

AUDIT OVERSIGHT COMMITTEE MEETING FOR THE  
METROPOLITAN TRANSIT SYSTEM (MTS)  
1255 Imperial Avenue, Suite 1000  
San Diego, CA 92101

November 8, 2012

**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. Minto moved to approve the minutes of the June 14, 2012, Audit Oversight Committee meeting. Mr. Ovrom seconded the motion, and the vote was 6 to 0 in favor.

**B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS**

1. Draft FY 2012 Comprehensive Annual Financial Report (CAFR)

Linda Musengo, MTS Finance Manager, gave an update on the Draft FY 2012 CAFR. Ms. Musengo reported that the CAFR is largely completed with a few outstanding items. She added that the Transportation Development Act (TDA) reporting, National Transit Database reporting, and the single audit will also be completed. Ms. Musengo stated that MTS staff working with an outside consultant has developed a new indirect-cost model. She reported that this year's audit went extremely smooth. Ms. Musengo reviewed some of the minor changes in the Draft CAFR. Mr. Ewin requested that the Audit Oversight Committee be provided with the exact changes within the CAFR before they go to the Board.

Mr. Ewin thanked Karen Landers, MTS General Counsel, for responding to the audit requirements within the time frame. Discussion ensued regarding reporting requirements and utilizing the information within the report.

Mr. Ewin stated that he read the report in its entirety and didn't have any concerns or find anything that he felt needed to be presented to the AOC other than how this process works. He added that after five or six years, he feels that the AOC's function has provided structure and gained knowledge of the auditing process.

Action Taken

Mr. Minto moved to receive a draft of the fiscal year (FY) 2012 CAFR for review and discussion. Mr. Ovrom seconded the motion, and the vote was 6 to 0 in favor.

2. New Government Accounting Standards Board (GASB) and Auditing Standards  
Ken Pun of Pun & McGeady discussed the changed approach to testing (and auditing) MTS controls. Gary Caporicci (also of Pun & McGeady) added that Pun & McGeady followed all of MTS's major systems and spent a lot of time assessing risks, which sets the stage for what and how much they have to do. Mr. Caporicci stated that the end result was very good and complimented MTS staff.

Mr. Pun stated that there will be a lot of changes for next years' audit, and they want to prepare in advance. Mr. Caporicci added that Pun & McGeady will incorporate mock testing on MTS pension and financial plans. Mr. Pun clarified for the Committee that he conducted the first audit for MTS in 2005.

Mr. Caporicci gave a PowerPoint presentation regarding reporting of pension plans. He also covered assets, liabilities, outflows, and inflows. Mr. Caporicci stated that the preparation for this reporting will be time-consuming and difficult because this is the first year for these reporting-requirement changes. He discussed the work-plan time line and new format of the auditor's report. Mr. Caporicci reviewed Statement on Auditing Standards (SAS) No. 126, which addresses the auditor's responsibilities in an audit of financial statements. Discussion ensued regarding group-auditing responsibilities.

Mr. Ewin stated that it is very important that the AOC and MTS have the tools needed to be diligent in their auditing oversight responsibilities. Mr. Caporicci responded that MTS is very good in comparison to other agencies that he has audited. Mr. Caporicci complimented MTS on its tightened internal auditing controls and cited an example a couple of years ago wherein MTS reported a mistake in the inventory reporting to the auditors as soon as it was discovered.

#### Action Taken

Mr. Minto moved to receive a report from Pun & McGeady regarding upcoming reporting and auditing changes. Mr. Ovrom seconded the motion, and the vote was 5 to 0 with Mr. Young absent.

3. FY 13 Audit Plan Update

Daniel Madzelan, MTS Internal Auditor, gave a PowerPoint presentation on the FY 13 audit plan. Mr. Madzelan reviewed follow-up audits, audits in progress, and planned audits (not yet commenced). Mr. Madzelan also reviewed ongoing reviews of storeroom operations and contract compliance and administration. Ms. Landers clarified for Mr. Ewin that the CAFR reports presented to the AOC are also presented to the MTS Board.

#### Action Taken

Mr. Ewin moved to receive a status report on the fiscal year (FY) 13 audit plan. Mr. Ovrom seconded the motion, and the vote was 4 to 0 with Mr. Young and Mr. Roberts absent.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

Ms. Musengo clarified for Mr. Ewin that MTS will finalize the CAFR by the end of next week and submit it to Pun & McGeady for review. She confirmed that a summary will be created to identify any significant changes to the draft document. Mr. Ewin added that the AOC will be available to meet if any issues arise before the final CAFR is presented to the MTS Board.

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 10:07 a.m.

  
Chairman

Attachment: Roll Call Sheet

**AUDIT OVERSIGHT COMMITTEE  
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) November 8, 2012

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

RECESS \_\_\_\_\_

RECONVENE \_\_\_\_\_

CLOSED SESSION n/a

RECONVENE \_\_\_\_\_

ADJOURN 10:07 am

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
EWIN (Chair) <input checked="" type="checkbox"/>		
YOUNG <input checked="" type="checkbox"/> (Gloria) <input type="checkbox"/>		approx 9:40am
MATHIS <input checked="" type="checkbox"/>		
OVROM <input checked="" type="checkbox"/> (Bragg) <input type="checkbox"/>		
ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		10:00am
MINTO <input checked="" type="checkbox"/> (Cunningham) <input type="checkbox"/>		
Transportation Committee Rep Slot (Mathis)		

SIGNED BY THE CLERK OF THE BOARD: ACTING  
Karen Land

CONFIRMED BY THE GENERAL COUNSEL: Karen Land