(R-2007-131) 601 (COR.COPY) 8/8/06

RESOLUTION NUMBER R- 301857

DATE OF FINAL PASSAGE SEP 2 9 2006

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO RECEIVING THE REPORT OF THE AUDIT COMMITTEE

WHEREAS, on February 14, 2005, Kroll, Inc. was hired by the City of San Diego to provide investigative services in their role as the City's Audit Committee related to the City's overdue audit for fiscal 2003, to review and evaluate the findings of the investigations by Vinson & Elkins and the City Attorney with respect to the City's financial disclosures and related practices, and to provide consulting assistance in assessing internal control deficiencies affecting matters discussed in these investigative reports; and

WHEREAS, since February 14, 2005, the City Council has paid approximately \$20.3 .
million for the Audit Committee investigation; and

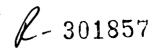
WHEREAS, the amounts authorized for payments to Kroll, Inc. and its law firm, Willkie Farr & Gallagher, LLP, include:

- 1. On February 14, 2005, the City Council authorized the initial contract, not to exceed \$250,000 (Resolution R-300139).
- 2. On May 10, 2005, the City Council voted to increase the Kroll funding "for a total not to exceed amount" of \$1.75 million (including the \$250,000 approved February 14, 2005 and \$1.5 million authorized on May 10, 2005) for continued services of the audit committee (Resolution R-300423).

- 3. On June 28, 2005, the City Council authorized an additional \$200,000 to Kroll as part of more than \$700,000 approved for Kroll and Willkie, Farr & Gallagher for continued provision of investigative services. (Resolutions R-300629 and R-300630).
- 4. On August 9, 2005, the City Council authorized \$1.2 million more for the investigation and to bring the "not to exceed" amount of the Kroll contract to \$3.55 million to cover Kroll's estimated expenses for the first portion of Fiscal Year 2006. (Resolution R-300780); and
- 5. On January 17, 2006, the City Council voted to provide another \$10 million in funding to Kroll and Willkie, Farr & Gallagher to pay for outstanding amounts due and owing to Kroll and to pay for work Kroll represented was necessary to complete the investigation.

 (Resolution R-301170).
- 6. On May 8, 2006, the City Council authorized an additional \$3.3 million for professional services and up to \$800,000 in expenses for the Audit Committee for electronic discovery and retention purposes. (Resolution R-301438).

WHEREAS, the Audit Committee has prepared a lengthy report on its investigation and has presented the report to the Mayor and City Council at a special meeting; NOW THEREFORE,



BE IT RESOLVED, by the Council of the City of San Diego, that it hereby receives the Audit Committee's report on its investigation of the San Diego City Employees' Retirement System, the San Diego Sewer Rate Structure, and related matters.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

Ву

Rimberly K. Harris Deputy City Attorney

KKH:amp:ai 08/07/06 Or.Dept:Mayor 09/28/06COR.COPY

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of ____AUG_0 8 2006 _.

ELIZABETH S. MALAND

City Clerk

By Co

Approved: 9 - 29 - 04

JERRY SANDERS, Mayor

Vetoed:

JERRY SANDERS, Mayor

L-301857

ed by the Council of The City	of San Diego on	on AUG 0 8 2006, by the following vote			e:
Council Members	Yeas	Nays	Not Present	Ineligible	
Scott Peters					
Kevin Faulconer					•
Toni Atkins					
Anthony Young	Z				
Brian Maienschein					
Donna Frye	$\mathbf{\overline{Z}}$				
Jim Madaffer	Z				
Ben Hueso	đ				•
SEP e of final passage	2 9 2006	•	JERRY SAN	NDERS	
AUTHENTICATED BY: (Seal)			of The City of San <u>ELIZABETH S.</u> k of The City of Sa	MALAND	
	Ву	Mar	y Co	olds_	, De _r
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Office of the City Clerk, San Diego, California

Resolution Number

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