
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 330

Appointment Process for a New Public Audit Committee Member

OVERVIEW

On June 3, 2008, voters approved Proposition C changing the City Charter with respect to the composition of the Audit Committee. To ensure its independence, City Charter section 39.1 requires the City's Audit Committee to be comprised of two members of the City Council (one to serve as Chair of the Committee) and three public members with the "independence, experience and technical expertise necessary to carry out the duties of the Audit Committee". On January 11, 2011, the City Council reappointed Councilmember Faulconer (chair) and Councilmember DeMaio to serve on the Audit Committee for calendar year 2011.

On January 5, 2009, the City Council appointed public members Wade McKnight, Charles Sellers and Stephen Grant to serve on the Audit Committee for terms of two, three and four years respectively. Initial public member appointment terms were staggered so that not more than one term of office would expire in any one year. After the initial appointment terms, the City Charter provides that public members serve for terms of four years. Public members are limited to two full consecutive terms.

Wade McKnight's term expired on January 5, 2011. On March 1, 2011, the City Council will be asked to appoint a new public Audit Committee member for a four-year term retroactively beginning on January 5, 2011. This report reviews the process undertaken to solicit and review applications to serve as a public member of the Audit Committee. The report further describes the process the City Council will follow to appoint a new public member from a pool of two qualified candidates.

FISCAL/POLICY DISCUSSION

Soliciting New Public Member Applications

The City Charter requires public members of the Audit Committee be appointed by the City Council from a pool of at least two qualified candidates. In anticipation of the expiration of Mr. McKnight's term, solicitation for new public member candidates began in October 2010. The IBA used a multi-faceted approach for soliciting public candidate interest that included:

- City website postings and CityTV 24 ads
- Public announcements at Audit Committee meetings
- Ads/articles in local newspapers and online publications
- Postings in the websites of professional financial and audit organizations
- Outreach to the principals of audit and financial accounting firms
- Requesting candidate identification assistance from audit practitioners, City Councilmembers, and other professional contacts

Two qualified candidates were identified for City Council consideration early in December 2010; however, one of the candidates unexpectedly withdrew their application just prior to the scheduled Council meeting. In an effort to identify other candidates, additional public member applications were solicited through January 28, 2011. Two candidates were identified at the conclusion of the application period.

Screening Committee Composition and Applied Criteria

The City Charter requires that identified candidates be reviewed and 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. In accordance with City Charter section 39.1, and following City Council appointment actions on July 7, 2008 and July 28, 2008, the Screening Committee was comprised of the following representatives:

- Kevin Faulconer (City Councilmember for District 2)
- Andrea Tevlin (City's Independent Budget Analyst)
- Mary Lewis (City's Chief Financial Officer)
- Tracy Sandoval (Auditor & Controller / Assistant CFO for County of San Diego)
- Ed Kitrosser (CPA and Former Audit Partner for Moss Adams LLP San Diego)

The Screening Committee was charged with vetting the qualifications of public Audit Committee candidates and recommending a pool of at least two candidates for the open public member position. Once candidates have been reviewed and recommended by the Screening Committee, the City Council can consider these candidates for appointment. Candidates are evaluated based on the criteria set forth in City Charter section 39.1 which provides:

“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.”

Recommended Public Member Candidates

On February 11, 2011, the Screening Committee held a public meeting to review candidate qualifications. The Screening Committee determined that the two candidates listed below were qualified and recommended that the City Council consider them for the open public Audit Committee member position.

- Tom Hebrank
- Dana White

Both candidates reside in the City of San Diego. As is the normal process for public member appointments to the Audit Committee, the Police Department has reviewed the background of each candidate and found them to be suitable for appointment. Candidate application forms and resumes are attached to this report (the Office of the City Attorney has redacted certain personal information to protect candidate privacy).

Council Process for Appointing a New Public Member to the Audit Committee

City Council Policy 000-13 sets forth a procedure for Council appointments. The IBA reviewed this Council Policy with the City Clerk to better understand the established process. When there are multiple candidates for a single appointment, the established process is as follows:

1. The Council President calls on each candidate whose name appears on the docket as a nominee to make a presentation to the Council in support of their candidacy for appointment. Presentations should not exceed three minutes.
2. The Council President calls on members of the Council to ask brief questions of each candidate concerning either their presentation or matters contained in their application filed with the City.
3. The City Clerk provides ballots to the Council and each Councilmember votes for the candidate he/she feels to be most qualified and returns the ballots to the City Clerk. Each Councilmember has one vote for the open public Audit Committee position.
4. The candidate receiving a minimum of five votes shall be appointed to serve as a public member of the Audit Committee. In the event that no candidate receives a minimum of five votes or a tie between candidates for the final vacancy,

additional rounds of voting would take place until the minimum vote requirement is achieved or the tie is broken.

CONCLUSION

In order to fill a public member vacancy on the City's Audit Committee, a comprehensive candidate solicitation and evaluation process has been underway since October 2010. In accordance with the City Charter, the Screening Committee has reviewed applications and recommended two candidates for consideration. At the City Council meeting on March 1, 2011, the Council will receive a brief presentation from each of the candidates and have an opportunity to ask any questions they may have prior to making an appointment decision.

If the City Council appoints a new public member on March 1, 2011, the new member will participate in the next scheduled Audit Committee meeting on March 7, 2011. Given the current vacancy, the IBA recommends the City Council appoint one of these two candidates at the Council meeting on March 1, 2011. If so, the IBA is prepared to work with the Audit Committee Consultant and the Office of the City Attorney to brief and orient the new appointee prior to the March 7th meeting of the Audit Committee.

[SIGNED]

Jeff Kavar
Fiscal & Policy Analyst

[SIGNED]

APPROVED: Andrea Tevlin
Independent Budget Analyst

Attachment: Candidate Applications