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
(CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2010:**

Vernon Evans, Vice President, Finance/Treasurer, provided an overview of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2010.

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

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

4. 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 that included Green Build Diagnostic Review Status; Work Plan Overview; Ongoing Audit Work Plan; Financial Compliance; Field Activities; Labor Compliance; and LEED Compliance.

RECOMMENDATION: Information item only.

ACTION: No Action Taken

5. QUARTERLY AUDIT ACTIVITIES REPORT – FISCAL YEAR 2011 FIRST QUARTER, AND REPORT ON AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor, provided an overview of the Fiscal Year 2011 First Quarter Report, and Audit Recommendations issued by the Office of the Chief Auditor (OCA) that included 1st Quarter Audit Activities; Audits in Progress; Recommendation Follow-up; Fiscal Year 2011 Performance Measures as of September 30, 2010; and Non-Audit Activities and Ongoing Activities.

In response to Committee Member Tartre's concern, regarding Appendix B, Audit Report No. 10029, dated June 30, 2010, Procurement Card Program, and the Procurement Department's disagreement with this recommendation, , Jana Vargas, Director, Procurement, clarified that creating the position of Purchasing Card Program Analyst was not a "new hire" position. She stated that the task of reviewing the purchases and sign-offs on P-Card transactions, which monthly involves a small amount of dollars for this program, was incorporated within another position which has additional responsibilities.

Chair Smisek recommended that additional information on recommendations not accepted by departments be included in the presentation regarding specific actions of concern.

Board Member Gleason requested that the Ethics Report be a part of the regular presentation.

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 Board Member Gleason to forward this item to the Board for information. Motion carried unanimously, noting Board Member Finnilla as ABSENT and Committee Member Van Sambeek as ABSENT.

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

Fred Bolger, Manager, Audit Services, provided a report on the revisions made to the Fiscal Year 2011 Audit Plan of the Office of the Chief Auditor.

In response to Board Member Young regarding whether the Chief Auditor's Department have looked at sole-source contracts in the Authority, Mark Burchyett, Chief Auditor, stated that they are looked at on a case-by-case basis.

Board Member Young requested that a report be provided at the next meeting that addresses the pros and cons of auditing sole-source contracts.

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 accept staff's recommendation. Motion carried unanimously, noting Board Member Finnilla and Committee Member Van Sambeek as ABSENT.

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT: The meeting was adjourned at 10:53 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 7th DAY OF FEBRUARY, 2011.

MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK