

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
AUDIT COMMITTEE MINUTES  
MONDAY, NOVEMBER 17, 2014  
BOARD ROOM**

**CALL TO ORDER:**

Chair Smisek called the meeting of the Audit Committee to order at 10:00 a.m., on Monday, November 17, 2014, in the Board Room of the San Diego International Airport, Commuter Terminal, 3225 N. Harbor Drive, San Diego, CA 92101.

**PLEDGE OF ALLEGIANCE:** Angela Shafer-Payne, Vice President, Operations, led the Pledge of Allegiance.

**ROLL CALL:**

PRESENT: Committee Members: Gleason, Hollingworth, Hubbs, Sessom, Smisek, Tartre

ABSENT: Committee Members: Van Sambeek

ALSO PRESENT: Angela Shafer-Payne, Vice President, Operations; Breton K. Lobner, General Counsel; Lorraine Bennett, Assistant Authority Clerk II; Linda Gehlken, Assistant Authority Clerk I

**NON-AGENDA PUBLIC COMMENT:** None

**NEW BUSINESS:**

**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the August 18, 2014, 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 as ABSENT.**

**2. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2014, REPORTS: A) AUDITED FINANCIAL STATEMENT, B) COMPLIANCE (SINGLE AUDIT) REPORT, C) PASSENGER FACILITY CHARGE COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) REPORT TO THE AUDIT COMMITTEE:**

Joseph Vande Bosche, CPA, BKD CPA's & Advisors, provided a presentation on the Report to the Audit Committee, Annual Audit - Year Ended June 30, 2014, which included 2014 Highlights; Assets and Deferred Outflows Composition as of June 30, 2014, Asset and Deferred Outflows Composition Trends, Liability Composition as of June 30, 2014; Liability Composition Trends; Total Revenues and Capital Contributions Composition for the Year Ended June 30, 2014; Total Revenues and Capital Contributions Trends; Expense Composition for the Year Ended June 30, 2014 (Excluding Depreciation); Expense Trends; and Other Relevant Trends.

In response to Committee Member Tartre regarding the cost comparison with other airports related to the cost per enplaned passenger, Scott Brickner, Vice President, Finance & Asset Management/Treasurer, stated that the Authority has completed major capital programs, and comparing that with what other airports make, we are very competitive. He also stated that the Authority has committed to the airlines that it would keep the cost per enplaned passenger to below twelve dollars through the completion of the Green Build, and that the cost is currently below that threshold.

In response to Committee Member Hollingworth regarding whether further increases in depreciation are anticipated, Kathy Kiefer, Sr. Director, Finance and Asset Management, stated that the Authority will see a full year of depreciation for Fiscal Year 2014-2015.

Committee Member Hollingworth suggested that staff prepare a 3-4 year forecast for anticipated depreciation.

Board Member Gleason requested that staff provide an update to the Audit Committee regarding the Airport Development Plan (ADP), bonding for the second build, and the Rental Car Center project, in order to understand upcoming depreciation costs, expenses, and revenue forecasts.

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

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

**3. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2014:**

Kathy Kiefer, Senior Director, Finance and Asset Management, provided an overview of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2014.

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

**4. QUARTERLY AUDIT ACTIVITIES REPORT – FISCAL YEAR 2015 FIRST QUARTER, AND REPORT ON AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:**

Fred Bolger, Manager, Audit Services, provided a presentation on the Quarterly Audit Activities Report – Fiscal Year 2015 First Quarter, and Report on Audit Recommendations Issued by the Office of the Chief Auditor that included Audit Activities; Audits in Progress as of September 30, 2014; Recommendation Follow Up; Fiscal Year 2015 Measure Outcomes; and Summary of Ethics Inquiries.

In response to Committee Member Hollingworth regarding whether the issue of conducting Performance Audits, as discussed at the last Audit Committee meeting, is resolved, Mark A. Burchyett, Chief Auditor, stated that staff will come back to the Committee in the New Year, with a report of action taken and how findings and recommendations from Performance Audits may be handled moving forward.

Board Member Gleason requested that staff schedule a future discussion on Performance Audits with the Audit Committee and Board.

In response to Board Member Sessom regarding clarification on the presentation slide “Summary of Ethics Inquiries” pertaining to Workplace Practices/Behavior, in particular, the “Details Support Potential Code Violation (Ethics or Workplace),” Christy Carlson, Sr. Auditor, stated that if sufficient detail is received, and that these are determined to be a code of ethics violation, then it would be investigated. She further stated that most of the complaints received are ancillary in nature.

In response to Board Member Sessom regarding who responds to “Prohibited Use of Position” and “Workplace Practices/Behavior” issues, Christy Carlson, Sr. Auditor, stated that any potential code violations are determined by collaboration between the Chief Auditor’s Office and the General Counsel’s Office.

**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 Board Member Sessom to approve staff’s recommendation. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT.

**5. ANNUAL INTERNAL QUALITY ASSESSMENT FOR THE OFFICE OF THE CHIEF AUDITOR – FISCAL YEAR 2014:**

Mark A. Burchyett, Chief Auditor, provided a presentation on the Annual Internal Quality Assessment for the Office of the Chief Auditor (OCA) Fiscal Year 2014, which included Background of Internal Assessment and Internal Assessment Components. The assessment found the OCA to be in conformance with the Institute of Internal Auditors Codes, Definitions, and Standards.

RECOMMENDATION: Information item only.

**ACTION: No action taken.**

**6. CONSTRUCTION AUDIT STATUS REPORT:**

Fred Bolger, Manager, Audit Services, provided a Construction Audit update that included information regarding On-Going Green Build Audit Activities; On-Going Rental Car Center Audit Activities, and On-Going General Construction Audit Activities.

RECOMMENDATION: Information item only.

**ACTION: No action taken.**

**NON-AGENDA PUBLIC COMMENT:** None

**COMMITTEE MEMBER COMMENTS:** None

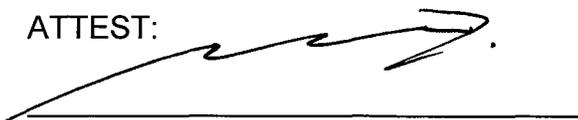
**ADJOURNMENT:** The meeting was adjourned at 11:08 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 9<sup>th</sup> DAY OF FEBRUARY, 2015.



MARK A. BURCHYETT  
CHIEF AUDITOR

ATTEST:



LORRAINE BENNETT  
ASSISTANT AUTHORITY CLERK II