

**SAN DIEGO CONVENTION CENTER CORPORATION
AUDIT COMMITTEE MEETING
OF THE BOARD OF DIRECTORS**

**Director Allan Farwell, Chair
Director Xema Jacobson
Director Jeff Gattas**

**MONDAY, SEPTEMBER 14, 2020, 1:00 P.M.
111 W. Harbor Drive, Executive Boardroom
San Diego, California 92101**

AGENDA

**(Meeting to be held via teleconference pursuant to
State of California Executive Order N-29-20)**

**Telephone number for members of the public
to observe, listen, and address the meeting telephonically:
1(888) 251-2909 – Access code is 6724115#**

1. **Call to order:** Allan Farwell, Chair

2. **Non-Agenda Public Comment:**

This portion of the agenda provides an opportunity for members of the public to address the Board on items of interest within the jurisdiction of the Board that have not previously been before the Board. Pursuant to the Brown Act, no discussion or action shall be taken by the Board on items not posted on the agenda.

3. **Approve minutes of June 15, 2020 Audit Committee Meeting**

4. **Discussion Item:**

a. **Financial Audit Timeline, New Partner Expectations and Scheduled Audit**

5. **Staff Updates:**

a. **SDCCC Fraud/Complaints Update – Rip Rippetoe**

b. **Finance Update – Mardeen Mattix**

(1) **Review of Year- to-Date Financial Variances**

6. **Audit Committee Comment** [Govt. Code §54954.2(a)(2)]

Adjournment

This information is available in alternative formats upon request. To request an agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device ("ALD") for the meeting, please call Pat Evans at (619) 525-5131 at least five working days prior to the meeting to ensure availability. **Audio copies of Board of Director meetings are available upon request. Please contact Pat Evans at (619)525-5131 or pat.evans@visitsandiego.com to request a copy.**

In compliance with Government Code section 54957.5, non-exempt written material that is distributed to the Board prior to the meeting will be available at the meeting or it may be viewed in advance of the meeting at the corporation's offices at 111 West Harbor Drive, San Diego, CA. Materials distributed to the board after the posting of this agenda also will be available. Please contact Pat Evans at (619)525-5131 or pat.evans @ visitsandiego.com if you would like to pick up a copy of any material related to an item on this agenda.

Action items on this agenda may be consolidated for voting purposes into a single vote of the Board, to the extent they are routine or otherwise do not require further deliberation. A Board member may comment on an action item before it is voted upon as part of the consolidated vote; however, if a Board member wishes to discuss an action item, that item will not be included in the consolidated vote. If a member of the public wishes to comment upon an action item, they should so advise the Board chair at or before the public comment portion of the meeting, in which case that item will not be included in any consolidated vote.

Agenda Item 3

MINUTES

**SAN DIEGO CONVENTION CENTER CORPORATION
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

**MONDAY, JUNE 15, 2020, 10:00 A.M.
111 W. Harbor Drive, 2nd Floor, Executive Boardroom
San Diego, California 92101**

**Director Allan Farwell, Chair
Director Xema Jacobson
Director Jeff Gattas**

**BOARD MEMBERS
PRESENT:**

Chair Xema Jacobson and Director Jeff Gattas

**BOARD MEMBERS
ABSENT:**

Director Allan Farwell

STAFF PRESENT:

Rip Rippetoe, Mardeen Mattix, Karen Totaro and Pat Evans
(Recorder)

ALSO PRESENT:

1. Call to Order:

Acting Chair Xema Jacobson called the meeting to order at 10:00 a.m. in the Executive Conference Room of the San Diego Convention Center Corporation, San Diego, California. All of the Committee members were present except Director Farwell.

Chair Jacobson announced that since this meeting is being conducted via teleconference, our first action is to perform a roll-call to determine which Board members are present on this call.

Director Jacobson - Present
Director Gattas - Present
Director Farwell - Absent

All votes taken at today's meeting will be recorded via roll-call vote.

2. Non-Agenda Public Comment – None

3. Approve minutes of Audit Committee Meeting of February 27, 2020.

Directors Gattas and Jacobson moved and seconded, respectively, to approve the minutes of the meeting of February 27, 2020.

Director Jacobson - Aye
Director Gattas - Aye
Director Farwell - Absent

Vote unanimous.

4. Action Item (s):

- a. **Recommendation to Authorize Acceptance of Money Purchase Pension Plan Audited Financial Report for the Plan Year Ended December 31, 2019**

Directors Gattas and Jacobson moved and seconded, respectively, to Recommend Acceptance of Money Purchase Pension Plan Audited Financial Report for the Plan Year Ended December 31, 2019

Director Jacobson - Aye
Director Gattas - Aye
Director Farwell - Absent

Vote: Unanimous

5. Staff Updates:

- a. **SDCCC Fraud/Complaints Update** – Mr. Rippetoe reported that SDCCC has received one call related to COVID testing at the shelter. The question was answered through the H.R. Department.

- b. **Finance Update - None**
(1) Review of Year-to-Date Financial Variances:

Ms. Mattix reported that March and April financial statements were distributed to the Board. The budget is on target for what staff was expecting. Staff anticipated that all events would cancel from mid-March through the end of the year fiscal year and at this point, they have cancelled. SDCCC is facing an overall net operating loss of \$5.3 million dollars. SDCCC has been able to obtain a Paycheck Protection Program loan and with the recent changes allowing use of the funds over a twenty-four week period (versus eight weeks), Staff expects to use approximately \$3 million of the funds in fiscal year 2020

and the remaining balance, \$1,387,000, will be used in the first half of fiscal year 2021.

For year end, staff anticipates the reserve balance will be \$5.6 million. This figure is above SDCCC's minimum reserve but below the optimum reserve. For fiscal year 2021, Staff anticipates having some reserves left over, but we also anticipate being below the minimum reserve balance (8% of three year historical trend revenue).

Staff anticipates event activity will resume by December, but at a reduced attendance rate. Staff is hopeful that as the economy restarts, air travel resumes and consumer confidence returns, event activity will resume at a greater level.

Staff has been working closely with the City and the City will be paying rent for shelter services in the amount of \$1.6 million per month plus SDCCC will be reimbursed for direct labor costs of up to \$700,000 a month for the months residents are sheltered at SDCCC. Staff anticipates the shelter will be on site for four months and then center staff will transition during the month of November in preparation for the Hematology event in December.

Mr. Rippetoe clarified that there are still events currently booked in October so there are still some unknown variables that may impact Staff projections.

Ms. Mattix further clarified that because SDCCC received PPP funds, and because the current agreement with the City was to reimburse SDCCC for direct labor and utility expenses, those items are covered under the PPP so SDCCC will not be billing the City for the months of May and June for direct labor and utility expenses.

6. **Audit Committee Comment:** Directors Jacobson and Gattas thanked the staff for all of their hard work during these challenging times.

There being no further business, the meeting adjourned at 10:25 a.m.

CERTIFICATION

I, Xema Jacobson, Acting Chair of the Audit Committee of the Board of Directors of San Diego Convention Center Corporation, Inc., do hereby certify that the foregoing is a true and correct copy of the minutes of the business transacted by the Audit Committee of the Board of Directors of the San Diego Convention Center Corporation, Inc. at a duly noticed meeting held on June 15, 2020.

Xema Jacobson, Acting Audit Committee Chair



Certified
Public
Accountants

September 4, 2020

To the Audit Committee and Board of Directors of the
San Diego Convention Center Corporation
San Diego, California

This letter is intended to communicate certain matters related to the planned scope and timing of our audit of the San Diego Convention Center Corporation (SDCCC), a component unit of the City of San Diego, California (the City), basic financial statements as of and for the year ended June 30, 2020.

Communication

Effective two-way communication between our firm and the Board of Directors is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding the SDCCC and its respective environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures, your suspicion or detection of fraud or abuse, or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, illegal acts, instances of noncompliance, or abuse that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We also will communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.

Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example, without our permission no partner or professional employee of Macias Gini & O'Connell LLP is permitted to have any direct financial interest or a material indirect financial interest in a client or any affiliates of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with Firm policy. In addition, our policies restrict certain non-audit services that may be provided by Macias Gini & O'Connell LLP and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

The Audit Planning Process

Our audit approach places a strong emphasis on obtaining an understanding of how the SDCCC functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of your operations. The development of a specific audit plan will begin by meeting with you and with management to obtain an understanding of business objectives, strategies, risks, and performance.

As part of obtaining an understanding of your business and its environment, we will obtain an understanding of internal control. We will use this understanding to identify risks of material misstatement, which will provide us with a basis for designing and implementing responses to the assessed risks of material misstatement. We will also obtain an understanding of the users of the financial statements in order to establish an overall materiality level for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.

The Concept of Materiality in Planning and Executing the Audit

We apply the concept of materiality both in planning and performing the audit, evaluating the effect of identified misstatements and compliance on the audit, and the effect of uncorrected misstatements, if any, on the financial statements, and in forming the opinions in our reports. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit. We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further financial audit procedures. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements and noncompliance as well as financial statements and noncompliance of future periods. We will accumulate misstatements identified during the audit, other than those that are clearly trivial. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

Our Approach to Internal Control and Compliance Relevant to the Audit

Our audit of the financial statements will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the SDCCC's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

We will issue a report on internal control related to the financial statements. This report describes the scope of testing of internal control and the results of our tests of internal controls. Our report on internal control will include any significant deficiencies and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with the requirements of the *Government Auditing Standards* issued by the Comptroller General of the United States.

Using the Work of Internal Auditors

As part of our understanding of internal control, we will obtain and document an understanding of the City's internal audit function. We will read relevant internal audit reports issued during the year related to SDCCC to determine whether such reports indicate a source of potential error or fraud that would require a response when designing our audit procedures. Because internal auditors are employees, they are not independent and their work can never be substituted for the work of the external auditor. We may, however, alter the nature, timing, and extent of our audit procedures, based upon the results of the internal auditor's work or use them to provide direct assistance to us during the performance of our audit.

Timing of the Audit

We have scheduled audit fieldwork commencing on the week of September 8, 2020. We expect to issue our reports by October 31, 2020. Management's adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to timely completion of the audit. Peter S. George is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to the San Diego Convention Center Corporation.

This communication is intended solely for the information and use of the Board of Directors, Audit Committee, and management of SDCCC and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, slightly slanted style.

San Diego, California