August 31, 2009

Management Report to the Audit Committee of the City of San Diego

Internal Controls Over Financial Reporting
ICOFR Remediation Schedule

Introduction to Internal Controls at the City of San Diego

The City of San Diego, with approximately 10,000 employees is a large municipal government that handles approximately $2-3 billion dollars a year in financial transactions. Until now, internal controls consisted mainly of manual controls in terms of organizational separation of duties and written policies and procedures. Among the many software systems that were utilized for initiating specialty type transactions, each significant software package contained an access security protocol which allowed limited transaction access based on need. While functional, and not unlike the internal control systems of most companies, the maintenance and IT support for this system has grown complex. This complexity inevitably has lead to gaps in our internal control structure, some recognized and some not.

Internal controls are designed to prevent mistakes or actions before they can happen. And they are designed to detect mistakes or unauthorized actions after the fact. Regardless of how robust an internal control system is designed, implemented and monitored, it still will never give us absolute assurance that all errors are identified or all avenues of fraud are eliminated. Internal control environments operate best with well trained employees who act with ethics and integrity.

The decision of our City leaders to dedicate the resources to purchase and implement a comprehensive ERP financial system (SAP) has, and will continue to have an enormous impact on our ability to implement and maintain an extremely robust financial internal controls system. Over the course of FY2010 the key modules of the SAP system will go live. From a financial perspective the key modules are:

- Financials (GL, AP, Purchasing, Work Orders) went live on 7/1/09
- Payroll & Benefits (HCM - Payroll, Benefits, Organization Charts) scheduled go live of 1/1/10
- Account Receivables (FICA - Billing, Cash Collections & Management) scheduled implementation Jan – Mar 2010

As part of the financial system, the City purchased and implemented an SAP internal controls module called GRC (Governance, Risk and Compliance). The GRC module is the same software that public Fortune 500 companies are using to comply with the rigorous requirements of the Sarbanes Oxley Act. To be clear, the City of San Diego as a municipal government is not an entity governed by the Sarbanes Oxley Act. But the implementation of an internal control environment patterned after Sarbanes Oxley requirements is the goal of City management. The new GRC module, up and running since July 1st, will make the design, monitoring and testing of internal controls more automated and manageable. This software tool, combined with written process procedures and flows, will form the core of our internal control environment for the next number of years.

Coordination with Advisors McGladrey & Pullen LLP

Stanley Keller of Edwards, Angell, Palmer & Dodge LLP, the City's Independent Consultant, has hired McGladrey & Pullen, LLP, a Public Accounting Firm, as the technical monitor for the internal controls remediation portion of the Kroll report. Within the Kroll report, management's establishment of an internal controls environment is called ICOFR (Internal Controls Over Financial Reporting). We are currently working with McGladrey & Pullen, LLP to establish a realistic schedule for completing the ICOFR effort and for testing and assessing the ICOFR remediation, as contemplated by the Kroll Report.

Management has met with the principals of McGladrey & Pullen LLP to discuss management's approach to the development, implementation, monitoring and testing of the internal control system. McGladrey and management are in agreement on the approach. We are patterning our process narratives and control matrixes after preferred samples that were supplied to us by McGladrey.

On a monthly basis from this point on, we will be in contact with McGladrey to ensure that they are informed of our progress and in continued agreement with our approach. They are a valuable resource as they have on-going experience with internal control implementations with their public company clients. They have supplied us with their action item check list of critical components they will be looking for as evidence of our progress in establishing our internal control environment.

Top Down Approach to Critical Internal Controls Affecting Financial Reporting

Because the focus of the Kroll report was on financial disclosure as it related to the City's Annual CAFR (Comprehensive Annual Financial Report), the focus of the internal control environment is first directed to material items in the CAFR. When beginning an internal control project, the first place to look is at the financial report and understand which items are the most material. That is, if there is a misstatement in a material item, it could affect the validity of the entire financial statements. This is known as a Top Down approach for identifying controls and processes that are critical to the business. And as part of the Kroll remediation, the emphasis is on Internal Controls Over Financial Reporting (ICOFR).

Management has taken the Top Down approach to identify the process controls that need to be in place in order to capture the material items within our financial statements. While this might seem like a straight forward exercise, in reality it is rigorous because there are tens of thousands of transactions underlying the final annual numbers on our financial statements. Many material items are made up of a large volume of small immaterial transactions. But when looked at as a whole, those transactions become material to our financial reporting.

Taking a Top Down approach as our initial internal control task will clear the remediation requirements of the Kroll report. But work does not stop there. The goal is to develop a comprehensive web of internal controls that adequately address the needs of our organization(s). In fact the job really never ends; it is always in a perpetual improvement

mode as audit discoveries are made and as our business changes from year to year. Our internal control system needs to adapt along with our business.

Impact and Benefit of the OneSD Project on Internal Controls

The OneSD project is the implementation of Enterprise Resource Planning (ERP) software called SAP. SAP is one of the most integrated financial software package in the world. The City of San Diego with over 20 different software packages relating to financial management will see a great consolidation of information in SAP. When all of the critical financial modules are implemented across all of the major entities of the City, most of the financial information for the City will be transacted within SAP.

Because SAP is replacing our legacy financial systems, implementation of a robust internal control environment has been delayed. This delay was intended because it did not make economical sense to begin documenting a control system for legacy software systems that were in the process of being replaced. Instead, the time was spent learning the new GRC internal control system that was part of the initial SAP go-live implementation on July 1, 2009.

The benefits of the GRC system will be substantial on a go forward basis. It leverages the integrated nature of the SAP system and provides great internal control coverage for user access to transactions and transaction process checking. While many of the routines are pre-packaged with the software, there is a great flexibility within GRC to design our own access and process controls which specifically meet the needs of our business and user base. The power and complexity of the GRC module while essential, also has its drawbacks in the fact that it requires highly dedicated and trained employees to setup and operate it effectively. The City is fortunate to currently have one highly trained employee who has been responsible for the GRC implementation.

GRC Elements in SAP

The best way to understand internal controls and the way that the GRC system addresses a control environment is to know that there are two main areas to wrap controls around. First is the Prevent area. This is where we try to prevent an action from taking place right up front. Prevent controls are mostly focused on access to the system. A user is not allowed access to every step of a transaction and only to transactions that fall within that user's job description. Most of the time this is known as "Separation of Duties" or SOD. SOD is a primary objective in internal control system design and must be constantly monitored so that employees are not given unlimited and unchecked access into our financial system. This task becomes more complex with the greater number of users.

The second main area of controls is process controls. This is the Detect area. If we were not able to stop a problem before a transaction was initiated, a process control attempts to identify a problem after the fact. In many cases we are able to automate process controls so that the GRC software immediately alerts us to a potential problem. Process controls are also manually driven which require managers of a particular area to review variance

results relating to transactions in their area. Fortunately GRC allows us to remind managers of those controls and catalog their due diligence responses.

Within both GRC components of Access controls and Process controls, there is automatic and manual testing that is constantly going-on. Testing is built into the monitoring system within GRC. As the administrator for the GRC software, we are also able to schedule systematic testing of controls individually or as a group according to our needs. All error results are followed up on by the Internal Controls group personnel. The Internal Controls group acts independently when following up on an internal controls error item regardless of our organization hierarchy and documents the results of each action item.

Access Controls & Testing

The SAP system has role based security. Each role assigned to a user allows the user to conduct one or more transaction codes (T-Codes) within SAP. All financial transactions are associated with a T-Code. GRC access control is tied one-to-one with security access for all of SAP. Security access is granted on an individual employee level and is initiated by the employees' manager. IT security officers officially grant system security only after the roles are reviewed by the Internal Controls group.

As part of the initial security access review by Internal Controls, each aspect of system requested access is reviewed to ensure that adequate segregation of duties is established. This is the case with most requests. However, there are certain users that need expanded access either on a regular basis or temporarily. In this event, the GRC access control module allows us to design mitigating controls and attach those to the user's access. So far in our implementation we have designed 27 mitigating controls related to user access.

Once set up, a user's access is automatically tested. If for some reason the GRC system recognizes a known control error, the Internal Controls group is immediately notified and they must resolve the conflict. Their choices are to 1) Mitigate the Risk; 2) Remove Access from the User; or 3) Delimit Access for the User. In all events, the solution is permanently documented within the GRC system.

Process Controls & Testing

Process controls are in effect after a transaction has occurred. If there is a problem with a transaction within SAP that is T-Code related, the Internal Controls group is automatically notified of the issue through the GRC module. Again, a solution protocol is followed and permanently documented. Since going live with SAP on July 1st, the Internal Controls group as established 181 process controls that are a combination of automatic and manual.

The GRC system enables all controls that are designed to be placed into a controls library. This allows the Internal Controls group to reuse one or multiple control parameters when establishing a control discipline for a particular process. We don't know at this point how many process controls with GRC we will need to write. That work will be determined by examining the necessary controls required for each critical process flow. Within each process flow there are usually several process controls assigned.

Testing for process controls is on-going. At this time, the automatic controls are tested on a daily or weekly basis and any errors are logged and resolved by the Internal Controls group. Manual tests are tested on a schedule according to the needs of the business. Manual tests are designed and pushed out to the manager/owner of a particular process. That process owner has a certain time frame in which to complete the test and respond electronically back to the Internal Controls group. All responses are permanent records within the GRC module. The Internal Controls group evaluates each manual test to determine if there are continued weaknesses within the transaction process. If there are, the transaction process is re-examined and remediated.

Process Flow Diagrams

As part of the implementation process of the SAP Financial System, OneSD personnel put together complete and detailed Process Flow Diagrams. These are also known internally as Swim Lane diagrams. It was critical for a smooth SAP implementation that our City process flows were well understood by the SAP programmers who were charged with correctly setting up the underlying SAP operating tables.

The work on the process flow diagrams now serve a second purpose for us in the Internal Controls group. These process flow diagrams are a definitive basis for how SAP is configured. There are currently 81 process flow diagrams that will be used as roadmaps and attachments in our efforts to write the necessary Process Narratives.

Process Narratives

The largest challenge that faces our internal control efforts right now is the documenting of our Process Narratives. This work could not have begun until now because we have in most cases changed the way we process transactions within the City to mirror the best practices of SAP. A Process Narrative is the same as a Process Procedure. Essentially it is a step-by-step instruction set for how to complete a particular transaction. The only difference is we also include the internal control guidance right within the process narrative. This makes the document useful to both the end user and to our Internal Controls group and Auditors.

It is clear that there needs to be a robust set of process narratives written and available for all city employees to view. The plan is to write the process narratives in a standard format and post completed and approved process narratives on the Citynet internal website. This project will have the greatest return for the City of San Diego employees. It will be a repository of how we transactionally conduct our business. From an internal controls standpoint, the process narratives, combined with the process flow diagrams, will be a road map for the continual design of our internal control environment. That design will be incorporated within the GRC module which will aid us greatly with rule setting, monitoring and testing.

Each process narrative will have an individual owner. This is usually the department manager who is primarily responsible for the particular process transaction. The writing

of the process narratives will be a joint effort between the process owners, selected key employees and the Internal Controls group. This will be a considerable commitment of effort from our organization. Most Sarbanes Oxley type documentation projects take about 2 years to complete with between 150 to 225 process narratives being written. This of course is dependent upon good cooperation within the organization, adequate human capital resources and good project management. The bulk of the internal controls work (and upside to the organization) is in putting together accurate process narratives.

Testing and On-going Assessment

Internal controls testing will be a combination of automated control testing and manual testing through process owner surveys and other techniques available to us through the GRC module. As part of this on-going testing, we will be required to mitigate each item identified as a control error. This mitigation effort will be a formidable task on a daily basis as we solve problems and provide new internal control solutions.

The extent of testing by management will limit itself to the GRC module capabilities. Management will rely on the Internal Audit Group to continue to perform more extensive sample testing on selected areas. Management will then follow-up on any findings and incorporate those solutions into the GRC module. It is important to note that management will not replicate the role of our Internal Audit Group in any way.

Internal Controls group Staffing

The Internal Controls group is budgeted for four employees in fiscal year 2010. We currently have two employees on board. Labor reclassification issues have delayed our ability to hire the remaining employees, but those issues have now been resolved and we are currently recruiting. We are confident that we will have a full staff of four employees in the Internal Controls group in place by October 30, 2009.

Because of the importance of internal controls to the City of San Diego, the department is currently being managed directly by the City Comptroller. Once we are fully staffed and functional and proceeding along our implementation plan, the department will be managed by a Deputy Director within the Department of the City Comptroller.

On-going staffing support for the Internal Controls group will be determined as we progress in establishing the City's internal control environment. There is much work to be done upfront in putting the necessary pieces in place. A lot of that work is one-time project work. On-going workload capacity will depend upon the regular load of error item follow-up and new internal control work that will be discovered though investigative audits, hotline discoveries and other identified internal control weaknesses. As the user access base expands from approximately 2,200 today, to over 10,000 in January, there will also be an impact on staff hours devoted to access related issues.

Internal Audit Monitoring and Compliance

With the establishment of an Internal Controls group, management will now centralize the coordination of responding to Internal Audit reports, Hotline investigations and all other investigations that require a management response and action. It is important that we institutionalize the solutions to discovered internal control weaknesses which are brought to our attention though these investigative audits.

The Internal Controls group will log and manage the process of responding to recommendations found in investigative audits in a timely manner. Up to this point the process has been for the individual department heads only to respond to questions within their area. Today, with a highly integrated SAP financial system, we can leverage identified internal control weakness solutions to the entire organization. Process solutions can be pushed out to all departments conducting similar transactions and rules will be put in place within the GRC module to ensure that we either prevent or detect any subsequent similar situations.

Management will work in concert with Internal Audit to ensure that their audit findings are remediated and addressed across the entire financial system of the City and not just the department or process that was the topic of the internal audit. In essence, Internal Audit provides the Internal Controls group with a roadmap of indentified internal control weaknesses. Our role is to learn from these investigations and tighten up our internal controls as discoveries are made.

Project Accomplishments to Date

The Internal Controls group hired its first full time employee to work on the GRC implementation in January 2009. The second group member was added in July, 2009. Since inception there has been regular progress made on the design and implementation of the City's internal control environment. Listed below is a status of completed work.

Work Item Description	Units Completed	Estimated Units Remaining
Implement and set-up GRC in SAP	Done	-
Attend GRC Administrator Training	Done	-
Mitigate User SOD Access in GRC	2,200	8,000
Write Mitigating Access Controls	27	100
Research & Write Manual & Automatic Process Controls	181	300
Research & Review Process Flow Diagrams	81	120
Research & Write Manual & Automatic Entity Level Controls	38	90
Research & Write Process Narratives	0	150

Audit Committee Reporting and Completion Timeline

The Internal Controls group will immediately begin reporting to the Audit Committee the progress of the work completed and a projection of the work plan. The Audit Committee will determine the interval of these reports and the posting method. Our belief is that regular progress reports keep management and staff accountable to the task and keep key policy makers informed of the projects' progress towards completion.

It is difficult to estimate with any certainty how long it will take to establish the base amount of internal control coverage within the City that would satisfy the ICOFR requirements. Management feels that the best way to look at a completion timeline is to try to estimate the overall effort in terms of work hours per identified major category. What is presented below is our opening estimate of the time requirements for each category of work. These estimates will be refined as we establish a track record for the number of hours it takes to complete these items.

Category	Hours per Unit	Beginning Balance	Estimated Items Remaining	Estimated Work Hours Remaining
Monitor User Access in GRC	0.1	2,200	8,000	**800**
Write Mitigating Access Controls	3.0	27	100	**300**
Research & Write Manual & Automatic Process Controls	5.0	181	300	**1,500**
Research & Review Process Flow Diagrams	4.0	81	120	**480**
Research & Write Process Narratives	23.0	0	150	**3,450**
Manage Audit Responses and Follow-up	16.0	9	36	**576**
			Estimated Total Work Hours	***7,106***

Presented below is our estimate for the number of project work hours available as of September 1, 2009 in each of the year's FY10 and FY11.

Employee	Hours Available in FY10	Vacation Furlough & Holiday Time	Meeting Time & Other	Available Project Hours
Internal Controls Manager (hire date 10-30-09)	1,387	(176)	(242)	**969**
Internal Controls Staff Supervisor	1,733	(220)	(303)	**1,211**
Internal Controls Staff	1,733	(263)	(294)	**1,176**
Internal Controls Staff (hire date 10-30-09)	1,387	(211)	(235)	**941**
			Estimated FY10 Project Hours Available	***4,296***

Employee	Hours Available in FY11	Vacation Furlough & Holiday Time	Meeting Time & Other	Available Project Hours
Internal Controls Manager	2,080	(264)	(363)	**1,453**
Internal Controls Supervisor	2,080	(264)	(363)	**1,453**
Internal Controls Staff	2,080	(316)	(353)	**1,411**
Internal Controls Staff	2,080	(316)	(353)	**1,411**
			Estimated FY11 Project Hours Available	***5,728***

The charts show us a comparison of the Estimated Total Work Hours for this project of 7,106 to the Estimated Employee Project Hours available for both FY10 at 4,296 and FY11 at 5,728. At these staffing levels we would estimate the project completion to take approximately 16 months which would be December 2010.

Given the complexity of the project and prior experience of management on these types of projects, we believe this estimate to be a good gauge of the work effort. This work effort is aimed at completing the ICOFR issues. Beyond that, the work in maintaining and strengthening our internal controls environment will continue indefinitely.

Appendix A – Listing of Process Narratives to be completed

This is a listing of the Process Narratives that will need to be completed. We anticipate that this list will grow to be somewhere between 150 to 250 items. The rows marked with a priority will be the first process narratives that we write. Completed process narratives will be posted on the internal Citynet website and progress will be reported to management, the Audit Committee and outside monitors on a regular basis.

Listing of Process Narratives to be Completed
As of August 31, 2009

Note: List is dynamic and subject to revision to meet business needs

Item #	Priority	Area	Process Narrative Description
1	o	Admin	How to prepare a process narrative
2	o	Admin	How to prepare a process flow diagram
3		Admin	Prepare Administrative Unit Confirmation Letters (RDA)
4		Admin	Prepare Attorney Contingency Letters (RDA)
5		Admin	Review of 5 year low/mod land purchase limit to ensure compliance (RDA)
6		Admin	How to prepare a comptroller certificate
7		Admin	How to process a 1472 Request for Council Action
8		Admin	How to process a 1544 request for Mayoral Action
9	o	AP	Process goods receipt against PR
10	o	AP	Process non-PO invoice
11		AP	Process Pcard payments
12		AP	Process petty cash
13	o	AP	Process wires (expense/liability)
14	o	AP	Process credit memos
15		AP	Void checks
16		AP	Process stale dated checks
17		AP	Escheatment process
18		AP	Process construction retention payments
19	o	AP	Prepare manual AP check
20	o	AP	Procedures for creating and managing direct payments
21		AP	Accrual policy (Revenue and Expenditure)
22		AP	Procedure for allocating Equipment Procurement Card Expenditures
23	o	AP	How to prepare a wire transfer (debt service payment)
24		AP	How to calculate retention payable
25	o	AP	How to process an invoice
26		AR	How to review/reconcile receivables (grants, accounts, special assessments)
27	o	AR	How to calculate delinquent accounts (bad debt expense)
28		AR	Reconcile Notes Receivable for RDA
29		Audit	Single Audit Procedures
30		Audit	Procedures/policies addressing Exhibit E Audits
31		Budget	Developing and reporting Revenue and Expenditure Projections
32	o	Budget	Preparing annual budget
33		Budget	Preparing period-to-date (monthly) budgets
34		Budget	Budget Changes and Updates
35		Budget	Encumbrance Policy

36		Budget	Cost Allocation Plan
37		Capital	How to prepare the Maintenance of Effort for Transnet and Gas Tax
38	o	Capital	Procedures for CIP/WIP administration and reporting
39		Capital	Lease (Capital/Operating) Policy
40		Capital	How to add/transfer/retire a capital asset
41	o	Capital	How to capitalize a fixed asset from WBS
42		Capital	How to perform the 80% substantially complete test to determine if a project is capitalizable
43		Capital	How to run a schedule of all capital lease assets
44	o	Capital	How to record and track donated capital assets
45		Capital	How to report on land held for resale
46	o	Capital	Depreciation calculation
47	o	Capital	Capitalization Policy
48		Cash	Process deposits
49		Cash	Process NSF checks
50		Cash	Working capital advances
51		Cash	How to reconcile bank/trustee statements
52	o	Cash	How to prepare a cash reconciliation for funds
53		Cash	How to calculate GASB 31 (fair value) adjustment for non-pooled cash funds
54		Debt	TRANs preparation and issuance
55	o	Debt	Debt Policy
56		Debt	How to prepare bond cost of issuance amortization schedules
57		Debt	How to review arbitrage calculations
58		Debt	How to calculate accrued interest expense for bond funds
59		Debt	How to reconcile reserve fund balances in debt funds to ensure bond compliance
60	o	Debt	How to update all long term liabilities schedules (bonds, loans, notes, etc)
61		Debt	How to calculate unspent bond proceeds
62	o	GL	Interfund transfers
63	o	GL	Procedures for journal entries
64		GL	Procedures for monthly/year end fund closing
65		GL	Procedures for Developer Reimbursement Reconciliations
66	o	GL	Procedures for interdepartmental billings (fuel billings, etc.)
67		GL	Procedures for accounting for landfill closure costs
68		GL	Procedures for subdivision accounting
69	o	GL	How to establish/modify/delete an internal order
70	o	GL	How to establish/modify/delete a cost center
71	o	GL	How to establish/modify/delete a fund
72	o	GL	How to establish/modify/delete a General Ledger Account
73	o	GL	How to establish/modify/delete a WBS element
74		GL	How to prepare a post close journal entry
75		GL	How to reconcile transfers, working capital advances and due to/from(s) across the City
76	o	GL	How to book / reverse year end accruals - expenditures
77	o	GL	How to book / reverse year end accruals - revenues
78		GL	How to record / reverse a prepaid expense
79		GL	How to calculate capitalized interest in Business-type funds
80		GL	How to prepare and review the year end capitalization memos
81		GL	How to perform the GIS reconciliation for water and sewer assets
82		GL	How to calculate the various Net asset categories: Invested in Capital Assets, net of related debt; Restricted net Assets;Unrestricted.

83	o	GL	How to reconcile fund level financials to the government wide (both net assets and statement of activities)
84		GL	How to prepare the internal service fund allocation per GASB 34
85		GL	How to record risk management liability claims (Public Liability, Workers Compensation, LTD)
86		GL	How to record contingencies per the FAS 5 letter (both accruals and disclosures)
87		GL	How to calculate major funds for GASB 34
88	o	GL	Review inactive funds for possible close-outs
89		GL	How to close fund out at month end and year end
90	o	Grant	Procedures for grant administration and reporting
91		Grant	Review all grants for final billings
92		Inventory	Stores Inventory Policy
93		Payroll	Process travel advance/reimbursement
94		Payroll	Process tuition reimbursement
95		Payroll	Process mileage/parking reimbursements
96		Payroll	OPEB advances and write down
97		Payroll	Enter/approve time (labor)
98		Payroll	Process tax withholding (W4/DE4)
99		Payroll	1099 reporting
100		Payroll	W-2 reporting
101		Payroll	Prepare manual Payroll check
102		Payroll	Calculate furlough
103		Payroll	Retirement reporting/fund transfers
104		Payroll	Uniform allowances
105		Payroll	Bid to Goal and Pay for Performance payments
106		Payroll	Exceptional performance pay
107		Payroll	Pension advances and write down
108		Payroll	How to calculate and allocate compensated absences
109	o	Payroll	How to calculate and allocate NPO
110	o	Payroll	How to calculate and allocate NPO for OPEB
111	o	Purchasing	Initiate/Approve purchase requisition
112	o	Purchasing	Creating and managing purchase orders
113		Reporting	Preparing Financial Performance Report
114		Reporting	Preparing State Controller's Report
115		Reporting	Preparing Performance Measures Report
116		Reporting	Preparing, and reporting on, Service Level Agreements
117	o	Reporting	Financial statement preparation (CAFR/stand-alones)
118		Reporting	Policy for Intra-agency reporting
119		Reporting	Procedures for preparing Statement of Indebtedness (RDA)
120		Reporting	Procedures for preparing Housing Commission Department Report (RDA)
121		Reporting	Procedures for preparing AB1389 - Tax Sharing Report (RDA)
122		Reporting	How to run a depreciation expense report
123	o	Reporting	How to prepare Fund Level Financial Statements (Revenue & Expense, Balance Sheet, Budgetary Statements, Statement of Cash flows and Changes in Assets and Liabilities)
124		Reporting	How to prepare the government-wide financial statements
125	o	Reporting	How to prepare the statistical section of the CAFR
126		Reporting	How to calculate report on GASB 49 "Pollution remediation Obligations"
127		Reporting	How to calculate capital assets schedules for the CAFR
128		Reporting	How to calculate the cash and investment schedules for the CAFR
129		Reporting	How to report on component units both blended and discretely presented

130	o	Reporting	How to disclose new accounting standards implemented within the Fiscal Year
131		Reporting	How to disclose short term notes payable within the CAFR
132		Reporting	How to calculate future lease minimum payments where City is lessor
133	o	Reporting	How to review and disclose pension information from the annual actuary report
134		Reporting	How to review and disclose OPEB (retiree healthcare) information from the annual actuary report
135		Reporting	How to report and disclose third party debt in the CAFR
136		Reporting	How to report and disclose landfill closure and post closure care costs
137	o	Reporting	How to disclose subsequent events in the year end CAFR
138		Reporting	How to prepare the required supplementary information related to Pension and OPEB
139		Reporting	How to prepare the MD&A for the CAFR
140	o	Reporting	Update all notes to the CAFR (currently at 22 individual notes)
141		Reporting	Prepare variance analytics for variances on revenue or expense lines > 10%
142		Reporting	How to prepare the AB1600 report
143		Reporting	How to prepare the Street Report
144		Reporting	How to prepare and review the Tidelands Report
145	o	Revenue	Donation Policy
146		Revenue	How to determine deferred or unearned revenue in a governmental fund
147		Revenue	How to calculate lease revenues and disclose when City is lessee
148	o	Tax	Sales/Use tax administration

Appendix B – Project Timeline Estimate

This is an estimated chart by quarter ending date of the number of items within each category that will be completed. The top chart is the projected number completed per quarter and the lower chart is the projected cumulative number of items completed beginning on September 1, 2009. The timeline is calculated using the workload assumptions on August 31, 2009. This is subject to revision as better workload estimates are provided to the Audit Committee on a monthly basis. However, management feels at this time that this is a good representation of what our expected progress should look like.

Timeline for Completion of ICOFR Internal Controls Project

Estimate based on August 31, 2009 workload table

	Workload	Projection of Completed Items by Quarter					
	to Complete	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Monitor User Access in GRC	8,000	269	1,345	1,611	1,611	1,611	1,611
Write Mitigating Access Controls	100	3	17	20	20	20	20
Research & Write Manual & Automatic Process Controls	300	10	50	60	60	60	60
Research & Review Process Flow Diagrams	120	4	20	24	24	24	24
Research & Write Process Narratives	150	5	25	30	30	30	30
Manage Audit Responses and Follow-up	36	1	6	7	7	7	7

	Workload	Projection of Completed Items by Quarter - Cumulative					
	to Complete	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Monitor User Access in GRC	8,000	269	1,614	3,225	4,836	6,448	8,059
Write Mitigating Access Controls	100	3	20	40	60	81	101
Research & Write Manual & Automatic Process Controls	300	10	61	121	181	242	302
Research & Review Process Flow Diagrams	120	4	24	48	73	97	121
Research & Write Process Narratives	150	5	30	60	91	121	151
Manage Audit Responses and Follow-up	36	1	7	15	22	29	36