



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Process for Appointing a 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 17, 2012, the City Council appointed Councilmember Faulconer (chair) and Councilmember Sherman to serve on the Audit Committee for calendar year 2013. The three public members of the Audit Committee are Steve Grant, Tom Hebrank and Karley Schreiner. Mr. Hebrank was appointed to a four-year term beginning in January 2011. Ms Schreiner's appointment was for a four-year term beginning in January 2012.

Mr. Grant's four-year term expired January 5, 2013 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 four 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 2012. 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 is comprised of the following representatives:

- Kevin Faulconer (Audit Committee Chair, City Councilmember for District 2)
- Andrea Tevlin (City's Independent Budget Analyst)
- Greg Bych (City's Interim 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 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 July 19, 2013, the Screening Committee held a public meeting to review candidate qualifications. Four of the five Screening Committee members attended the July 19th meeting. They determined the following four candidates are qualified and unanimously recommended the City Council consider them for appointment to the open public member position on the Audit Committee.

- **Chris Goodman**
- **Andy Hollingworth**
- **Ricardo Valdivia**
- **Greg Zinser**

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 (certain personal information has been redacted 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. If the number of nominees is greater than the number of vacancies (**as is the case with this appointment**), Council Policy 000-13 specifies an election to fill the vacancies shall be held as follows:

- a. Vacancies will be filled one at a time. The election shall be conducted by written ballot at a scheduled meeting of the City Council. The City Clerk will provide a ballot to each Councilmember, who shall vote for the candidate he or she feels to be most qualified and then return the ballot to the City Clerk. Each Councilmember will have one vote in a round of balloting. The City Clerk shall announce the votes for each candidate at the end of the round of balloting.
- b. If a single appointment is to be made (**as is the case with this appointment**), and more than one qualified candidate has been nominated for the position, the Council shall vote until one candidate receives at least five Councilmember votes. If no one receives at least five Councilmember votes in the first round of balloting, the nominee with the lowest number of votes shall be dropped from the next round of balloting, unless the lowest vote-getters are in a tie situation. This procedure includes nominees who have received zero votes. New ballots will be distributed and a new round of voting will be taken. Voting will continue in this manner until a candidate receives at least five Councilmember votes and is appointed, or the Council President declares an impasse (see “d” below).
- c. If multiple appointments are to be made and more qualified candidates have been nominated than the number of available positions (**not the case with this appointment**), the Council shall consider each position separately, as set forth above, using the procedure in subsection “b”. After the first appointment is made, all of the remaining nominees, including those who may have been dropped as the lowest vote-getters in the rounds of voting for a previous position, will be considered in the first ballot for the next appointment. Voting will then continue as set forth in subsection “b” above. This procedure will be used until all of the positions have been filled, or until the Council President declares an impasse (see “d” below).
- d. The Council President will have the discretion to determine when an impasse should be declared, and may declare one, after multiple rounds of voting have occurred and no candidate has received at least five Councilmember votes.


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 2012. In accordance with the City Charter, an experienced Screening Committee has reviewed applications and recommended four qualified candidates for Council consideration. At the City Council meeting on July 29, 2013, 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 July 29th, the new member will be able to participate in the next scheduled Audit Committee meeting on September 9, 2013. Given the current public member opening, the IBA recommends the City Council appoint one of the four qualified candidates at the Council meeting on July 29th. If so, the IBA will work with the Audit Committee Consultant and the Office of the City Attorney to brief and orient the new appointee prior to the September 9th Audit Committee meeting.



Jeff Kavar
Deputy Director



APPROVED: Andrea Tevlin
Independent Budget Analyst

- Attachments:
1. Candidate Application - Chris Goodman
 2. Candidate Application - Andy Hollingworth
 3. Candidate Application - Ricardo Valdivia
 4. Candidate Application - Greg Zinser