

## IBA Matrix of Kroll Recommendations for City Council Monitoring Purposes

Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. Date	Status
1	Appoint a Monitor to oversee the implementation of and compliance with the Remediation Plan. (Pages 263 & M-14)	An agreement between the City and an SEC approved Monitor (Independent Consultant) was approved on January 16, 2007. The City Council adopted R-302294 authorizing the Mayor to enter into an agreement with Edwards, Angell Palmer & Dodge.	City Council	January 16, 2007	<b>Completed</b> Council adopts R-302294
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 item # 1 above. Stan Keller and the firm of Edwards, Angell Palmer & Dodge were approved by the SEC. The City Council approved the Mayor's recommendation for this firm.	City Council	January 16, 2007	<b>Completed</b> Council adopts R-302294
3	The Monitor should have complete and unfettered access to all City and SDCERS personnel and records. (Pages 263 & M-14)	The Mayor and City Council have made this commitment to the Independent Consultant. In his Preliminary Report No. 1 to the City Council dated 03-02-07, the Independent Consultant states " I am pleased with the cooperation I have received to date from all segments of the City ..."	Mayor & City Council	January 16, 2007	<b>In-Process</b>
4	The Monitor should make quarterly reports to the City and the SEC on the City's progress. (Pages 263 & M-14)	The agreement with the Independent Consultant provides for quarterly reporting and the Independent Consultant has reported to the City Council in April and September of 2007; however, these reports have yet to be characterized as quarterly reports. The Mayor and City Council may wish to consider requesting regularly scheduled written and oral reports on quarterly basis.	Mayor & City Council	April 16, 2007 September 4, 2007	<b>Partially Complete</b> with ongoing reporting required.
4.1	City Monitor quarterly reports should be made public in an appropriate manner including on the City's website. (Page M-14)	All of the Independent Consultant's oral reports to the City Council and Audit Committee can be viewed on the City's website. The Independent Consultant issued his first SEC required report in June 2007 and presented it to the City Council at the September 4, 2007 Council meeting. Future reports to the SEC will be presented in a public forum.	Mayor & City Council	April 16, 2007 September 4, 2007	<b>Partially Complete</b> with ongoing reporting requirements.

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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)	The agreement with the Independent Consultant "shall terminate no later than March 10, 2010, unless otherwise extended by the parties hereto" AND provides for adequate resources.	City Council	January 16, 2007	<b>Completed</b> Council adopts R-302294
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)	The agreement with the Independent Consultant allows for the scope of work to be expanded should the SEC request it, with the City's concurrence.	City Council	January 16, 2007	<b>Completed</b> Council adopts R-302294
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)	Accountability for the accuracy and credibility of the City's financial reporting has been centralized under the CFO - see Attachment A to the Mayor's memorandum dated October 5, 2006.	City Council: Charter Mayor: organization	October 5, 2006	<b>Completed</b> (see Mayor's memo dated 10/5/06).
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.	Mayor: organization	October 5, 2006	<b>Completed</b> (see Mayor's memo dated 10/5/06).
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 Mayor: organization	October 5, 2006	<b>Completed</b> (see Mayor's memo dated 10/5/06).

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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)	The City hired Mr. Jay Goldstone as its first-ever CFO on January 23, 2006. His extensive financial experience is provided in a resume attached to the Mayor's memorandum dated 02-21-07. Additionally, the Mayor's Charter Review Committee is recommending that the Charter be amended to establish the role of the CFO and clarify certain CFO responsibilities. This Kroll recommendation could be consolidated with recommendation #15 below. It should be noted that Mr. Goldstone was recently promoted to COO and the Mayor is currently in the process of identifying a new CFO.	City Council: Charter Mayor: organization	October 5, 2006	<b>Completed</b> (see Mayor's memo dated 10/5/06).
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)	In his memorandum dated October 5, 2006, the Mayor states that the Budget Director reports directly to the CFO.	Mayor: organization	October 5, 2006	<b>Completed</b> (see Mayor's memo dated 10/5/06).
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)	In his memorandum dated October 5, 2006, the Mayor indicates that the City Treasurer reports directly to the CFO.	City Council: Charter Mayor: organization	October 5, 2006	<b>Completed</b> (see Mayor's memo dated 10/5/06).

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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)	In his memorandum dated April 9, 2007, the Mayor states that the City has assigned qualified personnel to serve in the capacity of Comptroller (Deputy Comptroller until the Charter is amended). The Mayor believes the establishment of a permanent position of Comptroller will require an amendment to the City Charter and perhaps the Municipal Code. The Mayor's Charter Review Committee has recommended that the Charter be amended to separate Auditor and Comptroller Department responsibilities, with the Comptroller reporting to the CFO and a new independent City Auditor position reporting to the Audit Committee.	City Council: Charter/ Municipal Code changes Mayor: organization	April 9, 2007	<b>Substantially Completed</b> pending recommended Charter/MC amendments (see Mayor's memo dated 04/09/07).
14	Establish the position of Director of Financial Reporting responsible for the preparation of the City's periodic financial statements. (Pages 246 & M-2)	In his memorandum dated April 9, 2007, the Mayor states that the City has assigned qualified personnel to serve in the capacity of Director of Financial Reporting.	City Council: Charter/ Municipal Code changes Mayor: organization	April 9, 2007	<b>Substantially Completed</b> pending recommended Charter/MC amendments (see Mayor's memo dated 04/09/07).
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)	The City hired Mr. Jay Goldstone as its first-ever CFO on January 23, 2006. His extensive financial experience is provided in a resume attached to the Mayor's memorandum dated 02-21-07. Additionally, the Mayor's Charter Review Committee is recommending that the Charter be amended to establish certain responsibilities for the CFO. This Kroll recommendation could be consolidated with recommendation #10 above.	City Council: Charter Mayor: organization	January 23, 2006	<b>Completed</b> (see Mayor's memo dated (02-21-07).

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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)	As noted in his memo dated 04/09/07, the Mayor has assigned Mr. Greg Levin the responsibilities of Deputy Comptroller. Mr. Levin's qualifying experience is provided in a resume attached to the Mayor's memorandum dated 04-09-07. This Kroll recommendation could be consolidated with recommendation #13 above.	Mayor: organization	April 9, 2007	<b>Completed</b> (see Mayor's memo dated 04/09/07).
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)	As noted in his memo dated 04/09/07, the Mayor has assigned Ms. Tracy McCraner the responsibilities of Director of Financial Reporting. Ms. McCraner's qualifying experience is provided in a resume attached to the Mayor's memorandum dated 04-09-07. This Kroll recommendation could be consolidated with recommendation #14 above.	Mayor: organization	April 9, 2007	<b>Completed</b> (see Mayor's memo dated 04/09/07).
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)	The City Council created a three member Audit Committee on January 9, 2007 with the adoption of resolutions R-302279, 302280 and 302281. The Committee is comprised of three members of the City Council. With the introduction of ordinance O-19612 on April 9, 2007, the City Council incorporated the Audit Committee Charter into the City's Municipal Code. The Mayor's Charter Review Committee is recommending that the Charter be amended to establish an Audit Committee consisting of five members composed of two members of the City Council and three members of the public, to be appointed by the City Council following a defined screening process.	City Council	January 9, 2007 April 9, 2007	<b>Substantially Completed</b> pending recommended Charter/MC amendments (Council adopts resolutions R-302279, 302280 and 302281).

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19	The City's Financial Reporting Oversight Board should be eliminated as redundant to the Audit Committee. (Page M-6)	With the introduction of ordinance O-19612 on April 9, 2007, the City Council repealed sections of the Municipal Code providing for the Financial Reporting Oversight Board and replaced them with provisions for, and references to, the City's Audit Committee.	City Council	April 9, 2007	<b>Completed</b> (Council introduces ordinance O-19612).
20	The Audit Committee should establish a written charter. (Pages 251 & M-6)	With the introduction of ordinance O-19612 on April 9, 2007, the City Council incorporated the Audit Committee Charter into the City's Municipal Code.	City Council	April 9, 2007	<b>Completed</b> (Council introduces ordinance O-19612).
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)	The City Council currently reviews and approves the annual budget for the Auditor & Comptroller Department, including the Auditor General (Internal Auditor) and the internal auditor work unit. The Mayor's Charter Review Committee is recommending that the Internal Auditor be renamed to City Auditor and report directly to the Audit Committee to ensure auditor independence from management. If this proposed Charter amendment is approved by the voters, the Audit Committee would be in a better position to advise the City Council on City Auditor compensation and budget. On September 20, 2007, the Mayor announced the appointment of Mr. Eduardo Luna as the City's new Internal Auditor (Auditor General).	Mayor & City Council	October 5, 2006	<b>Substantially Completed</b> pending recommended Charter/MC amendments (see Mayor's memo dated 10/05/06).

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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)	The Audit Committee held its first meeting on January 29, 2007 and has met on 16 occasions to date. The City's independent or "external" auditors and the CFO have attended most of these meetings. The Interim Internal Auditor has also attended meetings of the Audit Committee. The Mayor's Statement of Operating Principles referenced in Ordinance O-19612 provides for regular communication between the Internal Auditor and the Audit Committee.	City Council	January 29, 2007	<b>Completed</b> (Council adopts resolutions R-302279, 302280 and 302281).
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)	The Audit Committee Charter and the Mayor's Statement of Operating Principles referenced in Ordinance O-19612 have provisions for the Mayor, CFO, City Auditor and the City Council to make requests of the Audit Committee and the Internal Auditor to perform internal audits of material matters they reasonably believe to be warranted. Proposed Charter amendments would not alter these provisions of the Municipal Code.	City Council	April 9, 2007	<b>Completed</b> (Council introduces ordinance O-19612).

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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." The Audit Committee Charter and Section 22.4301(e) of the Municipal Code provides for "appropriate consultation with the Mayor or his designee". The Mayor's Charter Review Committee recommends Charter language that reinforces this Audit Committee responsibility without addressing the assistance of the CFO and Auditor General; however, assistance of the Mayor (CFO) is covered in the Municipal Code and it is recommended that the Auditor General (City Auditor) report and provide assistance directly to the Audit Committee.	City Council	April 9, 2007	<b>Substantially Completed</b> pending recommended Charter/MC amendments (Council introduces ordinance O-19612).
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)	The Mayor's Office of Ethics and Integrity (OEI) has developed policies and procedures for "whistleblower" complaints and an internal hotline. The Audit Committee Charter and Section 22.4304 of the Municipal Code provide for the Audit Committee reviewing internal complaints and concerns; however, the Mayor and the Audit Committee have yet to coordinate the transition of this process or the pass-through of information to the Audit Committee.	Mayor & City Council	October 30, 2006	<b>In-Process</b> (see Mayor's memo dated 10/30/06).



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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)	On September 20, 2007, the Mayor announced the appointment of Mr. Eduardo Luna as the City's new Internal Auditor (Auditor General). The Audit Committee was able to participate in the recruitment process. The Mayor's Charter Review Committee is recommending that the Charter be amended to establish a City Auditor (Auditor General) to be appointed by the Mayor in consultation with the Audit Committee and confirmed by the City Council.	City Council: Charter/ Municipal Code changes Mayor/City Council: appointment	April 9, 2007	<b>In-Process</b> Pending Charter Amendment (see Mayor's memo dated 04/09/07).
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)	The Mayor's Charter Review Committee is recommending that the Charter be amended to establish a City Auditor (Auditor General) who shall report to the Audit Committee.	Audit Committee/City Council	April 9, 2007	<b>In-Process</b> Pending Charter Amendment (see Mayor's memo dated 04/09/07).
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)	The Mayor's Charter Review Committee is recommending that the Charter be amended to establish a City Auditor (Auditor General) who shall serve for a term of ten (10) years. They further recommend that the City Auditor could be removed by the Audit Committee with a four-fifths vote with a right to appeal to the City Council, who can override the Audit Committee's removal action with a two-thirds vote.	Audit Committee/City Council	April 9, 2007	<b>In-Process</b> Pending Charter Amendment (see Mayor's memo dated 04/09/07).
28	The Auditor General should report to the Audit Committee the results of any investigation and disposition of such complaints. (Page 252)	The Mayor's Charter Review Committee is recommending that the Charter be amended to establish a City Auditor (Auditor General) who shall report to the Audit Committee.	Audit Committee	April 9, 2007	<b>In-Process</b> Pending Charter Amendment (see Mayor's memo dated 04/09/07).

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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)	The Interim Internal Auditor has initiated a risk assessment questionnaire that is being completed by all City departments. With the recent appointment of the City Auditor, the IBA anticipates that risk-based plans will be used to determine the priorities of the internal audit activity with input from the Audit Committee.	Mayor & Audit Committee	April 9, 2007	<b>In-Process</b> Pending Charter Amendment (see Mayor's memo dated 04/09/07).
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. The IBA anticipates that the Mayor will recommend and the Audit Committee will request that the risk assessment and planning process address these matters.	Mayor & Audit Committee	April 9, 2007	<b>In-Process</b> Pending Charter Amendment (see Mayor's memo dated 04/09/07).
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. The IBA anticipates that the Mayor will recommend and the Audit Committee will request a systematic and disciplined approach based on risk assessment to select audits. It is expected that this will be done annually with departmental input.	Mayor & Audit Committee	April 9, 2007	<b>In-Process</b> Pending Charter Amendment (see Mayor's memo dated 04/09/07).
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. The risk assessment questionnaire currently being used provides for both. Additionally, the IBA anticipates that other sources of input (from the Audit Committee, internal hotline, etc.) will be utilized to develop annual audit plans. The Mayor's Charter Review Committee recommends that the Charter be amended to include a section for the Office of the City Auditor and requires the City Auditor to annually prepare an Audit Plan and conduct audits.	Mayor & Audit Committee	April 9, 2007	<b>In-Process</b> Pending Charter Amendment (see Mayor's memo dated 04/09/07).

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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. The IBA anticipates that the Mayor will recommend and the Audit Committee will request that internal audit activity have this focus.	Mayor & Audit Committee	April 9, 2007	<b>In-Process</b> Pending Charter Amendment (see Mayor's memo dated 04/09/07).
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. The risk assessment questionnaire currently is being sent to elected officials, their staff and the City's senior management.	Mayor & Audit Committee	April 9, 2007	<b>In-Process</b> Pending Charter Amendment (see Mayor's memo dated 04/09/07).
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)	A Five Year Risk-Based Audit Plan has yet to be developed.	Mayor & Audit Committee/City Council		<b>Incomplete</b>
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)	Recommendations 36 through 41 relate to the process for selecting/contracting for an independent auditing firm (external auditors). 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. Independent auditors have identified material weaknesses in the City's internal controls in FY 03 and FY 04. A report was provided by the CFO to the Audit Committee on October 15, 2007 discussing the status of addressing a few of the identified weaknesses. The CFO has recommended delay of a separate audit on internal controls pending implementation of ERP.	Audit Committee/City Council		<b>Incomplete</b> The Mayor has recommended and the City Council approved MGO though FY 07. The FY 08 Audit will not begin until the fiscal year has concluded.

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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. The Mayor/CFO recommended and the City Council approved sole source approval of Macias Gini & O'Connell (MGO) for audit work in FY03 through FY 07. This recommendation could be implemented in the selection of an independent auditor beginning in FY 08.	Audit Committee/City Council		<b>Incomplete</b>
38	The Audit Committee and the City should enter into five-year contracts with its independent auditors. (Pages 253 & M-7)	The Mayor has recommended and the City Council has approved utilizing the firm of Macias, Gini & O'Connell (MGO) for audit work though FY 07 which would cover a five-year period from FY 03 through FY 07. If the Charter is amended as recommended by the Mayor's Charter Review Committee, the Audit Committee and City Council will negotiate the independent auditor contract for the five-year period beginning in FY 08.	Audit Committee/City Council		<b>In-Process</b> Pending an amendment to the City Charter.
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)	The Mayor/CFO recommended and the City Council approved sole source approval of Macias Gini & O'Connell (MGO) for audit work in FY03 through FY 07. This recommendation could be implemented in the selection of an independent auditor beginning in FY 08.	Audit Committee/City Council		<b>Incomplete</b>
40	The independent auditor should not be permitted to serve for more than two consecutive five-year terms. (Pages 253 & M-7)	The Mayor/CFO recommended and the City Council approved sole source approval of Macias Gini & O'Connell (MGO) for audit work in FY03 through FY 07. This recommendation could be implemented in the selection of an independent auditor beginning in FY 08.	Audit Committee/City Council		<b>Incomplete</b>

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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)	The Mayor/CFO recommended and the City Council approved sole source approval of Macias Gini & O'Connell (MGO) for audit work in FY03 through FY 07. This recommendation could be implemented in the selection of an independent auditor beginning in FY 08.	Audit Committee/City Council		<b>Incomplete</b>
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)	The City Attorney prepared an ordinance and submitted it for City Council consideration on November 1, 2006. On November 13, 2006, at the Special City Council Financial Hearing, the ordinance was referred to the Rules Committee. Upon receipt of an informational report from the City Attorney's Office to accompany the draft ordinance, the Rules Committee anticipates scheduling this item for discussion at an upcoming meeting.	Rules Committee/ City Council	November 13, 2006	<b>In-Process</b> (see Mayor's memo dated (02-21-07).

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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)	In his memo dated April 9, 2007, the Mayor references the Five-Year Financial Outlook, the funding gap in future years and that revenues are projected to increase through normal growth. Expenditures were reduced for FY 08 through the elimination of vacant positions and some efficiencies and restructuring resulting from BPRs. This has freed up a minimal level of funding for deferred maintenance. Alternative revenues have not been considered to date and service level information has yet to be provided but is expected as part of the FY 09 budget process.	Mayor/City Council	April 9, 2007	<b>In-Process</b> (see Mayor's memo dated 04/09/07).
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)	The Mayor issued a Five-Year Financial Outlook in November of 2006 to begin to address many of these budget planning issues. A CIP prioritization policy is being developed for City Council consideration. A proposed General Fund reserve policy has been discussed by the Budget and Finance Committee at several meetings, most recently on September 26, 2007. The reserve policy recommending a goal of 8% by 2012 was approved by the City Council on October 30, 2007. Ongoing, significant legal and financial obligations remain and have been included in the Five-Year Financial Outlook; however, funding sources to eliminate these deficits have not yet been identified.	Mayor/City Council	November 29, 2006 September 26, 2007 October 30, 2007	<b>In-Process</b> Updated Five-Year Financial Outlook and CIP Policy anticipated to be presented for City Council consideration soon.
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)	In his memo dated October 30, 2007, the Mayor indicates that significant assumptions were included in the FY 07 budget document and will be updated in the Five-Year Financial Outlook. Kroll notes that "any significant variances between actual and projected assumptions should be adequately explained in the final published budget."	Mayor	October 30, 2006	<b>Completed</b> (see Mayor's memo dated 10/30/06).

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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)	The City retained Mr. Joseph Esuchanko as its actuary on June 19, 2006. Mr. Esuchanko presented his actuarial findings in an oral report to the City Council on April 16, 2007. Mr. Esuchanko's contract has yet to be continued for FY 08.	Mayor	October 30, 2006	<b>In-Process</b> (see Mayor's memo dated 10/5/06).
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)	The City retained Mr. Joseph Esuchanko as its actuary on June 19, 2006. Mr. Esuchanko presented his actuarial findings in an oral report to the City Council on April 16, 2007. Mr. Esuchanko's contract has yet to be continued for FY 08.	Mayor	October 30, 2006	<b>In-Process</b> (see Mayor's memo dated 10/5/06).
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)	The Mayor is in the process of developing a CIP prioritization policy to provide decision-makers with a basis for choosing the most compelling projects for implementation. The draft policy will be presented to the Budget and Finance Committee for consideration on October 31, 2007. In his memo dated October 5, 2006, the Mayor indicates that staff is developing an asset inventory to create current inventories of essential infrastructure assets. A complete report on outstanding deferred maintenance needs is not yet available. Increased funds for deferred maintenance were included in the FY 08 budget and Five-Year Financial Outlook.	Mayor	October 5, 2006	<b>In-Process</b> (see Mayor's memo dated 10/5/06).
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)	On 04/30/07, the City Council unanimously adopted a motion to continue the operations of the DPWG with the CFO as a member and the City Attorney acting as the Disclosure Coordinator instead of the Chair, as recommended by the City's Independent SEC Consultant. The ordinance to codify the new DPWG membership needs to be brought forward to the City Council by the City Attorney as requested.	City Council	April 30, 2007	<b>In-Process</b> awaiting ordinance that the City Attorney was directed to prepare on 04/30/07.

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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)	In his memo dated April 9, 2007, the Mayor indicates that interviews with process owners and documentation of internal controls are occurring. There has been no further follow-up from the Mayor on this item. The IBA presumes that the Mayor is referring to City staff responsible for financial document preparation and their management team when he refers to "process owners" in the above response.	Mayor	April 9, 2007	<b>In-Process</b> (see Mayor's memo dated 04/09/07).
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)	The Disclosure Practices Working Group (DPWG) adopted Controls and Procedures in October 2005 that require the City Attorney's Office to collect information relevant to public filings and bond offerings and to confirm, in writing, the accuracy of this information. Internal control operating effectiveness is to be tested upon the City's issuance of public filings or bond offerings. In Note F to his memorandum dated April 9, 2007, the Mayor clarifies that while the internal control operating design is complete, operating effectiveness testing needs to be performed to complete the remediation.	City Attorney	February 21, 2007	<b>In-Process</b> (see Mayor's memos dated 02/21/07 and 04/09/07).
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)	DPWG Controls and Procedures require that it provide the City Council with over two weeks of review time before the City Council is asked to approve final offering documents. The Mayor's staff provided the City Council with over three weeks of review time for the Ballpark Refunding and Water System Financing earlier this year. The IBA recommends that there be a continued focus on providing advance distribution of these documents.	Mayor	February 21, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).



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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)	The IBA recommends that if the Mayor can continue to provide the City Council with <u>three weeks</u> lead time to review the final redlined copy of preliminary official statements for proposed financings, the City Council will find that to be a reasonable period of time to review key elements of the document.	City Council	February 21, 2007	<b>Completed</b>
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)	Recognizing the importance of information provided within the City's financial statements (CAFR), the Audit Committee worked with the City's Independent SEC Consultant, the City's Disclosure Counsel, Mayor, City Attorney's Office and the IBA to develop a process for reviewing the CAFR. This process was discussed at the Audit Committee meeting on May 14, 2007 and utilized to review the FY 03 CAFR at the Audit Committee meeting on May 21, 2007. The City Council, relying on the Audit Committee and their own review to the best of their ability, has subsequently taken action to accept and receive the FY 03 and FY 04 CAFRs. Additionally, the Audit Committee has recently formed an Ad-Hoc Advisory Committee to review the current CAFR review process and make recommendations for improvement if warranted.	Audit Committee and City Council	May 14, 2007	<b>Completed</b>

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53	The DPWG should report to the City's new Audit Committee. (Pages 249 & M-5)	On 04/30/07, the City Council unanimously adopted a motion to continue the operations of the DPWG. The City Attorney is preparing an ordinance to codify new DPWG provisions within the City's Municipal Code. Section 22.4108(b) of the draft ordinance provides that "Members of the DPWG shall meet periodically as needed with the Audit Committee, but not less than once annually." Given that the CFO and the Chief Deputy City Attorney for Finance and Disclosure are voting members of the DPWG who regularly report to the Audit Committee, adoption of the contemplated ordinance should address this recommendation.	City Council	April 30, 2007	<b>Substantially Complete</b> (see Mayor's memo dated (02-21-07).
54	The City budget should be presented by month, by department. (Pages 261 & M-13)	In his memorandum dated October 30, 2006, the Mayor indicates that this recommendation is satisfied by the Charter Section 39 Report. This Report shows the adopted budget, year-to-date expenditures and variances for City departments. The Report, which covers City accounting periods, is provided to the City Council and presented to the Budget & Finance Committee on a monthly basis by the City Comptroller and/or the CFO.	Mayor	October 30, 2006	<b>Completed</b> (see Mayor's memo dated 10/30/06).
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)	The Financial Management Department and/or the CFO typically provides a quarterly report with budget-to-actual comparisons and an explanation of the variances.	Mayor	October 30, 2006	<b>Completed</b> (see Mayor's memo dated 10/30/06).
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)	The City's annual budget document does not provide budget-to-actual comparisons for prior fiscal years; however, the quarterly reports recommended in # 55 above provide this information for the current fiscal year.	Mayor	October 30, 2006	<b>Incomplete</b> (see Mayor's memo dated 10/30/06).

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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)	The City Comptroller and CFO provide a Year-End Charter Section 39 Report (most recently on September 26, 2007 at the Budget & Finance Committee) that provides final budget-to-actual comparisons; however, this report does not provide an explanation of variances by department. It is recommended that the Financial Management Department participate in the Comptroller's Year-End Report by providing explanations of significant variances in the future. The FY 07 Report noted "that the analysis of budgetary variances and the review of the achievement of departmental objectives within appropriation limits is traditionally the role of the Financial Management Division of the Department of Finance.	Mayor	October 30, 2006	<b>Incomplete</b> (see Mayor's memo dated 10/30/06).
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 March 2007, the City Council approved the Mayor's request for inter-departmental transfers in the FY 07 budget as part of their mid-year budget adjustment action. The City Council is also reviewing and approving all inter-departmental transfers resulting from BPRs.	City Council	October 5, 2006	<b>Completed</b> (see Mayor's memo dated 10/05/06).

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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)	In his memo dated November 22, 2006, the Mayor indicates that the CFO has established a dedicated team which has kicked-off remediation planning, scoping and action for this item. In the City's financial statements (CAFR) for FY 03 and FY 04, these management representations can be found within the Letter of Transmittal section of the report. The IBA expects these representations will continue to be included within the City's CAFR in all future reporting years.	Mayor	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).
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)	In his memo dated November 22, 2006, the Mayor indicates that the CFO has established a dedicated team which has kicked-off remediation planning, scoping and action for this item. The IBA was unable to verify whether each of the City's 12 component units are fulfilling this requirement in their stand alone financial statements.	Mayor	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).
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)	In his initial memorandum dated August 24, 2006 regarding the Kroll Remediation Plan, the Mayor indicated that this recommendation would be incorporated for the first time into the FY 05 and FY 06 audits and all audits thereafter. In his memo dated April 09, 2007, the Mayor indicates that interviews with process owners and documentation of internal controls are occurring. There has been no further follow-up from the Mayor on this item.	Mayor	April 9, 2007	<b>In-Process</b> (see Mayor's memo dated 04/09/07).

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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)	In his initial memorandum dated August 24, 2006 regarding the Kroll Remediation Plan, the Mayor indicated that this recommendation would be incorporated for the first time into the FY 05 and FY 06 audits and all audits thereafter. In his memo dated April 09, 2007, the Mayor indicates that interviews with process owners and documentation of internal controls are occurring. There has been no further follow-up from the Mayor on this item.	Mayor	April 9, 2007	<b>In-Process</b> (see Mayor's memo dated 04/09/07).
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)	In his initial memorandum dated August 24, 2006 regarding the Kroll Remediation Plan, the Mayor indicated that this recommendation would be incorporated for the first time into the FY 05 and FY 06 audits and all audits thereafter. There has been no further follow-up from the Mayor on this item.	Mayor		<b>Incomplete</b>
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)	In his initial memorandum dated August 24, 2006 regarding the Kroll Remediation Plan, the Mayor indicated that this recommendation would be incorporated for the first time into the FY 05 and FY 06 audits and all audits thereafter. The memorandum further provides that "during the fiscal year 2008, staff will establish procedures to assist in identifying information related to CIP as well as improving automation." There has been no further follow-up from the Mayor on this item.	Mayor		<b>Incomplete</b>

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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)	In his initial memorandum dated August 24, 2006 regarding the Kroll Remediation Plan, the Mayor indicated that this recommendation would be incorporated for the first time into the FY 05 and FY 06 audits and all audits thereafter. In his memo dated November 22, 2006, the Mayor indicates that the CFO has established a dedicated team which has kicked-off remediation planning, scoping and action for this item. There has been no further follow-up from the Mayor on this item.	Mayor	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).
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)	In his initial memorandum dated August 24, 2006 regarding the Kroll Remediation Plan, the Mayor indicated that this recommendation would be incorporated for the first time into the FY 05 and FY 06 audits and all audits thereafter. In his memo dated November 22, 2006, the Mayor indicates that the CFO has established a dedicated team which has kicked-off remediation planning, scoping and action for this item. There has been no further follow-up from the Mayor on this item.	Mayor	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).
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)	On November 29, 2006, the CFO and the Mayor presented a Five-Year Financial Outlook to the City Council through the Budget & Finance Committee. The Outlook indicates that the document will be updated and utilized as an on-going five-year planning tool thereby fulfilling this recommendation. The update is currently underway and is expected to be presented to the Budget & Finance Committee on November 14, 2007.	Mayor	November 29, 2006	<b>Complete</b>

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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)	The Mayor's staff has evaluated many of the City's information technology needs and issued an RFP for new software and maintenance support for the City's ERP project. On June 12, 2007, SDDPC executed a contract with SAP AG to provide ERP software and maintenance. On September 28, 2007, SDDPC executed a contract with Axon to provide SAP systems integration consulting services for the City's ERP project.	Mayor	February 21, 2007	<b>In-Process</b> (see Mayor's memo dated 11/22/06).
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. Implementation is beginning. Based on an April 2007 periodic update memorandum from the Mayor, the Finance component of ERP is scheduled for completion in September 2008 and the Human Resources component of ERP is scheduled for completion in March 2009. This would indicate that the City is unlikely to make the recommended timeframe.	Mayor/City Council	February 21, 2007	<b>In-Process</b>
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 comments for # 67 and # 68 above. Testing will follow implementation.	Mayor		<b>Incomplete</b>
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)	There has been no additional response detail since the initial preliminary response provided in the Mayor's memorandum dated August 24, 2006. This memorandum indicated that the ERP implementation would "facilitate a restructuring of the City's Chart of Accounts for the fiscal year 2008 budget."	Mayor		<b>Incomplete</b>

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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)	In his memo dated February 21, 2007, the Mayor indicates that a short-term plan is complete; however, the long-term plan involves ERP implementation. The memorandum provides the following with respect to the short-term plan: "To facilitate automated financial reporting and financial documentation, the City completed the production phase of the data warehousing and business intelligence project on January 5, 2007". Note G in the Mayor's memorandum dated April 9, 2007 indicates that the long-term plan will be completed as part of the ERP project.	Mayor	February 21, 2007	<b>In-Process</b> (see Mayor's memos dated 02/21/07 and 04/09/07).
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)	There has been no additional response detail since the initial preliminary response provided in the Mayor's memorandum dated August 24, 2006. This memorandum indicated that the recommendation would be incorporated into the new ERP software package.	Mayor		<b>Incomplete</b>
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)	In his memorandum dated February 21, 2007, the Mayor indicates that a short-term plan involving updating the City's e-mail retention policies is complete; he notes, however, the long-term plan involves the migration of the City's e-mail systems to Microsoft Outlook/Exchange and into one centrally managed system. Although Note H in the Mayor's memorandum dated April 9, 2007 provides that the long-term plan is scheduled for completion in September 2007, the migration is still in-process.	Mayor	February 21, 2007	<b>In-Process</b> (see Mayor's memos dated 02/21/07 and 04/09/07).



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74	The interest allocation process should receive sufficient management review. (Page M-16)	This item was originally reported to be complete, subject to testing, in the Mayor's memorandum dated October 30, 2006 - see Attachment D. However, in Note F to his memorandum dated April 9, 2007, the Mayor clarifies that while the internal control operating design is complete, operating effectiveness testing needs to be performed to complete the remediation	Mayor	October 30, 2006	<b>In-Process</b> (see Mayor's memos dated 10/30/06 and 04/09/07).
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)	In his memorandum dated November 22, 2006, the Mayor provides in a footnote that recommendations 75-80 "will require significant effort because it addresses remediation of internal control weaknesses identified in the Auditor and Comptroller's 2006 Annual Report on Internal Controls as well as Management Letters from the City's external auditors. As of November 22, 2006, my staff has identified approximately 35 additional financial internal control items that require remediation by June 30, 2007." Additional internal control weaknesses have been identified by the City's independent auditors in their review of the FY 03 and FY 04 CAFRs. On October 15, 2007, the CFO presented a report to the Audit Committee addressing a few of the identified weaknesses.	Mayor	November 22, 2006 October 15, 2007	<b>In-Process</b> (see Mayor's memo dated 11/22/06).
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)	See comment for # 75 above. The Mayor provided an updated timeline for this recommendation in his memorandum dated April 9, 2007, which provided that these remediations would not be completed by June 2007 as more time would be required for full remediation. Follow-up information on these internal controls has yet to be provided.	Mayor	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).

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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)	See comments for # 75 and # 76 above.	Mayor	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).
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)	See comments for # 75 and # 76 above.	Mayor/Audit Committee	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).
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)	See comments for # 75 and # 76 above.	Mayor/Audit Committee	April 9, 2007	<b>In-Process</b> (see Mayor's memos dated 11/22/06 and 04/09/07).
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)	See comments for # 75 and # 76 above.	Mayor	April 9, 2007	<b>In-Process</b> (see Mayor's memos dated 11/22/06 and 04/09/07).

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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)	In his memorandum dated November 22, 2006, the Mayor lists several remediation items, including this one, that can be executed by his accounting/finance staff. He further indicates that the CFO has established a dedicated team which has kicked-off remediation planning , scoping and action for these items. Follow-up information has yet to be provided.	Mayor	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).
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)	In his memorandum dated February 21, 2007, the Mayor indicates that several policies and procedures have been prepared in response to this recommendation that are pending internal control operating effectiveness testing. However, in Note F to his memorandum dated April 9, 2007, the Mayor clarifies that while the internal control operating design is complete, operating effectiveness testing needs to be performed to complete the remediation. Follow-up information has yet to be provided.	Mayor	February 21, 2007	<b>In Process</b> (see Mayor's memos dated 02/21/07 and 04/09/07).
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)	In his memorandum dated November 22, 2006, the Mayor lists several remediation items, including this one, that can be executed by his accounting/finance staff. He further indicates that the CFO has established a dedicated team which has kicked-off remediation planning , scoping and action for these items. Follow-up information has yet to be provided.	Mayor/Redevelopment Agency	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).

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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)	This item was originally reported to be complete subject to testing in the Mayor's memorandum dated October 30, 2006. However, in Note F to his memorandum dated April 9, 2007, the Mayor clarifies that while the internal control operating design is complete, operating effectiveness testing needs to be performed to complete the remediation. Follow-up information has yet to be provided.	Mayor	October 30, 2006	<b>In-Process</b> (see Mayor's memos dated 10/30/06 and 04/09/07).
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)	This item was originally reported to be complete subject to testing in the Mayor's memorandum dated October 30, 2006. However, in Note F to his memorandum dated April 9, 2007, the Mayor clarifies that while the internal control operating design is complete, operating effectiveness testing needs to be performed to complete the remediation. Follow-up information has yet to be provided.	Mayor	October 30, 2006	<b>In-Process</b> (see Mayor's memos dated 10/30/06 and 04/09/07).
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)	In his memorandum dated October 5, 2006, the Mayor indicated this was a significant task requiring reconciliations by each City department with material revenue. He further provided that it would require appropriate City employees receiving training and subsequent testing on the resulting process. The Mayor indicated that the target completion date was June 2007; however, there has yet to be any follow-up information on this item.	Mayor	October 5, 2006	<b>In-Process</b> (see Mayor's memos dated 10/05/06).

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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)	In his memorandum dated February 21, 2007, the Mayor cites the following three studies to begin to address this item: 1) Actuarial valuations of the cost implications of formula changes to the existing retirement systems (in-process); 2) Benchmark study of Police Compensation and benefits for all employees (issued on 12/21/06); and 3) Benchmark study of Fire Compensation and benefits for all employees (issued on 2/14/07). Although the actual effective date is in dispute, DROP and Purchase of Service Credit options have been discontinued for all new hires. Other retirement benefit changes are under review including 3-year averaging, etc. and will be the subject of future meet and confer negotiations.	City Council	February 21, 2007	<b>In-Process</b> (see Mayor's memos dated 10/30/06, 11/22/06 and 02/21/07).
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)	In his memorandum dated November 22, 2006, the Mayor lists several remediation items, including this one, that can be executed by his accounting/finance staff. The Comptroller is working with City Attorney and Risk Management staff on improving communications among the respective departments to assist with identifying potential liabilities although no formal procedures have been reported.	Mayor	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).

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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. Date	Status
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)	In his memorandum dated February 21, 2007, the Mayor indicates that the City's Risk Management department has improved the monitoring and processing of workers' compensation permanent disability penalty payments. He mentions that this addresses a fiscal year 2004 financial statement audit finding and indicates that these improvements have significantly reduced the number of incidents where the City must pay a 10% penalty if a permanent disability payment is more than 14 days after the last temporary disability payment.	Mayor	February 21, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).
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)	In his memorandum dated November 22, 2006, the Mayor lists several remediation items, including this one, that can be executed by his accounting/finance staff. He further indicates that the CFO has established a dedicated team which has kicked-off remediation planning , scoping and action for these items. Follow-up information has yet to be provided. The IBA notes that the DPWG and CFO have coordinated to provide disclosure training for finance employees in 2007 to partially address this item.	Mayor	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).

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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. Date	Status
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)	In his memorandum dated April 9, 2007, the Mayor indicates that MWWD has initiated efforts on Kroll remediation items # 91-93 and anticipated completion by July 2007. As noted on page 52 of IBA Report # 07-46, funds were appropriated for training in the FY 08 budget for MWWD and finance departments. Financial disclosure training was offered and provided to MWWD and finance department employees in FY 07. The IBA understands that MWWD has taken steps to provide recommended training to its staff; however, details on new training policies, procedures and programs have yet to be provided.	Mayor	April 9, 2007	<b>In-Process</b> (see Mayor's memo dated 04/09/07).
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)	See comment for # 91 above.	Mayor	April 9, 2007	<b>In-Process</b> (see Mayor's memo dated 04/09/07).

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<b>Item Number</b>	<b>Recommendation</b>	<b>Update Status &amp; Comments</b>	<b>Authority</b>	<b>Related Document or Public Mtg. Date</b>	<b>Status</b>
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)	See comment for # 91 above.	Mayor	April 9, 2007	<b>In-Process</b> (see Mayor's memo dated 04/09/07).
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)	The City Council adopted Resolution R-302243 on December 6, 2006 to implement a comprehensive financial training program developed by the IBA for the City Council. In addition to providing useful financial references and resources to the City Council, the program provides for City Council training in the areas of: debt issuance and administration; financial disclosure; financial statement overview; and current and multi-year budget planning. Training for each topic will be provided no less frequently than every 2 years. The City Council has already planned and received three trainings in 2007: financial disclosure training on March 5, 2007; financial statement training on April 9, 2007; and debt issuance and administration training on September 17, 2007. City Council training is open to the public and City employees. As noted in the comment for # 91 above, financial disclosure training was offered and provided to MWWD and finance department employees this year and additional details related to regular Mayoral staff training are pending.	Mayor: Mayoral staff training IBA: City Council training	March 5, 2007 April 9, 2007 September 17, 2007	<b>Completed</b> (Council adopts Resolution R-302243).



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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)	See comment for # 90 above. An annual training program for staff has yet to come to the Audit Committee for review or consultation.	Mayor	November 22, 2006	<b>In-Process</b> (see Mayor's memo dated 11/22/06).
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)	In approving the FY 08 Budget on June 11, 2007, the City Council appropriated additional training funding within Department of Finance, City Council and certain enterprise fund department budgets (see page 52 of IBA Report # 07-46). Continued, and perhaps increased, funding will be needed each year going forward. Kroll cited a “lack of investment” for necessary staff training in the FY 07 budget and noted 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.	City Council	June 11, 2007	<b>Completed</b> (funds were appropriated in FY 08 Budget)
97	The Audit Committee concurs with actions being taken by the Retirement Administrator to establish a financial reporting function within SDCERS. (Page M-9)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 which describes an expanded SDCERS Financial Reporting and Administration Division.	SDCERS	January 31, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).

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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. Date	Status
98	SDCERS should develop a comprehensive methodology to identify, track, and recover overpayments made to deceased pensioners. (Page M-25)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 which describes a comprehensive review of deceased Member and Beneficiary accounts. The review included identifying, tracking and recovering overpayments to deceased Members and Beneficiaries. The SDCERS memorandum concludes that overpayments have all but been eliminated. The Mayor recommends internal control testing with results presented to the Audit Committee in FY 08.	SDCERS	January 31, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).
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)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 which states that in 2005 SDCERS contracted with Cheiron for valuation years ending June 30, 2005 through June 30, 2007. The memorandum further states that while the contract provides for a five-year automatic extension, it may be terminated by SDCERS at any time.	SDCERS	January 31, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).
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)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 providing that SDCERS' investment consultant discloses any relationship where they receive remuneration from investment managers. Additionally, SDCERS indicates that they require disclosure from their investment managers of any soft dollar arrangements involving SDCERS assets. The Mayor recommends internal control testing with results presented to the Audit Committee in FY 08.	SDCERS	January 31, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).

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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. 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)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 stating that failure by any firm to disclose the information outlined in response to item # 100 above can result in penalties up to and including termination of their contract with SDCERS. The Mayor recommends internal control testing with results presented to the Audit Committee in FY 08.	SDCERS	January 31, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).
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)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 indicating that they agree with this recommendation and intend to include the report and statements in SDCERS' 2006 CAFR. 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	January 31, 2007	<b>In-Process</b> (see Mayor's memo dated 02/21/07).

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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. Date	Status
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)	The City Council appropriated \$162 million for the full ARC in FY 07. In approving the FY 08 Budget on June 11, 2007, the City Council appropriated \$137.7 million to cover the full ARC and an additional \$20 million to eliminate negative amortization. In his memorandum dated February 21, 2007, the Mayor indicated that his Five-Year Plan contains full ARC contributions over an amortization period in compliance with the "Gleason Settlement".	City Council	June 11, 2007	<b>In Process</b> (see Mayor's memo dated 02/21/07).
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)	In his memorandum dated February 21, 2007, the Mayor notes that SDCERS Board action approved and directed the actuary to include the costs of the Corbett settlement and 13th check. The Actuary valuation for the year ending June 30, 2006 (report dated January 2007) contains these components in the UAAL. The memorandum further provides that the actuary will be providing the SDCERS Board with an experience study in the winter of 2008 which will provide the Board with information to make further assumption decisions such as the appropriate discount rate and the salary growth SDCERS should use.	SDCERS	April 9, 2007	<b>Ongoing</b> (see Mayor's memo dated (04/09/07).
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)	See comment for #103 above. There has been no additional response detail since the initial preliminary response provided in the Mayor's memorandum dated August 24, 2006. This memorandum provided that the City made full annual ARC payments in FY 06 and FY 07, with an additional \$107M in FY 06. In approving the FY 08 Budget on June 11, 2007, the City Council appropriated \$137.7 million to cover the ARC and an additional \$20 million to eliminate negative amortization.	SDCERS/City Council		<b>Ongoing</b>

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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. Date	Status
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)	On June 5, 2007, the City Council unanimously directed the City Attorney to amend an ordinance prepared to eliminate the "Waterfall" payments to be consistent with IBA and SDCERS recommendations. The City Attorney has not yet returned with the requested ordinance.	SDCERS/City Council	June 5, 2007	<b>Ongoing</b> (pending City Attorney delivery of the Ordinance requested by the City Council on 06/05/07).
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)	In his memorandum dated November 22, 2006, the Mayor notes that SDCERS tax consultant, Ice Miller LLP, filed a Voluntary Correction Plan report titled "Exclusive Benefit and Prohibited Transactions -Retiree Medical Benefits (401(h) Account)" with the Internal Revenue Service on June 22, 2006.	SDCERS/City Council	June 22, 2006	<b>Ongoing</b> (see Mayor's memo dated 11/22/06).
107.1	Make early disclosure of such costs (retiree healthcare benefits) in its next issued financial statement. (Page M-11)	In his memorandum dated October 5, 2006, the Mayor states "While the City has not published the Net OPEB Obligation on its balance sheet, it has disclosed its actuarially developed liability in the transmittal letter of the fiscal year 2003 CAFR. It will do the same in all subsequent CAFRs and will begin reporting its Net OPEB Obligation in fiscal year 2008."	SDCERS/City Council	October 5, 2006	<b>Ongoing</b> (see Mayor's memo dated 10/05/06).
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)	This item refers to the costs for proposed new retirement benefits for city employees. In his memorandum dated November 22, 2006, the Mayor acknowledges the need to accurately calculate the costs of any new retirement benefits and include such costs in all budgets and five-year plans. He additionally notes that the voters passed Proposition B in November 2006 which requires voter approval for any municipal pension benefit increases (with the exception of cost-of-living increases).	Mayor	November 22, 2006	<b>Ongoing</b> (see Mayor's memo dated 11/22/06).

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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. 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)	There has been no additional response detail since the initial preliminary response provided in the Mayor's memorandum dated August 24, 2006. This memorandum states "City Management agrees that the amortization period for actuarial losses should be no longer than 15 years and that the amortization period for actuarial gain be no shorter than 5 years. These decisions are ultimately the sole discretion of the SDCERS Board."	SDCERS		Incomplete
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)	There has been no additional response detail since the initial preliminary response provided in the Mayor's memorandum dated August 24, 2006. This memorandum states "The City can offer recommendations for SDCERS to consider and will do so at an upcoming SDCERS Board meeting when actuarial assumptions are discussed."	SDCERS		Incomplete
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)	There has been no additional response detail since the initial preliminary response provided in the Mayor's memorandum dated August 24, 2006. This memorandum states "Staff will review the Pension Reform Committee's recommendations as part of its overall funding strategy as staff develops recommendations for dealing with the City's pension funding. This will be done in the context of the overall fiscal strategy for the City and will be incorporated into the City's five-year financial forecast."	Mayor/City Council		Incomplete

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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. Date	Status
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)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 which refers to the Navigant Consulting Report's recommendations involving SDCERS corporate governance, actuarial soundness, benefit payments, staff and internal audit. The memorandum states "Over the next several months, SDCERS' Business and Governance Committee, together with our General Counsel and Chief Compliance Officer, will review all existing SDCERS policies and applicable City ordinances to ensure that all SDCERS policies and City laws reflect best practices in the public pension area."	SDCERS	January 31, 2007	<b>In-Process</b> (see Mayor's memo dated 02/21/07).
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)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 that simply responds to this recommendation with "They do."	SDCERS	January 31, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).
114	The chief accounting officer of SDCERS should have adequate prior experience with investment operations and financial reporting and disclosures. (Pages 258 & M-10)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 indicating that " the current CFO, Bob Wilson, has a BS in accounting and has had a long career with the City of San Diego's Auditor and Comptroller Department prior to his appointment as Assistant Administrator at SDCERS on November 1, 2005." It should be noted that SDCERS has recently assigned Mr. Wilson to serve as their Internal Auditor and hired Mark Hovey to serve as their CFO.	SDCERS	January 31, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).

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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. Date	Status
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)	There has been no additional response detail since the initial preliminary response provided in the Mayor's memorandum dated August 24, 2006. In that memorandum, the Mayor indicated that he agreed with the recommendation and that it would require a Charter amendment. He indicated that ballot language would be developed and ready for the June 2008 general City election; however, in their Final Report dated October 4, 2007, the Charter Review Committee noted "great improvement" in the SDCERS Board of Administration following the passage of Propositions G and H in 2004. They recommended leaving the Board as currently configured. The Board currently has 13 members, with 7 members appointed by the Mayor and confirmed by the City Council.	City Council		<b>Incomplete</b>
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. The Board currently has one member elected by police safety members and one member elected by fire safety members. Additionally, there are two Board members elected by general members of the retirement system.	City Council		<b>Incomplete</b>
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. The Board currently has one member elected by system retirees.	City Council		<b>Incomplete</b>
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)	In his memorandum dated October 5, 2006, the Mayor indicates that his staff would be working with SDCERS on this item. The Kroll report further specifies that "The applications should also be shared with the Business and Governance Committee of the SDCERS Board."	Mayor	October 5, 2006	<b>Incomplete</b> (see Mayor's memo dated 10/05/06).



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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. Date	Status
118.1	SDCERS board applications should be shared with the Business and Governance Committee of the SDCERS board. (Page M-9)	In his memorandum dated October 5, 2006, the Mayor indicates that his staff would be working with SDCERS on this item.	Mayor	October 5, 2006	<b>Incomplete</b> (see Mayor's memo dated 10/05/06).
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)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 indicating that "SDCERS' standing committees include Investments, Business and Governance, Executive, Audit and Disability." The memorandum attaches sections 3.00 through 3.04 of SDCERS' Board Rules.	SDCERS	January 31, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).
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)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 indicating that the SDCERS Audit Committee charter has been adopted and that charters are being drafted for the SDCERS Board standing committees. The Kroll report further specifies that "the charters should ensure the committees perform a board and committee evaluation process on an annual basis."	SDCERS	February 21, 2007	<b>In-Process</b> (see Mayor's memo dated 02/21/07).
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)	In his memorandum dated October 5, 2006, the Mayor indicates that his staff would be working with SDCERS staff on this item.	SDCERS	October 5, 2006	<b>Incomplete</b> (see Mayor's memo dated 10/05/06).

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Item Number	Recommendation	Update Status & Comments	Authority	Related Document or Public Mtg. Date	Status
121	SDCERS must be free to retain its own independent legal counsel. (Pages 260 & M-12)	In his memorandum dated February 21, 2007, the Mayor references a SDCERS memorandum dated January 31, 2007 stating "It is. SDCERS vigorously asserted its right to retain its own independent counsel in litigation with the City Attorney of San Diego and prevailed. On November 6, 2006, SDCERS hired Christopher W. Waddell, formerly the General Counsel of CalSTRS, as its new General Counsel."	SDCERS/City Attorney	January 31, 2007	<b>Completed</b> (see Mayor's memo dated 02/21/07).