

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE MINUTES
MONDAY, MAY 7, 2012
BOARD ROOM**

CALL TO ORDER:

Chair Smisek called the meeting of the Audit Committee to order at 10:00 a.m., on Monday, May 7, 2012, 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 Hubbs led the pledge of allegiance.

ROLL CALL:

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

ABSENT: Committee Members: Van Sambeek

ALSO PRESENT: Angela Shafer-Payne, Vice President, Planning and Operations; Breton K. Lobner, General Counsel; Tony R. Russell, Director, Corporate Services/Authority Clerk; Linda D. Gehlken, Assistant Authority Clerk I

Board Member Young arrived during the course of the meeting.

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the February 6, 2012, special joint meeting with the Terminal Development Program and the March 26, 2012, special meeting.

Chair Smisek requested a correction to the March 26, 2012, minutes Roll Call, to indicate that Committee Member Panknin is not a member of the Audit Committee.

Committee Member Hollingworth requested a correction to the March 26, 2012, minutes Roll Call, to indicate that he was not in attendance at the meeting.

ACTION: Moved by Committee Member Hollingworth and seconded by Board Member Hubbs to approve staff's recommendation as amended. Motion carried unanimously, noting Board Member Young 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, 2012, FINANCIAL AND COMPLIANCE AUDIT:

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

Board Member Young arrived at 10:10 a.m.

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

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

3. UPDATE ON THE GREEN BUILD CONSTRUCTION AUDIT:

Mark Burchyett, Chief Auditor, provided an update on the Green Build Construction Audit which included Task Authorization No. 4 - Funding Compliance; and Office of the Chief Auditor – Overview of the Terminal Development Program.

RECOMMENDATION: Accept the information

ACTION: No action taken.

4. FISCAL YEAR 2012 THIRD QUARTER AUDIT ACTIVITIES REPORT, AND REPORT ON AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor, provided an overview of the FY2012 Third Quarter Audit Activities Report, which included 3rd Quarter Audit Activities; Audits in Progress; Recommendation Follow-up; FY12 Performance Measure Outcomes; Summary of Ethics Inquiries; and Non-Audit Activities and On-Going Activities.

Board Member Gleason suggested that in the future the Summary of Ethics Inquiries report include information regarding where, or to whom, items are referred for follow up, and when possible, identifying whether the item was reported by an internal or external source.

In response to Committee Member Tartre's expressed concern regarding the length of time that has elapsed to finalize the outstanding recommendations relating to the car rental companies Nevada Lease and Rental Inc., and DTG Operations Inc., Vernon Evans, Vice President, Finance/Treasurer, stated that various issues impact the finalization of recommendations. In this case, the car rental companies are contesting the amounts owed. He stated that additional documentation is pending from the car rental companies and that once it is received, that verifying the accuracy of the information will also take time.

Committee Member Tartre suggested that it would be helpful to track the status of each item on the Soft Savings Estimate Report, and Mark Burchyett, Chief Auditor, stated that he would add a column to the report to include the status of each.

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 Young to approve staff's recommendations. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT.

5. FISCAL YEAR 2013-2014 PROPOSED BUDGET OF THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor, provided an overview of the FY2013-2014 proposed budget of the Office of the Chief Auditor (OCA) which included Personnel Expenses; and Total Chief Auditor Expenses.

In response to Committee Member Tartre regarding the reason for the fluctuations in the costs listed for Personnel Expenses between FY 2013 vs. FY 2014, Jeffrey Woodson, Vice President, Administration, stated that the primary reason is due to the anticipated increase in healthcare costs.

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 2013 budget for approval.

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

6. FISCAL YEAR 2013 PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Mark A. Burchyett, Chief Auditor, provided an overview of the Fiscal Year 2013 Audit Plan.

Committee Member Hollingworth spoke in support of increasing the Audit staff by one auditor to handle the anticipated increase in work load caused by the new concession program.

Board Member Hubbs recommended considering right away how the new concessions audits will impact other work areas and requested staff to provide information in this regard.

Board Member Young suggested that staff continue conducting Performance Audits, which are his preference.

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. Motion carried unanimously, noting Committee Member Van Sambeek as ABSENT.

CLOSED SESSION: The Committee recessed into Closed Session at 11:10 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 12:02 p.m. There was no reportable action.

COMMITTEE MEMBER COMMENTS: None

ADJOURNMENT: The meeting was adjourned at 12:03 p.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY THIS 20th DAY OF AUGUST, 2012.



MARK A. BURCHYETT
CHIEF AUDITOR

ATTEST:



LINDA D. GEHLKEN
ASSISTANT AUTHORITY CLERK I