

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

July 9, 2009

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

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**

Ms. Lightner moved approval of the minutes of the June 4, 2009, Audit Oversight Committee meeting. Mr. Mathis seconded the motion, and the vote was 5 to 0 in favor.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. **MTS: FY 2009 Audit Report** (ADM 110.12)

Ms. Linda Musengo, Finance Manager, reported that MTS's external auditors have presented a letter to MTS detailing the procedures they followed during the interim phase of the audit (Attachment A of the agenda item). She added that they made one comment and recommendation. Mr. Ewin expressed his gratitude to Caporicci & Larson for reducing their fees for MTS.

Mr. Ken Pun, Caporicci & Larson, stated that the interim phase of the audit is conducted to determine the nature and extent of the year-end audit. He stated that they also reviewed internal controls for each major accounting system in accordance with Statement of Auditing Standards (SAS) requirements. Mr. Pun then reviewed the Exit Conference Memo discussing the auditor's internal-control evaluation, high-profile items reviewed, and open items, which consisted of preparation of confirmations, engagement letters, and the year-end Prepared-by-Client listing.

Ms. Roma Layosa, Caporicci & Larson, explained that the only observation to be reported consisted of minor inventory discrepancies of immaterial value in the San Diego Trolley storeroom. She then provided details on the discrepancies found and reviewed their recommendation and management's response. Mr. Pun reviewed an observation from last year and reviewed the status of management's efforts to address that observation. In response to a question from Mr. Ewin, Mr. Pun stated that their sample usually consists of items over \$50,000. Ms. Layosa reported that the auditors also conducted an asset inventory. Mr. Pun reported that MTS's internal control risk is low. Mr. Pun then reviewed new pronouncements to be implemented in 2009 and 2010, the year-end schedule, and reports that will be issued.

In response to a question from Mr. Rindone, Mr. Pun reported that the auditors will be reviewing the actuarial study for the San Diego Transit Corporation pension plan to ensure that the financial impact of the pension plan is fairly represented in MTS financial statements. He also advised Mr. Rindone that the Government Accounting Standards Board has no requirements regarding the level of funding for pension plans. Mr. Rindone stated that this is a very important issue to the Committee and that any recommendations regarding it should be reviewed and examined by the Committee. Mr. Ewin requested that Mr. Pun forward him a sample of an SAS 114 letter.

Action Taken

Mr. Selby moved to receive a report on (1) the exit interview (Attachment A of the agenda item) for the interim phase of the FY 2009 audit; and (2) the audit engagement letter (Attachment B of the agenda item) for the FY 2009 audit.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no Committee communications.

D. PUBLIC COMMENTS

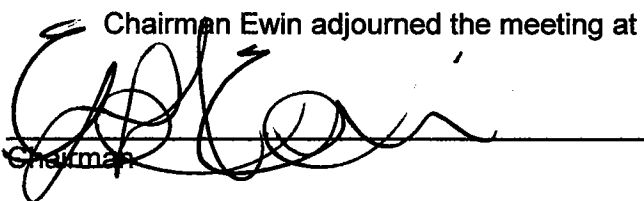
There were no public comments.

E. NEXT MEETING DATE:

Chairman Ewin reported that the next Audit Oversight Committee meeting will be held October 1, 2009.

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 9:21 a.m,

A handwritten signature in black ink, appearing to be "Gail Williams", is written over a horizontal line. The signature is stylized and cursive.

**AUDIT OVERSIGHT COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) 7/9/09

CALL TO ORDER (TIME) 9:00 a.m.

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 9:21 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"/>		
Rotated to Chula Vista		
RINDONE (VC) <input checked="" type="checkbox"/> (Young) (CPT) <input type="checkbox"/>		
ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:04 a.m. during Agenda Item B1	
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:

