



## THE CITY OF SAN DIEGO

DATE: July 8, 2009

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – June 2009**

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This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of June 2009. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

### **Audit Reports and Accomplishments:**

- June 11, 2009 – Issued our SAP Enterprise Resource Planning (ERP) Implementation Audit Report - Current to Integration Testing, Cycle 1. This report was issued to provide an update on our ongoing ERP Implementation Audit. During the course of our review from December 2008 to April 2009, we identified eight issues. Of these eight issues, two have been completely remediated and reviewed by audit prior to April, two have been remediated and submitted to audit for review, one will be remediated when the Master Service Agreement is completed in Fiscal Year 2010, and management is in the process of remediating the remaining three issues. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/pdf/erp\\_implementationreport%206-15-09.pdf](http://www.sandiego.gov/auditor/pdf/erp_implementationreport%206-15-09.pdf)
- June 15, 2009 – Presented our SAP ERP Implementation Audit Report to the Audit Committee.
- June 15, 2009 – As of mid June 2009, five of our staff members obtained the Certified Internal Controls Auditor (CICA) designation. The staff members that received this designation are DeeDee Alari, Paul Alberga, Danielle Knighten, Tricia Mendenhall, and John Teevan.



**Audit Reports and Accomplishments (Continued):**

- June 16, 2009 – Issued a close-out audit report for Ms. Wendi Brick, former Customer Services Director; Mr. Elmer Heap, former Deputy Chief Operating Officer, Community Services; Ms. Jill Olen, former Deputy Chief Operating Officer, Public Safety and Homeland Security; and Ms. Joanne SawyerKnoll, former Deputy Chief Operating Officer, Office of Ethics and Integrity. Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We found that these individuals do not have any outstanding debt to the City. However, during our audit we also reviewed the return of the employees' City identification cards and their use of terminal leave after their last day of work, and we found some weaknesses in the administration of City policies regarding these two issues. Nothing else came to our attention requiring further review. The audit report can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/closeoutheapolenrricksawyerKnoll.pdf>
- June 17, 2009 – The City Auditor met with the State Inspector General to discuss auditing stimulus funding.
- June 29, 2009 – Issued a Hotline report regarding our investigation of Promote La Jolla, Inc. We received a Hotline complaint alleging accounting irregularities and possible misuse of City funds. Our investigation concluded the allegations are substantiated. We found duplicate billings and misuse of City funds totaling **\$112,070**, which should be recouped by the City. We recommended the City Planning & Investment Department consult with the City Attorney's Office to take the appropriate action. We also made recommendations to help strengthen the Department's contract oversight. The Department agreed to implement the recommendations. The Hotline report can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/plj.pdf>
- June 30, 2009 – Issued a Hotline report regarding our investigation in response to a call made to the City's Fraud Hotline involving a City employee. We confirmed allegations that the employee took some merchandise without permission from a place of business during the course of an official City inspection. The employee admitted taking the merchandise but claims it was offered to him. We recommended the Department take the appropriate disciplinary action based on our investigation. The Department indicated they are in the process of taking the appropriate disciplinary action. The report can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/dsdemployee.pdf>

**Current Audits and Activities:**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Proposition 64 Funds Audit</b>	The objective of this requested audit is to determine if Proposition 64 funds are being properly budgeted and used solely for the enforcement of consumer protection laws. We have used approximately 542 audit hours, and the draft audit report is under review by Audit management.	July 2009
<b>San Diego Housing Commission Audit</b>	The objective of this audit is to determine if the San Diego Housing Commission has sound procurement and executive compensation practices. We will also review their development and asset management program. A draft audit report is being reviewed by the Housing Commission and City management. We have used approximately 1,624 audit hours.	July 2009
<b>Water / Metropolitan Wastewater Department Contract Audit</b>	The objective of this audit is to determine if vendors are in compliance with contract terms. We have used approximately 636 audit hours, and a draft audit report is being reviewed by Audit management.	July 2009
<b>Centre City Economic Development Corporation (CCDC) Audit</b>	Sjoberg Evashenk Consulting, Inc has been awarded the contract to conduct a performance audit of CCDC. Audit fieldwork is completed and the draft audit report is under review.	July 2009

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Hiring Process of the Director of Purchasing and Contracting</b>	At the request of the Mayor's Office, the City Auditor has initiated a review of the hiring process of the Director of Purchasing and Contracting. Since all City Auditor staff are currently engaged in audits of high risk City activities, we hired Sjoberg Evashenk Consulting Inc to conduct this audit.	July 2009
<b>San Diego Convention Center Corporation (SDCCC) Audit</b>	Mayer Hoffman McCann P.C. has been awarded the contract to conduct a performance audit of SDCCC. The audit fieldwork is complete and the draft audit report is being prepared.	August 2009
<b>Annual Central Stores Inventory Audit FY09</b>	The San Diego Municipal Code Section §22.0501 requires an annual audit of inventory in the City storerooms and warehouses. The objective of this audit is to confirm the valuation of Central Stores inventory. We have used approximately 46 audit hours to date and we estimate an additional 74 audit hours will be needed.	August 2009
<b>General Services - Streets Division Roadways Audit</b>	The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. Audit fieldwork is in progress. We have used approximately 374 audit hours to date and we estimate an additional 226 audit hours will be needed.	TBD

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Purchasing and Contracting – Requisition, Purchase Order and Contract Management</b>	The objective of this audit is to determine if Purchasing and Contracting has sound procurement procedures in place and to evaluate the efficiency and effectiveness of the Department’s procedures. We completed an audit of the contracts associated with the debris removal program to clear homes destroyed in the 2007 wildfires within the scope of this audit. We are now going to audit the Citywide purchasing and contracting procedures. We have used approximately 1,667 audit hours to date and we estimate an additional 193 audit hours will be needed.	TBD
<b>Audit of Internal Control Remediations</b>	The objective of this audit is to test and verify management’s remediation efforts to correct weaknesses identified in the Kroll Report, external auditors’ reports and the Internal Auditor’s reports. We have used approximately 1,962 audit hours, and we estimate an additional 478 hours will be needed. We have tested 78% of the items reported remediated as of December 31, 2007.	TBD
<b>City Treasurer - Investment Activities Audit</b>	The objective of this audit is to determine if investments are being properly handled, accounted for and accurately reported in the City's financial statements. Audit fieldwork is in progress. We have used approximately 149 audit hours to date and we estimate an additional 451 audit hours will be needed.	TBD

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<p><b>Enterprise Resource Planning (ERP) System Implementation Review</b></p>	<p>The objectives of this audit are to:  (a) determine if the City's key financial activities are being adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system and (b) determine if the system was adequately tested prior to implementation. We issued an update audit report on June 11, 2009. Approximately 1,567 audit hours have been used for this review, and we estimate an additional 363 hours will be needed.</p>	<p>TBD</p>
<p><b>City Treasurer - Delinquent Account Collections Audit</b></p>	<p>The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements. Audit fieldwork is in progress. We have used approximately 21 audit hours to date and we estimate an additional 779 audit hours will be needed.</p>	<p>TBD</p>
<p><b>Purchasing and Contracting - Equal Opportunity Contracting and Labor Compliance Audit</b></p>	<p>The objective of this audit is to determine the efficiency and effectiveness of the City's equal opportunity contracting and labor compliance. Audit fieldwork is in progress. We have used approximately 216 audit hours to date and we estimate an additional 184 audit hours will be needed.</p>	<p>TBD</p>

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Disclosure Practices Working Group (DPWG)</b>	City Auditor staff participates in DPWG meetings as an ex officio member. Approximately 16 hours were spent participating in various DPWG meetings during the month.	On-going
<b>Fraud, Waste and Abuse Hotline</b>	We review and administer the City's Hotline calls that are received. We prepare reports for the calls that are personnel related and they are reviewed at biweekly Hotline Intake Committee meetings by Labor Relations and the Personnel Department. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on any fraud related allegations that are substantiated. During the months of June there were approximately six new hotline calls received. We have spent approximately 1,182 hours investigating calls during Fiscal Year 2009.	On-going

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<p><b>Follow-up on Previously Issued Audit Reports – San Diego Data Processing Corporation (SDDPC)</b></p>	<p>We are performing a follow-up audit on the recommendations made to SDDPC in an audit report issued in 2004, and we are reviewing compensation, budgeting and governance issues. We issued a report on SDDPC’s compensation and budgeting practices on May 5, 2009, and the target date to issue the final report on our follow-up of prior recommendations and governance issues is August 2009. We have used approximately 854 audit hours and we estimate an additional 80 audit hours will be needed.</p>	<p>On-going</p>
<p><b>Follow-up on All Audit Reports Issued in FY08 Through the First Quarter of FY09</b></p>	<p>We have created a database to track all of our audit recommendations made since FY08. We will be sending memos to City Departments that were audited to determine their status of implementing the audit recommendations made.</p>	<p>On-going</p>



**Planned FY09 Audits Not Yet Started:**

<b>Planned Audit</b>	<b>Description</b>	<b>Estimated Audit Hours</b>
<b>Risk Management - Public Liability and Loss Recovery Audit</b>	The objective of this audit is to determine if public liability and loss recovery is being properly handled, accounted for and accurately reported in the City's financial statements.	800
<b>City Treasurer - Parking Meter Operations Audit</b>	The objective of this audit is to determine if the collections for parking meters is being properly accounted for and efficiently and effectively handled.	600



Eduardo Luna  
City Auditor

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst  
Stanley Keller, Independent Oversight Monitor