

# 57  
11-15-16

ORDINANCE NUMBER O- 20740 (NEW SERIES)

DATE OF FINAL PASSAGE DEC 01 2016

AN ORDINANCE AMENDING CHAPTER 2, ARTICLE 6, DIVISION 17 OF THE SAN DIEGO MUNICIPAL CODE BY AMENDING SECTION 26.1701, BY RETITLING AND AMENDING SECTION 26.1702, AND BY AMENDING SECTIONS 26.1704, 26.1707, AND 26.1709, ALL RELATING TO THE AUDIT COMMITTEE.

WHEREAS, this ordinance amends San Diego Municipal Code (Code) section 26.1701 to reference the Audit Committee's role in hiring and removing the City Auditor; and

WHEREAS, this ordinance amends the Code to describe the process for selecting Audit Committee members, to require that significant investigations, examinations, or reviews of the City are reported to the Audit Committee, to remove references to entities that no longer exist, and to permit the Audit Committee to review the financial statements of City component units and related entities if the body elects to do so; NOW, THEREFORE,

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

Section 1. That Chapter 2, Article 6, Division 17 of the San Diego Municipal Code is amended by amending section 26.1701, to read as follows:

**§26.1701      Audit Committee Duties**

- (a) Pursuant to Charter sections 39.1 and 39.2, the Audit Committee shall:
  - (1) Through (4) [No change in text.]
  - (5) recommend to the Council the removal for cause of the City Auditor;
  - (6) recommend to the Council the retention of the City's outside audit firm and, when appropriate, the removal of such firm;

- (7) monitor the engagement with the City's outside auditor and resolve any disputes that may arise between the outside auditor and City management with regard to the City's annual financial reports; and
  - (8) consult with the Mayor or his or her designee concerning the appointment of a City Auditor. The Committee may create a subcommittee comprised of the Committee chair and one public member to consult with the Mayor.
- (b) The Committee shall also have the following duties and responsibilities:
- (1) acting through the Committee chair, place any item within the scope of the Committee's authority on the Committee's agenda at the request of any Committee member or City Councilmember; and
  - (2) review any issues that come to the Committee's attention which pertain to the accuracy and reliability of the City's financial practices and representations and which could have a negative impact on the ability of the public to reasonably rely upon such financial practices and representations.

Section 2. That Chapter 2, Article 6, Division 17 of the San Diego Municipal Code is amended by retitling and amending section 26.1702, to read as follows:

**§26.1702 Selection and Removal of Audit Committee Members**

- (a) The Council shall appoint the three public members of the Audit Committee from a pool of at least two qualified candidates for each vacant position. The Independent Budget Analyst shall facilitate the candidate selection process consistent with Charter section 39.1.

- (b) Audit Committee members may be removed for cause by a majority vote of the members of the Council.

**§26.1703 Meetings**

[No change in text.]

Section 3. That Chapter 2, Article 6, Division 17 of the San Diego Municipal Code is amended by amending sections 26.1704, 26.1707, and 24.1709 to read as follows:

**§26.1704 Resources**

- (a) The City Manager, the City Attorney, the Chief Financial Officer and the Independent Budget Analyst shall cooperate with the Committee and provide such assistance and resources as are reasonably necessary to allow the Committee to carry out its responsibilities.
- (b) Directors and heads of mayoral departments, non-mayoral departments, and City component units shall notify the Committee chair and City Auditor of the results of any significant investigations, examinations, or reviews performed by government and regulatory authorities of all City departments, *related entities*, and City component units within the Committee's purview and any management response thereto.
- (c) The Committee may retain professional consultants it considers necessary to carry out its responsibilities. The Committee chair or designee shall manage any resulting contract.

**§26.1705 Subcommittees**

[No change in text.]

**§26.1706 Annual Audit**

[No change in text.]

**§26.1707 Accounting Policies**

The Committee shall review periodically, not less than annually, with the Chief Financial Officer and the outside auditor the quality and appropriateness of the City's significant accounting policies, as set forth in the notes to the City's audited financial statements. Such review shall include discussion of the following:

- (a) [No change in text.]
- (b) any alternative treatments of financial information under Generally Accepted Accounting Principles that were considered or used by the City;
- (c) and (d) [No change in text.]

**§26.1708 Internal Controls**

[No change in text.]

**§26.1709 Audited Financial Statements of City Component Units or Related Entities**

- (a) [No change in text.]
- (b) The Committee shall be provided and may review the audited financial statements of any City component units or *related entities*.
- (c) [No change in text.]
- (d) [No change in text.]

**§26.1710 Oversight and Direction of the City Auditor**

[No change in text.]

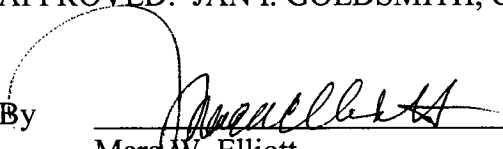
**§26.1711 Retention of the Outside Auditor**

[No change in text.]

Section 4. That a full reading of this ordinance is dispensed with prior to passage, a written copy having been made available to the Council and the public prior to the day of its passage.

Section 5. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: JAN I. GOLDSMITH, City Attorney

By   
Mara W. Elliott  
Chief Deputy City Attorney

MWE:cq;js:bas:ccm  
March 11, 2016  
October 13, 2016 COR. COPY  
December 5, 2016 REV.  
Or.Dept: Audit Committee  
Doc. No.: 1402952

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of NOV 15 2016.

ELIZABETH S. MALAND  
City Clerk

By \_\_\_\_\_  
Deputy City Clerk

Approved: \_\_\_\_\_  
(date)

\_\_\_\_\_  
KEVIN L. FAULCONER, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
KEVIN L. FAULCONER, Mayor

(SEE ATTACHED MEMO AND SIGNATURE PAGE)

**Office of  
The City Attorney  
City of San Diego**

**MEMORANDUM  
MS 59**

**(619) 236-6220**

**DATE:** December 12, 2016

**TO:** Linda D. Irvin, Legislative Recorder, City Clerk's Office

**FROM:** Cindy McNary, Senior Legal Secretary

**SUBJECT:** Revised Ordinance for Item No. 57 on the November 15, 2016, City Council Docket: Amending Chapter 2, Article 6, Division 17 of the San Diego Municipal Code by amending section 26.1701, by retitling and amending section 26.1702, and by amending sections 26.1704, 26.1707, and 26.1709, all relating to the Audit Committee

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The ordinance described above was revised by adding the word "City" in between "the" and "Auditor" in section 26.1701(a)(5). The change to the clean copy was necessitated in order for the clean copy to match the language in the corresponding strikeout ordinance. No other changes were made to the clean copy of the ordinance. The strikeout ordinance and digest did not need to be revised.

/ccm

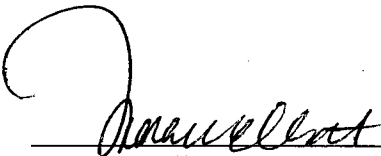
§26.1711 Retention of the Outside Auditor

[No change in text.]

Section 4. That a full reading of this ordinance is dispensed with prior to passage, a written copy having been made available to the Council and the public prior to the day of its passage.

Section 5. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.


APPROVED: JAN I. GOLDSMITH, City Attorney

By   
Mara W. Elliott  
Chief Deputy City Attorney

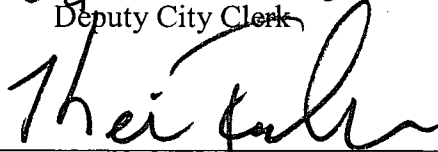
MWE:cq;js:bas  
March 11, 2016  
October 13, 2016 COR. COPY  
Or.Dept: Audit Committee  
Doc. No.: 1243894

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of NOV 15 2016.

ELIZABETH S. MALAND  
City Clerk

By   
Deputy City Clerk

Approved: 11/28/16  
(date)

  
KEVIN L. FAULCONER, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
KEVIN L. FAULCONER, Mayor

(Note: The date of final passage is December 1, 2016, which represents the day this ordinance was returned to the Office of the City Clerk with the Mayor's signature of approval.)

**STRIKEOUT ORDINANCE**

**OLD LANGUAGE: Struck Out**

**NEW LANGUAGE: Double Underline**

ORDINANCE NUMBER O-\_\_\_\_\_ (NEW SERIES)

DATE OF FINAL PASSAGE \_\_\_\_\_

AN ORDINANCE AMENDING CHAPTER 2, ARTICLE 6, DIVISION 17 OF THE SAN DIEGO MUNICIPAL CODE BY AMENDING SECTION 26.1701, BY RETITLING AND AMENDING SECTION 26.1702, AND BY AMENDING SECTIONS 26.1704, 26.1707, AND 26.1709, ALL RELATING TO THE AUDIT COMMITTEE.

**§26.1701 Audit Committee Duties**

(a) Pursuant to Charter sections 39.1 and 39.2, the Audit Committee shall:

(1) through (4) [No change in text.]

(5) recommend to the Council the removal for cause of the City

Auditor;

(5) recommend to the Council the retention of the City's outside audit firm and, when appropriate, the removal of such firm;

(6) monitor the engagement with the City's outside auditor and resolve any disputes that may arise between the outside auditor and City management with regard to the City's annual financial reports; and

(8) consult with the Mayor or his or her designee concerning the appointment of a City Auditor. The Committee may create a subcommittee comprised of the Committee chair and one public member to consult with the Mayor.



- (b) ~~In addition to the duties and responsibilities required by the Charter, t~~ The Committee shall also have the following duties and responsibilities:
- ~~(1) — review the results of significant investigations, examinations or reviews performed by government and regulatory authorities and any management response thereto;~~
  - (21) acting through the Committee chair, place any item within the scope of the Committee’s authority on the Committee’s agenda at the request of any Committee member or City Councilmember; and
  - ~~(32) review any issues that come to the Committee’s attention which pertain to the accuracy and reliability of the City’s financial practices and representations and which could have a negative impact on the ability of the public to reasonably rely upon such financial practices and representations.~~

**§26.1702 Selection and Removal of Audit Committee Members**

- (a) The Council shall appoint the three public members of the Audit Committee from a pool of at least two qualified candidates for each vacant position. The Independent Budget Analyst shall facilitate the candidate selection process consistent with Charter section 39.1.
- (b) Audit Committee members may be removed for cause by a majority vote of the members of the Council.

**§26.1703 Meetings**

[No change in text.]

**§26.1704 Resources**

- (a) The City Manager, the City Attorney, the Chief Financial Officer and the Independent Budget Analyst shall cooperate with the Committee and provide such assistance and resources as are reasonably necessary to allow the Committee to carry out its responsibilities.
- (b) Directors and heads of mayoral departments, non-mayoral departments, and City component units shall notify the Committee chair and City Auditor of the results of any significant investigations, examinations, or reviews performed by government and regulatory authorities of all City departments, related entities, and City component units within the Committee's purview and any management response thereto.
- (c) The Committee may ~~request the City~~ retain professional consultants it considers necessary to carry out its responsibilities. The Committee chair or designee shall manage any resulting contract.

**§26.1705 Subcommittees**

[No change in text.]

**§26.1706 Annual Audit**

[No change in text.]

**§26.1707 Accounting Policies**

The Committee shall review periodically, not less than annually, with the Chief Financial Officer and the outside auditor the quality and appropriateness of the City's significant accounting policies, as set forth in the notes to the City's

audited financial statements. Such review shall include discussion of the following:

- (a) [No change in text.]
- (b) any alternative treatments of financial information under ~~GAAP~~ Generally Accepted Accounting Principles that were considered or used by the City;
- (c) and (d) [No change in text.]

**§26.1708 Internal Controls**

[No change in text.]

**§26.1709 Audited Financial Statements of City Component Units or Related Entities**

- (a) [No change in text.]
- (b) The Committee shall be provided and may review the audited financial statements of ~~the following~~ any City component units or *related entities*:
  - ~~(1) Redevelopment Agency~~
  - ~~(2) Housing Commission~~
  - ~~(3) Centre City Development Corporation~~
  - ~~(4) Southeastern Economic Development Corporation~~
  - ~~(5) San Diego City Employees' Retirement System~~
  - ~~(6) San Diego Data Processing Corporation~~
- ~~(c) At its discretion, the Committee may review the audit financial statements of other City component units or related entities it deems appropriate.~~
- ~~(d)~~ [No change in text.]
- ~~(e)~~ [No change in text.]

**§26.1710 Oversight and Direction of the City Auditor**

[No change in text.]

**§26.1711 Retention of the Outside Auditor**

[No change in text.]

MWE:cq:js:bas  
March 11, 2016  
Or.Dept: Audit Committee  
Doc. No.: 1243895

Passed by the Council of The City of San Diego on NOV 15 2016, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Sherri Lightner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lorie Zapf	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Todd Gloria	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Myrtle Cole	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Kersey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Cate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scott Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Alvarez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marti Emerald	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Date of final passage DEC 01 2016

AUTHENTICATED BY:

KEVIN L. FAULCONER  
Mayor of The City of San Diego, California.

(Seal)

ELIZABETH S. MALAND  
City Clerk of The City of San Diego, California.

By Linda Krwin, Deputy

I HEREBY CERTIFY that the foregoing ordinance was not finally passed until twelve calendar days had elapsed between the day of its introduction and the day of its final passage, to wit, on

OCT 18 2016

, and on

DEC 01 2016

I FURTHER CERTIFY that said ordinance was read in full prior to passage or that such reading was dispensed with by a vote of five members of the Council, and that a written copy of the ordinance was made available to each member of the Council and the public prior to the day of its passage.

(Seal)

ELIZABETH S. MALAND  
City Clerk of The City of San Diego, California.

By Linda Krwin, Deputy

Office of the City Clerk, San Diego, California

Ordinance Number O- 20740