

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

MINUTES

November 2, 2017

A. ROLL CALL

1. Mr. Roberts called the meeting to order at 9:00 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.
*Clerk's note: After meeting was called to order, Chairman Ewin continued the meeting as Chair of the Committee.

2. APPROVAL OF MINUTES

Ms. Cole moved for approval of the minutes of the June 1, 2017 Audit Oversight Committee meeting. Mr. McClellan seconded the motion, and the vote was 4 to 0 in favor with Mr. Mathis and Ms. Rios absent.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. Draft of Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR) (Erin Dunn and Ken Pun of The Pun Group)

Erin Dunn, Controller, introduced Ken Pun with the Pun Group to present the Fiscal Year (FY) 2017 CAFR. Mr. Pun continued the presentation and reviewed the management responsibilities, auditors' responsibilities, and the approach to the audit. He provided an overview of the financial statements including the summary statements of net position; summary statements of revenues, expenses and changes in net position; and summary statements of cash flows. Mr. Pun reviewed key pension and other postemployment benefits (OPEB) information including the net pension liability. He noted that the rate of return was recently decreased from 7.5% to 7.0% which contributed to the increase in the net pension liability. Larry Marinesi, Chief Financial Officer, noted that the Board of Directors directed staff to reduce the expected rate of return on the San Diego Transit Pension Plan from 7.5% to 7.0%. Mr. Pun reviewed pension expenses and the OPEB schedule of funding progress. Mr. Pun discussed the audit results and noted that they have an unmodified opinion for the audit. He also reviewed other audit results noting that there were no disagreements with management; no material weaknesses or significant deficiencies in internal controls; and no accounting issues.

Action Taken

No action taken.

2. Internal Audit Activity Update Report (Toufic Tabshouri)

Toufic Tabshouri, Internal Auditor, provided a presentation on internal audit activity. Mr. Tabshouri reviewed the internal auditor role and responsibilities at MTS including audits, advisory services, and fraud prevention and investigation. He discussed the process in

how he determines audit selections. He reviewed factors informing audit work including past job experiences; professional standards; guidance and discussions with colleagues; relationships and communication with MTS management and staff; and tenure and increased knowledge of MTS and transit industry. Mr. Tabshouri reviewed audit performance measures as well as advisory and consultation matters. Lastly, he reviewed other recent work including managing the fraud hotline, audits, and administrative work.

Mr. Roberts commented on the high risk factors for fraud in procurements. Mr. Tabshouri stated that he pays close attention to the risks in the procurement department because it is a high risk department.

Ms. Cole inquired if he was decreasing the amount of audits every year. Mr. Tabshouri stated that he has done more advisory services recently compared to audits; however he does miscellaneous audits every year.

Action Taken

No action taken.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no committee member communications and 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 9:57 a.m.

/s/ Ernie Ewin
Chairman

Attachment: Roll Call Sheet

AUDIT OVERSIGHT COMMITTEE
SAN DIEGO METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) November 2, 2017

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

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 9:57 a.m.

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
EWIN (Chair) <input checked="" type="checkbox"/>	9:00 a.m.	9:57 a.m.
COLE <input checked="" type="checkbox"/> (Gomez) <input type="checkbox"/>	9:00 a.m.	9:57 a.m.
MATHIS <input type="checkbox"/>		
MCCLELLAN <input checked="" type="checkbox"/> (McWhirter) <input type="checkbox"/>	9:00 a.m.	9:57 a.m.
RIOS <input type="checkbox"/> (Salas) <input type="checkbox"/>		
ROBERTS <input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:00 a.m.	9:57 a.m.
Transportation Committee Rep Slot (Mathis)		

SIGNED BY THE CLERK OF THE BOARD: Julie Tuer

CONFIRMED BY THE GENERAL COUNSEL: Paul Gade