

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM  
AUDIT OVERSIGHT COMMITTEE  
1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101

## MINUTES

May 3, 2018

### A. ROLL CALL

1. Chairman Ewin called the meeting to order at 9:00 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.
2. APPROVAL OF MINUTES

Chairman Ewin asked for the minutes to reflect that he took over direction of the November 2, 2017 Audit Oversight Committee meeting as Chair after the meeting was called to order.

Mr. McWhirter moved for approval of the minutes of the November 2, 2017 Audit Oversight Committee meeting, including the amended change recommended by Chairman Ewin. Ms. Rios seconded the motion, and the vote was 4 to 0 in favor with Ms. Cole, Ms. Gomez, and Mr. Roberts absent.

### B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. The Pun Group Engagement Letter for the Fiscal Year (FY) 2018 Audit (Erin Dunn)

Erin Dunn, Controller, introduced Ken Pun, with The Pun Group, LLP. Mr. Pun provided a presentation on the engagement letter and discussed the details of the audit team, scope of work, management responsibilities, and auditors' responsibilities.

#### Action Taken

No action taken.

2. Interim Audit (Erin Dunn and Ken Pun of The Pun Group, LLP)

Mr. Pun provided a presentation on the interim audit. He reviewed the details and phases of the approach to the audit including detailed planning; risk based review of systems and compliance; validation of account balances and test of compliance; and review of financial statements and issue opinions. Chairman Ewin asked if there were any items from last year's audit that required additional review during this year's audit. Mr. Pun replied no. He stated that MTS has very strong internal controls.

#### Action Taken

No action taken.

3. Update on GASB 75 and GASB 85 (Ken Pun of The Pun Group, LLP)

Mr. Pun provided a presentation on the implementation of new Governmental Accounting Standards Board (GASB) pronouncements. He reviewed details of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Ms. Dunn explained the details of MTS retiree health benefits to the committee. Lastly, Mr. Pun reviewed the details of GASB 85, Omnibus 2017.

Chairman Ewin asked for Ms. Dunn to explain the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting award. Ms. Dunn stated that this award is the highest award you can receive for a financial report in the government industry. She stated that MTS has received this award for twelve consecutive years.

Action Taken

No action taken.

4. Internal Audit Activity Update Report (Toufic Tabshouri)

Toufic Tabshouri, Internal Auditor, provided a presentation on internal audit activity. He reviewed the internal audit budget; risk assessments and audit selection methodology; planned audits for fiscal year 2018-2019; completed audit reports from fiscal year 2017; and other activities.

Mr. Arambula inquired about inventory audits. Mr. Tabshouri responded that the financial statement reporting audit for inventory is conducted by external auditors. He stated that his internal audits of inventory involve the management of inventory and amounts of inventory held. Mr. Arambula asked about his reporting lines in the agency. Mr. Tabshouri stated that his reporting lines are to Karen Landers, General Counsel, and the Audit Oversight Committee. He stated that he does not have any employees that report directly to him. Mr. Arambula inquired how he reports concerns related to specific department issues. Mr. Tabshouri responded that he will generally create a report or a memo related to the concern and provide it to the department manager and Ms. Landers. He stated that he also keeps a tracking list of concerns to follow up at a later date to ensure those concerns have been addressed. Mr. Arambula asked about issues related to potential fraud or abuse. Mr. Tabshouri stated that he oversees the MTS Fraud Waste and Abuse Hotline. He said that most of the calls he receives are not related to fraud or abuse. He noted that if he does receive a valid fraud or abuse notification, he will forward the concerns to either our Customer Service or Security departments. Mr. Arambula asked what risks he is not currently assessing. Mr. Tabshouri responded that he is always looking at areas that could be a potential risk area; however it is hard to determine risk areas that are not common and are unexpected. He stated that he does monitor all areas of the agency for this purpose.

Mr. Jablonski noted that MTS is also currently undergoing the Federal Transit Administration (FTA) Triennial Audit.

Action Taken

Mr. Arambula moved to receive the Internal Audit Activity Update Report. Ms. Rios seconded the motion and the vote was 4 to 0 with Ms. Cole, Ms. Gomez and Mr. Roberts absent.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no committee member communications.

D. PUBLIC COMMENTS

There were no public comments.

E. NEXT MEETING DATE

The next meeting will be held as called.

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 10:23 a.m.

/s/ Georgette Gómez  
Chairperson

Attachment: Roll Call Sheet

**AUDIT OVERSIGHT COMMITTEE**  
**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) May 3, 2018

CALL TO ORDER (TIME) 9:05 a.m.

RECESS \_\_\_\_\_

RECONVENE \_\_\_\_\_

CLOSED SESSION \_\_\_\_\_

RECONVENE \_\_\_\_\_

ADJOURN 10:23 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
EWIN (Chair)	<input checked="" type="checkbox"/>	9:00am	10:23am
ARAMBULA Transportation Committee Rep.	<input checked="" type="checkbox"/>	9:05am	10:23am
COLE	<input type="checkbox"/> (Gomez) <input type="checkbox"/>		
GOMEZ	<input type="checkbox"/>		
MCWHIRTER	<input checked="" type="checkbox"/> (Arambula) <input type="checkbox"/>	9:00am	10:23am
RIOS	<input checked="" type="checkbox"/> (Salas) <input type="checkbox"/>	9:00am	10:23am
ROBERTS	<input type="checkbox"/> (Cox) <input type="checkbox"/>		

SIGNED BY THE CLERK OF THE BOARD:

Julia Turner

CONFIRMED BY THE GENERAL COUNSEL:

Paul Card