



CHARTER REVIEW RECOMMENDATIONS

Audit Committee Composition Overview of Issues August 2006 – December 2007

Office of the Independent Budget Analyst



Kroll Recommendations – August 2006

- Three members – 1 Councilmember and 2 citizen experts
- Citizens to be appointed by Mayor, confirmed by Council
- Cited obsolete 1997 GFOA guideline permitting management appointment of Audit Committee members (no longer recommended)



Response

IBA Report 06-35, August 30, 2006

- “This proposal does not provide the necessary independence from management to effectively serve the oversight function.”
- “This proposal is inconsistent with national guidelines and best practices established by reputable advisory organizations.”



Response

IBA Report 06-35, August 30, 2006 (cont'd.)

- “IBA recommends that the City of San Diego require the legislative body to make the two private citizen appointments consistent with best practices.”
- GFOA revised their guideline in 2006 to advise that municipal Audit Committees consist of only legislative body members. Association of Local Government Auditors (ALGA) and others strongly recommend that management have no involvement in selecting Audit Committee members but support citizen experts provided they are appointed by the legislative body.



City Attorney's Position - September 2006

- City Attorney opined current Charter does not allow anyone but Mayor to appoint members of advisory boards.
- The City Council cannot delegate financial responsibility to non-board members (i.e. citizens).
- Citizens cannot oversee the work of a department (i.e. City Auditor).
- Charter revisions are necessary to implement Kroll or similar model.



Creation of Audit Committee - January 2007

- Pending future Charter revisions, the City's first Audit Committee was implemented in January 2007 consisting of three members of the legislative body.
- Three citizen experts have been empanelled to serve in an ad hoc, advisory capacity.
- Jefferson Wells has been hired to provide professional consultant expertise.



Mayor's Charter Review Committee – May – September 2007

- On August 23, 2007, the Financial Reform Subcommittee recommended the following to the full committee:
 - Five-member committee, 2 Councilmembers and 3 citizen experts
 - Two citizens to be nominated by the Mayor and confirmed by Council; 1 citizen to be appointed by Council
 - Councilmember to serve as Chair
 - The item was referred back to Subcommittee for further discussion



Mayor's Charter Review Committee – May to September 2007 (cont'd.)

- IBA Testimony, August 23, 2007:
 - “Neither the Kroll recommendations nor the Subcommittee’s proposal provide the necessary independence from management.”
 - “IBA recommends that you require the legislative body to make the citizen expert appointments as endorsed by accepted practices.”
 - “We also recommend that the Audit Committee be made up of a majority of Councilmembers, providing for three Council members to serve in this capacity rather than two.”



Mayor's Charter Review Committee – May to September 2007 (cont'd.)

- After hearing additional testimony from ALGA and others, on September 21, 2007 the Financial Reform Subcommittee recommended the following to the full Committee:
 - Five members, including 2 Councilmembers and 3 citizen experts
 - All citizen members to be appointed by legislative body utilizing a pre-screening process
 - A Councilmember is to serve as chair
- The Charter Review Committee approved this motion by a vote of 12-1.



Mayor's Response to Committee Recommendations – November 2007

- In a memorandum to the Council dated November 5, 2007, the Mayor recommended the following:

“Contrary to the Committee’s recommendations, I recommend the Audit Committee, consistent with the Kroll Report, to be composed of a total of three members, including one member of the Council and two highly qualified, outside professionals appointed by the Mayor, one of whom chairs the Committee.”



San Diegans for City Hall Reform – December 2007

- On December 12, 2007, John Davies, Proponent, and Bob Nelson, Proponent, submitted to the City Clerk's Office the text for a Charter amendment entitled "REAL ACCOUNTABILITY, CHECKS AND BALANCES IN CITY GOVERNMENT." Recommendations include:
 - The Audit Committee to consist of three members, two members of the public and one Councilmember
 - The two public members are to be appointed by the Mayor and confirmed by the Council
 - The Chair of the Audit Committee should be selected by the Audit Committee



IBA Recommendation – January 8, 2008

- Support Charter Review Committee's recommendations for composition of Audit Committee:
 - Five members, two council and three citizen experts to be appointed by legislative body
 - Councilmember to serve as chair
 - Three Councilmembers and two citizen experts would also be acceptable



CHARTER REVIEW RECOMMENDATIONS

Appointment of the City Auditor Overview of Issues August 2006 – December 2007

Office of the Independent Budget Analyst



Kroll Recommendations – August 2006

- Auditor General (City Auditor) to be appointed by the Mayor, subject to Council confirmation
- Report directly to the Audit Committee
- 10-year term and removal only by the legislative body



IBA Response – Report 06-35, September 2006

“The IBA supports the Kroll recommendation that the Mayor appoint the Auditor General (City Auditor), subject to confirmation of the legislative body, provided the Auditor reports directly to the Audit Committee and the Audit Committee members are appointed by the legislative body to ensure the Auditor’s independence from management.”



Charter Review Committee Recommendation – August / September 2007

- Appointed by the Mayor, in consultation with the Audit Committee, confirmed by the Council
- Reports directly to the Audit Committee
- Appointed for 10-year term
- May be terminated by the Audit Committee with 4/5th's vote and right to appeal to Council with 2/3rd's vote to override



Charter Review Committee Recommendation – August / September 2007 (cont'd.)

- August 23 – By unanimous vote, the item was tabled and returned to Financial Reform Subcommittee for further discussion along with the Audit Committee item
- September 21 – Subcommittee recommendation passes 7 – 6



Mayor's Response to Committee Recommendations - November 2007

- Mayor's comments in November 5, 2007, Memorandum to City Council:

"I support this Committee's recommendation. It allows the Auditor to have independence and strengthens the Audit Committee."



San Diegans for City Hall Reform - December 2007

- The City Auditor shall be appointed by the Audit Committee. (Under their proposal the Audit Committee would consist of 2 citizens appointed by the Mayor and 1 Councilmember.)
- The City Auditor shall serve a 10-year term.
- The Audit Committee may remove the City Auditor from office upon providing reasons in a written report to Council.



IBA Recommendation - January 8, 2008

- Support Charter Review Committee's recommendations for appointment of the City Auditor:
 - Appointed by Mayor for 10-year term, in consultation with the Audit Committee, confirmed by Council.
 - This support is predicated on the Auditor reporting directly to the Audit Committee and all Audit Committee members being appointed by the legislative body.
 - Given the above scenario, it would also be acceptable for the Audit Committee to appoint the City Auditor.