

**SPECIAL AUDIT COMMITTEE MEETING
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**

**SPECIAL AGENDA FOR
MONDAY, MARCH 22, 2010, AT 10:00 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: None.

COMMITTEE COMMENT: Chair Faulconer introduced Jo Kiernan, the Audit Committee's new sitting Deputy City Attorney. He thanked outgoing Deputy City Attorney Mara Elliott for her service to the Audit Committee.

Chair Faulconer noted that the City Attorney's office would be providing a written memorandum discussing the Audit Committee's role in reviewing the Lease Revenue Refunding Bonds, Series 2010A, Preliminary Official Statement (POS), as requested by the City Council.

Chair Faulconer thanked the public members of the Audit Committee for their continued flexibility and work in participating in special Audit Committee meetings.

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

ADOPTION AGENDA

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

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

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

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ACTION ITEMS

ITEM-1: Report from the City Auditor regarding PERFORMANCE AUDIT OF THE BID TO GOAL PROGRAM

(See City Auditor's February 2010, report; City Auditor's March 22, 2010, PowerPoint; Public Utilities Department's March 17, 2010, memorandum; Public Utilities Department's March 22, 2010, PowerPoint; Carl DeMaio's February 3, 2010, memorandum)

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

1. Accept the Audit Report and its 14 recommendations, as well as Management's response; and
2. Request to amend the independent auditor's (AKT LLP) scope of work to include the following 3 requirements:
 - a) The auditor will test the Department's compliance with the new guidance adopted in response to the Performance Audit regarding employee eligibility for payouts;
 - b) The auditor will test the Program's Employee Efficiency Incentive Reserve (EEIR) to ascertain the accuracy and the proper authorization of reported EEIR expenditures; and
 - c) The auditor will review the Program's goals, testing both the achievement of goals as well as evaluating and commenting on the reasonableness of goals based on industry benchmarks and standards.

Chair Faulconer noted that he planned to docket an item at a future Audit Committee meeting in order to address a third part of Councilmember DeMaio's motion, to have the Audit Committee recommend the Mayor and Council explore replacing the simulated bids in the Bid to Goal Program with actual bids through the Managed Competition process, that was not included in this action.

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

ITEM-2: Report from the Public Utilities Department regarding THIRD AMENDMENT TO AGREEMENT WITH AKT LLP FOR EXTERNAL AUDIT OF BID TO GOAL AND PAY FOR PERFORMANCE PROGRAMS

(See Public Utilities Department's March 16, 2010, memorandum; Public Utilities Department's March 22, 2010, PowerPoint; Amendment 3 to AKT LLP Agreement)

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

1. Recommend the City Council approve amendment #3 to the contract with AKT LLP for an amount not to exceed \$190,000 for the Fiscal Year/Program Year 2009 Bid To Goal and Pay For Performance Programs provided that the following three additional amendments be included in the scope of work:

- a) Require that the audit test the Department's compliance with the new guidance based on the 14 recommendations contained in the Independent Auditor's Performance Audit Report regarding employee eligibility for payouts;
- b) Require that the audit test the accuracy and proper authorization of reported expenditures in the Employee Efficiency Incentive Reserve account; and
- c) The auditor test the achievement of the goals as well as evaluate the reasonableness of the goals based on industry benchmarks and standards.

2. Direct Independent City Auditor Luna to report back after conferring with staff and the incumbent firm (AKT LLP) on whether the incumbent firm, or the Office of the City Auditor, can be used to accomplish amendment "c," or whether another Request for Proposals (RFP) should be issued.

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

Kevin Faulconer
Council President Pro Tem