**SDCTA Position:** SUPPORT

**Rationale for Position:** The SDCTA supports Proposition G because it frees time and resources of the City Auditor’s Office spent on conducting close out audits to allocate to other priorities. Performing close out audits after a City Official leaves office is not a standard practice under Generally Accepted Government Standards, and no other California City Auditors are mandated to perform close out audits. Removing the requirement of the City Auditor to perform close out audits from the Charter will update the Charter with current standards and practices and allow City Auditor resources to be redistributed to higher priorities.

<table>
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<tr>
<th><strong>Title:</strong> Proposition G: Charter Amendment Regarding Audits of Accounts of City Officials</th>
<th><strong>Jurisdiction:</strong> City of San Diego</th>
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<tbody>
<tr>
<td><strong>Type:</strong> Charter Change Ballot Initiative</td>
<td><strong>Vote:</strong> Simple Majority (Not Subject to Mayor’s Veto)</td>
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<td><strong>Status:</strong> On the June 7, 2016 Municipal Election Ballot</td>
<td><strong>Issue:</strong> Charter amendment regarding audits of accounts of city officials and officers upon their death, resignation or removal from City office.</td>
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<td><strong>Description:</strong> The proposed measure would amend the San Diego Charter to remove language that requires the City Auditor to perform close-out audits of City officials and officers upon their death, resignation or removal from City office. If the measure is approved, the Auditor may perform close-out audits when he or she chooses to do so.</td>
<td><strong>Fiscal Impact:</strong> While there are no expected related budgetary savings, this measure may enable the City Auditor to redirect resources to perform other audit duties.</td>
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Background:

On April 7, 1931, voters approved the Charter of the City of San Diego, which stated under Article VII Section 111 that the Auditor and Comptroller must conduct an audit and investigation of the accounts of a City Officer upon their death, resignation or removal from office.

In 2005, the Securities and Exchange Commission (SEC) instructed the City Council to thoroughly investigate finances after an investigation of the City's retirement system and sewer rate structure. The Kroll Report issued on August 8, 2006 found violations of duties and regulations due to a culture of poor management and a lack of responsibility within the City government. To strengthen accountability within the City government, one of the Kroll Reports’ recommendations was that the City create a new position of Auditor General responsible for internal audits of the City’s internal controls; financial accounting; reporting and disclosure; operations; and fraud, waste and abuse.

On June 3, 2008, San Diego voters approved Proposition C, which proposed among other changes to create an independent City Auditor under Charter section 39.2. The San Diego County Taxpayers Association took no position on Proposition C on the June 3, 2008 ballot.

Included in the City Auditor’s duties was mandatory close-out account audits upon the death, resignation, or removal of any officer of the City, originally assigned to the Auditor and Comptroller in 1931.

The City Auditor proposed to amend the San Diego Charter section 111 to remove this requirement. The January 25, 2016 Auditor Memorandum points out that the Generally Accepted Government Standards and industry standards do not require a City Auditor to conduct close-out audits. Independent research by SDCTA staff has verified this claim.¹

Policy Implications:

State and/or Local Government

According to the Fiscal Year 2016 Annual Citywide Risk Assessment and Audit Work Plan, the City Auditor spends 240 hours per year on close-out audits, or approximately 40 hours per close-out audit.

The average Principal Auditor salary is approximately $82,100 and the average annual audit hours available per auditor is approximately 1,410. Therefore, each audit costs about $58 per hour in terms of salaried pay. While the passing of Prop G will not eliminate an entire

salaried position, it would allow the approximately $2,320 and 40 hours of time spent per close-out audit to be redirected toward higher City Auditor priorities.

**Fiscal Impact:**

While there are no expected related budgetary savings, this measure may enable the City Auditor to redirect resources to perform other audit duties.

**Summary of Policy Recommendations:**

The SDCTA supports Proposition G because it frees time and resources of the City Auditor’s Office spent on conducting close-out audits to allocate to other priorities. While the City Auditor’s data, which shows that 49 close-out audits did not reveal any significant findings of outstanding debt or fraud to the City, may seem to obviate the need for such audits, that the City Auditor still has authority to conduct such audits and that Generally Accepted Government Accounting Standards do not require them provide justification for removing this requirement. Furthermore, no other California City Auditors are mandated to perform close-out audits. Removing the requirement of the City Auditor to perform close-out audits from the Charter will simply update the Charter with current standards and practices and allow City Auditor resources to be redistributed to higher priorities. It will give the professionals appointed to the position of City Auditor the latitude to perform the duties of their position without the imposition of unnecessary requirements.

**List of Proponents:**

- Council President Sherri Lightner
- Councilmember Chris Cate
- San Diego Regional Chamber of Commerce
- League of Women Voters of San Diego

**Proponent Arguments:**

The proposed changes will reflect that the Human Resources Department, rather than the City Auditor, performs close-out audits of city officers and that the Auditor can choose to, but is not required, perform close-out audits.

This will update the City’s close-out audit requirements to reflect current Generally Accepted Government Accounting Standards (GAGAS) and industry standards and practices.

**List of Opponents:**

No known opponents.

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Opponent Arguments:
There are no arguments filed against Proposition G.