

## AUDIT COMMITTEE

Thursday, February 3, 2011

### MINUTES

#### CALL TO ORDER

The Regular Meeting of the Audit Committee was called to order at 4:01 p.m. by Chairperson Herrera in Room 157, County Government Center, 70 West Hedding Street, San Jose, California.

#### 1. ROLL CALL

Attendee Name	Title	Status
Rose Herrera	Chairperson	Present
Sam Liccardo	Member	Present
Chuck Page	Member	Present
Ken Yeager	Vice Chairperson	Absent

**A quorum was present.**

#### 2. PUBLIC PRESENTATIONS

There were no public presentations.

#### 3. ORDERS OF THE DAY

Chairperson Herrera stated the Chairperson's report would follow Orders of the Day.

M/S/C (Page/Liccardo) to approve the Orders of the Day.

**The Agenda was taken out of order.**

#### 15. Chairperson's Report

Chairperson Herrera welcomed the members of the public, staff, auditors and her fellow Audit Committee members.

Chairperson Herrera noted her commitment to fiscal responsibility. She stated VTA provides a quality service and it is the responsibility of the Board to ensure that the service is provided in a way that uses the public tax dollars responsibly. Chairperson Herrera reported that she is looking forward to working with both the staff and her colleagues. She stressed the importance of having productive conversations and recognizing individual contributions and roles at VTA.

**NOTE:** M/S/C MEANS MOTION SECONDED AND CARRIED AND, UNLESS OTHERWISE INDICATED, THE MOTION PASSED UNANIMOUSLY.

Chairperson Herrera stated she has great respect for VTA and the Auditor General staff. She noted everyone involved has a shared commitment to making VTA the best transportation agency that it can be.

## **CONSENT AGENDA**

### **4. Minutes of November 4, 2010**

M/S/C (Page/Liccardo) to approve the Minutes of November 4, 2010.

## **REGULAR AGENDA**

### **5. Elect Standing Committee Vice Chairperson for 2011**

Chairperson Herrera opened the nominations from the floor for the position of Audit Committee Vice Chairperson for 2011.

Member Page nominated Member Yeager to serve as the Vice Chairperson for 2011.

M/S/C (Page/Liccardo) to close the nominations and elect Member Yeager as the Audit Committee Vice Chairperson for 2011.

### **6. Audit Committee Mission & Responsibilities**

Michael T. Burns, General Manager and Staff Liaison, reported, as part of the Hay Group's Organizational Financial Assessment, the recommendation that VTA establish an Audit Committee and hire an Auditor General. Deloitte Touche was subsequently contracted as the Auditor General. The Auditor General has been primarily focused on compliance audits, with performance audits anticipated in the future. Mr. Burns stated VTA's financial audits are conducted by Vavrinek, Trine, Day and Co., LLP and the financial audits will also come before the Audit Committee.

Greg Thomas, Auditor General, Deloitte & Touche, LLP, stated he has been with Deloitte Touche for thirteen years and is working in the San Francisco office. He reported that he leads the Deloitte Touche Risk Service Practice including the internal audit for the State of California.

Mr. Thomas introduced Farah Faruqui, Partner, Deloitte Touche. He noted Ms. Faruqui is located in Deloitte Touche's San José office and is his partner on the VTA account.

**On order of Chairperson Herrera** and there being no objection, the Committee reviewed the Audit Committee's Mission, Responsibilities and Background.

### **7. AG Recommended FY12 Internal Audit Work Plan**

Mr. Thomas reviewed the Auditor General's Recommended FY12 Internal Audit Work Plan.

Member Page referenced Deloitte Touche's proposed consultative role with regard to

VTA record retention and questioned whether that was the best use of VTA's funding for this project. Mr. Thomas stated Deloitte Touche's expertise and understanding of the rules and regulations allows them to facilitate the project and bring best practices to VTA. He noted his belief that VTA would achieve good savings as the outcome of this project.

Chairperson Herrera stated a need to look at the types of returns achievable on the new performance audits being proposed. She requested that Deloitte & Touche provide this information to the Audit Committee.

Upon inquiry of Chairperson Herrera, Mr. Thomas stated the proposed 300 hours for the Paratransit Program Audit was an educated guess based upon previous experience with contracts of this size and nature.

**M/S/C (Page/Liccardo)** to approve the following Internal Audit Projects: 1) Proposed Projects: a) Paratransit Program; and b) Fraud Risk Assessment; 2) Required Projects: Investment Controls; and 3) Other Activities: a) Estimated FY12 Audit Follow Up; b) FY13 Risk Assessment Refresh; and c) Auditor General Services Support of the Fiscal Year 2012 (FY12) Internal Audit Work Plan developed and recommended by the VTA Auditor General.

#### **Public Comment**

Katie Heatley, Outreach & Escort Inc., stated her belief that the estimated 300 hours for the Paratransit Program Internal Audit Project was too high. Ms. Heatley reported that Outreach is a small, nonprofit organization and suggested some of the money earmarked for the Paratransit Program Audit be reprogrammed.

**M/S/C (Liccardo/Page)** to approve staff to identify funding for the following Internal Audit Projects: 1) Related Expenses; 2) Recommended Value-Add Projects: a) Efficiency Assessment from Ad-Hoc Financial Recovery Committee; b) IT Organizational Assessment; and c) Record Retention.

#### **8. Auditor General's internal audit report on Investment Controls Design Assessment**

Ms. Faruqui provided a brief overview of the Auditor General's internal audit report on Investment Controls Design Assessment.

**M/S/C (Liccardo/Page)** to review and receive the Auditor General's internal audit report on Investment Controls Design Assessment.

#### **9. SVRT Soft Cost Internal Audit Report**

Ms. Faruqui provided the Auditor General's follow-up report.

**M/S/C (Page/Liccardo)** to review and receive the Auditor General's follow-up report on the implementation status of recommendations contained in the SVRT Soft Cost Internal Audit Report.

**10. Investment Controls Effectiveness Audit Follow-up**

Ms. Faruqui provided a brief overview of the Investment Controls Effectiveness Audit Follow-up.

**M/S/C (Page/Liccardo)** to review and receive the Auditor General's follow-up report on the implementation status of recommendations contained in the Investment Controls Effectiveness Testing Internal Audit Report.

**11. Review Status of Internal Audit Work Plan**

Mr. Thomas provided the status report on the Internal Audit Work Plan.

**On order of Chairperson Herrera** and there being no objection, the Committee received an update from Auditor General staff on the status of the audits in the current Internal Audit Work Plan.

**OTHER ITEMS**

**12. Items of Concern and Referral to Administration**

There were no Items of Concern and Referral to Administration.

**13. Review Committee Work Plan**

**On order of Chairperson Herrera** and there being no objection, the Committee reviewed and accepted the revised Committee Work Plan.

**14. Committee Staff Report**

There was no staff report.

**16. Determine Items for the Consent Agenda**

**Items forwarded to the May 5, 2011, Board of Directors Meeting:**

**CONSENT**

**Agenda Item #8.** Review and receive the Auditor General's internal audit report on Investment Controls Design Assessment.

**Agenda Item #9.** Review and receive the Auditor General's follow-up report on the implementation status of recommendations contained in the SVRT Soft Cost Internal Audit Report.

**Agenda Item #10.** Review and receive the Auditor General's follow-up report on the implementation status of recommendations contained in the Investment Controls Effectiveness Testing Internal Audit Report.

**REGULAR**

**Agenda Item #7.** Approve the Fiscal Year 2012 (FY12) Internal Audit Work Plan developed and recommended by the VTA Auditor General.

**17. ANNOUNCEMENTS**

There were no announcements.

**18. ADJOURNMENT**

**M/S/C (Page/Liccardo)** to adjourn the meeting at 4:59 p.m.

Respectfully submitted,

Susan E. Garcia, Board Assistant  
VTA Office of the Board Secretary