

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY



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PRESIDENT/CEO
THELLA F. BOWENS

SPECIAL AUDIT COMMITTEE

and

SPECIAL BOARD MEETING *

AGENDA

Monday, April 21, 2014
10:00 A.M. or immediately following the
Executive/Finance Committee Meeting

San Diego International Airport
Commuter Terminal -- Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

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 Corporate and Information Governance 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.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Gleason, Hollingworth, Hubbs, Sessom, Smisek, Tartre,
Van Sambeek

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Committee. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

NEW BUSINESS:

1. PROCESS AND SELECTION OF THE EXTERNAL AUDITOR:

RECOMMENDATION: Forward recommendation of external auditor to the Board.
Presented by: Mark Burchyett, Chief Auditor, and Kathy Kiefer, Director,
Accounting

NON-AGENDA PUBLIC COMMENT:

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 initiation of the 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 Section at the beginning of the agenda is limited to eighteen (18) minutes and is reserved for persons wishing to address the Board, ALUC, and Committees 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 could not be heard during the first Public Comment period.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees. Public comment on specific items 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 and 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.

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

You may also reach the Commuter Terminal 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.

UPCOMING MEETING SCHEDULE				
<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
May 12	Monday	10:00 a.m.	Regular	Board Room
August 18	Monday	10:00 a.m.	Regular	Board Room
November 17	Monday	10:00 a.m.	Regular	Board Room



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE

Item No.
1

Meeting Date: **APRIL 21, 2014**

Subject:

Process and Selection of the External Auditor

Recommendation:

Forward recommendation of external auditor to the Board.

Background/Justification:

During the November 6, 2008, Audit Committee Meeting a flow chart was provided by the Chief Auditor that described the External Auditor Selection Process. Committee **discussion resulted in the decision to increase the Committee's participation in the** selection process, by holding a special audit committee meeting, once evaluation panel interviews of the top accounting firms were completed.

Outlined below is a detailed evaluation of the external auditor selection process that has been conducted:

The Authority issued the Request for Proposals (RFP) for Financial Audit Services on January 3, 2014. Notice of the business opportunity was advertised in the *Daily Transcript* on **February 6, 2014, and on the Authority's Website**. A pre-submittal meeting was held on February 19, 2014, and attended by Four (4) firms. Twenty-three (23) firms downloaded the opportunity and seven (7) Proposals were received on March 6, 2014, from the following candidates:

- 1) BKD, LLP
- 2) Charles Z. Fedak & Co.
- 3) Crowe Horwath, LLP
- 4) Eide Bailly, LLP
- 5) Lance, Soll & Lundghard, LLP
- 6) Macias, Gini & O'Connell, LLP
- 7) McGladrey, LLP

The Evaluation Panel consisted of staff from the Accounting, Audit, and Finance Departments. The panel found 7 Proposals responsive. The evaluation panel selected the top four candidates, and conducted interviews with the top 4 candidates on April 2, 2014.

The following is the RFP evaluation criteria utilized in the selection process:

- **Organization Experience and Skill:** Provide a biography, résumé, organization description, which includes professional history, skills, and relevant experience that demonstrates a capable, working knowledge of performing the services as requested in this RFP or of similar projects. Provide an organization chart delineating who would have overall and daily responsibility for the project. Respondent must demonstrate their expertise in the field of governmental accounting, specifically Stand-alone Enterprise Funds and the Airport industry in order to provide the following services:
 - Audit services for Financial Statements & CAFR
 - Single Audit Compliance Report
 - Passenger Facility Charge Compliance Report
 - Implementation of GASB Pronouncements
 - General accounting consultation
 - OMB Circular A-133

If required, indicate whether Respondent has sufficient licenses, permits, qualifications, and approvals that are required to perform the services requested in this RFP.

- **Primary Staff Arrangements:** Identify with particularity the services that will be performed by Respondent and identify those services, if any, that will be performed by subcontractors or others ("Subcontractors"). If the Respondent utilizes Subcontractors, it must provide a list of the Subcontractor's name(s) and include their responsibilities, qualifications, and the major clients and projects they have worked on relative to the services requested of this RFP or similar projects.
- **Work Plan and Technical Approach:** This section should establish that the Respondent fully understands the objectives and requirements of the engagement by providing a detailed plan for accomplishing the specified work.
- **Compensation/Fees:** Print, complete, and submit "Schedule B.1 – Proposed Compensation" with your Proposal. Exhibit B is posted in the Draft Agreement included in this RFP. Submit all proposed costs and fees associated with performing and completing the services requested in this RFP, to include a description of the fee (i.e. hourly, monthly, fixed, etc.).
- **Interview:** The presentation and responsiveness of the finalists will be evaluated for those who are invited to interview with the Authority. Personnel with the primary responsibilities to perform the scope of work should attend the interview.

The panelist's rankings of the respondents are presented below, – BKD, LLP 1, Macias, Gini, O'Connell tied with Crowe Horwath, LLP, both at 2, and McGladrey 4.

Firms	Panelist 1	Panelist 2	Panelist 3	Panelist 4	Panelist 5	Total	Final Rank
BKD, LLP	1	1	1	1	1	5	1
Crowe Horwath LLP	2	2	2	3	4	13	2
McGladrey LLP	4	4	4	4	3	19	4
Macias, Gini, O'Conne	3	3	3	2	2	13	2

Combined Scores	SB Preference	Cost / Fees	Responsiveness of Proposal	Organization Experience & Skill	Primary Staff Arrangements	Work Plan & technical Approach	Total
BKD, LLP	0	675	240	1410	1440	960	4725
Crowe Horwath LLP	0	750	195	1080	1080	720	3825
McGladrey LLP	0	525	170	1110	1110	800	3715
Macias, Gini, O'Conne	0	600	205	1290	1110	760	3965

Overview: BKD, LLP is being forwarded to the Audit Committee as the recommendation for the external auditor based on the following factors:

- BKD is one of the largest firms serving airports nationally.
- BKD presented a highly skilled professional staff on multiple levels with airport, capital improvement, consolidated rental car and passenger facility charges experience.
- BKD has extensive OMB Circular A-133 experience. In the amount of national Airport Improvement dollars audited, BKD is second to KPMG.
- BKD has continuing education programs that they offer to the Airport Authority professional account staff.
- **BKD has a "linked in" report writer tool to better facilitate report changes in the finalization.**
- As a national CPA firm, BKD provides the Authority access to one of the top audit staffing and information resources available nationally at a competitive contract price.

Recommendation: Award an agreement to BKD, LLP for an amount not to exceed Nine Hundred Fifty Thousand Dollars (\$950,000) for a three-year term with an option for two (2) one-year extensions, which may be exercised, subject to Board approval, at the **sole discretion of the Authority's CEO/President.**

The Charter of the Audit Committee directs the Committee to advise the Board with respect to the engagement of the external auditor (Charter Page 5-A), based on review and discussion by the Audit Committee as to the overall plan, scope, reasonableness of fees, experience and qualifications, etc., and including any issues of note.

Fiscal Impact:

Adequate funding for the agreement with BKD, LLP for performing the Authority's financial audit services is included in the proposed FY 2015 Budget and FY 2016 Conceptual Budget within the Services-Auditing line item. Expenses that will impact budget years not yet adopted by the Board will be included in future year budget requests.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

☐ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the **California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378.** This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

The Authority has the following inclusionary programs/policies: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program, Policy 5.12 and Policy 5.14. These programs/policies are intended to promote the inclusion of small, local, service disabled veteran owned, historically underrepresented businesses and other business enterprises, on all contracts. Only one of the programs/policies named above can be used in any single contracting opportunity.

This contract does not utilize federal funds and provides limited opportunities for sub-contractor participation; therefore; at the option of the Authority, Policy 5.12 was applied to promote the participation of qualified small businesses. Policy 5.12 provides a preference of up to five percent (5%) to small businesses in the award of selected Authority contracts. When bid price is the primary selection criteria, the maximum amount of the preference cannot exceed \$100,000. The preference is only applied in measuring the bid. The final contract award is based on the amount of the original bid.

In accordance to policy 5.12, the recommended firm, BKD, LLP received 0% small business preference.

Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

San Diego County Regional Airport Authority

Process and Selection of the External Auditor

Presented by:
Kathy Kiefer
Director, Accounting

April 21, 2014



Audit Service RFP Timeline and Results

- Request for Proposals for Financial Audit Services January 3
- Advertised in Daily Transcript and Authority's Website February 6
- Pre-submittal meeting February 19 with 4 attendees
- 23 Downloads
- 7 Proposals received March 6 from
 - BKD, LLP
 - Charles Z. Fedak & Co.
 - Crowe Horwath, LLP
 - Eide Bailly, LLP
 - Lance, Soll & Lundghard, LLP
 - Macias Gini & O'Connell, LLP
 - McGladrey, LLP
- 5 Panelist from Audit, Accounting and Finance selected top 4 and held interviews April 2 with
 - BKD, LLP
 - Crowe Horwath, LLP
 - Macias Gini & O'Connell, LLP
 - McGladrey, LLP



Evaluation Criteria

- Organization Experience and Skill
 - Audit services for financial statements & CAFR
 - Single audit Compliance Report
 - Passenger Facility Charge Compliance Report
 - Implementation of GASB Pronouncements
 - General accounting consultation
 - OMB Circular A-133
- Primary Staff
- Work Plan and Technical Approach
- Fees
- Interview



Rankings of Respondents

Rankings by Panelists

- BKD, LLP ranked number one by all five panelists
- Macias Gini & O'Connell and Crowe Horwath, LLP both tied as second
- McGladrey, LLP ranked fourth

Rankings by Criteria

- BKD, LLP ranked number one
- Macias Gini & O'Connell, LLP ranked number two
- Crowe Horwath, LLP ranked number three
- McGladrey, LLP ranked number four



Recommendation to Audit Committee

BKD, LLP is recommended to the Audit Committee for the external auditor based on the following factors:

- BKD is one of the largest firms serving airports nationally
- BKD presented a highly skilled professional staff on multiple levels with airport, capital improvement, consolidated rental car and passenger facility charges experience
- BKD has extensive OMB Circular A-133 experience. Second nationally to KPMG in the amount of Airport Improvement dollars audited
- BKD has continuing education programs that will be offered to Airport Authority professional staff
- BKD has a “linked in” report writer tool to better facilitate report changes in the finalization of the reports
- As a national CPA firm, BKD provides the Authority access to one of the top audit staffing and information resources available nationally at a competitive price



Fiscal Year Ending June 30, 2014 Audit Schedule

Upon approval and signature of this contract Accounting will schedule the interim audit and the audit

- Interim to begin early June
- Year end audit to begin August through mid-October



Questions?