

**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, SEPTEMBER 13, 2010, AT 9:00 A.M.**

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

For information, contact Matt Awbrey, Committee Consultant
202 C Street, 10th Floor, San Diego, CA 92101
Email: MAwbrey@sandiego.gov
(619) 236-6992

All Committee members present.

NON-AGENDA PUBLIC COMMENT: None.

COMMITTEE COMMENT: Councilmember DeMaio requested the City Attorney's office look into the question of whether the Audit Committee, as allowed under its charter, could create a subcommittee comprised of one or two members of the Audit Committee and one or two members of the Past Grand Juror's Association that would provide a vehicle for ongoing review of the City's implementation of San Diego County Grand Jury recommendations.

Chair Faulconer welcomed Deputy City Attorney Mara Elliott back to the Audit Committee, and thanked Deputy City Attorney Jo Kiernan for her service to the Committee.

CITY ATTORNEY, IBA, AND MAYORAL STAFF COMMENT: None.

ADOPTION AGENDA

Approval of the Record of Action Items for July 12, 2010

ACTION: Motion by Committee member Grant, second by Committee member McKnight, to approve.

VOTE: 5-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-yea, Sellers-yea

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INFORMATION ITEMS

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

ACTION: Information only. No action taken.

ITEM-2: [Introduction of Outside Auditor \(Macias Gini O'Connell\) Engagement Partner](#) for the FISCAL YEAR 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AUDIT

ACTION: Information only. No action taken. Councilmember DeMaio requested that:

1. A presentation be brought to the Audit Committee on the status of testing the SAP system to identify any variances, and how those variances are being captured and mitigated and corrected, and the relationship between that process and the CAFR;
2. The City Comptroller present the list of 300 issues currently in the OneSD trouble ticket system (Solution Manager, or "SolMan") in order to review implementation; and
3. Macias Gini O'Connell conduct a random sample of the manually corrected accounting in the SolMan system to determine if the correction process is consistent with the City's internal controls and whether the corrections are accurate, and report back to the Audit Committee with the results.

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

ACTION: Information only. No action taken.

DISCUSSION/ACTION ITEMS

ITEM-4: Bid to Goal Program: [RESULTS OF FY2011 THIRD PARTY GOAL REVIEW PowerPoint](#)

ACTION: Motion by Councilmember DeMaio, second by Chair Faulconer, to refer this report back to the City Auditor's office, with a specific set of questions:

1. Which of the goals contained in the Bid to Goal program have:
 - a. Clearly identified outcomes that benefit rate payers;
 - b. Specific and measureable performance measures that relate to the outcome of the goal; and

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- c. Clear targets that will indicate that exceptional performance will be achieved?
- 2. Of all the goals, which can be determined to have met criteria a, b, and c?

VOTE: 5-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-yea, Sellers-yea

ITEM-5: [Presentation from the City Auditor](#) regarding 2009/2010 SAN DIEGO COUNTY GRAND JURY RECOMMENDATIONS TO THE AUDIT COMMITTEE AND CITY AUDITOR: [PowerPoint](#)

A. Grant Jury Report: [“Ethics in Government–Code of Ethics, Internal Controls, Fraud Hotlines”](#)

B. Grand Jury Report: [“San Diego City’s Financial Crisis–The Past, Present, and Future”](#)

[City Attorney Report](#) [Benjamin Hueso Memorandum](#)

ACTION: Motion by Committee member Sellers, second by Chair Faulconer, to accept the City Auditor’s recommendation.

VOTE: 5-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-yea, Sellers-yea

ITEM-6: [Report from the City Attorney](#): Follow-Up regarding WHETHER THE CITY TREASURER’S INVESTMENT ADVISORY COMMITTEE MUST FILE STATEMENT OF ECONOMIC INTEREST (SEI) FORMS

ACTION: Motion by Committee member Sellers, second by Chair Faulconer, to accept the City Attorney’s recommendation.

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

ITEM-7: [Presentation from the City Auditor](#) regarding the QUARTERLY [FRAUD HOTLINE REPORT](#) – QUARTER 4 FISCAL YEAR 2010 AND HOTLINE INVESTIGATION REPORT OF ABUSE FROM THE [SALE OF SCRAP METAL](#) [Report 2](#)

ACTION: No action taken. This item was continued to the next Audit Committee meeting, scheduled for October 11, 2010.

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ITEM-8: [Presentation from the City Auditor](#) regarding the PERFORMANCE AUDIT OF RISK MANAGEMENT'S PUBLIC LIABILITY AND LOSS RECOVERY DIVISION
[PowerPoint](#) [Report 2](#) [Report 3](#)

ACTION: Motion by Councilmember DeMaio, second by Committee member Sellers, to accept the City Auditor's report and validate its recommendations and findings, as well as validate management's responses, with the following changes:

1. Recommendation No. 5: Bring back this issue in 6 months, with instructions to City management to develop a strategy for using enterprise risk management in 3 high risk and high priority functions, and that management will consult with the Auditor's office in selecting those 3 functions;
2. Recommendation No. 8: Trail for 6 months while evaluating the effectiveness of Recommendation No. 7, and decide at that time whether Recommendation No. 8 should be implemented;
3. Recommendation No. 15: Validate the Auditor's recommendation and reject management's response;
4. Recommendation No. 18: Affirm the auditor's recommendation and reject management's response, and encourage management to implement policies and procedures as suggested by the Auditor, and return with an update;
5. Recommendation No. 19: Request that the Auditor's office verify implementation by management and verify the benchmarks;
6. Recommendation No. 20: Trail for 6 months; and
7. Recommendation No. 22: Trail while Recommendation No. 23 is being implemented over the next 6 months, as Recommendation No. 23 may yield solutions that make Recommendation No. 22 irrelevant.

VOTE: 4-1; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-yea, Sellers-yea

Kevin Faulconer
Council President Pro Tem