



**COUNCIL PRESIDENT PRO TEM KEVIN L. FAULCONER
CITY OF SAN DIEGO
SECOND DISTRICT**

M E M O R A N D U M

DATE: August 18, 2011

TO: Councilmember Carl DeMaio
Audit Committee Member Thomas Hebrank

FROM: Council President Pro Tem Kevin L. Faulconer, Audit Committee
Chair

SUBJECT: Public Review of Macias Gini & O'Connell Outside Auditing Contract

San Diego taxpayers deserve transparency and accountability when it comes to their City's finances. This has been my driving focus as chair of the Audit Committee.

To foster open, public dialogue on the City's financial records, I reserve time at each regular Audit Committee meeting to discuss outside audit firm Macias Gini & O'Connell LLP's (MGO) annual audit of the City's financials. This is a time for anyone – including Audit Committee members, MGO, the Mayor's office, City Auditor or members of the public – to raise questions or concerns regarding the Comprehensive Annual Financial Report (CAFR) audit.

Recent reporting regarding accounting decisions made by entities for which MGO provided audit services has raised questions not only about the integrity of the City's CAFR, but about MGO itself. I plan to hold a hearing to allow MGO to respond to questions from the Audit Committee and the public.

Additionally, I have asked the Independent Budget Analyst to conduct the prescribed review of MGO's contract with the City, which was a condition placed by the City Council upon MGO's five year contract, approved in June 2009.

I have requested the Independent Budget Analyst prioritize this report so it can be heard by the Audit Committee as soon as possible, preferably at the September 12, 2011, meeting.

I look forward to working with both of you and the other Audit Committee members to follow through on the oversight authority assigned to the Audit Committee in the Municipal Code, and expected by San Diegans. We must remain vigilant to ensure that the integrity of the City's annual audit is beyond reproach.

KLF:mta

cc: Audit Committee Members
City Councilmembers
Andrea Tevlin, Independent Budget Analyst
Jeff Kavar, Independent Budget Analyst
Linda Hurley, Macias Gini & O'Connell
Mary Lewis, Chief Financial Officer