



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

JOINT MEETING OF THE AUDIT OVERSIGHT COMMITTEE

for the
Metropolitan Transit System
San Diego Transit Corporation, and
San Diego Trolley, Inc.

June 5, 2008

Executive Conference Room
(Immediately following the Executive Committee meeting)

ACTION RECOMMENDED

- A. 1. ROLL CALL
- 2. APPROVAL OF THE MINUTES - April 17, 2008 Approve
- B. COMMITTEE DISCUSSION ITEMS
 - 1. MTS: Interim Work - Exit Interview Possible Action
Action would receive an exit interview report from Caporicci & Larson.
 - 2. MTS: Proposed 2008/2009 Internal Audit Plan
Action would approve the Proposed 2008/2009 Internal Audit Plan. Approve
- C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS
- D. PUBLIC COMMENTS
- E. NEXT MEETING DATE: To be determined.
- F. ADJOURNMENT

Please turn off cell phones and pagers
during the meeting



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DRAFT

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

April 17, 2008

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

1. Chairman Ewin called the meeting to order at 10:55 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

2. APPROVAL OF MINUTES

Mr. Monroe moved approval of the minutes of the March 6, 2008, Audit Oversight Committee meeting. Mr. Mathis seconded the motion, and the vote was 4 to 0 in favor.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. MTS: Audit of SDTI Revenue-Collection Procedures (LEG 492)

Chairman Ewin advised Committee members that draft minutes of the AOC meetings will be faxed to the Board after each meeting. He stated that final minutes will be faxed after approval by the Committee only if there are substantive changes during the draft review process.

Mr. Mark Abbey, MTS Internal Auditor, reported that the SDTI revenue-collection process is, overall, well controlled. He reviewed his recommendation regarding dual combination locks for the safes, the reasons for staff's objection to that recommendation, and staff's alternate recommendation. He detailed the reasons why staff felt that the alternate recommendation would be more workable. The Committee briefly discussed procedures that are followed related to revenue collection.

Chairman Ewin stated that he would like to receive internal audit reports prior to AOC meetings. He also stated that the internal auditor should merely have to look at policies and procedures for any given process he is auditing. He was assured that there are policies and procedures that govern the entire revenue-collection process. Mr. Abbey stated that he would look at policies and procedures and then ensure that they are being followed.

Mr. Monroe stated that if data is properly analyzed, managers should be able to determine if the revenue results are outside of the normal variation for collection levels. He added that he would like to see that data. Chairman Ewin suggested

that Mr. Monroe meet with staff and report back to the AOC. The Committee also briefly discussed the benefits of surprise cash counts. Chairman Ewin stated that this should be done whenever it is deemed to be prudent and appropriate.

Mr. Mathis stated that discussions of security procedures should not be conducted in these meetings because to do so reveals MTS's security procedures. He added that the agenda document for this item also reveals some of this sensitive information. He suggested that MTS look into other ways to handle this type of information. Mr. Paul Jablonski, MTS CEO, stated that he would have the MTS General Counsel look into this matter. Mr. Mathis asked members of the public who were attending the meeting to leave behind their copies of Agenda Item No. B1.

Chairman Ewin stated that the internal auditor should review policies and procedures and whether or not they are being followed. He stated that audit reports to the AOC could simply state that there are no policy or procedure issues. He stated that the AOC is a policy body and doesn't need details.

Public Comment

Clive Richard: Mr. Richard suggested that internal audit reports be drafted in such as way to exclude sensitive information. He stated that the public would like to have access to these reports but cannot if sensitive details are included in the reports.

Action Taken

Mr. Emery moved to receive this report for information. Mr. Mathis seconded the motion, and the vote was 6 to 0 in favor.

2. MTS: Audit Engagement Letter

(ADM 110.12)

In response to a question from Chairman Ewin, Mr. Ken Pun of Caporicci & Larson stated that the engagement letter being presented under this agenda item was the final; that no changes had been made since the draft engagement letter was originally presented at the last AOC meeting. Mr. Cliff Telfer, MTS CFO, confirmed that there were no responses or exceptions.

Mr. Monroe stated his support of the engagement letter. He then asked what the auditors would do if they felt undue pressure from management. Mr. Pun stated that SAS 114 addresses this issue. Chairman Ewin stated that this issue is covered by the standards that guide the audit, and the AOC put the auditors on notice that they would have to advise the AOC if that happens.

Mr. Monroe reminded the Committee that there was substantial discussion at the last AOC meeting about the questions that Ms. Atkins asked during the Board discussion of MTS's most recent Comprehensive Annual Financial Report. Mr. Ewin pointed out that each AOC member received a copy of those questions and added that he expected that Ms. Atkins would ask those questions again. Mr. Pun confirmed for Chairman Ewin that the external auditors are required by their audit procedures to

report any undue influence to the Board. Mr. Pun stated that undue influence creates a scope of limitation. Mr. Rindone stated that he would like this issue to be covered by the engagement letter. Mr. Jablonski offered to report any undue influence to the Chairman of AOC, and Mr. Mathis stated that this type of problem should also be reported to directly to the CEO.

Chairman Ewin advised Mr. Pun to simply provide AOC members with copies of the revised engagement letter after it is signed.

Action Taken

Mr. Monroe moved to review the audit engagement letter. Mr. Emery seconded the motion, and the vote was 6 to 0 in favor.

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 11:25 a.m.

Chairman

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

**AUDIT OVERSIGHT COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) 4/17/08

CALL TO ORDER (TIME) 10:55 a.m.

RECESS

RECONVENE _____

CLOSED SESSION_____

RECONVENE _____

ADJOURN 11:25 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input type="checkbox"/> (Young) <input type="checkbox"/>		<input checked="" 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"/> (Emery) <input type="checkbox"/>		
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		

SIGNED BY OFFICE OF THE CLERK OF THE BOARD

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:



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Agenda

Item No. B1

JOINT MEETING OF THE AUDIT OVERSIGHT COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

ADM 110.12

June 5, 2008

SUBJECT:

MTS: INTERIM WORK – EXIT INTERVIEW

RECOMMENDATION:

That the MTS Audit Oversight Committee receive an exit interview report from Caporicci & Larson.

Budget Impact

None at this time.

DISCUSSION:

Report on Exit Interview for FY 2008 Interim Work

The audit team from Caporicci & Larson began its interim work on April 7 in connection with the FY 08 annual audit. On May 29, 2008, Ken Pun from Caporicci & Larson met with management to discuss the auditors' comments after completion of interim work procedures. Ken Pun will present the auditors' comments, recommendations, and findings, if any, to the Audit Oversight Committee.


Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Linda Musengo, 619.557.4531, linda.musengo@sdmts.com

JUNE5-08.AOC.B1.EXIT
INTERVIEW.LMUSENGO.doc



Metropolitan Transit System (MTS) is comprised of the Metropolitan Transit Development Board (MTDB) a California public agency, San Diego Transit Corp., and San Diego Trolley, Inc., in cooperation with Chula Vista Transit and National City Transit. MTS is Taxicab Administrator for eight cities. MTDB is owner of the San Diego and Arizona Eastern Railway Company. MTDB Member Agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.



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Agenda

Item No. B2

JOINT MEETING OF THE AUDIT OVERSIGHT COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

ADM 110.12

June 5, 2008

SUBJECT:

MTS: PROPOSED 2008/2009 INTERNAL AUDIT PLAN

RECOMMENDATION:

That the Audit Committee approve the Proposed 2008/2009 Internal Audit Plan
(Attachment A).

Budget Impact

None.

DISCUSSION:

The MTS Internal Auditor has proposed a 2008/2009 work plan consisting of 11 internal audit projects plus an allowance of 360 hours for completion of various management and Board requests. The estimated time required to complete each project is shown on the attached audit plan. Each agency process to be reviewed is listed as well as the estimated business risks associated with each process.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Mark Abbey, 619.557.4573, mark.abbey@sdmts.com

JUNE5-08.AOC.B2.2009 AUDIT PLAN.MABBEY.doc

Attachment: A. Proposed 2008/2009 Internal Audit Plan Summary



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PROPOSED 2008/2009 INTERNAL AUDIT PLAN SUMMARY

Goals, Objectives, and Activities

GOAL 1 STRENGTHEN THE BOARD'S (AND ITS SUBSIDIARIES') PERFORMANCE AND ACCOUNTABILITY TO THE PUBLIC IN MANAGING RESOURCES AND ACHIEVING

Objective 1 Improve performance levels and outcomes for the Board and its subsidiaries

Agency Process	Gross Risk Assmt.	Number of Task Hours
SDTI - Storeroom	High	120
SDTC - Storeroom	High	120
MTS Procurement	High	120
Transit Store	High	120
Payroll	High	120
SDTC Rev. Collection	High	80
SDTI Rev. Collection	High	80
MTS Cash/Banking Controls	High	80
MTS Security	High	120
MTS Accts Rec. Controls	Medium	80
Various Processes	High	160
Total		1,200

Number of Task Hours

Objective 2 Improve the public's ability to hold the Board and its subsidiaries accountable

- Follow-up on all MTS and subsidiary audit and audit-related projects conducted in FY 2007/08 and evaluate the quality and timeliness of action plans

200

GOAL 2 IMPROVE THE AUDITING AND CONSULTING CAPABILITIES OF THE INTERNAL AUDIT FUNCTION

Objective 1 • Improve staff knowledge and skills

- Identify opportunities for improvement and obtain appropriate training

Number of Task Hours

80

Objective 2 Improve customer satisfaction and internal audit reputation through delivering high-quality and timely services

- Prioritize special requests and conduct special projects

Number of Task Hours

360

Total Audit Hours

1,840

Att. A, 6/5/08

2008-09 AUDIT PLAN SUMMARY.MABBEY