



SDNN inquiry prompts investigation into city's finances

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By Hoa Quach

Documents discovered through a Public Records Act request made by the San Diego News Network allege that the city of San Diego spent more than \$250,000 on consultancy services offered by Grant Thornton without the city council's approval.

Last year, the city council approved a memorandum of understanding (MOU) that allowed the city to spend up to \$250,000 on services by Grant Thornton in relation to the City's Managed Competition Program. After discovering the documents obtained by SDNN, Councilmembers Donna Frye and Todd Gloria asked the offices of Mayor Jerry Sanders and Chief Operating Officer Jay Goldstone for an explanation.

In a memo released by the councilmembers Monday, Frye and Gloria state:

"On July 22, 2008, the City Council approved a MOU with Grant Thornton that limited its contract with the City to \$250,000 in FY2009, and in addition, \$250,000 for the remainder of the term of the agreement. After reviewing some documents (attached) obtained by the San Diego News Network through a Public Records Act Request, we saw that:

- (1) Payroll records from March 2007-February 2008 show that Grant Thornton performed services for \$555,477, much in excess of what was presented to Council, and without Council approval:
- (2) The Pricing Agreement dated January 9, 2009 for \$671,011, appears to be in violation of the MOU cap:

Simply put, it appears that the City has spent over \$250,000 on this contract without City Council approval."

Frye and Gloria also ask Sanders and Goldstone whether the work had been completed by Grant Thornton when the company was paid \$250,000 in June 2008. In addition, it is not even clear how much the city paid Grant Thornton in total for its services.

If the allegations discovered in the documents are accurate, two violations were made:

1. The San Diego Municipal section 22.3223 which requires that the City Council approve of consulting agreements in exceeding \$250,000 in a fiscal year.
2. The Council Resolution 303869, which allows the mayor to "execute, for and on behalf of said City, an agreement with Grant Thornton LLP, for managed competition programs support under the terms and conditions set forth." The terms and conditions include a cap of \$400,000.

Grant Thornton was hired by the city to evaluate the Managed Competition Program in 2007

after the city charter amendment was approved by voters in 2006, according to a timeline record by the Center on Policy Initiatives. The program allows officials to contract any services into the private sector - rather than have city employees do the job - if the city manager's office determines it is more economically effective to do so and if the city council approves.

Spokesperson Rachel Laing wrote in an email that the office is currently looking into the memo.

"Unfortunately, we got this memo late today and were unable to complete our analysis of the allegations," she wrote.

When SDNN made the request in August, we were aware of the possible violations, but sought extra documents in an attempt to ensure all our questions would be answered. However, the city asked for extensions on the additional requests. According to The California Public Records Act, the city must complete requests within 10 days; however, it may ask for an extension of 14 days. In addition, the city may deny the requests if the information asked for is exempt under the same state law.