

## **Item #1: Minutes of the March 13, 2019 Audit Committee Meeting**

---

### **Members Present**

Rolando Charvel (City of SD - CFO)  
Ed Hidalgo (WDB member)  
Rick Vaccari, Chair (WDB member)

### **Members Absent**

Tracy Sandoval (County of SD - CFO)  
Jamie Latiano Jacobs

### **Staff Present**

Peter Callstrom, CEO  
Andy Hall, COO  
Chris Burlaka, CFO

### **Consultant Present**

Ellen M. Class from Resources Global Professionals, Inc.

### **Location**

9246 Lightwave Avenue, San Diego, CA 92123

All reports, memoranda and letters contained in the agenda or distributed at the meeting shall by this reference become part of the original minutes.

The meeting was called to order by R. Vaccari, at 11:04 a.m. with a quorum.

### **Non-Agenda Public Comment**

None

### **Action Items**

*1-03/13/2019- Item 1*      **Minutes of the December 3, 2018 Audit Committee Meeting**  
Committee approves the meeting minutes.  
*Moved (R. Vaccari), Seconded (R. Chavel), Carried unanimously*

*2-03/13/2019- Item 2*      **FY 2017-2018 Financial Statements/Audit Report**  
  
B. Welebir, Partner with Rogers, Anderson, Malody & Scott, LLP (RAMS) provided a detailed review of the draft Audit Report and Audited financial statements for Fiscal Year 2017-2018. R. Vaccari asked about status and impact in the audit of the fraud issue that the SDWP discovered and resolved. Mr. Welebir discussed the favorable impact of the restructuring of the Accounts Payable processes, including the requirement that all invoices are remitted directly to

SDWP Accounts Payable by vendors. The new processes and accounting controls have been successfully tested and implemented.

This is the 2<sup>nd</sup> consecutive year in which there were no findings or observations during the annual audit, the internal controls review, as well as the required Single Audit. Mr. Welebir indicated that they expect no changes to the draft report reviewed at this meeting, prior to final submission and issuance of the management letter.

Mr. Welebir advised the committee that there were no proposed accounting adjustments and no uncorrected misstatements in the financial statements. C. Burlaka provided a brief overview of the process to review and approve direct and indirect costs, with the applicable government cognizant agency.

As per questions from committee members, there was further discussion on several topics: the increase of unrestricted funds in recent years, impact of the facilities move and reduction in lease expense for new location, pension plan contributions, and the future implementation of the new lease accounting standards and the impact this will have on the financial statements

Committee approves the June 30, 2018 Basic Financial Statements & Audit Report.

*Moved (R. Charvel), Seconded (R. Vaccari), Carried unanimously*

## **Information Items**

*3-03/13/2019 - Item 3*

### **Income Sharing Agreement (ISA) Accounting Method**

A. Hall provided the committee with a high-level overview of the ISA program. SDWP will provide details and an in-depth discussion regarding ISAs at the April 2019 the WDB meeting.

E. Class presented the accounting method the SDWP will utilize to record the various ISA transactions. The proposed accounting treatment has been reviewed and agreed upon with the external auditors, Rogers, Anderson, Malody & Scott, LLP

*4-03/13/2019 - Item 4*

### **Finance & Accounting staffing changes**

Effective May 1, 2019 E. Class will be SDWP's CFO. C. Burlaka will be the Controller. Committee members, P. Callstrom and A. Hall thanked C. Burlaka for his efforts and the progress he has made in his time with the SDWP.

5-03/13/2019- Item 5

**Board Membership Update**

P. Callstrom, notified the committee that J. Jacobs, has resigned from the committee as she and her HR firm are bidding on an RFP with the SDWP. R. Vaccari will be the committee Chair.

6-03/13/2019- Item 6

**Auditing Standard AU-C 240.21**

Annually, the external auditors are required to make inquiries of the organization and governance about alleged fraud. The auditors advised that the audit committee will perform this function and advise the WDB and Policy Board as necessary as they are closest to the financial condition of the SDWP.

**Adjournment**

The meeting was adjourned at 12:22 p.m.

**Next meeting**

SDWP will establish the next meeting and notify the committee.