

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## Board Members

C. April Boling  
Chairman

Greg Cox  
Jim Desmond  
Mark Kersey  
Robert T. Lloyd  
Paul Robinson  
Johanna S. Schiavoni  
Michael Schumacher  
Mark B. West

## **SPECIAL AUDIT COMMITTEE and SPECIAL BOARD MEETING \***

### **AGENDA**

## Ex-Officio Board Members

Cory Binns  
Jacqueline Wong-Hernandez  
Col. Charles B. Dockery

Monday, November 5, 2018  
**11:00 A.M.** or immediately following the Audit Committee Meeting  
San Diego International Airport  
SDCRAA Administration Building -- Third Floor  
Board Room  
3225 N. Harbor Drive  
San Diego, CA 92101

## President / CEO

Kimberly J. Becker

This Agenda contains a brief general description of each item to be considered. If comments are made to the Board without prior notice, or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

Staff Reports and documentation relating to each item of business on the Agenda are on file in Board Services and are available for public inspection.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

**\*NOTE:** This Committee Meeting also is noticed as a Special Meeting of the Board (1) to foster communication among Board members in compliance with the Brown Act; and (2) to preserve the advisory function of the Committee.

Board members who are not members of this Committee may attend and participate in Committee discussions. Since sometimes more than a quorum of the Board may be in attendance, to comply with the Brown Act, this Committee meeting also is noticed as a Special Meeting of the Board.

To preserve the proper function of the Committee, only members officially assigned to this Committee are entitled to vote on any item before the Committee. This Committee only has the power to review items and make recommendations to the Board. Accordingly, this Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

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**CALL TO ORDER:**

**PLEDGE OF ALLEGIANCE:**

**ROLL CALL:**

Committee Members: Hollingworth, Lloyd, Robinson (Chair), Schiavoni, Tartre, Van  
Sambeek, West

**NEW BUSINESS:**

**1. CONTINUED PROFESSIONAL EDUCATION TRAINING: BEST PRACTICES  
FOR AN EFFECTIVE AUDIT COMMITTEE:**

Provided by: BKD, LLP David Coleman and Andrew Sherwood

**COMMITTEE MEMBER COMMENTS:**

**ADJOURNMENT:**

**Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)**

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the announcement of that portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment period at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, or Committee on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board. A second Public Comment period is reserved for general public comment later in the meeting for those who were not heard during the first Public Comment period.
- 3) Persons wishing to speak on a specific item listed on the agenda will be afforded an opportunity to speak during the presentation of that individual item. Persons wishing to speak on a specific item should reserve their comments until the item is taken up by the Board, ALUC or Committee. Public comment on a specific item is limited to twenty (20) minutes – ten (10) minutes for those in favor and ten (10) minutes for those in opposition of an item. Each individual speaker will be allowed three (3) minutes, and applicants and groups will be allowed five (5) minutes.
- 4) If many persons have indicated a desire to address the Board, ALUC or Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the Public Comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

**Additional Meeting Information**

**NOTE:** This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at [www.san.org](http://www.san.org).

**For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the SDCRAA Administration Building. Bring your ticket to the third floor receptionist for validation.**

**You may also reach the SDCRAA Administration Building by using public transit via the San Diego MTS system, Route 992. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.**



# BKD NATIONAL GOVERNMENT GROUP

## BEST PRACTICES FOR AN EFFECTIVE AUDIT COMMITTEE

PRESENTED BY: BKD, LLP

**BKD**<sup>LLP</sup>  
CPAs & Advisors

# COURSE OVERVIEW

- ❑ Audit Committee Functions
- ❑ Importance of an Audit Committee
- ❑ Foundations of Effective Performance
- ❑ Productivity From Audit Results

# WHAT FUNCTION SHOULD AN AUDIT COMMITTEE SERVE?



## ▶▶ Traditionally

- Receive & review the external auditor reports
- Meet with external auditors before & after the audit to discuss planning & results
- Hire and evaluate external auditors
- Review the Comprehensive Annual Financial Report, compliance reports and management letter

# WHAT FUNCTION SHOULD AN AUDIT COMMITTEE SERVE?

- ▶▶ Next level functionality might include
  - Understanding & monitoring system of internal control (design & operating effectiveness)
  - Monitoring financial reporting & compliance risk management
  - Oversight of internal audit department
  - Proactively monitor for fraud risk
  - Actively vet conflict of interest and understand related party transactions
  - Monitor whistleblower programs
  - Maintain self-assessment discipline



# IMPORTANCE OF AN AUDIT COMMITTEE

- ✓ Improve financial reporting practices
- ✓ Enhance effectiveness of anti-fraud programs
- ✓ Enhance the internal audit function
- ✓ Strengthen accountability of the external audit function
- ✓ Monitor key risks in areas relevant to financial reporting & compliance

# IMPORTANCE OF AN AUDIT COMMITTEE



- ▶ Improve organization's financial reporting practices
  - Understanding GAAP rules & monitoring choices when new GAAP rules are being implemented
  - Seeking professional assistance from external auditor on significant or complex changes in GAAP rules
  - Bridging the financial literacy gap that might exist with board members

# IMPORTANCE OF AN AUDIT COMMITTEE

- ▶ Enhance effectiveness of anti-fraud programs
  - Understand the organization's fraud risk environment
  - Understand and Monitor management's ethics programs
  - Challenge management's assertions regarding fraud
    - ▮ Discuss possibilities of management override of controls



# IMPORTANCE OF AN AUDIT COMMITTEE



- ▶▶ Enhance the internal audit function
  - Meet with internal auditors to review work plans & results
    - Planning focus on the annually adopted work plan based on assessed risk
    - Results presented based on significance of issues identified and assessed risk
  - Have a role in hiring & evaluating the chief internal auditor

# IMPORTANCE OF AN AUDIT COMMITTEE

Strengthen accountability of the external audit function



Build relationship with external auditors



Evaluate external auditor's performance



Have discussions with the auditor

# IMPORTANCE OF AN AUDIT COMMITTEE



- ▶ Monitor key financial reporting & compliance risks
  - Identify & evaluate financial reporting risks
  - Identify & evaluate accounting principles & estimates that require judgment (even when not major risks)
  - Identify & evaluate the compliance risk management process
    - || Ask five questions

# IMPORTANCE OF AN AUDIT COMMITTEE

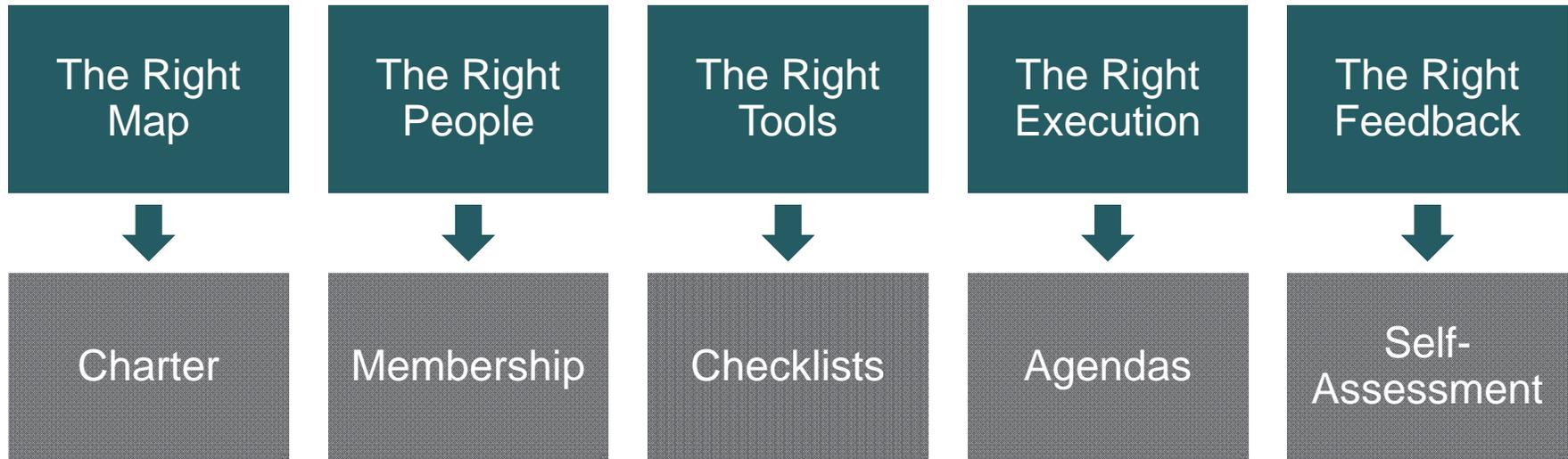
## ▶ Monitor key financial reporting & compliance risks

### ■ Five questions to ask

- || What are the top risks that need to be addressed?
- || What is management doing to keep these risks in check?
- || Are we thinking about risk as an opportunity?
- || How do we build a more risk aware culture?
- || How are other successful & trusted organizations managing their risks?



# FOUNDATIONS OF EFFECTIVE PERFORMANCE



# FOUNDATIONS OF EFFECTIVE PERFORMANCE



- ▶▶ The right map – Charter
  - Key points for an effective charter
    - || Definition of committee role
    - || Definition of committee membership
    - || Definition of committee guiding principles
    - || Definition of committee specific responsibilities

# FOUNDATIONS OF EFFECTIVE PERFORMANCE

## ▶▶ The right people – Membership

### ■ Committee membership

- || Size: As statutorily determined (7 members)
- || Knowledge
  - Understanding of GAAP financial statements
  - Understanding of operations
  - Understanding of internal controls
- || Expertise
  - At least one “financial expert”



# FOUNDATIONS OF EFFECTIVE PERFORMANCE



## ▶▶ The right tools – Checklists

### ■ The right tools include

- || Example questions for auditor discussion
- || Example questions for executive-level discussions
- || Internal control checklist
- || Financial analytics & benchmarking information
- || High-level compliance checklists
- || Internal audit evaluation tool

# FOUNDATIONS OF EFFECTIVE PERFORMANCE

## ▶▶ The right execution – Agendas

- Agendas should include time for
  - || Matters related to external audit
  - || Matters related to committee organization
  - || Matters related to accounting systems & policies
  - || Matters related to fraud risk
  - || Matters related to internal controls/risk management



# FOUNDATIONS OF EFFECTIVE PERFORMANCE



- ▶▶ The right feedback – Self-Assessment
  - A good evaluation should include
    - || Committee structure review
      - Independence, chairperson, resources, staffing & rotation needs, etc.
    - || Committee process & procedure review
      - Establishing & updating agendas
    - || Committee communications review
      - External auditors, internal auditors & key staff

# PRODUCTIVITY FROM AUDIT RESULTS

- ▶▶ A results-driven focus should permeate strategies, processes & decisions
  - To achieve this, ensure goals, programs, activities & resources are aligned with priorities & desired results



# PRODUCTIVITY FROM AUDIT RESULTS



## ▶▶ Internal and External Audits

- Do internal audit plans target assessed risk areas?
- Is internal audit adaptive and responsive to new risks?
- Are there changes in operations create new risks?
- Do external audit results indicate weakness in internal control or segregation of duties?

# PRODUCTIVITY FROM AUDIT RESULTS

- ▶▶ Audit results from Internal and External Auditors
  - Audit Committee Responses
    - || Obtain an understanding of cause, effect and suggested resolution
    - || Seek legal counsel or a specialist if necessary
    - || Evaluate internal control relationship to identified issue
    - || Develop strategic corrective action plan
    - || Monitor results and improvements



# ADDITIONAL ONLINE RESOURCES

- ▶▶ Government Finance Officers Association (GFOA)
  - <http://www.gfoa.org/audit-committees>
  
- ▶▶ The Institute of Internal Auditors
  - <https://na.theiia.org/standards-guidance/leading-practices/Pages/Independent-Audit-Committees-in-Public-Sector-Organizations.aspx>

# QUESTIONS?

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# THANK YOU!