



THE CITY OF SAN DIEGO
MAYOR JERRY SANDERS

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COUNCILMEMBER
DONNA FRYE

DATE: February 21, 2008

TO: Honorable Council President Peters and Councilmembers

FROM: Jay M. Goldstone, Chief Operating Officer 

SUBJECT: Charter Change for City Auditor

I have reviewed the February 20, 2008 letter from the SEC monitor, Stanley Keller, in response to Council President Peter's request for comments on the three pending options before Council for a proposed change to the City's Charter in the appointment of the City's Internal Auditor. I appreciate Mr. Keller's comments and note that his comments are consistent with the Kroll Report recommendations, with the Charter Committee recommendation on the subject, and with the applicable 2007 Revised Yellow Book. In paragraph 3.14 of the revised Yellow Book, the GAO acknowledges that an auditor appointed by management is consistent with the requisite independence where the legislative body confirms management's appointment.

Paragraph 3.14c of the 2007 revisions of the Yellow Book states that "Audit organizations in government entities may also be presumed to be free from organizational impairments if the head of the audit organization meets any of the following criteria.if appointed by someone other than the legislative body, so long as the appointment is confirmed by the legislative body and removal from the position is subject to oversight or approval by the legislative body, and reports the results of audits to and is accountable to a legislative body."

The Charter Committee, after over 51 public meetings, recommended the City's Charter be changed in section 39 to allow for Mayoral appointment of the City's Internal Auditor, confirmed by the Council with accountability to the Audit Committee and a 10-year contract. These protections, along with the Charter Committee recommendations regarding the Audit Committee, are designed to provide independence and integration of functions within a functioning City government.

Jay M. Goldstone
Chief Operating Officer

Cc: City Attorney Michael Aguirre
Independent Budget Analyst Andrea Tevlin
Stanley Keller, SEC Monitor