

**AUDIT COMMITTEE  
OF THE CITY OF SAN DIEGO**

**Council President Pro Tem Kevin Faulconer, Chair  
Councilmember Carl DeMaio, Vice Chair  
Committeemember Wade McKnight  
Committeemember Charles Sellers  
Committeemember Steve Grant**

**ACTIONS FOR  
MONDAY, JANUARY 10, 2011, AT 9:00 A.M.**

**COUNCIL COMMITTEE ROOM (12TH FLOOR),  
CITY ADMINISTRATION BUILDING  
202 C STREET, SAN DIEGO, CALIFORNIA**

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Committee members present: Faulconer, DeMaio, Sellers, Grant

Committee members not present: McKnight

NON-AGENDA PUBLIC COMMENT: Ms. Katheryn Rhodes discussed a January 3, 2011, letter she received from the U.S. Department of Housing and Urban Development (HUD) regarding the department's audit of the San Diego Redevelopment Agency's use of Community Development Block Grant (CDBG) funds and negotiated settlement of debt, and the use of tax increment financing (TIF) funds for the City's emergency homeless shelter program.

Chair Faulconer will forward the letter to the offices of the Mayor, City Attorney, and Redevelopment Agency.

Mr. Robert McNamara discussed the Southeastern Economic Development Corporation's (SEDC) lawsuit against auditing firm Macias Gini & O'Connell, the April 2011 meeting of the Audit Committee, and the Audit Committee ad hoc subcommittee on San Diego County Grand Jury Recommendations.

Chair Faulconer confirmed the Audit Committee will hold a special meeting on April 11, 2011.

COMMITTEE COMMENT: Chair Faulconer outlined the Audit Committee 90-day action plan detailed in his memo dated December 30, 2010.

Committee member Sellers expressed concern that an item on the December 7, 2010, City

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Council closed session docket related to the City Auditor and potential litigation did not come through the Audit Committee prior to going to closed session.

CITY ATTORNEY, IBA, AND MAYORAL STAFF COMMENT: Deputy City Attorney Mara Elliott responded to Committee member Sellers' comments by explaining the closed session item was tangentially related to an audit conducted by City Auditor Luna. Ms. Elliott committed to keeping the committee better apprised when issues affecting audits are going before the City Council. Chair Faulconer requested the City Attorney's office prepare a written report outlining the Audit Committee's role in, and ability to hold, closed session meetings.

Jeff Kavar of the Office of the Independent Budget Analyst provided an update on the recruitment of public Audit Committee member candidates to fill the seat held by Committee member McKnight. More information can be found at <http://www.SDAuditCommittee.org>.

City Comptroller Ken Whitfield stated that he would provide an update on the Fiscal Year 2010 Comprehensive Annual Financial Report (CAFR) during the presentation of Item 3.

ADOPTION AGENDA

Approval of the Record of Action Items for November 8, 2010

ACTION: Motion by Councilmember DeMaio, second by Chair Faulconer, to approve.

VOTE: 4-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-not present, Sellers-yea

INFORMATION ITEMS

ITEM-1: Report from the City Auditor regarding AUDIT ACTIVITY [PowerPoint](#)

ACTION: Information only. No action taken.

ITEM-2: [Update from the Outside Auditor \(Macias Gini O'Connell\)](#) regarding the FISCAL YEAR 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

AUDIT [Kevin Faulconer Memo](#) [Councilmembers' Memos](#)  
[McNally Response](#)

ACTION: Information only. No action taken.

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ITEM-3: [Report from the City Comptroller: UPDATE ON INTERNAL CONTROLS Response to Audit Question](#)

ACTION: Information only. No action taken.

ITEM-4: Report from Chief Financial Officer and Independent City Auditor: REVIEW OF PREVIOUS CITY CONTRACTS WITH AUDITING FIRM MAYER HOFFMAN McCANN P.C.

ACTION: Information only. No action taken. Councilmember DeMaio requested a written copy of CFO Lewis' and City Auditor Luna's presentations.

DISCUSSION/ACTION ITEMS

ITEM-5: [Presentation by the Centre City Development Corporation: FISCAL YEAR 2010 ANNUAL FINANCIAL REPORT](#) [PowerPoint](#)

ACTION: Motion by Committee member Grant, second by Chair Faulconer, to receive and file the financial statement.

VOTE: 4-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-not present, Sellers-yea

ITEM-6: Presentation by the San Diego Housing Commission: FISCAL YEAR 2010 ANNUAL FINANCIAL REPORT [PowerPoint](#) [CAFR Review Questions](#) [Financial Highlights](#) [Housing Commission CAFR](#) [Reznick Group Reports](#)

ACTION: Motion by Councilmember DeMaio, second by Chair Faulconer, to receive and file the financial report, and request the City Auditor and Housing Commission produce a memo within the next 12 months that outlines the approach the Housing Commission should use in auditing its Limited Liability Companies (LLCs) and in reporting any resulting financial findings to the City Council and the Housing Commission Board of Directors.

VOTE: 4-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-not present, Sellers-yea

ITEM-7: Discussion regarding IMPLEMENTATION OF A RECOVERY AUDITING PROGRAM [City Auditor's Memo](#)

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**ACTION:** Motion by Councilmember DeMaio, second by Chair Faulconer, to receive the report and request the City Auditor work with the Mayor's staff on three options for moving forward with both revenue and accounts payable recovery audits, with the City Auditor to present an option menu to the Audit Committee no later than April 1, 2011.

**VOTE:** 4-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-not present, Sellers-yea

Kevin Faulconer  
Council President Pro Tem