

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

June 14, 2012

MINUTES

A. ROLL CALL

1. Chairman Ewin called the meeting to order at 9:25 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Mathis moved for approval of the minutes of the October 20, 2011, Audit Oversight Committee meeting. Mr. Roberts seconded the motion, and the vote was 4 to 0 in favor with Mr. Minto and Mr. Young absent.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. Audit Engagement Letter

Tom Lynch, Controller, explained to the Audit Oversight Committee that the Pun & McGeedy engagement letter for the fiscal year 2012 audit had been received. He stated that MTS staff reviewed the engagement letter carefully, and the letter has been signed by the Chief Financial Officer.

Action Taken

Mr. Roberts moved to review the audit engagement letter. Mr. Mathis seconded the motion, and the vote was 5 to 0 in favor with Mr. Young absent.

2. Interim Audit

Mr. Lynch explained that during the month of April, Pun & McGeedy conducted an interim audit and tested MTS's internal controls. He explained that the purpose was to understand how MTS's internal controls are designed and implemented in order to prevent and detect material misstatements. He introduced Ken Pun from Pun & McGeedy.

Mr. Pun explained that the interim audit revealed concern regarding a catastrophic enterprise data storage infrastructure - potentially causing a loss of data used for National Transit Database (NTD) reporting and causing delays in preparation of year-end schedules and reports if files need to be recreated.

Mr. Lynch explained that management addressed these issues by working to guard against a recurrence of losing critical data. He explained that operational data for the NTD is compiled from a number of sources and thus no major disruptions in the availability of data for the FY 2012 NTD report. He explained further that the loss of shared data was primarily Excel and Word files staff use for creating support schedules that could be recreated and should have no impact on audit time lines.

Mr. Pun introduced his partner Gary Caporicci who gave a summary of the new statements on auditing standards (SASs) and new governmental accounting standards board (GASB) standards that apply to MTS.

Action Taken

Mr. Minto moved to receive a report on: (1) interim audit work conducted by Pun and McGeady (MTS's independent auditor); and (2) related observations coupled with management's responses. Mr. Roberts seconded the motion, and the vote was 5 to 0 with Mr. Young absent.

3. Contract for Audit Services – Status

Mr. Lynch reported that the contract for audit services will end with the delivery of all the compliance reports on or before March 31, 2014. He explained that a new contract needs to be in place no later than March 31, 2014, in order to prepare for FY 2014 interim audit work, which would occur in April 2014. He gave a time line of events for the request for proposals (RFP) and contract-award process and wanted feedback regarding the level of involvement the Audit Oversight Committee would have in the contract process.

Chairman Ewin stated that the Committee would like to receive updates and preview the contract prior to approval by the Board of Directors.

4. Audit Schedule

Linda Musengo, Finance Manager, approved the MTS proposed audit schedule for FY 2012, which is similar to the previous year.

MTS PROPOSED AUDIT SCHEDULE FY 2012

Aug. 27-Sept. 14	Field work begins
September 30	Draft audit report completed
October 11	Progress report presented to Audit Oversight Committee
November 8	Final CAFR presented to Audit Oversight Committee
November 15	Final CAFR presented to Board

Action Taken

Mr. Ovrom moved to review the audit schedule. Mr. Mathis seconded the motion, and the vote was 5 to 0 in favor with Mr. Young absent.

5. FY 12 Audit Plan Update and Preliminary FY 13 Audit Plan

Daniel Madzelan, Internal Auditor, provided the Committee with an update on his fiscal year 2012 audit plan, which consisted of 9 internal audits and 3 consulting engagements. He reviewed the approved audit plan, which resulted in a total of 1,224 estimated hours. He talked about the order in which he performed the audits, the total reportable findings, and defined the audit finding ratings. He discussed the fraud/waste/abuse hotline communication summary stating that only one communication received involved an actual reported case of fraud. Mr. Madzelan provided information about his time management compared to time

budgeted and talked about time allocated to management requests. He discussed his preliminary fiscal year 2013 audit plan.

Action Taken

Mr. Minto moved to receive a status report on the FY 12 audit plan as well as a preliminary audit plan for FY 13. Mr. Mathis seconded the motion, and the vote was 5 to 0 in favor with Mr. Young absent.

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 10:15 a.m.

  
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Chairman

Attachment: Roll Call Sheet

**AUDIT OVERSIGHT COMMITTEE  
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) June 14, 2012

CALL TO ORDER (TIME) 9:25 AM

RECESS \_\_\_\_\_

RECONVENE \_\_\_\_\_

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

RECONVENE \_\_\_\_\_

ADJOURN 10:15 AM

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
EWIN (Chair) <input checked="" type="checkbox"/>		
YOUNG <input type="checkbox"/> (Gloria) <input type="checkbox"/>		
MATHIS <input checked="" type="checkbox"/>		
OVROM <input checked="" type="checkbox"/> (Bragg) <input type="checkbox"/>		
ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		
MINTO <input checked="" type="checkbox"/> (Cunningham) <input type="checkbox"/>	9:29 AM	

SIGNED BY THE CLERK OF THE BOARD: Valerie Vizkelety

CONFIRMED BY THE GENERAL COUNSEL: Carlin Cander