



**PROPOSITION M: AMENDMENT TO CITY CHARTER REGARDING APPOINTING
A PUBLIC MEMBER TO THE AUDIT COMMITTEE**

September 2018

SDCTA Position:

SUPPORT

Rationale for Position:

This measure increases the speed and efficiency of the Audit Committee member reappointment process, which would no longer include finding and qualifying two separate viable candidates for the appointing committee to consider when making their decision and all of the opportunity costs associated with it. SDCTA encourages any attempt to seek opportunities to streamline government processes and maximize efficiency. SDCTA recommends that the City Council put forth another Charter Amendment that moves the process to the Municipal Code.

Title: Proposition M: Amendments to the San Diego City Charter to Allow the City Council to Waive the Requirement of Considering at Least Two Candidates When a Public Member of the Audit Committee Seeks Reappointment

Jurisdiction: City of San Diego

Type: City Charter Amendment

Vote: Simple Majority

Status: On the November 6, 2018 General Election Ballot

Issue: Amending the Process for Appointing a Public Member to the Audit Committee

Description: The measure would waive the requirement that an eligible sitting incumbent applying for re-appointment be selected from a pool of at least two other eligible candidates.

Fiscal Impact: None

Background

In 2008, voters amended the San Diego City Charter to establish the City's Audit Committee, tasked with overseeing the City's internal auditing and control practices, directing the City Auditor's work, and recommending and monitoring the City's outside auditor.¹ As passed, Proposition C established the City's Audit Committee with two City Councilmembers and three public members with the "independence, experience and technical expertise necessary to carry out the duties of the Audit Committee."² These public members of the Audit Committee serve four (4) year terms. SDCTA supported Proposition C, as it implemented safeguards and controls for true audit independence by more clearly separating the City's internal auditing function from the Mayor's supervision.³

¹ [City Attorney's Impartial Analysis.](#)

² [Office of the City Clerk. The City of San Diego.](#)

³ [\(2008\). Proposition C. SDCTA Staff Report.](#)



The City Charter currently states that the City Council appoints the three public members from a pool of at least two (2) other viable candidates for each vacant position. A majority vote of a screening committee establishes the candidate pool. This committee includes two outside financial experts, which three members of the screening committee (the City Councilmember, the City’s Chief Financial Officer, and the City’s Independent Budget Analyst) appoint.⁴ The City Council must confirm the appointment.

Public members of the Audit Committee must meet Charter-mandated minimum requirements, and are limited to serving two full consecutive terms, with one term intervening before they are eligible to serve another term. Among these requirements is a 10-year-minimum of professional financial or legal experience in audit management.⁵

To find new candidates, the City must first solicit New Public Member Application announcements at Audit Committee meetings, also posting them on the City’s website homepage. The City must also reach out to the principals of audit and financial accounting firms directly, and request candidate identification assistance from audit practitioners, City Councilmembers, and other professional contacts. This is a task that necessitates time and effort that could be better spent increasing the safeguards and controls of the auditing process, as opposed to finding a certain number of candidates from which to choose an official to execute these duties.

Proposal

On July 30, 2018, the City of San Diego City Council unanimously adopted San Diego Ordinance O-20965, submitting the City Charter amendment measure for the consideration of voters on the November 6, 2018 General Election ballot. The proposed amendments to the City Charter text have been attached to the end of this report. The question to be put before voters is formatted and reads as the following:

MEASURE 20965. CHARTER AMENDMENT REGARDING REAPPOINTMENT OF THE AUDIT COMMITTEE PUBLIC MEMBERS. Shall City Charter section 39.1 be amended to allow the City Council to waive the requirement that the Council consider at least two applicants for appointment to a position as a public member of the Audit Committee, when the Council wishes to reappoint a sitting public member who is eligible for another term?	YES	
	NO	

The measure seeks voter approval to amend the Charter by amending Article V, section 39.1, Audit Committee, which would allow the City Council to waive the requirement that there be a pool of at least two candidates for an Audit Committee Public Member appointment in instances where a

⁴ [City Attorney's Impartial Analysis.](#)

⁵ City of San Diego City Charter.



sitting incumbent applies, is eligible for reappointment, and City Council approves the incumbent's reappointment.⁶

Fiscal Impact

There is no fiscal impact associated with this Charter amendment.⁷

Governance Impact

The proposed City Charter Amendment would streamline the City Council's selection process of the public members of its Audit Committee, improving its speed and efficiency. This committee is responsible for the oversight of the City's auditing, including directing and reviewing the work of the City Auditor. In addition to locating potential candidates, the process of selecting two non-incumbent candidates requires a majority vote from a screening committee comprised of a member of the City Council, the Chief Financial Officer, the Independent Budget Analyst, and two (2) outside financial experts appointed by the other three members of the screening committee and confirmed by the City Council. The proposed Amendment would alleviate these affected departments of the burden of locating, screening, and recommending two non-incumbent candidates in cases of public members of the Audit Committee seeking reappointment.

Proponents

The Charter amendment was proposed by the office of the City's Independent Budget Analyst, which produces a report on the "Process for Appointing a Public Member to the City's Audit Committee" at the time of each appointment.⁸

Opponents

No opposition has been recorded.

⁶ [City Attorney's Impartial Analysis.](#)

⁷ [Fiscal Impact Analysis. City of San Diego.](#)

⁸ [City Attorney's Impartial Analysis.](#)



APPENDIX: Proposed Text Amendments

**City of San Diego City Charter
ARTICLE V**

SECTION 39.1: AUDIT COMMITTEE *(Last amended 06-07-2016)*

The Audit Committee shall be an independent body consisting of five members. Notwithstanding any other Charter provision to the contrary, the Audit Committee shall be appointed as provided under this section. To ensure its independence, the Audit Committee shall be composed of two members of the City Council and three members of the public. The two Councilmembers shall be appointed by the Council, one of whom shall serve as Chair of the Audit Committee. The three public members of the Audit Committee shall be appointed by the City Council from a pool of at least two candidates for each vacant position, to be recommended by a majority vote of a screening committee comprised of a member of the City Council, the Chief Financial Officer, the Independent Budget Analyst and two outside financial experts appointed by the other three members of the screening committee and confirmed by the City Council. The City Council may waive the requirement for appointment from a pool of at least two candidates when a sitting incumbent applies, and is eligible for reappointment. Public members of the Audit Committee shall possess the independence, experience and technical expertise necessary to carry out the duties of the Audit Committee. This expertise includes but is not limited to knowledge of accounting, auditing and financial reporting. The minimum professional standards for public members shall include at least 10 years of experience as a certified public accountant or as a certified internal auditor, or 10 years of other professional financial or legal experience in audit management. The public members of the Audit Committee shall serve for terms of four years and until their successors have been appointed and qualified. Public members of the Audit Committee are limited to two full consecutive terms, with one term intervening before they become eligible for reappointment. Notwithstanding any other provision of this section, appointments shall be made so that not more than one term of office shall expire in any one year.

The Audit Committee shall have oversight responsibility regarding the City's auditing, internal controls and any other financial or business practices required of this Committee by this Charter. The Audit Committee shall be responsible for directing and reviewing the work of the City Auditor and the City Auditor shall report directly to the Audit Committee. The Audit Committee shall recommend the annual compensation of the City Auditor and annual budget of the Office of City Auditor to the Council and shall be responsible for an annual performance review of the City Auditor. The Audit Committee shall recommend to the Council the retention of the City's outside audit firm and, when appropriate, the removal of such firm. The Audit Committee shall monitor the engagement of the City's outside auditor and resolve all disputes between City management and the outside auditor with regard to the presentation of the City's annual financial reports. All such disputes shall be reported to the Council. The Council may specify additional responsibilities and duties of the Audit Committee by ordinance as necessary to carry into effect the provisions of this section.