IBA Matrix of Kroll Recommendations
for City Council Monitoring Purposes

	Recommendation	Comment	Authority	Council Discussion Date	Status
1	Appoint a Monitor to oversee the implementation of and compliance with the Remediation Plan. (Pages 263 & M-14)	Recommendations 1 through 6 provide parameters for the Oversight Monitor and could logically be consolidated into a single recommendation (to reduce the large number of identified Kroll recommendations into a more manageable number for action/discussion).	City Council	November 13, 2006	
2	The Monitor should be selected by the Mayor in consultation with the City Council and subject to the approval of the SEC and should be an independent person of suitable standing, independence and experience for the assignment. (Pages 263 & M-14)	See comment for #1 above	City Council	November 13, 2006	
3	The Monitor should have complete and unfettered access to all City and SDCERS personnel and records. (Pages 263 & M-14)	See comment for #1 above	City Council	November 13, 2006	
4	The Monitor should make quarterly reports to the City and the SEC on the City's progress. (Pages 263 & M-14)	See comment for #1 above	City Council	November 13, 2006	
4.1	City Monitor quarterly reports should be made public in an appropriate manner including on the City's website. (Page M-14)	See comment for #1 above	City Council	November 13, 2006	
5	The Monitor should serve a term of no less than three years and should be provided adequate resources to carry the duties of his office. (Pages 263 & M-14)	See comment for #1 above	City Council	November 13, 2006	
6	The SEC should have the right, upon request, to expand the scope of the Monitor's duties following consultation with the City. (Pages 263 & M-14)	See comment for #1 above	City Council	November 13, 2006	

	Recommendation	Comment	Authority	Council Discussion Date	Status
7	Centralize accountability for the accuracy and credibility of the City's financial reporting under the CFO. The areas of responsibility would include, a City Comptroller, a Director of Financial Reporting, the Financial Management Director, Director of Debt Management and City Treasurer. (Pages 245 & M-1)	Kroll does not specifically recommend a Director of Debt Management; however, footnote 1272 indicates that they understand that the CFO is contemplating the establishment of a separate group to manage the City's debt. The Mayor's response indicates that a Debt Management Department reporting to the CFO has been formed.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	
8	The Director of Planning, Budgeting and Financial Analysis (Financial Management Director) should report directly to the CFO and have principal responsibility for preparing an annual budget, a monthly budget with comparisons of budget to actual results year-to-date, analyses of variances and a quarterly report to the City Council and public setting forth budget versus actual results. (Pages 246 & M-2)	This recommendation could be eliminated as it is the same position more fully described in recommendation #11. Kroll discusses and references a Director of Planning, Budgeting and Financial Analysis interchangeably with the Budget Director. The CFO indicates that his Financial Management Director serves in this role.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	
9	The City Treasurer should report to the CFO and have principal responsibility for all treasury functions for the City. (Pages 246 & M-2)	This recommendation could be eliminated as it is the same position more fully described in recommendation #12.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	
10	The CFO should have primary responsibility for, and have as direct reports, personnel with functional authority over accounting and financial analysis, treasury, planning and budgeting and financial reporting. This should include authority over those responsible for all information systems required by these functions. (Page M-1)	No additional comments.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	

	Recommendation	Comment	Authority	Council Discussion Date	Status
11	The Budget Director should report directly to the CFO and have principal responsibility for preparing an annual budget, a monthly budget with comparisons of budget to actual results year-to-date, analyses of variances, and a quarterly report to the City Council and public setting forth budgeted versus actual results. The Budget Director's Office should serve as a resource for financial analysis, planning assistance, and services to other City departments and agencies. (Page M-2)	No additional comments.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	
12	The City Treasurer should report to the CFO and have principal responsibility for all treasury functions for the City. The Office of the Treasurer and the duties assigned to that Office shall be as otherwise described in the City Charter. (Page M-2)	No additional comments.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	
13	Establish the position of City Comptroller responsible for accounting and financial reporting, including preparation of the CAFRs and reporting to the CFO. (Pages 245, 246 & M-2)	No additional comments.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	
14	Establish the position of Director of Financial Reporting responsible for the preparation of the City's periodic financial statements. (Pages 246 & M-2)	Kroll recommends that the Director of Financial Reporting report directly to the City Comptroller.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	
15	The CFO should have significant experience with governmental operations, including accounting, financial reporting and applicable disclosure standards, rules and regulations. The CFO should in particular have experience in the preparation of a CAFR in accordance with governmental accounting standards and offering statements for a municipal issuer. (Pages M-1 to M-2)	Kroll's qualification recommendations for the CFO. These qualifications were mentioned by Kroll in a single paragraph describing the CFO. This recommendation could be consolidated with recommendation #10.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	

	Recommendation	Comment	Authority	Council Discussion Date	Status
16	The Comptroller should have significant experience in governmental accounting, including in the preparation of CAFRs in accordance with GASB and other applicable accounting and financial reporting standards, rules and regulations; should in particular be familiar with federal rules and regulations applicable to the receipt of federal assistance and the issuance of public securities; and should also be competent to design, implement and operate an effective system of internal controls over financial reporting and disclosure. (Page M-2)	Kroll's qualification recommendations for the Comptroller. These qualifications were mentioned by Kroll in a single paragraph describing the Comptroller. This recommendation could be eliminated and consolidated with recommendation #13.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	
17	The Director of Financial Reporting would report to the Comptroller and would be responsible for the preparation of the City's periodic financial statements. This person should also have experience in the preparation of the CAFRs in accordance with GASB and other applicable accounting standards, rules and regulations. (Page M-2)	Kroll's qualification recommendations for the Director of Financial Reporting. These qualifications were mentioned by Kroll in a single paragraph describing the Director of Financial Reporting. This recommendation could be consolidated with recommendation #14.	City Council: Charter/ Municipal Code changes Mayor: organization	October 16, 2006	
18	The City should establish a three member Audit Committee comprised of two members from the public and one City Council Member. The public members would be nominated by the Mayor and confirmed by the City Council. (Pages 251 & M-6)	Kroll states that "the two public members of the Audit Committee should have expertise in accounting, auditing and financial reporting and be capable of critical reading of financial statements." Kroll further recommends that "private sector members of the Audit Committee shall be compensated in an amount set by the Mayor and approved by the City Council." The Mayor is not recommending compensation.	City Council	November 13, 2006	
19	The City's Financial Reporting Oversight Board should be eliminated as redundant to the Audit Committee. (Page M 6)	Recommendations 18 through 22 provide parameters for creating a new three-member Audit Committee and could be consolidated into a single recommendation.	City Council	November 13, 2006	
20	The Audit Committee should establish a written charter. (Pages 251 & M-6)	Kroll adds that "the charter should include a provision requiring the committee to perform an annual self-evaluation."	City Council	November 13, 2006	

IBA Matrix of Kroll Recommendations
for City Council Monitoring Purposes

	Recommendation	Comment	Authority	Council Discussion Date	Status
20.1	The City's Audit Committee should approve the annual compensation of the Auditor General and the annual budget for the Auditor General's staff. (Page M-5)	No additional comments.	City Council	November 13, 2006	
21	The Audit Committee should meet quarterly, or more often if necessary, with the City's independent auditors, the City's Auditor General and the CFO. (Page 252)	See comment for #19 above	City Council	November 13, 2006	
22	The Mayor, CFO, City Attorney and City Council should have the authority to make requests of the Audit Committee and Auditor General to perform internal audits of material matters they reasonably believe to be warranted. (Page 252)	See comment for #19 above	City Council	November 13, 2006	
23	With the assistance of the CFO and Auditor General, the City's independent auditors would be retained by, report to and take direction from the Audit Committee. (Page 252)	Kroll notes that while they would expect the CFO and Auditor General, as supporting staff to the Audit Committee, to assist with the independent auditors, "the final decision would be that of the Audit Committee."	City Council	November 13, 2006	
24	The Audit Committee should have responsibility for the establishment and monitoring of effective policies and procedures for dealing with "whistleblower" complaints, including an internal hotline. (Pages 252 & M-6)	Kroll further states that "the Audit Committee should receive a report of each such complaint and, in consultation with the Auditor General, determine the appropriate course of action."	City Council	November 13, 2006	
25	Create a new position of Auditor General with responsibility for internal audits of the City's internal controls, financial accounting, reporting and disclosure; operations; and fraud, waste and abuse. This person would be nominated by the Mayor and confirmed by the majority of the City Council. (Pages 250 & M-5)	Recommendations 25 through 28 provide parameters for creating the new position of Auditor General and could be consolidated into a single recommendation. This is essentially the "Internal Auditor" position in other municipalities.	City Council: Charter/ Municipal Code changes Mayor/City Council: appointment	November 13, 2006	

IBA Matrix of Kroll Recommendations
for City Council Monitoring Purposes

	Recommendation	Comment	Authority	Council Discussion Date	Status
26	The new Auditor General should report to the Audit Committee no less than on a quarterly basis and periodically to the City Council and should submit annually to the City Council a public report of his/her activities. (Pages 250 & M-5)	See comment for #25 above	Audit Committee/City Council	November 13, 2006	
27	The Auditor General would serve a term of 10 years, but could be removed by a two-thirds vote of the Audit Committee or by a vote of at least three-quarters of the City Council. (Pages 251 & M-5)	See comment for #25 above	Audit Committee/City Council	November 13, 2006	
28	The Auditor General should report to the Audit Committee the results of any investigation and disposition of such complaints. (Page 252)	See comment for #25 above	Audit Committee	November 13, 2006	
29	In accordance with the International Standards for the Professional Practice of Internal Auditing, the Auditor General should establish risk-based plans to determine the priorities of the internal audit activity. (Page M-17)	Recommendations 29 through 35 provide parameters for the Auditor General's internal audit activities and could be consolidated into a single recommendation.	Audit Committee	November 13, 2006	
30	The City should require the Auditor General to adopt a comprehensive risk assessment and planning process that actively addresses financial reporting, accounting activities, and other issues. (Page M-25)	See comment for #29 above	Audit Committee	November 13, 2006	
31	The Auditor General should use a systematic and disciplined approach based on a risk assessment to select audits. This risk assessment should be completed at least annually. The department should evaluate and contribute to improving risk management, controls, and governance processes. (Page M-17)	See comment for #29 above	Audit Committee	November 13, 2006	
32	The department should base audit plans on both subjective analysis of comments from management and objective analysis of financial and operating data. (Page M-25)	See comment for #29 above	Audit Committee	November 13, 2006	

	Recommendation	Comment	Authority	Council Discussion Date	Status
33	The internal audit activity should focus on improving the control systems related to the reliability and integrity of financial and operational information; the effectiveness and efficiency of operations; and safeguarding assets. (Page M-17)	See comment for #29 above	Audit Committee	November 13, 2006	
34	Elected officials, their staff, and the City's senior management must be considered by the internal audit function. (Page M-17)	See comment for #29 above	Audit Committee	November 13, 2006	
35	The Five Year Risk-Based Audit Plan should be presented to the new Audit Committee and the City's elected officials. (Page M-25)	See comment for #29 above	Audit Committee/City Council	November 13, 2006	
36	A reputable independent auditing firm should be retained by the City's new Audit Committee which should in connection with the annual audit of the financial statements of the City for the fiscal year ending June 30, 2008, conduct an audit of the City's internal controls. (Pages 248, M-3 & M-4)	In this recommendation, Kroll further suggests that the selected independent auditing firm issue a report identifying any material weaknesses in the City's internal controls in FY 08 and include this information within the City's FY 08 CAFR.	Audit Committee/City Council	November 13, 2006	
37	The procurement decision involving the selection of an independent auditor is accompanied by a statement of the basis for the selection, including the weight accorded costs and any other factors, and that such statement is maintained as part of the records of the new Audit Committee. (Pages 253 & M-7)	Kroll notes that this recommendation is to ensure that other non-cost factors (appropriate professional qualifications, technical abilities, peer reviews, etc.) are given proper consideration in the selection process.	Audit Committee/City Council	November 13, 2006	
38	The Audit Committee and the City should enter into five-year contracts with its independent auditors. (Pages 253 & M-7)	Recommendations 36 through 41 relate to the process for selecting/contracting for an independent auditing firm and could logically be consolidated into a single recommendation (to reduce a very large number of interpreted Kroll recommendations into a more manageable number to discuss/act upon).	Audit Committee/City Council	November 13, 2006	

	Recommendation	Comment	Authority	Council Discussion Date	Status
39	After the initial five-year term, that term could be extended for another five years provided that the audit firm rotates the audit partner responsible for the engagement and the auditor has received an unqualified peer review report on its audits. (Pages 253 & M-7)	See comment for #38 above	Audit Committee/City Council	November 13, 2006	
40	The independent auditor should not be permitted to serve for more than two consecutive five-year terms. (Pages 253 & M-7)	See comment for #38 above	Audit Committee/City Council	November 13, 2006	
41	Any firm/bidder should be disqualified as a possible independent auditor if the audit firm directly or indirectly, through any of its principals or employees, has made a campaign contribution to an elected official of the City within two years of the selection or performs other, non-audit services for the City. (Pages 253 & M-7)	See comment for #38 above	Audit Committee/City Council	November 13, 2006	
42	To discourage any improper influence of the professionals who serve as "gatekeepers" to the public financial reporting process of the City, the Municipal Code should be amended to add criminal penalties for such conduct. It should be unlawful for any elected official, or employee of the City, or anyone acting under their direction, to take any action to corruptly influence, coerce, manipulate or mislead any independent certified public accountant engaged in the performance of an audit of the financial statements of the City or its component units, or outside legal counsel performing services for the City in connection with an offering statement of the City, or any actuary performing an actuarial valuation in connection with the preparation of the City's or SDCERS's CAFRs, or employees of a bond rating agency performing a credit rating of the City's bonds. (Page M-6)	No additional comments.	City Council		

	Recommendation	Comment	Authority	Council Discussion Date	Status
43	In order to maintain current service levels and address issues such as deferred maintenance, the City must reduce expenditures by improving efficiency, increasing the current revenue base, and seeking alternative revenue sources. (Page M-14)	No additional comments.	Mayor/City Council		
44	Ongoing expenditures should be supported by ongoing revenues; capital projects should identify all future cost considerations and financial impacts, including direct and indirect costs for each Enterprise Fund; activities supported by user fees should be fully cost recoverable; discretionary General Fund revenues should not be earmarked; increase the General Fund reserve to the range of 7-10%; budget development should be guided by a long term or strategic plan proposed by the Mayor and adopted by the City Council; and after adoption, annual budgets should be amended only for urgent needs. Specific funding sources should be identified to pay for these needs. (Pages M-14 & M-15)	No additional comments.	Mayor/City Council		
45	The City should publish, along with the annual budget, the significant assumptions that can materially affect the budget, and a comparison of these assumptions against actual experience in recent years. (Pages 261 & M-12)	Kroll states that "any significant variances between actual and projected assumptions should be adequately explained in the final published budget."	Mayor		
46	The City should periodically, but no less frequently than every three years, retain its own actuary to review the SDCERS actuarial valuation and the assumptions used, and to provide an independent assessment of the valuation and its implications for the City. (Pages 260, M-11 & M-12)	No additional comments.	Mayor		

	Recommendation	Comment	Authority	Council Discussion Date	Status
47	The City must retain its own actuary responsible for determining for the City the cost of each proposed new retirement benefit and to issue a report thereon to the City Council before an ordinance is adopted conferring the benefit. (Pages 260 & M-12)	No additional comments.	Mayor		
48	We recommend that the Mayor and the Budget Director establish a process to identify and prioritize deferred maintenance and unfunded procurement needs. The Budget Director should prepare and present a public report identifying cumulative deferred maintenance and unfunded procurement needs during the annual budget hearings. The City's approach to funding deferred maintenance and unfunded procurement should be changed to allow for increased funding in these areas. (Page M-21)	No additional comments.	Mayor		
49	Continue the operations of the Disclosure Practices Working Group (DPWG) and add the CFO not only as an official member but also have this person serve as chair. (Pages 249, M-4 & M-5)	No additional comments.	City Council		
50	The City should assign the responsibilities for preparing public documents and filings to the appropriate City employees. Ultimate responsibility for preparing these City documents cannot be assigned to the independent auditor, disclosure counsel, fiduciary counsel, actuary, or other professionals. (Page M-25)	No additional comments.	Mayor		
51	The City Attorney or City Attorney staff member should collect information relevant to public filings and bond offerings and should confirm, in writing, the accuracy of this information in the City's public documents. (Page M-25)	No additional comments.	City Attorney		

	Recommendation	Comment	Authority	Council Discussion Date	Status
52	The City Council should have at least two weeks to review substantially completed drafts of a preliminary offering statement before it is asked to vote to approve the final document. (Pages 263 & M-14)	No additional comments.	Mayor		
52.1	The City Council members should also establish a reasonable period of time for the review of a final offering statement document, with marked changes from earlier drafts. (Page M-14)	No additional comments.	City Council		
52.2	The CAFR is an integral component of the financial information provided as part of any debt issuance; the City Council should review and approve its use following the same procedures as offering statements. (Page M-14)	This item is docketed for discussion at the City Council meeting of October 16, 2006.	City Council		
53	The DPWG should report to the City's new Audit Committee. (Pages 249 & M-5)	This recommendation relates to the continuation of the DPWG. The recommendation could be eliminated and consolidated with recommendation #49.	City Council		
54	The City budget should be presented by month, by department. (Pages 261 & M-13)	No additional comments.	Mayor		
55	At least quarterly, a report should be prepared reflecting budget-to-actual comparisons by department in aggregate, with an explanation of significant variances, to be disseminated to the public. (Pages 261 & M-13)	No additional comments.	Mayor		
56	The City budget should present budget-to-actual comparisons by department, fiscal year-to-date, along with variances on a monthly basis. (Pages 261 & M-13)	No additional comments.	Mayor		

	Recommendation	Comment	Authority	Council Discussion Date	Status
57	At year-end, a budget should be presented to the City Council containing a final budget-to-actual comparison, along with an explanation of variances by department. (Pages 262 & M-13)	Kroll further recommends that "inter-departmental transfers to meet budget goals, or for any other purpose, should not be permitted unless approved in advance by the City Council." (see item #122)	Mayor		
57.1	Inter-departmental transfers to meet budget goals, or for any other purpose, should not be permitted unless approved in advance by the City Council. (Pages 262 & M-13)	In IBA Report 06-35, the IBA recommended repealing the BPR Ordinance in order to comply with this recommendation.	City Council		
58	The Mayor and CFO should annually include in the City's CAFR a signed management report on the financial statements and disclosures which include a statement of the City's responsibility for establishing and maintaining an effective system of internal control over financial reporting and disclosures; a statement setting forth the City's assessment of the effectiveness of the internal controls; a statement that based on their knowledge, the CAFR does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the CAFR not misleading; and a statement that the financial statements and other information included in the CAFR fairly present in all material respects the net assets and activities of the City for the period presented. (Pages 248, 249 & M-4)	No additional comments.	Mayor		
59	The chief executive officer and principal accounting officer of each component unit of the City should include annually with its stand alone financial statements a signed management report substantially in the form described for the Mayor and CFO. (Pages 249 & M-4)	No additional comments.	Mayor		

	Recommendation	Comment	Authority	Council Discussion Date	Status
60	City schedules requested by the external auditors should be prepared and internally reviewed before the auditors begin work. As part of a sound financial reporting system, the City should prepare supporting schedules and detail for all major accounts and transactions during the monthly closing process. (Page M-17)	No additional comments.	Mayor		
61	The City should report as part of its annual CAFR staff's best estimate of material payments it will be required to make for each of the next five years and in aggregate thereafter, as a result of contractual commitments or other commitments the City reasonably intends to fulfill. This includes expected pension payments, retiree health premium payments, capital expenditures resulting from contractual commitments; material contractual commitments in excess of one year; deferred maintenance to extent quantified; and debt and lease obligations. (Pages 254 & M-8)	No additional comments.	Mayor		
62	The City must consider the substance of transactions when identifying the appropriate accounting treatment. For example, paying retiree health benefits from pension plan assets withdrew money from the pension plan. These amounts were not reflected as expenses in the City's CAFR. (Page M-18)	Recommendations 62 through 65 provide parameters for improvements to accounting procedures and could be consolidated into a single recommendation.	Mayor		
63	The City should develop a procedure, such as using a specific object or index code and preparing a report based on the code, to use the accounting system to directly identify information related to CIP in an automated manner. (Page M-21)	See comment for #62 above	Mayor		

	Recommendation	Comment	Authority	Council Discussion Date	Status
64	The City should increase the length of the 13th period and establish a procedure to review all disbursements made subsequent to year end in excess of a pre-determined threshold. This will assist in properly capturing significant accruals within the correct fiscal year. (Page M 22)	See comment for #62 above	Mayor		
65	The City and Departments should identify routine accruals, such as utility bills, and ensure they are properly recorded at year end. (Page M-22)	See comment for #62 above	Mayor		
66	The CFO and Mayor should submit annually to the City Council as part of the annual budgeting process, a rolling five-year proposed plan that contains major items, including capital expenditures, deferred maintenance, debt payments and other major contractual obligations, major revenues by category and a forecast of gross cash receipts and gross cash expenditures. (Pages 262 & M-13)	No additional comments.	Mayor		
67	By June 30, 2007, evaluate the information technology needs of the City, including benchmarking of existing systems against available systems suitable for management of the City's finances and the preparation of timely and accurate CAFRs and budgets. (Pages 247 & M-3)	Recommendations 67 through 69 and 71 through 72 relate to effectively procuring a new financial information system for the City and could be consolidated into a single recommendation.	Mayor		
68	Within 18 months, the City shall have selected a new information system and taken all steps necessary for the system's implementation. (Pages 247 & M-3)	See comment for #67 above	Mayor/City Council		
69	Within 36 months, the City's new financial information system shall have been fully tested to ensure effectiveness and efficiency and will be implemented. (Pages 247 & M-3)	See comment for #67 above	Mayor		

	Recommendation	Comment	Authority	Council Discussion Date	Status
70	The City should update its chart of accounts, including elimination of unnecessary accounts and funds. This chart of accounts should be consistent across all functions and funds and consolidate funds where possible. The Comptroller should review the current policies and procedures related to creating funds and accounts. If necessary, the ability to create funds and accounts should be limited. The Comptroller should consider using cost centers, index codes, or projects to achieve separate grant, program, and project tracking. (Pages 247, M-3 & M-16)	No additional comments.	Mayor		
71	The City should implement and utilize an automated financial reporting system to prepare the financial statements and complete the year-end closing. The City should maintain documentation supporting adjustments to facilitate the review of financial data. (Page M-15)	See comment for #67 above	Mayor		
72	The City should invest in capital asset information systems that accommodate CIP to reduce the current reliance on manually prepared spreadsheets. These modifications will reduce the time and expense related to gathering this information, reduce errors, and improve the accuracy of tracking CIP and recording depreciation on completed projects. (Page M-21)	See comment for #67 above	Mayor		
73	All City "Post Offices" should be centrally operated, maintained, and backed up. Consolidating systems and personnel will improve economy and ease maintenance. It will also ensure consistent data retention systems, policies, and procedures are used for City information. (Page M-26)	No additional comments.	Mayor		
74	The interest allocation process should receive sufficient management review. (Page M-16)	No additional comments.	Mayor		

	Recommendation	Comment	Authority	Council Discussion Date	Status
75	It appears that errors and omissions in the CAFR were caused by a variety of issues identified in the 2006 Report on Internal Controls. While the City has made a number of personnel and process changes since June 30, 2002, it must continue to reorganize and refine its processes and train its personnel in order to improve internal controls. The City needs to reduce to a sufficiently low level the risk of errors or fraud material to the financial statements. (Page M-15)	No additional comments.	Mayor		
76	By June 30, 2007 the CFO shall have tested and remediated the internal control weakness identified in the Auditor and Comptroller's 2006 Report and in the management letters of the City's outside auditors. (Pages 248 & M-3)	No additional comments.	Mayor		
77	The CFO should submit to the Mayor and City Council, and disseminate to the public, a report that describes testing that has been completed, remediation undertaken, any internal control weaknesses not yet remediated and additional material weaknesses identified. (Page 248)	No additional comments.	Mayor		
78	The Comptroller should review and assess the journal entry preparation and approval process. The duties of preparing and approving of journal entries must be appropriately segregated. The Comptroller should assign ultimate responsibility for journal entry review and approval to an individual within the Comptroller's Office. The Auditor General should analyze the journal entry approval process as part of that office's review of City operations. (Page M-17)	No additional comments.	Mayor/Audit Committee		

	Recommendation	Comment	Authority	Council Discussion Date	Status
79	The City has taken a number of steps to quantify the impact and correct its financial statements resulting from deficiencies in internal controls related to capital asset accounting. The City should continue to monitor the internal controls over these areas to ensure that potential errors in the future are detected and corrected in a timely manner. (Page M-20)	No additional comments.	Mayor/Audit Committee		
80	A number of deficiencies in the internal controls related to accounting for accounts receivable were identified. The City should develop and implement policies and procedures to reconcile, support, and review period end accounts receivable balances. (Page M-21 & M-22)	No additional comments.	Mayor		
81	The City should develop and follow procedures to improve the creation and maintenance of employee files. All pertinent and required documentation (e.g. authorization to hire, pay rate documentation, IRS Form W-4, U.S. Citizenship and Immigration Services Form I-9, and others) should be centrally gathered and maintained. (Page M-24)	No additional comments.	Mayor		
82	The City should review procurement procedures to ensure compliance with all applicable policies, the proper segregation of duties, and the proper safeguard of requisition forms. (Page M-24)	No additional comments.	Mayor		
83	The Redevelopment Authority should develop necessary processes to obtain relevant information from the management companies. It must obtain data related to the purchase or sale of property and the borrowing or repayment of debt in a timely manner to accurately report assets and liabilities. (Page M-20)	No additional comments.	Mayor/Redevelopment Agency		

	Recommendation	Comment	Authority	Council Discussion Date	Status
84	The City must develop an improved cash reconciliation process, which is more automated, documented, and complete. The revised process must support accuracy, timely completion, and improved ease of review. (Page M 16)	No additional comments.	Mayor		
85	The City should develop and implement a timely and less cumbersome bank reconciliation process to clearly reconcile bank and the general ledger balances. The improved process should facilitate timely completion, ease of review, correction of errors, and enhance communication between the Comptroller's and Treasurer's staff. (Page M-16)	No additional comments.	Mayor		
86	City Departments should reconcile all accounts receivable and deferred revenue accounts to supporting information at period ends. Supervisors should review these reconciliations for completeness and accuracy. (Page M-23)	No additional comments.	Mayor		
87	The City Council and employees should develop realistic retirement plan parameters for future City hires. This includes positioning the City to attract and retain the talent needed to meet the citizens' expectations for services, not be viewed as providing excessive benefit levels, and creating a plan the City can afford. (Page M-25)	No additional comments.	City Council		

	Recommendation	Comment	Authority	Council Discussion Date	Status
88	The Risk Management department should have responsibility for tracking all claims and cases against the City. Formal procedures to monitor the adequacy of case reserves and general litigation estimates should be implemented. Such procedures should include an established communication process between the Risk Management department, the CFO, Auditor General, and the City Attorney. This communication should take place at least once each quarter, and is particularly important for accurate year end financial reporting purposes. (Page M-23)	No additional comments.	Mayor		
89	The City should improve monitoring of Workers' Compensation cases and ensure that payments are made in a timely manner to avoid penalties. (Page M-24)	No additional comments.	Mayor		
90	The City (CFO) should develop an adequate and effective training program for finance employees to ensure that they maintain competency and remain current in such areas as financial management, external and internal financial reporting and reliable public disclosure. (Pages 246, 247 & M-2)	This statement reflects a point that Kroll makes in setting up recommendation #95. This recommendation could be eliminated and consolidated with recommendation #95.	Mayor		
91	MWWD employees should receive special training directed at ensuring the City complies with all contractual requirements, laws and regulations and reporting any noncompliance to the appropriate individuals or entities. (Pages 247 & M-2)	No additional comments.	Mayor		

	Recommendation	Comment	Authority	Council Discussion Date	Status
92	Tailored training for all individuals who are currently employed by the City who were members of the Metropolitan Wastewater Department at any time from 1995 to 2004, the period of the City's noncompliance with its SWRCB grant and loan covenants and its violation of the Federal Clean Water Act should also be developed. The Metropolitan Wastewater Department employees should receive special training directed at (I) ensuring the City complies with all contractual requirements, laws and regulations, and (ii) reporting any noncompliance to the appropriate individuals or entities. (Pages M-2 to M-3)	Additional specificity from Kroll regarding training for MWWD employees. Kroll offers this detail in the same paragraph recommending training for MWWD employees. This recommendation could be eliminated and consolidated with recommendation #91.	Mayor		
93	The City should educate the employees responsible for recording sewer invoices on how to identify the appropriate supporting documentation for Municipal and Metropolitan allocations in order to reduce the likelihood of significant misclassifications. (Page M-22 & M-23)	No additional comments.	Mayor		
94	Training of City staff and elected officials regarding their disclosure obligations under federal and state securities should be conducted no less frequently than every two years. (Pages 262 & M-13)	No additional comments.	Mayor: Mayoral staff training IBA: City Council training		
95	The CFO, in consultation with two newly created entities – the Auditor General and the Audit Committee, should assume oversight authority for an effective annual training program for the financial reporting staff who report to them. (Page M-2)	No additional comments.	Mayor		

	Recommendation	Comment	Authority	Council Discussion Date	Status
96	Funding should be added to the budget to ensure adequate training of personnel to ensure that they remain current on financial reporting standards. (Pages 246 to 247)	Not a direct Kroll recommendation; however, Kroll cites a "lack of investment" for necessary staff training in the FY 07 budget and notes that the City must make an investment in training for those performing finance/accounting functions "to maintain the competency of its staff, which is essential for credible financial management, external and internal financial reporting, and reliable public disclosure." Kroll further indicates that 40 hours per year of continuing education is the norm for the accounting profession. This recommendation could be eliminated and consolidated with recommendation #95.	City Council		
97	The Audit Committee concurs with actions being taken by the Retirement Administrator to establish a financial reporting function within SDCERS. (Page M-9)	No additional comments.	SDCERS		
98	SDCERS should develop a comprehensive methodology to identify, track, and recover overpayments made to deceased pensioners. (Page M-25)	No additional comments.	SDCERS		
99	SDCERS should rebid the contract for the performance of its actuarial valuation every five years and that the actuary not be engaged for more than two five-year terms. (Pages 260 & M-12)	Kroll also recommends that SDCERS not rehire an actuary who has served the maximum term (two five-year terms) until a period of five years with no service to SDCERS has lapsed.	SDCERS		
100	SDCERS should require its investment consultants and fund managers to annually complete a Vendor Disclosure Form that calls for disclosure of all information regarding remuneration paid or received related to funds managed for SDCERS, as well as its business dealings with the SDCERS investment consultant. (Pages 258 & M-10)	No additional comments.	SDCERS		

	Recommendation	Comment	Authority	Council Discussion Date	Status
101	Investment consultants and managers should be advised that a failure or delay in filing the annual disclosure will result in a penalty, including termination of services. (Pages 258 & M-10)	No additional comments.	SDCERS		
102	The Retirement Administrator and CFO of SDCERS should annually include in the SDCERS' CAFR a signed management report on the financial statements and disclosures which include a statement of SDCERS' responsibility for establishing and maintaining an effective system of internal control over financial reporting and disclosures; a statement setting forth SDCERS' assessment of the effectiveness of the internal controls; a statement that based on their knowledge, the CAFR does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the CAFR not misleading; and a statement that the financial statement and other information included in the CAFR fairly present in all material respects the net assets and activities of SDCERS for the period presented. (Pages 257 & M-9)	Kroll additionally recommends that the signed management report within the SDCERS CAFR also include "a statement that the staff of SDCERS and its Board of Administration are responsible for the adoption of key assumptions used by the SDCERS actuary in the valuation of the system's assets and liabilities".	SDCERS		
103	The City should contribute to SDCERS annually the Annual Required Contribution, as calculated by SDCERS actuary, including an amount sufficient to amortize existing UAAL over a reasonable period of time that assures that current taxpayers are paying for the full cost of services rendered by employees of the City and not passed on to future generations. (Pages 259 & M-11)	No additional comments.	City Council		
104	For purpose of calculating annual funding requirements, the UAAL should reflect a prudent view of economic reality and include within it the costs of the Corbett settlement. (Pages 259 & M-11)	No additional comments.	SDCERS		

	Recommendation	Comment	Authority	Council Discussion Date	Status
105	The City should not be relieved of the obligation to make annual ARC payments because the system's funded ratio has grown to a level deemed more acceptable, such as the 82.3% MP-1 trigger. (Pages 259 & M-11)	No additional comments.	SDCERS/City Council		
106	The City should not use its contribution to pay for any benefits other than retirement benefits and the related costs of administering the Plan. Thus, no portion of the City's annual contribution to SDCERS should be credited against the City's obligation to pay retiree healthcare costs, or for any other of the so-called "Waterfall" payments, unless and until the City pays the required ARC. (Pages 259 & M-11)	No additional comments.	SDCERS/City Council		
107	The City and SDCERS should make a voluntary disclosure through a self-reporting process to the IRS of the amount of any improper diversion of funds used to pay retiree health care benefits and cooperate with the IRS to bring the City's retiree healthcare funding into full compliance. (Pages 259 & M-11)	No additional comments.	SDCERS/City Council		
107.1	Make early disclosure of such costs (retiree healthcare benefits) in its next issued financial statement. (Page M-11)	No additional comments.	SDCERS/City Council		
108	The costs should be reflected in the City's annual budget and five-year plan, and variances caused by changes in actuarial assumptions should be explained. (Page 260)	No additional comments.	Mayor		

	Recommendation	Comment	Authority	Council Discussion Date	Status
109	The City, in response to the Report of the Pension Reform Committee, amended the Charter to require net actuarial losses be amortized over a period not longer than 15 years, net actuarial gains over a period not shorter than five years, and that SDCERS use an amortization period no greater than a fixed, straight-line five years for each new benefit improvement. It is recommended that the City use the same period for amortization of both gains and losses. (Pages 261 & M-12)	No additional comments.	SDCERS		
110	The plan's actuary should be engaged to develop a responsible funding program that considers expected cash distributions and the obligations to new and existing plan members. (Page M-25)	No additional comments.	SDCERS		
111	The Pension Reform Committee assessed the pension plans under funded status and offered recommendations related to reducing or eliminating the City's UAAL and reducing the ongoing annual costs related to the plan and contingent benefits. The City should re-evaluate the Committee's recommendations and, beyond those previously addressed in our Report, consider enacting those that are appropriate that do not conflict with our Remediation Plan. (Page M-18, M-19 & M-20)	No additional comments.	Mayor/City Council		
112	To address Board authority and pursue administrative excellence, the controlling documents should be reviewed and, if necessary, modified to ensure that the Board has the necessary tools available to effectively and efficiently carry out its fiduciary duties. (Page M-25)	Recommendations 112 and 113 relate to SDCERS Board authority as delineated in the appropriate controlling documents and could be consolidated into a single recommendation.	SDCERS		

	Recommendation	Comment	Authority	Council Discussion Date	Status
113	The controlling legal documents must make the Board's authority clear related to investment policy, actuarial assumptions, system budget and policies, retention of outside professionals, and administrative rules. (Page M-25)	See comment for #112 above	SDCERS		
114	The chief accounting officer of SDCERS should have adequate prior experience with investment operations and financial reporting and disclosures. (Pages 258 & M-10)	No additional comments.	SDCERS		
115	The Board of Administration of SDCERS should consist of nine members, including five members (with qualifications otherwise specified in the Charter) who shall be appointed by the Mayor and confirmed by the City Council. (Pages 256 & M-8)	Recommendations 115 through 118 relate to SDCERS Board appointees and could be consolidated into a single recommendation.	City Council		
116	Two of the four remaining positions shall be elected from police safety members, fire safety members, or general members of the retirement system, in accordance with Charter Section 114(d). (Pages 256 & M-8)	See comment for #115 above	City Council		
117	The last two remaining positions shall be retired members, of the retirement system and selected in accordance with Charter Section 114(e). (Pages 256 & M-8)	See comment for #115 above	City Council		
118	Prior to any appointment, each potential appointee be required to complete a written application listing qualifications for the position and any factors that may impact on that decision, and that the applicants be required to affirm the accuracy of the application and a background check of the applicants should be done by the appropriate City department. (Pages 256 & M-9)	The Kroll report further specifies that "The applications should also be shared with the Business and Governance Committee of the SDCERS Board." (Pages 256 & M-9) Recommendations 115 through 118 relate to SDCERS Board appointees and could be consolidated into a single recommendation.	Mayor		

	Recommendation	Comment	Authority	Council Discussion Date	Status
118.1	SDCERS board applications should be shared with the Business and Governance Committee of the SDCERS board. (Page M-9)	No additional comments.	Mayor		
119	SDCERS should have standing committees to address board governance, compensation and evaluation of the Retirement Administrator, investments, and an audit and compliance committee. (Pages 256 & M-9)	Recommendations 119 and 120 relate to SDCERS Board committees and could be consolidated into a single recommendation.	SDCERS		
120	SDCERS should adopt a formal charter for each committee which should be updated no less frequent than every three years. Pages 257 & M-9)	The Kroll report further specifies that "the charters should ensure the committees perform a board and committee evaluation process on an annual basis." and "The annual SDCERS CAFR should include a report from each of these committees on significant activities during the year." (Pages 257 & M-9) Recommendations 119 and 120 relate to SDCERS Board committees and could be consolidated into a single recommendation.	SDCERS		
120.1	The annual SDCERS CAFR should include a report from each of its standing committees on significant activities during the year. (Page M-9)	No additional comments.	SDCERS		
121	SDCERS must be free to retain its own independent legal counsel. (Pages 260 & M-12)	No additional comments.	SDCERS/City Attorney		