

AUDIT OVERSIGHT COMMITTEE MEETING FOR THE  
METROPOLITAN TRANSIT SYSTEM (MTS),  
SAN DIEGO TRANSIT CORPORATION (SDTC),  
AND SAN DIEGO TROLLEY, INC. (SDTI)

April 17, 2008

MTS  
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

1. Chairman Ewin called the meeting to order at 10:55 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Monroe moved approval of the minutes of the March 6, 2008, Audit Oversight Committee meeting. Mr. Mathis seconded the motion, and the vote was 4 to 0 in favor.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. MTS: Audit of SDTI Revenue-Collection Procedures (LEG 492)

Chairman Ewin advised Committee members that draft minutes of the AOC meetings will be faxed to the Board after each meeting. He stated that final minutes will be faxed after approval by the Committee only if there are substantive changes during the draft review process.

Mr. Mark Abbey, MTS Internal Auditor, reported that the SDTI revenue-collection process is, overall, well controlled. He reviewed his recommendation regarding dual combination locks for the safes, the reasons for staff's objection to that recommendation, and staff's alternate recommendation. He detailed the reasons why staff felt that the alternate recommendation would be more workable. The Committee briefly discussed procedures that are followed related to revenue collection.

Chairman Ewin stated that he would like to receive internal audit reports prior to AOC meetings. He also stated that the internal auditor should merely have to look at policies and procedures for any given process he is auditing. He was assured that there are policies and procedures that govern the entire revenue-collection process. Mr. Abbey stated that he would look at policies and procedures and then ensure that they are being followed.

Mr. Monroe stated that if data is properly analyzed, managers should be able to determine if the revenue results are outside of the normal variation for collection levels. He added that he would like to see that data. Chairman Ewin suggested

that Mr. Monroe meet with staff and report back to the AOC. The Committee also briefly discussed the benefits of surprise cash counts. Chairman Ewin stated that this should be done whenever it is deemed to be prudent and appropriate.

Mr. Mathis stated that discussions of security procedures should not be conducted in these meetings because to do so reveals MTS's security procedures. He added that the agenda document for this item also reveals some of this sensitive information. He suggested that MTS look into other ways to handle this type of information. Mr. Paul Jablonski, MTS CEO, stated that he would have the MTS General Counsel look into this matter. Mr. Mathis asked members of the public who were attending the meeting to leave behind their copies of Agenda Item No. B1.

Chairman Ewin stated that the internal auditor should review policies and procedures and whether or not they are being followed. He stated that audit reports to the AOC could simply state that there are no policy or procedure issues. He stated that the AOC is a policy body and doesn't need details.

#### Public Comment

*Clive Richard:* Mr. Richard suggested that internal audit reports be drafted in such a way to exclude sensitive information. He stated that the public would like to have access to these reports but cannot if sensitive details are included in the reports.

#### Action Taken

Mr. Emery moved to receive this report for information. Mr. Mathis seconded the motion, and the vote was 6 to 0 in favor.

#### 2. MTS: Audit Engagement Letter

(ADM 110.12)

In response to a question from Chairman Ewin, Mr. Ken Pun of Caporicci & Larson stated that the engagement letter being presented under this agenda item was the final; that no changes had been made since the draft engagement letter was originally presented at the last AOC meeting. Mr. Cliff Telfer, MTS CFO, confirmed that there were no responses or exceptions.

Mr. Monroe stated his support of the engagement letter. He then asked what the auditors would do if they felt undue pressure from management. Mr. Pun stated that SAS 114 addresses this issue. Chairman Ewin stated that this issue is covered by the standards that guide the audit, and the AOC put the auditors on notice that they would have to advise the AOC if that happens.

Mr. Monroe reminded the Committee that there was substantial discussion at the last AOC meeting about the questions that Ms. Atkins asked during the Board discussion of MTS's most recent Comprehensive Annual Financial Report. Mr. Ewin pointed out that each AOC member received a copy of those questions and added that he expected that Ms. Atkins would ask those questions again. Mr. Pun confirmed for Chairman Ewin that the external auditors are required by their audit procedures to

report any undue influence to the Board. Mr. Pun stated that undue influence creates a scope of limitation. Mr. Rindone stated that he would like this issue to be covered by the engagement letter. Mr. Jablonski offered to report any undue influence to the Chairman of AOC, and Mr. Mathis stated that this type of problem should also be reported to directly to the CEO.

Chairman Ewin advised Mr. Pun to simply provide AOC members with copies of the revised engagement letter after it is signed.

Action Taken

Mr. Monroe moved to review the audit engagement letter. Mr. Emery seconded the motion, and the vote was 6 to 0 in favor.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no Committee communications.

D. PUBLIC COMMENTS

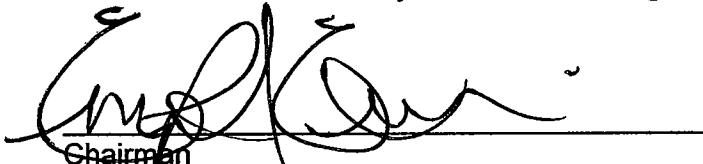
There were no public comments

E. NEXT MEETING DATE:

The next meeting will be held as called.

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 11:25 a.m.



Chairman

Attachment: A. Roll Call Sheet  
gail.williams/minutes

**AUDIT OVERSIGHT COMMITTEE  
METROPOLITAN TRANSIT SYSTEM**

**ROLL CALL**

MEETING OF (DATE) 4/17/08

CALL TO ORDER (TIME) 10:55 a.m.

RECESS \_\_\_\_\_

RECONVENE \_\_\_\_\_

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

RECONVENE \_\_\_\_\_

ADJOURN 11:25 a.m.

BOARD MEMBER	(Alternate)		PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input type="checkbox"/>	(Young)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EMERY	<input checked="" type="checkbox"/>	(Cafagna)	<input type="checkbox"/>	
EWIN	<input checked="" type="checkbox"/>	(Clabby)	<input type="checkbox"/>	
MATHIS	<input checked="" type="checkbox"/>			
MONROE	<input checked="" type="checkbox"/>	(McLean)	<input type="checkbox"/>	
RINDONE	<input checked="" type="checkbox"/>	(Emery)	<input type="checkbox"/>	
ROBERTS	<input checked="" type="checkbox"/>	(Cox)	<input type="checkbox"/>	

SIGNED BY OFFICE OF THE CLERK OF THE BOARD

*Gail Williams*

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

*Jeff Leizer*