

**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, JUNE 11, 2012, 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

Katheryn Rhodes discussed her proposed ballot language for the November 6, 2012, election to increase Transient Occupancy Tax by five percent for use on regional public infrastructure, roads and public park lands. Her proposal is scheduled to be heard Wednesday, June 13, 2012, at the Rules, Open Government and Intergovernmental Relations Committee.

COMMITTEE COMMENT

Chair Faulconer made the following announcements:

- a. The Audit Committee is scheduled to enter into closed session later on the agenda.
- b. The Audit Committee was copied on two memoranda since its last meeting, one dated May 23, 2012, related to the City Auditor's performance audit of the Purchasing and Contracting Department titled, "Legal Interpretation of City Charter and Municipal Code Provisions regarding Service Contracts Awarded to Agencies and Non-Profits," and one dated June 5, 2012, in response to a request from the City Auditor titled "Audit Authority." Chair Faulconer noted he will work with the City Auditor and City Attorney to determine the next steps on both these issues.
- c. The Independent Budget Analyst recommended inclusion in the City's Fiscal Year 2013 budget the Audit Committee's recommendation to fund a performance audit "electronic

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workpaper” software system and one-time close-out audits for the transition of mayoral administrations. The budget is scheduled to be discussed by the City Council on the afternoon of June 11, 2012.

- d. Also on the afternoon of June 11, 2012, the City Council will choose a new Audit Committee member from a pool of two candidates to fill Committee Member Charles Sellers’ seat. Chair Faulconer noted that this is likely the last meeting for Committee Member Sellers and thanked him for his service.

Committee Member Sellers congratulated the City Auditor and his office for winning the Association of Local Government Auditors' Knighton Award. He also thanked the Committee Members, City Auditor, City Attorney’s office and staff for their support during his service on the Audit Committee.

CITY AUDITOR, CITY ATTORNEY, IBA, AND MAYORAL STAFF COMMENT

City Comptroller Ken Whitfield announced that the Accounts Payable (AP) recovery audit has begun. A preliminary report from the firm conducting the audit is expected in a month.

ADOPTION AGENDA

Approval of the Record of Action Items for May 7, 2012

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

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

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

ACTION: Information only. No action taken.

ITEM-3: Update from Police Department: IMPLEMENTING RECOMMENDATIONS

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FROM CITY AUDITOR'S PERFORMANCE AUDIT OF THE SAN DIEGO
POLICE DEPARTMENT'S PERMITS AND LICENSING UNIT

ACTION: Information only. No action taken.

DISCUSSION/ACTION ITEMS

ITEM-4: Update from City Departments regarding implementation/response to City Auditor's AUDIT RECOMMENDATION FOLLOW-UP REPORT-APRIL 2012
A. Report No. 09-015: AUDIT OF THE SAN DIEGO PUBLIC LIBRARY
CASH HANDLING

ACTION: Motion by Councilmember DeMaio, seconded by Chair Faulconer to accept the report.

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

ITEM-5: Update from the Independent Budget Analyst: SCOPE OF WORK FOR AN
INDEPENDENT AUDIT OF THE CITY'S INTERNAL CONTROLS
PROGRAM

ACTION: Motion by Councilmember DeMaio, seconded by Chair Faulconer to instruct the Independent Budget Analyst to:

- 1) continue work on a comprehensive internal controls audit statement of work for consideration by City Council;
- 2) develop a targeted internal controls audit statement of work that
 - a. examines the three areas identified in the IBA Report Number 12-25:
 1. treasury functions
 2. disclosure
 3. payroll
 - b. Adds two additional areas:
 4. use of bond proceeds
 5. cost accounting for enterprise funds
- 3) Request \$250,000 for the internal controls audit.

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

PUBLIC COMMENT REGARDING CLOSED SESSION ITEMS

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Chris Morris, representing City Auditor Luna as his personal attorney, requested that the Audit Committee hear Item 6 in open session.

CLOSED SESSION ITEMS

ITEM-6: PUBLIC EMPLOYEE PERFORMANCE EVALUATION pursuant to California Government Code section 54957(b)(1)
City Auditor

ACTION: This item was tabled at the request of the City Auditor.

ITEM-7: PUBLIC EMPLOYEE COMPLAINTS pursuant to California Government Code section 54957(b)(1)

ACTION: This item was tabled at the request of the City Auditor.



Kevin Faulconer
Council President Pro Tem