



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued : July 23, 2008

IBA Report Number : 08-84

City Council Docket Date : July 28, 2008

Item Number : 150

Implementing Proposition C: Appointing Two Outside Financial Experts to Serve on the Screening Committee

On June 3, 2008, voters approved Proposition C which, in part, provided new City Charter language to address the responsibilities and composition of the City's Audit Committee. New language in City Charter section 39.1 calls for a reconfigured Audit Committee comprised of two members of the City Council (one to serve as Chair of the Committee) and three public members. On June 23, 2008, the current Audit Committee received Report # 08-67 from the IBA suggesting a process for implementing the provisions of Proposition C.

In order to implement new City Charter section 39.1 as it relates to a reconfigured Audit Committee, it will be necessary for the City Council to establish a Screening Committee as described in Proposition C. The Screening Committee is charged with vetting the qualifications of public member Audit Committee candidates and recommending a pool of at least two candidates (for each of three new public member positions) for the City Council to consider for appointment. The Screening Committee is to be comprised of "a member of the City Council, the CFO, the IBA and two outside financial experts appointed by the other three members of the Screening Committee and confirmed by the City Council.

On July 7, 2008, the City Council adopted a resolution appointing Councilmember Kevin Faulconer to serve on the Screening Committee described in Proposition C. Proposition C requires the two outside financial experts to be appointed by the other three members of the Screening Committee (CFO, IBA and Councilmember Faulconer) and confirmed by the City Council. On July 21, 2008, the CFO, IBA and Councilmember Faulconer convened a public meeting to discuss candidates for the outside financial expert positions and make appointment recommendations for the City Council to consider.

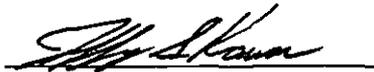
Office of Independent Budget Analyst

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The qualifications of four candidates were discussed for the two outside financial expert positions on the Screening Committee. Two of the four suggested candidates were from the private sector and two were from the public section. All of the candidates were judged to be qualified to serve on the Screening Committee. After discussing qualifications and other considerations, the CFO, IBA and Councilmember Faulconer unanimously recommended the appointment of Ed Kitrosser (private sector) and Tracy Sandoval (public sector) to the Screening Committee. Brief resumes for each candidate have been attached for City Council consideration.

In accordance with City Charter section 39.1, the City Council will be asked to confirm these appointments at the July 28th Council meeting (item #150). The resolution before the Council would confirm the two above recommended outside financial experts to serve on the Screening Committee described in Proposition C. Additionally, the resolution directs the IBA to initiate solicitation efforts for public Audit Committee member candidates in consultation with the Screening Committee.


Jeff Kavar
Fiscal & Policy Analyst


APPROVED: Andrea Tevlin
Independent Budget Analyst

Attachments

EDWARD W. KITROSSER, C.P.A.
AUDIT PARTNER, SAN DIEGO OFFICE MANAGING PARTNER
NON-PROFIT NICHE PARTNER

PROFESSIONAL EXPERIENCE:

In 1985, Mr. Kitrosser joined the firm of Turnquist, Schmitt, Kitrosser & McMahon (TSKM), becoming a shareholder in 1988. In June of 2002, TSKM merged with Moss Adams LLP to become the Moss Adams San Diego office. Since 1985, Ed has provides audit, tax, and consulting services to a wide variety of non-profit organizations: grantmaking civic and social, social advocacy and social services, arts and theater, among others.

PROFESSIONAL AND CIVIC AFFILIATIONS:

- ◆ Former member Private Companies Practice Section-Technical Issues Committee of the American Institute of Certified Public Accountants
- ◆ Former member AICPA's Not-For-Profit Organizations Committee
- ◆ Former member California State Committee on Peer Review
- ◆ Co-authored two educational courses published by the AICPA, and Practitioners 990 Deskbook, published by Practitioners Publishing Company.
- ◆ Make-A-Wish Foundation of San Diego
- ◆ Jackie Robinson Family YMCA
- ◆ United Way of San Diego County
- ◆ San Diego Opera Association
- ◆ San Diego Foundation
- ◆ San Diego Regional Disaster Board
- ◆ San Diego Downtown Rotary Club
- ◆ LEAD San Diego
- ◆ Cal State University San Marcos – College of Business Administration Advisory Board

EDUCATION:

Bernard M. Baruch School of Business and Public Administration - New York with a B.B.A. in accounting in 1966.

Tracy M. Sandoval, C.P.A

Auditor & Controller /Assistant Chief Financial Officer
County of San Diego

Professional Experience:

Ms. Sandoval has served as the Auditor & Controller and Assistant Chief Financial Officer for the County of San Diego since December 2003, which is the San Diego region's fourth largest employer with over 16,000 employees and an annual budget of over \$5 billion. She has been with the County for ten years, and previously served in several other key finance positions before being appointed Auditor & Controller/ACFO.

She leads a department of 260 employees who manage and account for all County funds. Her team is also responsible for auditing County programs, providing complex financial analyses, operating a professional revenue collection program that recovers funds owed to the County and the annual development of the County's Operational Plan (budget). Prior to joining the County in 1998, she worked at KPMG for five years performing auditing and consulting services for state and local government and non-profit clients.

Professional Affiliations:

She is a licensed Certified Public Accountant in the State of California. She is a member of the American Institute of Certified Public Accountants (AICPA) and the Government Finance Officers Association (GFOA). She serves as a member of the Special Review Committee (SRC) of the GFOA's Certificate of Achievement for Excellence in Financial Reporting Program.

Education:

B.A. in Accounting -- New Mexico State University, 1994.

Community Affiliations:

- Member of the San Diego Foundation's Audit Committee, the region's largest resource for non-profits and charity stewardship.
- Ex-officio member of the Independent Taxpayer Oversight Committee established by the TransNet Extension Ordinance
- Former Pro-Tem Board member of the San Diego County Credit Union
- Youth Sports volunteer as Team Mom for her 2 sons' youth football team.
- Treasurer & past president of the PTO for her children's school
- Committee member for her sons' Cub Scout Pack.

COMMITTEE ACTION SHEET

COUNCIL DOCKET OF July 28, 2008

Supplemental Adoption Consent Unanimous Consent Rules Committee Consultant Review.

R -

O -

Proposition C Implementation

Reviewed Initiated By Audit On 6/23/08 Item No. 4

RECOMMENDATION TO:

Accept the report and direct the Independent Budget Analyst to initiate scheduling before the City Council.

VOTED YEA: Faulconer, Young, Atkins

VOTED NAY:

NOT PRESENT:

CITY CLERK: Please reference the following reports on the City Council Docket:

REPORT TO THE CITY COUNCIL NO.

INDEPENDENT BUDGET ANALYST NO. 08-67

COUNCIL COMMITTEE CONSULTANT ANALYSIS NO.

OTHER:

COUNCIL COMMITTEE CONSULTANT *Stacy Smith*

000003



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: June 19, 2008

IBA Report Number: 08-67

Audit Committee Docket Date: June 23, 2008

Item Number: # 4

Implementing Proposition C: Suggested Process for Appointing New Audit Committee

OVERVIEW

On June 3, 2008, voters approved Proposition C which, in part, provided for City Charter language addressing the responsibilities and composition of the City's Audit Committee. Specifically, the new Charter language calls for a reconfigured Audit Committee comprised of two members of the City Council (one to serve as Chair of the Committee) and three public members. The Audit Committee is currently comprised of three Councilmembers. This report reviews the new Charter language requirements for composition of the Audit Committee and makes implementation process suggestions.

FISCAL/POLICY DISCUSSION

Certifying the Election Results

The County Registrar of Voters Office has until July 1st to finalize their canvas and present election results to the Secretary of State. Once this has happened, the City Clerk will send documentation to the Secretary of State requesting that they chapter the new voter approved City Charter amendment language described in Proposition C. The Secretary of State typically requires up to 10 days to chapter the City's Charter amendments. The City Clerk expects this to happen in mid July.

Concurrent with their request to the Secretary of State, the City Clerk will docket a resolution for the City Council to adopt the election results in accordance with Municipal Code Section 27.0411. Although the effective date of the Charter amendments will not



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be official until the Secretary of State has chaptered the new Charter amendment language, the Office of the City Attorney has informed the IBA that it would be reasonable for the City Council to initiate preparatory actions for appointing a new Audit Committee in anticipation of final certification of Proposition C.

Appointing Two Councilmembers to the Audit Committee

Proposition C states that two Councilmembers shall be appointed by the Council and one of them shall serve as the Chair of the Audit Committee. The Audit Committee is currently comprised of Councilmembers Faulconer (Chair), Young and Atkins. The Office of the City Attorney has informed the IBA that it will be necessary for two Councilmembers to be officially reappointed to the reconfigured Audit Committee with specification as to who will serve as the Chair.

The Council could elect to follow its normal process for committee appointments, including designation of a Chair, whereby the Council President makes recommendations subject to Council confirmation. The IBA recommends that a Council appointment process be discussed and implemented no later than September 2008 to facilitate a smooth transition and enable implementation of the new Audit Committee by October 2008.

Initiating Process for Appointing Three Public Members to the Audit Committee

Proposition C specifies the following with respect to the new public members of the Audit Committee:

“The three public members of the Audit Committee shall be appointed by the City Council from a pool of at least two candidates for each vacant position, to be recommended by a majority vote of a screening committee comprised of a member of the City Council, the Chief Financial Officer, the Independent Budget Analyst and two outside financial experts appointed by the other three members of the screening committee and confirmed by the City Council.”

The first step in complying with this language will be for the City Council to select a representative to serve on the screening committee. The Office of the City Attorney has indicated that the City Council will need to adopt a resolution naming the Councilmember to serve on the screening committee. The IBA recommends this item be immediately docketed for City Council discussion and action to initiate the public member selection process.

The next step will be for the three City Charter stipulated screening panel members (designated Councilmember, CFO and IBA) to appoint two outside financial experts to serve on the screening panel, subject to City Council confirmation. The City Council will

need to adopt another resolution to confirm the two outside financial experts. If the two required resolutions can be adopted in July, the screening committee would be established in late July and before the legislative summer recess.

The IBA believes the screening committee should be established as soon as possible to facilitate candidate solicitation, review of qualifications and a final recommendation of public Audit Committee candidates for City Council consideration in September 2008.

Identifying Qualified Candidates for Consideration

The City Charter will be amended to include the following language regarding public members of the Audit Committee:

“Public members of the Audit Committee shall possess the independence, experience and technical expertise necessary to carry out the duties of the Audit Committee. This expertise includes but is not limited to knowledge of accounting, auditing and financial reporting. The minimum professional standards for public members shall include at least 10 years of experience as a certified public accountant or as a certified internal auditor, or 10 years of other professional financial or legal experience in audit management. The public members of the Audit Committee shall serve for terms of four years and until their successors have been appointed and qualified. Public members of the Audit Committee are limited to two full consecutive terms, with one term intervening before they become eligible for reappointment. Notwithstanding any other provision of this section, appointments shall be made so that not more than one term of office shall expire in any one year.”

As the Charter requires that public member appointments be made from a pool of at least two candidates for each vacant position, the screening committee will need to review candidate qualifications and identify a minimum of six qualified candidates for City Council consideration. From this pool of at least six candidates, the City Council will appoint the three public members of the Audit Committee. If a sufficient number of qualified candidates can be identified by the screening committee over the next few months, both City Council and public member appointments to the Audit Committee could be made in September 2008.

The IBA recommends that a multi-faceted approach be utilized for identifying qualified public candidates. We suggest soliciting candidate interest in the following ways:

- Public service announcements on television and radio
- CityTV 24 announcements
- Ads in the local newspapers and financial publications
- Solicit interest from professional financial and audit organizations (via letters, website postings, etc.)

- Recommendations from industry experts (i.e., professional audit consultant)
- Recruiting firms

Other Considerations

In discussing the implementation of Proposition C with the Office of the City Attorney, a number of Audit Committee implementation questions and considerations were raised. The Office of the City Attorney is currently reviewing these issues and will report back to the Audit Committee at its next scheduled meeting in July. The main issues under review are provided below:

- How will public Audit Committee terms be structured to comply with the Charter requirement that “not more that one term of office expire in any one year”?
- Will screening committee meetings be subject to the Brown Act?
- Should the City Council adopt a Conflict of Interest Code for Audit Committee members?

CONCLUSION

With the passage of Proposition C on June 3, 2008, the City Charter will be amended to require a new configuration of the City’s Audit Committee that includes three public members and two Councilmembers. In anticipation of the Secretary of State chartering the new City Charter amendment language, the IBA recommends that the City Council take action to initiate the process for new Audit Committee appointments. The Office of the City Attorney concurs that it would be reasonable for the City Council to initiate actions to facilitate establishment of the new Audit Committee.

The IBA recommends that the City Council take the following actions before the legislative summer recess. We have included possible dates for consideration:

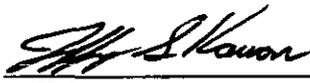
- Receive feedback on implementation issues from the Office of the City Attorney (July 7th at Audit Committee and/or City Council).
- Appoint City Council representative to the Screening Committee (July 7th).
- Appoint two outside financial experts to the Screening Committee (July 28th).
- Direct the IBA to develop and initiate public member solicitation efforts in consultation with the screening committee (immediately).

If the above actions are taken prior to the legislative summer recess, the City Council should be able to take the following actions in September 2008:

- Appoint two Councilmembers (one as Chair) to the new Audit Committee (September 15th).

- Appoint the three public members of the new Audit Committee from the qualified pool of candidates (September 15th).
- Establish October 6, 2008 as a target date for the first meeting of the reconfigured Audit Committee (September 15th).
- Direct the IBA to work with Jefferson Wells and the Office of City Attorney to provide new Audit Committee member orientation and an overview of responsibilities (September 15th).

This is an ambitious schedule that assumes all of the above referenced actions and target dates can be achieved. The IBA recommends that the Audit Committee and the City Council discuss necessary actions for implementing new City Charter language related to the composition of the Audit Committee. The IBA stands prepared to receive direction and assist with the implementation of Proposition C as it relates to the Audit Committee.



Jeff Kavar
Fiscal & Policy Analyst



APPROVED: Andrea Tevlin
Independent Budget Analyst

REQUEST FOR COUNCIL ACTION
CITY OF SAN DIEGO

1. CERTIFICATE NUMBER
(FOR AUDITOR'S USE ONLY)

TO: CITY ATTORNEY

2. FROM (ORIGINATING DEPARTMENT):
Office of the Independent Budget Analyst

3. DATE:
7/15/08

4. SUBJECT: Implementing Proposition C: Confirming Two Outside Financial Experts to serve on the Screening Committee that will Recommend New Public Member Candidates to be considered for the City's Audit Committee.

5. PRIMARY CONTACT (NAME, PHONE, & MAIL STA.)
Jeff Kavar 34764 3A

6. SECONDARY CONTACT (NAME, PHONE, & MAIL STA.)
Andrea Tevlin 66555 3A

7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED

8. COMPLETE FOR ACCOUNTING PURPOSES

FUND	DEPT.	ORGANIZATION	OBJECT ACCOUNT	JOB ORDER	C.I.P. NUMBER	AMOUNT	9. ADDITIONAL INFORMATION / ESTIMATED COST:

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIG. DEPT			8	DEPUTY CHIEF / CFO		
2	IBA	ANDREA TEVLIN <i>Andrea Tevlin</i>	7/15/08	9	COO		
3	COMMITTEE CONSULTANT	STACY ROBERTS <i>Stacy Roberts</i>	7/16/08	10	CITY ATTORNEY	CATHY BRADLEY <i>Cathy Bradley</i>	7/16/08
4	LIAISON OFFICE			11	ORIG. DEPT	JEFF KAWAR <i>Jeff Kavar</i>	7/15/08
5				DOCKET COORD: _____ COUNCIL LIAISON _____			
6				<input checked="" type="checkbox"/> COUNCIL PRESIDENT <input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION			
7				<input type="checkbox"/> REFER TO: _____ COUNCIL DATE: 7/28/08			

11. PREPARATION OF: RESOLUTIONS ORDINANCE(S) AGREEMENT(S) DEED(S)

Confirming two outside financial experts to serve on the Screening Committee described in Proposition C and, once the Screening Committee has been established, direct the IBA to initiate solicitation efforts for public Audit Committee member candidates in consultation with the Screening Committee. The five member Screening Committee is charged with vetting the qualifications of public member Audit Committee candidates and recommending a pool of at least two candidates for each of three new public positions for the City Council to consider for appointment.

11A. STAFF RECOMMENDATIONS:
Adopt the resolution confirming two outside financial experts to serve on the Screening Committee.

12. SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION.)

- COUNCIL DISTRICT(S):
- COMMUNITY AREA(S):
- ENVIRONMENTAL IMPACT:
- HOUSING IMPACT:
- OTHER ISSUES:

EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED: July 15, 2008

REPORT NO:

ATTENTION:

City Council

ORIGINATING DEPARTMENT:

Independent Budget Analyst

SUBJECT:

Implementing Proposition C: Appointing Two Outside Financial Experts to serve on the Screening Committee that will Recommend New Public Member Candidates to be considered for the City's Audit Committee.

COUNCIL DISTRICT(S):

ALL

CONTACT/PHONE NUMBER:

Jeff Kavar / 533-4764

REQUESTED ACTION: This resolution would confirm two outside financial experts to serve on the Screening Committee described in Proposition C and, once the Screening Committee has been established, direct the IBA to initiate solicitation efforts for public Audit Committee member candidates in consultation with the Screening Committee. The Screening Committee is charged with vetting the qualifications of public member Audit Committee candidates and recommending a pool of at least two candidates for each of three new public positions for the City Council to consider for appointment.

STAFF RECOMMENDATION: Adopt the resolution.

EXECUTIVE SUMMARY: On June 3, 2008, voters approved Proposition C which, in part, provided new City Charter language to address the responsibilities and composition of the City's Audit Committee. New language in City Charter section 39.1 calls for a reconfigured Audit Committee comprised of two members of the City Council (one to serve as Chair of the Committee) and three public members. On June 23, 2008, the current Audit Committee received Report # 08-67 from the IBA suggesting a process for implementing the provisions of Proposition C.

In order to implement new City Charter section 39.1 as it relates to a reconfigured Audit Committee, it will be necessary for the City Council to establish a Screening Committee as described in Proposition C. The Screening Committee is charged with vetting the qualifications of public member Audit Committee candidates and recommending a pool of at least two candidates (for each of three new public member positions) for the City Council to consider for appointment. The Screening Committee is to be comprised of "a member of the City Council, the CFO, the IBA and two outside financial experts appointed by the other three members of the Screening Committee and confirmed by the City Council."

On July 7, 2008, the City Council adopted a resolution appointing Councilmember Kevin Faulconer to serve on the Screening Committee described in Proposition C. The final action for the City Council to take in establishing the required Screening Committee is to appoint the two outside financial experts. Proposition C requires the two outside financial experts to be appointed by the other three members of the Screening Committee (CFO, IBA and Councilmember Faulconer) and confirmed by the City Council.

In accordance with the Brown Act, a noticed public meeting was convened on July 21, 2008 to discuss and appoint by consensus the two outside financial experts to the Screening Committee. Each of the other three members of the Screening Committee was asked to bring their suggestions for the two outside financial expert appointments to the meeting. Two outside financial experts were appointed by consensus and are now being forwarded to the City Council for confirmation.

In Report # 08-67, the IBA suggested that the Screening Committee be established before the legislative summer recess to allow for candidate solicitation, review of qualifications and final recommendation of public member Audit Committee candidates for City Council consideration in September 2008. The resolution before the Council would confirm two outside financial experts to serve on the Screening Committee described in Proposition C and, once the Screening Committee has been established, direct the IBA to initiate solicitation efforts for public Audit Committee member candidates in consultation with the Screening Committee.

FISCAL CONSIDERATIONS: None.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: On June 23, 2008, the Audit Committee unanimously adopted a motion accepting IBA Report #08-67 and directing the IBA to docket necessary actions for City Council consideration to facilitate establishment of a Screening Committee prior to the Legislative summer recess. On July 7, 2008, the City Council adopted a resolution appointing Councilmember Kevin Faulconer to serve on the Screening Committee described in Proposition C.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None.



Originating Department



Independent Budget Analyst

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SAN DIEGO CONFIRMING TWO OUTSIDE FINANCIAL
EXPERTS TO SERVE ON THE SCREENING COMMITTEE
THAT WILL RECOMMEND NEW PUBLIC MEMBER
CANDIDATES TO BE CONSIDERED FOR THE CITY'S
AUDIT COMMITTEE.

WHEREAS, on June 3, 2008, voters approved Proposition C which, in part, added new City Charter section 39.1 to address the responsibilities and composition of the City's Audit Committee; and

WHEREAS, the new City Charter section 39.1 calls for a reconfigured Audit Committee comprised of two members of the City Council and three public members; and

WHEREAS, in order to implement new City Charter language as it relates to a reconfigured Audit Committee, it is necessary for the City Council to establish a Screening Committee as described in new Charter section 39.1; and

WHEREAS, the Screening Committee is charged with vetting the qualifications of public member Audit Committee candidates and recommending a pool of at least two candidates (for each of three new public member positions) for the City Council to consider for appointment; and

WHEREAS, the Screening Committee is to be comprised of a member of the City Council, the Chief Financial Officer, the Independent Budget Analyst and two outside financial experts appointed by the other three members of the Screening Committee and confirmed by the City Council; and

WHEREAS, on July 7, 2008, the City Council adopted a resolution appointing Councilmember Kevin Faulconer to serve on the Screening Committee; and

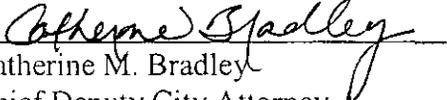
WHEREAS, the three City members of the Screening Committee (Chief Financial Officer, the Independent Budget Analyst and Councilmember Faulconer) have appointed two outside financial experts to serve on the Screening Committee, subject to City Council confirmation; and

WHEREAS, under Charter section 280(a)(6) the Council confirmation of members appointed to the Screening Committee is not subject to veto by the Mayor; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that pursuant to Charter section 39.1 of the City Charter the appointments of Ed Kitrosser and Tracy Sandoval to serve as the outside financial expert members of the Screening Committee, is hereby confirmed.

BE IT FURTHER RESOLVED, that the Independent Budget Analyst is directed to initiate solicitation efforts for public Audit Committee member candidates in consultation with the Screening Committee.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Catherine M. Bradley
Chief Deputy City Attorney

CMB:als
07/16/08
07/22/08COR.COPY
Or.Dept:IBA
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