

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

MARCH 4, 2010

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

Mr. Mathis moved to approve the minutes of the November 5, 2009, Audit Oversight Committee meeting. Mr. Rindone seconded the motion, and the vote was 4 to 0 in favor.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. MTS: Appointment of Chairperson

Tiffany Lorenzen opened nominations for the chairperson of the Audit Oversight Committee. Mr. Mathis nominated Ernie Ewin. There were no other nominations. Mr. Ewin left the room.

Action Taken

Mr. Mathis nominated Mr. Ewin as Chairman of the Audit Oversight Committee. The vote was 3 to 0 in favor. Mr. Ewin was not present for the vote.

2. MTS: Statement of Auditing Standards (SAS) 114 Letter from Independent Auditors Caporicci & Larson

Kenneth Pun, Caporicci & Larson (C&L), reported that a requirement of the Statement of Auditing Standards (SAS) 114 letter was based on the 2009 audit. In the letter, the auditors communicate to those charged with governance:

1) the auditor's responsibilities under generally accepted auditing standards, 2) an overview of the planned scope and timing of the audit, and 3) significant findings from the audit.

Gary Caporicci of C&L referred to page 2 of the letter regarding management accounting estimates that will be audited. He also reviewed how sensitive disclosures, such as investments, workers' compensation, and claims liabilities, are audited.

3. MTS: Exercise of Options on Independent Auditor's Contract

Tom Lynch, Controller, gave a report on the Caporicci & Lafson (C&L) contract. He stated that MTS currently has a contract with C&L to provide audit services, of financial statements for five years (FY 2006 through FY 2010). There are 3 one-year options for the FY 2011 through FY 2013 audits. He stated if the options were not exercised, the contract would be over at the conclusion of the FY 2010 audit (approximately December 31, 2010). He stated that a Request for Proposals (RFP) and the contract award process would take approximately 12 months. He added that staff is seeking direction on whether the options should be exercised or if staff should begin the RFP process.

In response to Mr. Selby, Mr. Ewin stated that there has never been a question related to the integrity of the audit or professional standards of C&L. He added that that he is comfortable with forwarding the recommendation to the Board to exercise the three-year option. He stated that if ever a question arose about C&L's integrity or nonresponsiveness, he would expect staff to keep the Audit Oversight Committee apprised.

Mr. Lynch stated that C&L unilaterally reduced the contract amount in FY 2009 and FY 2010 to \$295,000, which is the amount of the first year of the contract. He reviewed a table that depicted the effect of this cost reduction, which would save MTS \$87,000 over the base contract and has the potential to save an additional \$235,000 if the three-year option is exercised.

Mr. Lynch stated that based upon the cost savings projected and the level of service provided by C&L, staff recommends that the Audit Oversight Committee forward a recommendation to the Board to exercise the three-year option in the contract.

Mr. Jablonski stated that even if the three-year option is exercised, the contract could be terminated at any time through the termination for convenience clause, and the procurement process could be started for the next year.

Mr. Rindone noted the cost savings that would be realized by exercising the three-year option; however, he stated that it is most important to ensure that the audit is conducted appropriately. He stated that he would support the three-year option with the caveat that the Audit Oversight Committee review the decision each year to determine whether to continue with C&L.

Mr. Ewin stated that it is important that the minutes reflect that members have considered the integrity of the audit.

Action Taken

Mr. Selby moved to forward the recommendation to the Board to exercise the three-year option of Caporicci & Larson's contract. The Audit Oversight Committee

will review and consider for approval the extension for the second and third years. Mr. Mathis seconded the motion, and the vote was 6 to 0 in favor.

4. MTS: Auditor Schedule for FY 2010

Linda Musengo, Finance Manager, reviewed the MTS proposed audit schedule for FY 2010.

MTS PROPOSED AUDIT SCHEDULE FY 2010

March 8-19	Interim work – documentation and testing of Compass Card system
May 2-4 weeks	Balance of interim work
August 23- September 30	Field work
October 7	Draft CAFR presented to Audit Oversight Committee
October 21	Final CAFR presented to Audit Oversight Committee
October 28	Final CAFR presented to Board

Mr. Lynch stated that staff will come back to the Audit Oversight Committee in June or July of 2010 after the results of the interim letter are received.

Action Taken

Mr. Rindone moved to receive the audit schedule. Mr. Selby seconded the motion, and the vote was 6 to 0 in favor.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no committee member communications or other business.

D. PUBLIC COMMENTS

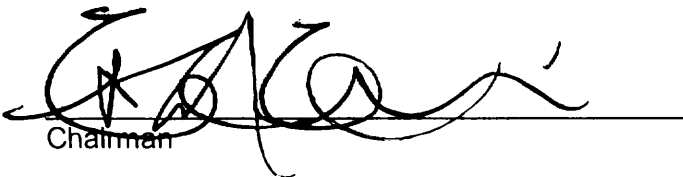
There were no public comments.

E. NEXT MEETING DATE

June 2010 (date to be determined)

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 9:19 a.m.



Chairman

vicki.rogers.minutes

Attachment: Roll Call Sheet

**AUDIT OVERSIGHT COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) MARCH 4, 2010

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

CLOSED SESSION none RECONVENE _____

ADJOURN 9:19 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"/>	9:09 a.m.	
SELBY <input checked="" type="checkbox"/> (Ryan) <input type="checkbox"/>	9:03 a.m.	

SIGNED BY OFFICE OF THE CLERK OF THE BOARD

Wick Rogers

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

[Signature]