

ATTACHMENT (KROLL REPORT – pages M-13-14)

23. CITY COUNCIL 14-DAY DISCLOSURE REVIEW PERIOD

The City Council is, after all, the governing body that authorizes the City to borrow from the public. It exercises oversight of an enterprise that investors look to for repayment. Like the board of directors of any large public company, the Council has authority over the management of a large work force, and can (and should) hold department and agency heads to account for failing to deliver services. This duty to perform an oversight role is not optional, nor does it vary depending upon familiarity with the subject matter, or a member's expertise or comfort level. Nor can the duty be avoided by delegation. In accounting and financial reporting matters, the City Council's oversight role requires thoughtful engagement and careful deliberation.

The City Council's oversight function cannot be performed if sufficient time is not allowed to review financing disclosure documents, which can be lengthy and complex. The City Council, which authorize these issuances, is comprised of persons lacking in relevant expertise, who therefore rely heavily on the City staff. Our investigation has shown that the

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City Council's review of disclosure documents, even under the watchful eye of members of the City Attorney's Office, has at times been rushed and perfunctory.

The Audit Committee therefore recommends that the City Council 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. We understand the City may at earlier stages in the process be required to review a draft in good form, to solicit input and comments, which should be encouraged. The City Council members should also establish a reasonable period of time for the review of a final document, with marked changes from earlier drafts. Moreover, because the City 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.

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