




## THE CITY OF SAN DIEGO

DATE: November 4, 2008

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor 

SUBJECT: **Monthly City Auditor Activity Report – October 2008**

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This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of October 2008. It includes the audit reports issued and other accomplishments produced 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:**

- October 6, 2008 – Presented the City Auditor Update for the period April 1, 2008 through September 30, 2008. During this period we issued nine audit reports and made 53 recommendations to improve internal controls. The presentation can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/fy09update.pdf>
- October 6, 2008 – Presented our “Audit of Internal Control Remediation Related to the San Diego City Employees Retirement System” to the Audit Committee. Our presentation can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/sdcerspres.pdf>
- October 7, 2008 – Presented our Revised Annual Work Plan for Fiscal Year 2009 to the City Council for review and approval and the City Council unanimously approve it. Our work plan can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/fy09revisedworkplan.pdf>
- October 20, 2008 – Presented our Fraud Hotline Administration Plan to the Audit Committee. The Audit Committee approved the hotline administration plan and forwarded it to the City Council with the recommendation to approve the plan. Our presentation can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/fraudhotlineadminplan.pdf>



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

- October 20, 2008 – Presented our quarterly report on the Fraud Hotline activities for the period July 1, 2008 through September 30, 2008. Our presentation can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/fraudhotlinestats.pdf>
- October 24, 2008 – The Comptroller General of the United States Government Accountability Office (GAO) has invited City Auditor, Eduardo Luna, to join the Domestic Working Group as a Local Auditor member. The overall objective of the Domestic Working Group is to allow officials in the federal, state and local governmental audit communities to interact on various topics of mutual concern and collaborate on issues of mutual interest. The Domestic Working Group agenda includes discussion of emerging issues regarding the Single Audit Act, Professional Standards, and a special project on Pandemic Flu. The GAO reimburses members' travel expenses.
- October 29, 2008 – Issued a Close-out Audit Report for Mark Foreman, former Department Director for the San Diego Family Justice Center. The report can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/foremancloseout.pdf>
- October 31, 2008 – Issued a Close-out Audit Report for Anna Tatar, former Library Director. The report can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/tatarcloseout.pdf>

**Current Audits and Activities:**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>City Library Fee Collection Process Audit</b>	The objective of our audit is to determine if the fees collected by the libraries are being properly collected and accurately reported by the City. We issued a draft audit report to Library management for review and the exit conference is set for November 4, 2008. We have used approximately 724 audit hours, and we estimate an additional 8 hours will be needed to complete the audit.	November 14, 2008
<b>Annual Central Stores Inventory Audit FY08</b>	The San Diego Municipal Code Section §22.0501 requires an annual audit of inventory in the City storerooms and warehouses. The objectives of this audit are to confirm the valuation of Central Stores inventory and to evaluate the storerooms' internal controls to safeguard inventory. We have used approximately 173 audit hours, and we estimate an additional 67 hours will be needed.	December 19, 2008
<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 185 audit hours, and we estimate an additional 56 hours will be needed.	December 19, 2008

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

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<p><b>Purchasing and Contracting – Requisition, Purchase Order and Contract Management</b></p>	<p>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 are including an audit of the contracts associated with the debris removal program to clear homes destroyed in the wildfires within the scope of this audit. We provided a draft audit report on the debris removal contracts to management for review and the exit conference is scheduled for November 5, 2008. We plan to issue the report by November 14, 2008. Our target date to finish the audit of Citywide purchasing and contracting procedures is January 25, 2009. We have used approximately 1,250 audit hours to date and we estimate an additional 320 audit hours will be needed.</p>	<p>January 25, 2009</p>
<p><b>Audit of Internal Control Remediations</b></p>	<p>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 1,728 audit hours, and we estimate an additional 712 hours will be needed to test the remaining 44 items.</p>	<p>February 27, 2009</p>

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

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Centre City Economic Development Corporation (CCDC) Audit</b>	Prepared the audit scope for the Request for Proposal (RFP) to hire an audit firm to conduct a performance audit of CCDC. The audit contract will be docketed for City Council review on November 17, 2008. Once the contract is approved, it will take approximately 6 months to complete the audit.	May 22, 2009
<b>Real Estate Assets-Qualcomm Stadium Administration Audit</b>	The objective of this audit is to determine if the revenue generated by Qualcomm Stadium is being properly collected and accurately reported by the City. We have used approximately 86 audit hours, and we estimate an additional 354 hours will be needed.	TBD
<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. We have used approximately 147 audit hours, and we estimate an additional 653 hours will be needed.	TBD

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

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>San Diego Convention Center Corporation Audit</b>	Prepared the audit scope for the RFP to hire an audit firm to perform an ethics and accountability review of the San Diego Convention Center Corporation. The RFP was issued on October 29, 2008 and responses are due by December 2, 2008. A copy of the RFP can be found on the City's website at: <a href="http://www.sandiego.gov/bcweb/pdf/9538-09-V.pdf">http://www.sandiego.gov/bcweb/pdf/9538-09-V.pdf</a>	TBD
<b>Enterprise Resource Planning (ERP) System Implementation Review</b>	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. Approximately 469 audit hours have been used for this review, and we estimate an additional 1,461 hours will be needed.	TBD
<b>Disclosure Practices Working Group (DPWG)</b>	City Auditor staff participates in DPWG meetings as an ex officio member. Approximately 13 hours were spent participating in various DPWG meetings during the month.	On-going

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

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Fraud, Waste and Abuse Hotline</b>	<p>We review and administer the City’s Hotline calls that are received. We prepare hotline reports for the calls that are personnel related and they are reviewed at biweekly hotline intake committee meetings by Labor Relations, Personnel and the Office of Ethics and Integrity. Investigations are performed by the Office of the City Auditor for accusations of material fraudulent activity or questionable financial reporting. During the month of October 2008, there were approximately 18 new hotline calls received, and the Office of the City Auditor is investigating 4 of the allegations.</p>	On-going
<b>Follow-up on Previously Issued Audit Reports</b>	<p>We previously reviewed audit reports that did not have a response from management on file indicating that the audit recommendations were implemented. We have received all audit report responses needed with the exception of the following two reports:</p> <ol style="list-style-type: none"> <li>1. SDCERS - Audit of Account of George Loveland.</li> <li>2. SDCERS - Audit of Corbett Payment 2004 and Related Allowances.</li> </ol> <p>The SDCERS has not yet provided written responses to these reports.</p>	On-going

**Planned Audits Not Yet Started:**

<b>Planned Audit</b>	<b>Description</b>	<b>Estimated Audit Hours</b>
<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.	600
<b>City Treasurer - Delinquent Account Collections Audit</b>	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.	800
<b>Park and Recreation - Recreation Facilities Operations Audit</b>	The objective of this audit is to determine if Park and Recreation's recreation facilities are properly collecting and accounting for fees.	480
<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
<b>General Services - Streets Division Roadways Audit</b>	The objective of this audit is to determine if the City streets are being efficiently and effectively maintained by the City.	800



**Planned Audits Not Yet Started (Continued):**

<b>Planned Audit</b>	<b>Description</b>	<b>Estimated Audit Hours</b>
<b>Purchasing and Contracting - Equal Opportunity Contracting and Labor Compliance Audit</b>	The objective of this audit is to determine the efficiency and effectiveness of the City's equal opportunity contracting and labor compliance.	400
<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 and to evaluate the storerooms' internal controls to safeguard inventory.	80 (FY09) 160 (FY10)
<b>Close-out Audits</b>	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.	As Needed

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