

RESOLUTION NUMBER R- 303626
DATE OF FINAL PASSAGE JUN 13 2008

A RESOLUTION IMPLEMENTING THE
RECOMMENDATIONS OF AUDIT CONSULTANT
JEFFERSON WELLS REGARDING THE ESTABLISHMENT
OF AUDIT COMMITTEE OVERSIGHT OF THE CITY'S
INTERNAL EMPLOYEE HOTLINE

WHEREAS, the Report of the Audit Committee of the City of San Diego [Kroll Report] on file with the City Clerk RR-302243, was presented to the City Council on August 8, 2006; and

WHEREAS, the Kroll Report recommends that the City's Audit Committee have responsibility for the establishment and monitoring of effective policies and procedures for dealing with "whistleblower" complaints, including an internal employee hotline; and

WHEREAS, the Kroll Report further recommends that the Audit Committee be apprised of employee hotline complaints and also receive reports from the City Auditor regarding the results of hotline investigations and the disposition of received complaints; and

WHEREAS, the Charter for the City's Audit Committee specifies that the Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the City regarding internal financial controls or financial auditing matters and (ii) the confidential, anonymous submission by employees of the City of concerns regarding questionable financial or auditing matters; and

WHEREAS, the professional audit consultant [Jefferson Wells] presented a written report to the Audit Committee entitled "Analysis and Recommendations for an

Effective Internal Employee Hotline” [Hotline Report] to the Audit Committee on January 28, 2008; and

WHEREAS, the Hotline Report and subsequent Jefferson Wells memoranda to the Audit Committee (dated February 18, 2008 and March 20, 2008) discussed considerations related to the Audit Committee’s Charter responsibilities with respect to the City’s employee hotline, and additionally provided four recommendations to assist the Audit Committee in complying with recommendations in the Kroll Report and best practices; and

WHEREAS, the Securities and Exchange Commission [SEC] required Independent Consultant to the City recommended, in his First Annual Report of Independent Consultant [Consultant Report] dated March 25, 2008, that the City implement within 45 days, consistent with the advice of Jefferson Wells for steps prior to Charter revision, the procedure contemplated by the Audit Committee charter for a confidential and anonymous hotline involving the Audit Committee independent of City management for complaints and concerns regarding financial control or financial and auditing matters; and

WHEREAS, on February 25, 2008, the Audit Committee received the Hotline Report and a related memorandum dated February 22, 2008 from Jefferson Wells, and unanimously adopted a motion to forward recommendations from the report to the City Council; and

WHEREAS, on March 24, 2008, the Audit Committee additionally received memoranda from the Office of Ethics and Integrity dated March 10, 2008 and Jefferson Wells dated March 20, 2008 regarding the employee hotline, and unanimously adopted a

motion to receive the memoranda and forward them to the City Council along with the Hotline Report; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, as follows:

Section 1. That the Hotline Report, and related hotline memoranda from Jefferson Wells and the Office of Ethics and Integrity, are accepted.

Section 2. That Recommendation 1 of the Hotline Report which states "Hotline Complaints Should Be Reported to the Audit Committee" be implemented except that the recommendation is amended to replace the word "should" with "shall", and to state that the Hotline complaints involving Senior City Management shall be reported to the Audit Committee Chair, or another designated member of the Committee, so as to ensure compliance with the Brown Act.

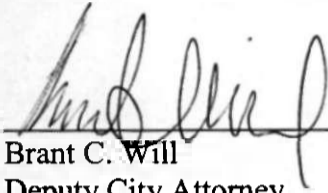
Section 3. That Recommendation 2 of the Hotline Report which states "Hotline Activity Should Be Reported to the Audit Committee and Audited" be implemented except that the recommendation is amended to replace the word "should" with "shall".

Section 4. That Recommendation 3 of the Hotline Report which states that the "Hotline Number Should Be Publicized to All Citizens" be implemented except that the recommendation is amended to replace the word "should" with "shall".

Section 5. That in anticipation of possible Charter reform in June 2008, and as soon as is practicable, Recommendation 4 of the Hotline Report which advocates "Hotline Oversight by the Independent City Auditor" be implemented.

Section 6. That the Auditor is to present a Hotline administration plan to the Audit Committee, and if approved, present the plan to the City Council for approval.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Brant C. Will
Deputy City Attorney

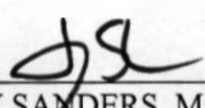
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05/30/08.REV.
Or.Dept:IBA
R-2008-922

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of APR 28 2008

ELIZABETH S. MALAND
City Clerk

By 
Deputy City Clerk

Approved: 6.13.08
(date)


JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

Originally approved by the Mayor 5-08-08, secondary approval date was after the revisions were received.