

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

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

**ACTIONS FOR
MONDAY, APRIL 9, 2012, 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, Grant, Hebrank.

Committee members not present: Sellers.

NON-AGENDA PUBLIC COMMENT:

Robert McNamara discussed increasing staff for the Office of the City Auditor in the City's Fiscal Year 2013 budget.

Mel Shapiro suggested improvements to the City Auditor's Quarterly Fraud Hotline reports.

COMMITTEE COMMENT: None.

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

ADOPTION AGENDA

Approval of the Record of Action Items for March 5, 2012

ACTION: Motion by Councilmember DeMaio, second by Committee Member Hebrank, to approve.

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

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INFORMATION ITEMS

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

ACTION: Information only. No action taken.

ITEM-2: Update from the Outside Auditor (Macias Gini & O'Connell) regarding the FISCAL YEAR 2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AUDIT Letter

ACTION: Information only. No action taken.

DISCUSSION/ACTION ITEMS

ITEM-3: Report from the City Auditor: PERFORMANCE AUDIT OF THE PURCHASING AND CONTRACTING DEPARTMENT
Auditor's PowerPoint Management's Response PowerPoint

ACTION: Motion by Councilmember DeMaio, second by Chair Faulconer, to receive the audit report and forward to the City Council.

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

Chair Faulconer requested the Purchasing and Contracting Department provide a progress update in 90 days on its 180 day plan to implement the City Auditor's recommendations.

ITEM-4: Report from the City Auditor: MEMORANDUM REGARDING PERFORMANCE AUDIT OF THE GENERAL SERVICES DEPARTMENT FACILITIES DIVISION'S PURCHASES UNDER THE NEW MAINTENANCE, REPAIR AND OPERATION (MRO) COOPERATIVE AGREEMENT

ACTION: Motion by Committee Member Hebrank, second by Chair Faulconer, to accept the report.

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

Chair Faulconer requested from the Purchasing and Contracting Department a written status update in 30 days explaining how it is addressing the issues with the

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MRO agreement highlighted in the City Auditor's memorandum.

ITEM-5: Update from the City Auditor: PERFORMANCE AUDIT OF THE MISSION BAY IMPROVEMENT FUND PowerPoint

ACTION: Motion by Committee Member Hebrank, second by Chair Faulconer, to accept the report.

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

ITEM-6: Update from the City Treasurer: IMPLEMENTATION OF IMPROVEMENTS TO BUSINESS TAX COMPLIANCE PROGRAM AS RECOMMENDED IN MARCH 2010 CITYWIDE REVENUE AUDIT

ACTION: No action taken.

ITEM-7 Report from the Independent Budget Analyst: INDEPENDENT AUDIT OF CITY'S INTERNAL CONTROLS PROGRAM – PROPOSED STATEMENT OF WORK FOR INDEPENDENT AUDIT CONTRACT

ACTION: Motion by Councilmember DeMaio, second by Chair Faulconer, to direct the Independent Budget Analyst to prepare a statement of work for two alternative methods of auditing the City's internal controls program, both of which can be refined by the Audit Committee at a future meeting, with a recommendation from the Audit Committee to the City Council that the contract be put out for competitive bid based on the estimated costs and cost effectiveness.

1. A limited scope audit of internal controls that is based on input from the City's current external audit firm (Macias Gini & O'Connell LLP), focusing on internal control processes and transaction areas that may carry a greater risk profile that may be driving the firm's cost of performing the Comprehensive Annual Financial Report (CAFR) audit.

2. A comprehensive audit of internal controls.

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

ITEM-8 Report from the City Auditor: AUDIT RECOMMENDATION FOLLOW-UP REPORT – MARCH 2012 PowerPoint

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ACTION: Motion by Councilmember DeMaio, second by Committee Member Hebrank to accept the report.

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

Chair Faulconer intends to request the Library Department report to the Audit Committee on the status of implementing recommendations in Audit Report No. 09-015: AUDIT OF THE SAN DIEGO PUBLIC LIBRARY CASH HANDLING.



Kevin Faulconer
Council President Pro Tem