



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
LOS ANGELES REGIONAL OFFICE  
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July 23, 2007

**VIA FACSIMILE AND U.S.MAIL**

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Re: **City of San Diego Bond Offerings (LA-2842)**

Dear Messrs. Hartigan and Keller:

I am writing in regard to the Commission's November 14, 2006 cease-and-desist order against the City ("the Order") and the "Initial Report of Independent Consultant" ("the Initial Report") issued to the City of San Diego on June 7, 2007. The Order provided that within 120 days after the date of engagement, Mr. Keller, as the Independent Consultant, would submit a report to the City and the Commission that described the review performed and the conclusions reached and any recommendations deemed necessary to make the policies, procedures, and internal controls adequate and address the deficiencies set forth in Section III.D. of the Order.

Given the short amount of time and the complex nature of the City's issues, the Initial Report contained few recommendations and did not include deadlines for implementation of the recommendations. We understand through our discussion with Mr. Keller that his next report will be more complete in making more complete, specific, and concrete recommendations and setting deadlines.

We note that the Initial Report did contain the following recommendations:

- The City must finalize the internal audit function and hire as soon as possible a qualified internal auditor;

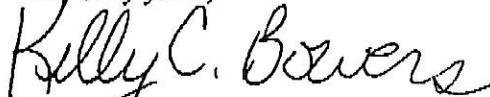
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- The Audit Committee should complete its organization as quickly as possible by selecting citizen advisers and professional consultants, as necessary, to assist the Audit Committee in discharging its responsibilities;
- The City should upgrade to a more modern and reliable financial accounting system so as to ultimately improve financial reporting;
- The City should re-evaluate the role and accountability of its Chief Financial Officer and consider having the same person serve as the Chief Financial Official and Auditor and Comptroller; and
- The City should continue evaluating the disclosure process and consider whether moving toward a shelf-like disclosure system would be appropriate.

The Order provides that the City will take all necessary and appropriate steps to adopt, implement, and employ the Independent Consultant's recommendations or the City's alternative methods designed to achieve the same objective or purpose as that of the Independent Consultant's recommendations. Please advise us as soon as possible as to the steps taken by the City to adopt the above recommendations or other alternative methods designed to achieve the same objectives. We are also interested in knowing the estimated timeframe for implementing these recommendations.

Please feel free to call me if you have any questions.

Very truly yours,



Kelly C. Bowers  
Senior Assistant Regional Director