

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

March 19, 2009

MTS  
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

1. Acting Chairman Mathis called the meeting to order at 9:02 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

2. APPROVAL OF MINUTES

Mr. McLean moved approval of the minutes of the November 6, 2008, Audit Oversight Committee meeting. Mr. Roberts seconded the motion, and the vote was 5 to 0 in favor.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. MTS: Appointment of Chairperson (ADM 110.12)

The Acting Chairperson requested nominations from the floor for the Chairperson of the Audit Oversight Committee. Mr. Roberts nominated Mr. Ewin. There were no other nominations. The Acting Chairperson closed the nominations.

Action Taken

Mr. Roberts nominated Mr. Ewin as Chairman of the Audit Oversight Committee. The vote was 5 to 0 in favor. Mr. Ewin was not present for the vote.

**The meeting was temporarily adjourned at 9:06 a.m. to the Executive Committee pending the arrival of Mr. Ewin.**

**The meeting was reconvened at 9:36 a.m.**

2. MTS: Auditor's Communication with Those Charged with Governance – Statement of Auditing Standards No. 114 (ADM 110.12)

Ms. Linda Musengo, Finance Manager, advised the Committee that Statement of Auditing Standards No. 114 requires that auditing firms now provide this particular Statement instead of the customary management letter. She stated that this particular statement provides an overview of the planned scope and timing of the audit as well as representations that the auditors have requested from management along with significant audit findings. She reported that Caporicci &

Larson, MTS's current auditors had no significant audit findings to report for the FY 2008 audit.

Mr. Gary Caporicci, Caporicci & Larson, referred to Page 2 of the Statement and stated that the only difference between this new reporting process and the management letter is the reporting of particularly sensitive accounting estimates and financial statement disclosures; e.g., investment valuations, postemployment benefits, and risk management.

In response to a question from Ms. Lightner, Mr. Caporicci explained that Item No. 17 on page 3 of the statement should end after the word "statements." He stated that this sentence will be corrected.

#### Action Taken

Mr. Roberts moved to receive the Auditors Communication with Those Charged with Governance, related to the FY 2008 audit, as prepared by Caporicci & Larson. Mr. Mathis seconded the motion, and the vote was 7 to 0 in favor.

#### 3. MTS: Audit Engagement Letter (ADM 110.12)

Mr. Caporicci asked if MTS had any new process or system that the audit should include. Mr. Jablonski reported that the Compass Card could potentially fall into that category although the administration of this program will primarily be SANDAG's responsibility and will occur in FY 2010.

Ms. Musengo distributed a schedule of future Audit Oversight Committee meetings.

#### Action Taken

No action was taken on this item as staff's recommendation was for the Committee to review the Audit Engagement Letter.

#### 4. MTS: Report on Audit Plan (ADM 110.12)

Mr. Kenneth Pun, Partner of Caporicci & Larson, reviewed the audit plan including which entities are being audited, what type of audits were being done (financial and compliance), objectives of the audit of financial statements, management's responsibilities for financial statements, the audit approach, and the time line.

In response to a question from Mr. Rindone, Mr. Pun stated that Government Accounting Standards Board (GASB) 49 deals with pollution remediation. He stated that attorneys will be used to see if MTS has been identified as one of the entities that is responsible for any pollution-related clean up. Mr. Caporicci stated that GASB 51 has to do with amortization costs for software development and will have little impact on MTS. He pointed out that this particular pronouncement was originally supposed to deal with right-of-ways and easements. He reported that GASB 53 deals with derivatives. Mr. Caporicci added that GASB is in the process

of reviewing guidelines for accounting practices related to postemployment pension benefits to determine if they should be reported on the balance sheet.

Mr. Ewin stated that it is critical that the Audit Oversight Committee's involvement in the audit process stay on schedule. Mr. Ewin requested assurance that the process for getting attorney letters has been adjusted to ensure it doesn't delay the completion of the Comprehensive Annual Financial Report (CAFR). Ms. Musengo advised Committee members that CAFR reports dating back to 2004 are accessible through MTS's web site.

Action Taken

Mr. Roberts moved to receive a report on the audit plan, scope, and time line. Mr. Mr. Mathis seconded the motion, and the vote was 7 to 0 in favor.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no Committee communications.

D. PUBLIC COMMENTS

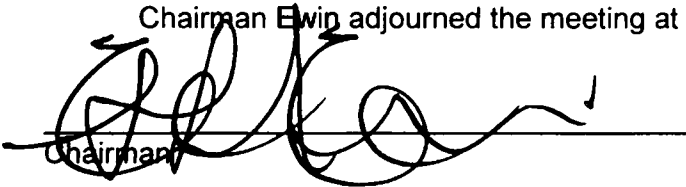
There were no public comments.

E. NEXT MEETING DATE:

The next meeting will be held June 4, 2009.

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 10:03 a.m.

A handwritten signature in black ink, appearing to be "Ewin", is written over a horizontal line. The signature is stylized with loops and a long horizontal stroke at the end.

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

**AUDIT OVERSIGHT COMMITTEE  
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) 3/19/09

CALL TO ORDER (TIME) 9:02 a.m.

TEMPORARY ADJOURNMENT 9:06 a.m.

RECONVENE 9:36 a.m.

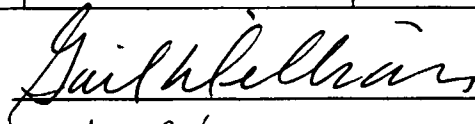
CLOSED SESSION

RECONVENE

ADJOURN 10:03 a.m.

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
EWIN (Chair) <input checked="" type="checkbox"/>		
LIGHTNER <input checked="" type="checkbox"/> (Young) <input type="checkbox"/>		
MATHIS <input checked="" type="checkbox"/>		
MCLEAN <input checked="" type="checkbox"/> (Rindone) <input type="checkbox"/>		
RINDONE <input checked="" type="checkbox"/> (McLean) <input type="checkbox"/>	9:05 a.m. during Temporary Adjournment	
ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		
SELBY <input checked="" type="checkbox"/> (Ryan) <input type="checkbox"/>		

SIGNED BY OFFICE OF THE CLERK OF THE BOARD



CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

