

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

## MINUTES

November 1, 2018

### A. ROLL CALL

1. Ms. Gomez called the meeting to order at 9:05 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.
2. APPROVAL OF MINUTES

Ms. Rios moved for approval of the minutes of the May 3, 2018 Audit Oversight Committee meeting. Mr. Arambula seconded the motion, and the vote was 4 to 0 in favor with Chairman Ewin, Ms. Cole and Mr. Roberts absent.

### B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. Draft of Fiscal Year 2018 Comprehensive Annual Financial Report (CAFR) (Erin Dunn with Ken Pun and Gary Caporicci of The Pun Group)

Erin Dunn, MTS Controller, introduced this item. She stated that Ken Pun and Gary Caporicci of The Pun Group would be presenting details of the audit as well as key financial numbers. Ms. Dunn commented that the most notable item this year is that we implemented GASB 75, which changes how we report total Other Postemployment Benefits (OPEB) liability. This change required MTS to change to single year statements this year, but we will revert back to comparative statements next year.

Ken Pun, with The Pun Group, continued the presentation and discussed the Fiscal Year 2018 CAFR. He reviewed management responsibilities, auditors' responsibilities, and the approach to the audit. He reviewed the financial statements including the summary statement of net position; summary statements of revenues, expenses and changes in net position; and summary statement of cash flows. Gary Caporicci, with The Pun Group, discussed the Key Pension and OPEB Information including net pension liability, pension expenses, and OPEB plan. Mr. Pun reviewed the audit results and stated they have an unmodified opinion. He noted that they had no disagreements with management, no material weaknesses or significant deficiencies, and found no accounting issues.

Ms. Gomez asked what it means when they say the "financial statements are fairly presented in all material respects". Mr. Pun replied that based on the material and non-material transactions and analytical procedures, they determine if the numbers are correctly presented in the financial statements. He noted that it is positive when the financial statements are deemed as fairly presented.

Mr. Arambula asked if MTS uses a 115 Trust as an investment tool. Ms. Dunn replied that MTS invests in LAIF and the County's investment pools. Mr. Arambula recommended staff looking into the 115 Trust for investments. Mr. Arambula asked if there were any nonmaterial weaknesses or deficiencies. Mr. Pun replied there were none. Mr. Arambula

asked if any funds were not subject to this audit. Mr. Pun replied no. Mr. Arambula asked what about the MTS unrestricted cash amount. Larry Marinesi, Chief Financial Officer, replied that as of September 30, 2018, MTS had \$135 million in unrestricted cash. He noted that the unrestricted cash amount changes monthly and most of that number is designated for deferred capital. Mr. Arambula asked if any funds were not properly allocated to the different entities. Mr. Pun replied that they are not aware of any.

Ms. Gomez asked if any new accounting principles were adopted. Mr. Pun replied that under Note 1Q in the CAFR, it lists the implementation of the new GASB pronouncements for the current year, including GASB 75. Ms. Gomez asked if there were any difficulties with management during the audit process. Mr. Pun replied no. Ms. Gomez asked if all the necessary information was provided during the audit. Mr. Pun replied yes.

Action Taken

No action taken.

2. Internal Audit Activity Update Report (Toufic Tabshouri)

Toufic Tabshouri, MTS Internal Auditor, provided a presentation and an update on internal audit activity. Mr. Tabshouri reviewed the audits he is currently working on including the performance incentive program, risk management and claims, and information technology security. He stated that he has not received any substantive fraud and abuse hotline calls. He stated that most of the calls he receives are not valid fraud and abuse allegations. Mr. Tabshouri noted that he forwards those calls to either customer service or security for follow up, depending on the type of call. Mr. Arambula asked how the hotline is being advertised to the public. Mr. Tabshouri replied that the phone number is listed on both the MTS internal and external websites and lists a description of the purpose of the fraud, waste and abuse hotline. Ms. Landers noted that all customer service based calls are tracked and managed through our customer service call center. Mr. Arambula asked about any possible issues with accounts receivable and collections. Mr. Marinesi replied that accounts receivable function is done in house and we rarely have to write off any receivables. Mr. Jablonski commented that the biggest accounts receivable issues are with small compass card distribution stores. He stated that staff watches those receivables very closely to ensure that the stores do not fall behind in their payments. Ms. Dunn also noted that SANDAG makes up the bulk of our accounts receivable.

Action Taken

No action taken. Informational item only.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There was 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

Ms. Gomez adjourned the meeting at 9:47 a.m.

/s/ Nathan Fletcher  
Chairperson

Attachment: Roll Call Sheet

**AUDIT OVERSIGHT COMMITTEE**  
**SAN DIEGO METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) November 1, 2018

CALL TO ORDER (TIME) 9:05 a.m.

RECESS \_\_\_\_\_

RECONVENE \_\_\_\_\_

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

RECONVENE \_\_\_\_\_

ADJOURN 9:47 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
EWIN (Chair)	<input type="checkbox"/>		
ARAMBULA	<input checked="" type="checkbox"/>	9:00 a.m.	9:47 a.m.
Transportation Committee Rep.			
COLE	<input type="checkbox"/>		
(Gomez)	<input type="checkbox"/>		
GOMEZ	<input checked="" type="checkbox"/>	9:05 a.m.	9:47 a.m.
MCWHIRTER	<input checked="" type="checkbox"/>	9:00 a.m.	9:47 a.m.
(Arambula)	<input type="checkbox"/>		
RIOS	<input checked="" type="checkbox"/>	9:00 a.m.	9:47 a.m.
(Salas)	<input type="checkbox"/>		
ROBERTS	<input type="checkbox"/>		
(Cox)	<input type="checkbox"/>		

SIGNED BY THE CLERK OF THE BOARD: Julia Tuer

CONFIRMED BY THE GENERAL COUNSEL: Phil Card