

DRAFT

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MINUTES
MONDAY, MAY 13, 2013
BOARD ROOM**

CALL TO ORDER:

Chair Smisek called the meeting of the Audit Committee to order at 10:01 a.m., on Monday, May 13, 2013, 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 Sessom led the pledge of allegiance.

ROLL CALL:

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

ABSENT: Committee Members: Gleason, Van Sambeek

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

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 4, 2013, regular meeting.

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

**2. REQUIRED COMMUNICATIONS FROM THE EXTERNAL AUDITOR TO THE
AUDIT COMMITTEE ON THE FISCAL YEAR ENDED JUNE 30, 2013,
FINANCIAL AND COMPLIANCE AUDIT:**

Jeffrey Altshuler, Partner, and Peter George, Director, McGladrey & Pullen, LLP, provided a presentation from the external auditor, which included Engagement Objectives; Audit Planning Process; Audit Focus Areas; Required Deliverables; and Communications with Audit Committee Members.

In response to the concern expressed by Board Member Sessom regarding hiring the same external auditing firm for an extended period of time, Vernon Evans, Vice President, Finance/Treasurer, stated that McGladrey & Pullen, LLP, was re-selected for a second time.

Mark Burchyett, Chief Auditor, further clarified that the Authority is required to change partners by policy.

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

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

3. FISCAL YEAR 2013 THIRD QUARTER AUDIT ACTIVITIES REPORT AND REPORT ON AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor, and Fred Bolger, Manager, Audit Services, provided an overview of the Fiscal Year 2013 Third Quarter Audit Activities Report, which included 3rd Quarter Audit Activities; Audits in Progress; Recommendation Follow-up; FY13 Performance Measure Outcomes; and Summary of Ethics Inquiries.

In reference to the Performance Measures reported in the FY13 Third Quarter Report (Attachment A), Page 4, Figure 5 "Additional Revenue and Cost Savings Identified through Audit Activity", Committee Member Tartre requested that an additional column be added to the Figure to indicate the status, whether the dollar amount identified has been collected.

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 Sessom and seconded by Board Member Hubbs to approve staff's recommendation as amended to include a status column on the Figure titled "Additional Revenue and Cost Savings Identified through Audit Activity" in the FY13 Third Quarter Report, whether the dollar amounts identified in the report have been collected. Motion carried unanimously, noting Board Member Gleason and Committee Member Van Sambeek as ABSENT.

Chair Smisek announced that Item 4 would be heard in conjunction with Item 5, at the request of the Chief Auditor.

4. FISCAL YEAR 2014 PROPOSED BUDGET OF THE OFFICE OF THE CHIEF AUDITOR:

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 2014 Budget for approval.

5. ADDITIONAL AUDITOR POSITION REQUESTED WITHIN THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor, provided a presentation on Fiscal Year 2014-2015 Proposed Budget and Staffing Request of the Office of the Chief Auditor (OCA) that included 2014 and 2015 Budget Drivers; and Need to Increase Staffing Resources.

Committee Member Hollingworth requested that the action for Items 4 and 5 include that the OCA provide a report to the Audit Committee in one year on the hours worked by the proposed added Auditor position related to performing the concession audits.

RECOMMENDATION: Staff recommends that the Audit Committee endorse adding a position titled "Auditor" to the Office of the Chief Auditor, and forward it to the Board as part of the Authority's Fiscal Year 2014 Budget for approval.

Items 4 and 5

ACTION: Moved by Board Member Sessom and seconded by Committee Member Tartre to approve staff's recommendation for Items 4 and 5 as amended to include a report provided by the Office of the Chief Auditor to the Audit Committee in one year on the auditing hours performed by the added Auditor position. Motion carried noting Board Member Hubbs' NO vote, and Board Member Gleason and Committee Member Van Sambeek as ABSENT.

6. FISCAL YEAR 2014 PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor, provided an overview of the Fiscal Year 2014 proposed Audit Plan of the Office of the Chief Auditor.

The Committee recessed at 11:04 a.m. and reconvened at 11:16 a.m.

In response to Committee Member Tartre regarding possibly extending the time between auditing the Lost and Found operations to three years instead of every two years, Angela Shafer-Payne, Vice President, Planning & Operations, stated that the Lost and Found process was taken over from the Port of San Diego as part of its contract services of the Police Service Agreement. She stated that the Authority's Codes and Policies are in the process of being reviewed, and will be brought to the Board at a future date.

Committee Member Tartre recommended that the Board review the policy relating to the Lost and Found program, and consider extending the time between auditing the operations of the program to every three years.

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 Committee Member Hollingworth to approve staff's recommendation as amended to request that the Board review the policy relating to the Lost and Found Program, and extend the time between auditing the operations of the program to every three years. Motion carried noting Board Member Hubbs' NO vote, and Board Member Gleason and Committee Member Van Sambeek as ABSENT.

CLOSED SESSION: The Committee recessed into Closed Session at 11:21 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 12:16 p.m. There was no reportable action.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting was adjourned at 12:17 p.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 19th DAY OF AUGUST, 2013.

MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:

LINDA D. GEHLKEN
ASSISTANT AUTHORITY CLERK I