

AUDIT OVERSIGHT COMMITTEE MEETING FOR THE
METROPOLITAN TRANSIT SYSTEM (MTS),
SAN DIEGO TRANSIT CORPORATION (SDTC),
AND SAN DIEGO TROLLEY, INC. (SDTI)

March 6, 2008

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

1. Chairman Ewin called the meeting to order at 10:10 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

2. APPROVAL OF MINUTES

Ms. Atkins moved approval of the minutes of the February 14, 2008, Audit Oversight Committee meeting. Mr. Rindone seconded the motion, and the vote was 7 to 0 in favor.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. MTS: Appointment of Chairperson and Report on Audit Schedule (ADM 110.12)

Appointment of Chairperson:

Chairman Ewin opened this agenda item and called for nominations from the floor. Mr. Emery nominated Mr. Ewin as Chairman of the Audit Oversight Committee. There were no other nominations.

Action Taken

The vote was 6 to 0 in favor, with Mr. Ewin abstaining.

Report on Audit Schedule:

Mr. Gary Caporicci and Mr. Ken Pun of Caporicci and Larson, MTS's outside auditors, distributed four handouts; a hard copy of their Power Point presentation, the Report to Board of Directors and Management for the year ended June 30, 2007, an SAS 112 letter, and their engagement letter. Mr. Caporicci reviewed the objectives of the audit of MTS's financial statements, particularly as they apply to internal controls and material weaknesses, and their audit plan, including the scope and approach. He also reviewed management responsibilities for financial statements. He stated that they have identified two areas of high risk and high profile that will be audited – the actuarial process as well as the capital asset and payroll areas because of recent personnel changes in those two areas.

In response to a question from Mr. Monroe, Mr. Caporicci explained that the auditors do fraud detection, identify critical issues, and then do testing in these areas. Mr. Cliff Telfer, MTS Chief Financial Officer, reported that SDTC monitors cash receipts on a daily basis to make sure there are no anomalies. Mr. Peter Tereschuck, SDTI General Manager, stated that any deviations from the norm are immediately investigated.

In response to a question from Mr. Ewin, Mr. Pun explained that the external auditors review the internal auditor's plan and some of his reports. He added that they identify high risk areas and follow up on those. Mr. Caporicci confirmed that they discuss any concerns they have with management.

Mr. Caporicci also reported that there are no significant deficiencies or material weaknesses for FY ending June 30, 2007. He briefly reviewed the three control recommendations that were made by the auditors in the report. He then provided an overview of the three-page handout on Risk Assessment Standards.

Mr. Monroe reminded the auditors that Toni Atkins asked a series of questions at the December 13, 2007, Board meeting during the discussion of Comprehensive Annual Financial Report (CAFR). He requested that the external auditors answer those questions in writing during this audit. Ms. Atkins stated that Committee members should have samples of questions that they should ask themselves as follows: (1) Am I satisfied that the process followed in preparing and auditing the CAFR has been reasonably designed to produce accurate and reliable financial information; (2) do I have reason to question the integrity or the competence of members of management or outside auditors that would affect my ability to rely upon them; (3) do I know anything that would cause me to question the accuracy of the disclosures in the relative portions of the CAFR that I have reviewed or that would indicate that there is a risk that those disclosures may be misleading; and (4) in reviewing relative portions of the CAFR, are there any red flags that should be brought to the attention of management or the Audit Oversight Committee, which need further explanation. Mr. Monroe suggested Committee members also ask of the auditors "if you were sitting in my chair, knowing what you know with your technical expertise, is there any question I should ask that hasn't been asked?"

2. MTS: Audit Oversight Committee Composition (ADM 110.12)

After a brief discussion about the importance of having members on the Audit Oversight Committee with expertise in auditing and financial matters, it was agreed that Policy 22, MTS Rules of Procedure for the MTS Board, does not preclude the Committee from seating other members of the Board on the Committee in order to take advantage of such expertise. Chairman Ewin reported that his assignment on the Executive Committee will rotate to the next city at the end of this year. Ms. Lorenzen, MTS General Counsel suggested that the Ad Hoc Nominating Committee, which meets at the end of each calendar year to develop nominations for Board committees, address the composition of the AOC at its meeting at the end of this year.

Mr. Emery pointed out that if the Board simply adds a person with specific expertise to the composition of the AOC, it will then have a quorum of the Board.

Action Taken

There was no action taken.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no Committee communications.

D. PUBLIC COMMENTS

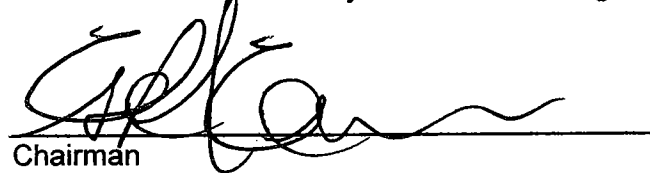
There were no public comments

E. NEXT MEETING DATE:

The next meeting will be held as called.

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 11:00 a.m.



Chairman

Attachment: A. Roll Call Sheet
gail.williams/minutes

**AUDIT OVERSIGHT COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) 3/6/08

CALL TO ORDER (TIME) 10:10 a.m.

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____

ADJOURN 11:00 a.m.

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS <input checked="" type="checkbox"/> (Young) <input type="checkbox"/>		
EMERY <input checked="" type="checkbox"/> (Cafagna) <input type="checkbox"/>		
EWIN <input checked="" type="checkbox"/> (Clabby) <input type="checkbox"/>		
MATHIS <input checked="" type="checkbox"/>		
MONROE <input checked="" type="checkbox"/> (McLean) <input type="checkbox"/>		
RINDONE <input checked="" type="checkbox"/> (McCann) <input type="checkbox"/>		
ROBERTS <input type="checkbox"/> (Cox) <input checked="" type="checkbox"/>		

SIGNED BY OFFICE OF THE CLERK OF THE BOARD

Gail Williams

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

[Signature]