

**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, MARCH 8, 2010, AT 9:00 A.M.**

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

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All Committee members present.

NON-AGENDA PUBLIC COMMENT: None.

COMMITTEE COMMENT: Chair Faulconer commented on Committee member Sellers' March 8, 2010, memo to the City Council regarding the Audit Committee ordinance and charter revision. Chair Faulconer asked the City Attorney to address the memo in writing and distribute the response to the members of the Audit Committee and City Council prior to the City Council hearing on March 9, 2010.

Deputy City Attorney Mara Elliott responded that the City Attorney's office is already working on a response.

Councilmember DeMaio commented on the importance that the Audit Committee's new charter is approved by the City Council as recommended by the Audit Committee, and asked Committee members to share their views of the ordinance with the City Council members.

Committee member Sellers commented on his memo and his support of the Audit Committee ordinance, with the only remaining issue being the location of the ordinance in the Municipal Code.

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

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ADOPTION AGENDA

Approval of the Record of Action Items for February 1, 2010

**ACTION:** Motion by Committee member Sellers, second by Chair Faulconer, to approve.

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

INFORMATION ITEMS

ITEM-1: Report from the City Auditor regarding AUDIT ACTIVITY

(See City Auditor's March 4, 2010, report)

**ACTION:** Information only. No action taken.

ITEM-2: Report from the Independent Consultant regarding THIRD AND FINAL ANNUAL REPORT TO THE CITY OF SAN DIEGO

(See Stanley Keller's February 24, 2010, report; Independent Consultant's March 8, 2010, PowerPoint; Independent Budget Analyst's Report No. 10-19; SDCERS' March 3, 2010, report)

**ACTION:** Information only. No action taken. Chair Faulconer requested management's response to the recommendations in the Independent Consultant's Third and Final Report, including those regarding Internal Controls Over Financial Reporting, to be shared with the Independent Budget Analyst for review and then presented to the Audit Committee prior to a City Council hearing.

Councilmember DeMaio and Chair Faulconer requested that, as it relates to the Independent Consultant's recommendation that the Audit Committee explore contracting for external expertise on internal controls, the Independent Auditor and Independent Budget Analyst provide input within a couple of weeks on how the Audit Committee could operationalize that recommendation.

Councilmember DeMaio requested that the City Attorney review whether the existing contract the Independent Consultant has with the firm McGladrey & Pullen LLP,

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which provided external accounting and auditing expertise to the Independent Consultant, can be continued while the Audit Committee considers with whom it could contract to ensure continuity.

**ITEM-3: Update from City Comptroller and Independent Budget Analyst regarding KROLL REPORT REMEDIATION**

(See City Comptroller's February 22, 2010, memorandum; Independent Budget Analyst's Report No. 10-22)

**ACTION:** Information only. No action taken. Councilmember DeMaio and Committee member McKnight requested the Independent Budget Analyst and management return to the Audit Committee with a response to the Independent Consultant's Internal Controls Over Financial Reporting recommendations, which should include a roadmap and timeline, for action at the April 12, 2010, Audit Committee meeting.

**ITEM-4: Report from the City Comptroller regarding the INTERNAL CONTROLS OVER FINANCIAL REPORTING PROJECT**

(See City Comptroller's March 4, 2010, report)

**ACTION:** Information only. No action taken.

**ACTION ITEMS**

**ITEM-5: Review of SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION FISCAL YEAR 2009 FINANCIAL STATEMENT AUDIT**

(See Southeastern Economic Development Corporation's March 8, 2010, PowerPoint; City Auditor's March 5, 2010, report)

**ACTION:** Motion by Councilmember DeMaio, second by Chair Faulconer, to:

1. Refer the Southeastern Economic Development Corporation's financial statement audit to the full City Council for review and consideration; and
2. Request that management provide a letter of transmittal that would address, among other things, the financial impacts of the Education Revenue Augmentation Fund (ERAF), Community Development Block Grant (CDBG) loan repayment, and general market condition changes in each of the project

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areas.

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

Kevin Faulconer  
Council President Pro Tem