

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

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

**ACTIONS FOR
MONDAY, JULY 11, 2011, 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
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Committee members present: Faulconer, DeMaio, Grant, Hebrank

Committee members not present: Sellers

NON-AGENDA PUBLIC COMMENT: None.

COMMITTEE COMMENT: None.

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

ADOPTION AGENDA

Approval of the Record of Action Items for June 13, 2011

ACTION: Motion by Committee Member Hebrank, second by
Chair Faulconer, to approve.

VOTE: 3-0; Faulconer-yea, DeMaio-yea, Grant-abstain,
Hebrank-yea, Sellers-not present

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INFORMATION ITEMS

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

ACTION: Information only. No action taken.

DISCUSSION/ACTION ITEMS

ITEM-2: [Update from the Outside Auditor \(Macias Gini O'Connell\)](#) regarding the FISCAL YEAR 2010 AND FISCAL YEAR 2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AUDITS

ACTION: Discussion only. No action taken.

ITEM-3: Audit Committee actions regarding [AUDIT COMMITTEE OVERSIGHT ROLE RELATED TO THE COMPREHENSIVE ANNUAL FINANCIAL REPORT \(CAFR\) AUDIT](#):

- A. Adopt Outside Disclosure Counsel's recommended Process for Audit Committee Review of the City's Annual CAFR and the Timing of CAFR Postings (May 2011).

ACTION: Motion by Committee Member Hebrank, second by Chair Faulconer, to adopt with the following amendments to Exhibit A, entitled, "Process for Review and Posting of CAFRs," and to forward amendments to outside disclosure counsel, John McNally, for review and comment:

1. Step 2: Add, "The Audit Committee shall alert the City Council to any significant concerns after hearing the report."
2. Step 3: Strike, "It is understood that," and replace, "also are expected and encouraged to," with "shall."
3. Step 4: Add, "The Audit Committee shall alert the City Council to any significant concerns after reviewing the written certification from DPWG."
4. Step 6: Add, "The CAFR shall be posted only after DPWG written certification and Audit Committee review as described in Steps 2 and 4."

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

- B. Appoint up to two (2) Audit Committee members under San Diego Municipal Code section 26.1706 (a)(4) to meet with City management and

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the Outside Auditor prior to completion of the audit to review and discuss the draft financial statements and the conduct of the audit.

ACTION: Motion by Councilmember DeMaio, second by Chair Faulconer, to appoint Committee Member Hebrank.

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

ITEM-4: [Report from the City Auditor](#): PERFORMANCE AUDIT OF THE ANIMAL SERVICES AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND THE COUNTY OF SAN DIEGO [PowerPoint](#) [OCA Highlights](#)

ACTION: Motion by Councilmember DeMaio, second by Chair Faulconer, to accept the report and note the committee's disagreement with Audit Finding 3 regarding cat registration requirements, and to forward the audit report to the City Council with supplemental information from the City Auditor examining:

1. Expanded partnerships with nonprofit organizations;
2. Increased efficiencies by the County Department of Animal Services; and
3. How the service and fee structure for animal shelters can recover more costs.

VOTE: 3-1; Faulconer-yea, DeMaio-yea, Grant-yea, Hebrank-nay, Sellers-not present

ITEM-5: [Report from the City Auditor](#): PERFORMANCE AUDIT OF THE TAKE-HOME USE OF CITY VEHICLES [PowerPoint](#) [OCA Highlights](#)

ACTION: Motion by Councilmember DeMaio, second by Committee Member Hebrank, to accept the report and recommend City Council approval, and request:

1. The City Attorney's office identify any recommendations in the audit report that will require the City to meet and confer with employee labor unions, and provide a schedule for the next opportunity changes can be made through the meet and confer process;
2. The City Auditor follow-up to report the extent to which the GPS can be used to further the implementation of the audit recommendations; and
3. The responding departments report back to the Audit Committee with drafts of the audit's recommended policies within six months, and the City Auditor report whether the draft policies address the audit recommendations.

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VOTE: 3-0; Faulconer-yea, DeMaio-not present, Grant-yea,
Hebrank-yea, Sellers-not present

ITEM-6: [Report from the City Auditor](#): PERFORMANCE AUDIT OF THE CAPITAL
IMPROVEMENT PROGRAM [PowerPoint](#) [OCA Highlights](#)
[Manager's Response PowerPoint](#)

ACTION: Motion by Committee Member Hebrank, second by
Councilmember DeMaio, to accept the report and forward to the City Council, and
request the Independent Budget Analyst:

1. Review Structural Budget Deficit Elimination Guiding Principle 11
(Adopted by the City Council February 22, 2010, Resolution R-305615)
and the Office of the Mayor's March 30, 2011, deferred capital update
presentation to the Budget and Finance Committee; and
2. Develop recommendations for a detailed five-year infrastructure budget
and finance program that shows the City's current service level, the
funding needed to maintain that service level, a service level improvement
objective for Council consideration, and additional funding needed over a
five-year period for achieving that objective.

Additionally, Councilmember DeMaio requested:

1. More clarity on Audit Recommendation 3, to establish a capital program
office to provide more Capital Improvement Program (CIP) coordination
and oversight; and
2. More analysis and recommendations on contract management protocols,
particularly as it relates to bid-to-award lag and ways to reduce cycle
time.

VOTE: 3-0; Faulconer-not present, DeMaio-yea, Grant-yea,
Hebrank-yea, Sellers-not present

Kevin L. Faulconer
Council President Pro Tem