

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

February 14, 2008

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

1. Chairman Ewin called the meeting to order at 10:07 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 November 29, 2007, Audit Oversight Committee meeting. Mr. Emery seconded the motion, and the vote was 7 to 0 in favor.

B. AUDIT OVERSIGHT COMMITTEE DISCUSSION ITEMS

1. **MTS: Audit Oversight Committee Update** (ADM 110.12)

Chairman Ewin welcomed the two new members of the Audit Oversight Committee. He went on to briefly discuss materials distributed during previous meetings, including a set of questions that Ms. Atkins asked the auditors during discussion of the Comprehensive Annual Financial Report (CAFR) at a recent Board meeting.

Mr. Rindone asked if the Roll Call sheet should be revised to reflect the new alternates on the Audit Oversight Committee. Ms. Tiffany Lorenzen, MTS General Counsel, reported that the Board only approved changes to the alternates for the East County and South Bay Cities so the default provisions of Policy No. 22, Rules of Procedure for the MTS, still apply to the remaining alternate assignments. Mr. Rindone stated that he would like to see that changed. Ms. Lorenzen stated that the Board will be reviewing Policy 22 at its February 21, 2008, meeting and that she would revise the agenda item to reflect Mr. Rindone's request.

Mr. Cliff Telfer, MTS Chief Financial Officer, reviewed the materials that are retained in the back tabs of the Audit Oversight Committee binders and stated that the auditors will be ready in March to discuss the upcoming audit. The Committee agreed that the next meeting should be held on March 6, 2008.

Mr. Monroe suggested that Ms. Atkins' questions relative to the CAFR be incorporated into the new engagement letter. Ms. Atkins didn't feel they should be part of the engagement letter but that the letter should make reference to the

committee, that it is following certain standards, and is expecting the auditors to communicate with the Committee if any issues arise that are of concern. Mr. Monroe stated that the engagement letter should outline how the Committee expects the auditors to handle certain situations. Ms. Lorenzen stated that she would prepare some wording incorporating the Committee's suggestions.

Action Taken

This report was received for information.

2. MTS: Status of 2007/2008 Internal Audit Projects and SDTC Quality Assurance Audit Report (LEG 492)

Mr. Mark Abbey, MTS Internal Auditor, briefly reviewed the contents of the agenda item and then reviewed in more detail the internal audit process at the request of Chairman Ewin.

In response to a question from Mr. Rindone, Mr. Abbey reported that higher risk audits take precedence and that financial issues are considered when determining risk. In response to a question from Chairman Ewin, Mr. Jablonski reported that the audit plan for each year commits only a portion of Mr. Abbey's time so he can respond to requests for audits as needed throughout the year. He stated that the audit plan can be revised and lower priority audits deferred as needed. Mr. Abbey stated that he has always had the resources available to complete an audit but would report to the General Counsel if additional resources (expertise or staffing) were needed. Mr. Abbey added that he provides an annual status report to the Board and that this report will also be made to the Audit Oversight Committee.

Mr. Mathis stated that he felt that the Audit Oversight Committee was established by the Board for the sole purpose of providing an interface with MTS's external auditors. He felt that the Committee was expanding its role beyond that scope. He stated that the internal audit function is a tool for use by the CEO to ensure that processes under his authority are working and that he didn't want to see the Committee trying to supplant the CEO. Chairman Ewin stated that he didn't intend for the Committee to give direction to the Internal Auditor but that he wanted the Committee to be informed if the Audit Plan is changed. He added that the Committee should have the opportunity to provide some direction regarding the Audit Plan. Mr. Mathis stated that the direction should be to the CEO.

Mr. Monroe expressed concern about Mr. Abbey having the ability to audit processes that are incorporated into MTS's computerized system for maintenance (Ellipse). He stated that, at one time, the system was not functioning as was intended. He also stated that no performance data had been presented to the Board recently. Ms. Spielberg, MTS Chief Operating Officer – Transit Services, reported that Ellipse has been completely updated. She added that the current Regional Transit Management System (radio system) actually sends an electronic message to Ellipse whenever a breakdown of a bus occurs. She stated that Ellipse then automatically generates a work order for repair. She added that performance-related data was presented to the Board as part of SDTC's recent year-end report.

Chairman Ewin suggested that staff migrate to an exception style of reporting to the Committee on internal audits; i.e. recommendations and what is not being done.

Mr. Jablonski stated that Mr. Abbey completed an audit on MTS's Senior and Disabled Pass Program, which he is holding in his office. He stated that he has staff working to determine the degree of misuse of this program prior to formulating cost-effective solutions. He stated that work has already been completed for San Diego Trolley services and will now be done for bus services.

Action Taken

This report was received for information.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no Committee member communications or other business.

D. PUBLIC COMMENTS

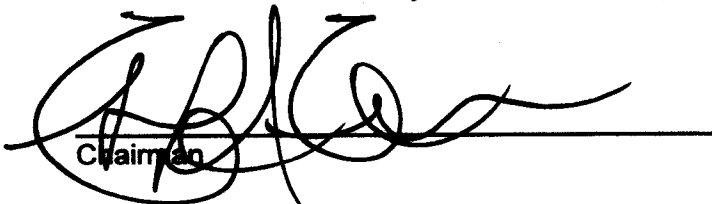
There were no public comments

E. NEXT MEETING DATE:

The next meeting will be held Thursday, March 6, 2008.

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 11:55 a.m.

A large, stylized handwritten signature in black ink, likely belonging to Chairman Ewin, is written over a horizontal line. The signature is cursive and somewhat abstract, with a large loop at the beginning and end.

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

**AUDIT OVERSIGHT COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) 2/14/08

CALL TO ORDER (TIME) 10:07 a.m.

RECESS _____

RECONVENE _____

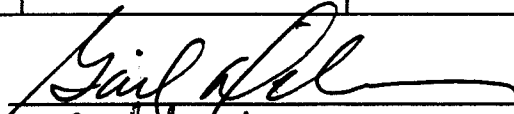
CLOSED SESSION _____

RECONVENE _____

ADJOURN 11:55 p.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 checked="" type="checkbox"/> (Cox) <input type="checkbox"/>		

SIGNED BY OFFICE OF THE CLERK OF THE BOARD



CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

