

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

MINUTES

October 15, 2015

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. Bragg moved for approval of the minutes of the June 14, 2012, Audit Oversight Committee meeting. Mr. Gloria seconded the motion, and the vote was 5 to 0 in favor with Mr. Roberts absent.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. Draft of Fiscal Year 2015 Comprehensive Annual Financial Report (CAFR) (Erin Dunn and Ken Pun and Gary Caporicci of Pun & McGeady)

Erin Dunn, MTS Controller, provided a brief introduction on the CAFR. She stated that the 2015 audit and the financial report will be discussed along with the changes to the Governmental Accounting Standards Board (GASB) 68. Ken Pun and Gary Caporicci, with Pun & McGeady, continued the presentation and reviewed the 2015 independent audit. Mr. Pun reviewed management's responsibilities, the auditor's responsibilities and the auditor's approach. He discussed the summary statement of net position for 2015 compared to 2014, and the summary consolidated statements of revenues, expenses and changes in net position for 2015 compared to 2014. Mr. Pun reviewed the summary statement of cash flows, net pension liability of defined benefit plans, deferred outflows of resources of defined benefits plans, and deferred inflows of resources of defined benefits plans. Mr. Pun discussed the schedule of funding progress of other post-employment healthcare plan. He reviewed the audit results and stated that they are issuing an unmodified opinion. He noted that the financial statements are fairly presented in all material respects; significant accounting policies have been consistently applied; estimates are reasonable; and disclosures are properly reflected in the financial statements. Lastly, Mr. Pun reviewed other results and stated that there are no disagreements with Management; no material weaknesses or significant deficiencies in internal controls; and no accounting issues. Mr. Ewin inquired if the auditors had any ongoing concerns. Mr. Pun replied that they do not have any ongoing concerns.

Mr. Caporicci discussed Note 12-D in the CAFR. He stated that they will be moving this section to Note 12-A in the CAFR. He also noted that they will be adding an additional table on pension expense going forward. Mr. Caporicci stated that the five pension plans now have further descriptions including notes such as the benefits, the types of employees that are covered, the contributions made, the contributions paid, the discount rates and sensitivity rates. Mr. Ewin commented that he wants to make sure Note 12 will be presented clearly to the Board.

Mr. Gloria inquired how deferred maintenance is disclosed for MTS. Mr. Caporicci stated that MTS is not required to disclose that information. Mr. Jablonski commented that once

the Enterprise Resource Planning (ERP) system is implemented, it will help with tracking and reporting assets going forward.

Mr. Roberts inquired how the UC San Diego naming rights deal will be reflected in the financial statements. Ms. Dunn replied that it will be shown under operating revenue as well as under Note 1, which shows all of MTS's funding sources.

Ms. Dunn stated that this report is intended to go to the Board of Directors on November 12th.

Action Taken

Mr. Roberts moved to receive a draft of the fiscal year (FY) 2015 CAFR for review and discussion. Ms. Bragg seconded the motion, and the vote was 6 to 0 in favor.

2. Internal Audit Activity Update Report (Toufic Tabshouri)

Toufic Tabshouri, MTS Internal Auditor, provided a presentation on the internal audit activity update report. He reviewed the planned audits including MTS Security, ERP – pre and post implementation reviews, Procurement – purchase orders, Light Rail Vehicle (LRV) – parts management, and carried over audits. He stated that the methodology for the audit selection included a fiscal year 2014 – 2015 risk assessment, input from the CEO, and judgement based on audit findings and discussions with MTS managers. Mr. Tabshouri reviewed the Information Technology Governance and Planning audit, the Business Continuity audit, and the Transit Revenue audit.

Action Taken

No action taken.

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

The next meeting will be held as called.

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 9:47 a.m.


Chairman

AUDIT OVERSIGHT COMMITTEE
SAN DIEGO METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) October 15, 2015

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

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 9:47 a.m.

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
EWIN (Chair) <input checked="" type="checkbox"/>	9:00 a.m.	9:47 a.m.
BRAGG <input checked="" type="checkbox"/> (Rios) <input type="checkbox"/>	9:00 a.m.	9:47 a.m.
CUNNINGHAM <input type="checkbox"/> (McClellan) <input checked="" type="checkbox"/>	9:00 a.m.	9:47 a.m.
GLORIA <input checked="" type="checkbox"/> (Emerald) <input type="checkbox"/>	9:00 a.m.	9:47 a.m.
MATHIS <input checked="" type="checkbox"/>	9:00 a.m.	9:47 a.m.
ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:04 a.m.	9:47 a.m.
Transportation Committee Rep Slot (Mathis)		

SIGNED BY THE CLERK OF THE BOARD:



CONFIRMED BY THE GENERAL COUNSEL:

