



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: June 5, 2012

IBA Report Number: 12-23

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Item Number: 200

Process for Appointing a New Public Member to the City's Audit Committee

OVERVIEW

On June 3, 2008, voters approved Proposition C which changed the City Charter with respect to the composition of the Audit Committee. Prior to 2009, the Audit Committee was comprised of three City Councilmembers. Following voter approval of Proposition C, City Charter Section 39.1 was added requiring the City's Audit Committee be comprised of two appointed 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 December 12, 2011, the City Council reappointed Councilmember Faulconer (chair) and Councilmember DeMaio to serve on the Audit Committee for calendar year 2012.

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. Mr. McKnight, whose term expired on January 5, 2011, decided not to seek reappointment. On March 15, 2011, the City Council appointed Thomas Hebrank to replace Mr. McKnight for a four-year term that began on January 5, 2011.

Mr. Seller's term expired January 5, 2012 and he is not seeking reappointment; however, he agreed to continue serving on the Audit Committee until a new candidate is appointed. Charter Section 39.1 provides that public members may serve until their successors have been appointed. Charter Section 39.1 additionally specifies that public members of the Audit Committee serve a four-year term, and are eligible to serve up to two full consecutive terms.

This report provides a brief overview of the process undertaken to solicit and review public member applications to serve on the Audit Committee. The report further describes the process the City Council will follow to appoint a new public member from 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. Solicitation for new public member candidates began in the fall of 2011. The IBA announced the public member opening and solicited candidate applications in the following ways:

- Public announcements at Audit Committee meetings.
- Posting on the City's website – homepage.
- Direct outreach to the principals of audit and financial accounting firms.
- Requesting candidate identification assistance from audit practitioners, City Councilmembers, and other professional contacts.

Screening Committee Composition and Applied Criteria

The City Charter requires that 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)
- Jay Goldstone (City's Chief Operating & 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 is charged with vetting the qualifications of public Audit Committee candidates and recommending at least two qualified candidates for an 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 May 14, 2012, the Screening Committee held a public meeting to review candidate qualifications. The Screening Committee determined the following two candidates are qualified and unanimously recommended the City Council consider them for appointment to the open public member position on the Audit Committee.

- **Tracy Henderson**
- **Karley Schreiner**

As is the normal process for public member appointments to the Audit Committee, the Police Department reviewed the background of each candidate and did not find any issues of concern. 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:

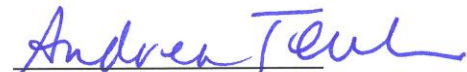
1. The Council President calls on each candidate whose name appears on the docket as a nominee to make a presentation to the Council in support of their candidacy for appointment. Presentations should not exceed three minutes.
2. The Council President calls on members of the Council to ask brief questions 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, who then reads the vote tally into the record. 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 the open public member position on the City's Audit Committee, a candidate solicitation and evaluation process has been underway since the fall of 2011. In accordance with the City Charter, the Screening Committee has reviewed applications and recommended two qualified candidates for consideration. At the City Council meeting on June 11, 2012, 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 June 11th, the new member will be able to participate in the next scheduled Audit Committee meeting on July 9, 2012. Given the current public member opening, the IBA recommends the City Council appoint one of the two qualified candidates at the Council meeting on June 11th. 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 next meeting of the Audit Committee.


Jeff Kavar
Fiscal & Policy Analyst


APPROVED: Andrea Tevlin
Independent Budget Analyst

Attachments: 1. Candidate Application-Tracy Henderson
2. Candidate Application- Karley Schreiner