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February 2011

Audit Recommendation Follow-up Report

Status Update as of January 3, 2011

DATE: February 28, 2011

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **Recommendation Follow-Up Report**

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Attached is the City Auditor's Office Recommendation Follow-Up Report which provides the status of open recommendations as of January 3, 2011.   We will continue reporting on open recommendations semiannually for periods ending around June 30th and December 31st.

We provided a short summary of data, highlighted several recommendations, and attached the status updates for all recommendations. We look forward to presenting this report at the March 2011 Audit Committee meeting.

The intent of this report is to keep the Audit Committee informed about the implementation status of recommendations made by the City Auditor's Office. We would welcome any suggestions or recommendations for improving upon this report to enhance your ability to monitor the effective implementation of City Auditor recommendations.

cc: Honorable Mayor Jerry Sanders
        Honorable City Councilmembers
        Jay M. Goldstone, Chief Operating Officer
        Mary Lewis, Chief Financial Officer
        Ken Whitfield, Comptroller

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IMPLEMENTATION STATUS OF OPEN RECOMMENDATIONS

On January 3, 2011, the Comptroller's Office provided the City Auditor a listing of 128[1] recommendations deemed implemented by departments and related entities. These submitted recommendations represented 128 of 314 (41 percent) of all open recommendations. Of the 128 recommendations submitted by the Comptroller's Office, we found 69 were implemented (54 percent), 24 were partly implemented (19 percent), and 35 were not implemented (27 percent).

This report is reflective of recommendations that departments and related entities reported as implemented to the Comptroller's Office as of January 3, 2011. Any recommendations reported to the Comptroller's Office after January 3, 2011 will be incorporated into our June 2011 report.

Management has communicated that although many recommendations remain outstanding; efforts to implement the recommendations are in process. We should note that some recommendations have planned implementation dates in the future; however, the status of these recommendations is listed as not implemented. We will continue to report these recommendations as not implemented until we can verify recommendation implementation.

Of the 314 outstanding recommendations:

- 96 recommendations were implemented;
- 39 recommendations were partly implemented;
- 164 recommendations were not implemented;
- 6 recommendations were not implemented – n/a; and
- 9 recommendations were not implemented - disagree.

City Auditor's Office staff deemed recommendations:

- **Implemented** where City staff provided sufficient and appropriate evidence to support all elements of the recommendation;
- **Partly Implemented** where some evidence was provided but not all elements of the recommendation were addressed;
- **Not Implemented** where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided. This may include recommendations which are in process, but the auditee does not report recommendations as implemented to the Comptroller. New recommendations issued within the last three months of the January 3, 2011 Comptroller's report are

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[1] The Comptroller's report included additional items which are not related to the City Auditor's work. As a result, the number of items in the Comptroller's report does not match the number of recommendations we reviewed during this six month follow up period. There were 85 recommendations reported as implemented during the period July 9, 2010 through December 31, 2010, and 43 carryover recommendations from previous reporting cycles.

shown as not implemented unless the City Auditor received evidence to indicate recommendations were implemented;

- **Not Implemented – N/A** where circumstances change to make a recommendation not applicable; and
- **Not Implemented – Disagree** where the administration disagreed with the recommendation, did not intend to implement, and no further action will repo requested.

Exhibit 1 summarizes the status of open recommendations by audit report in chronological order.

Exhibit 1: Audit Reports and Recommendation Status

Report	Implemented	Partly Implemented	Not Implemented[2]
08-010 Central Stores Inventory Audit - Purchasing & Contracting Department		2	2
08-011 City Oversight Of The San Diego Public Library Foundation			5
08-019 Cash Count And Bank Reconciliation Audit - Kroll Remediation Of The City's Bank Reconciliation Process			1
08-020 Audit Of Permits Issued For The Blackwater Facility			2
09-001 Audit Of The Internal Control Remediation Related To The San Diego City Employees Retirement System	1	1	1
09-003 Audit Of Accounts Of Anna Tatar (Martinez), Library Director	2		
09-004 Audit Of The San Diego Public Library Fee Collection Process	4		
09-005 Audit Of The 2007 Wildfire Debris Removal Project	2	1	6
09-006 Hotline Investigation Of The Junior Lifeguard Program's Deposits Of Fundraiser Monies			1
09-008 Hotline Investigation Of The Duplication Of Water Meter Box Replacement Work			1
09-009 Hotline Investigation Of The Fourth District Senior Resource Center	1		
09-013 The City Of San Diego Faces Unique Operational And Administrative Challenges In Managing Qualcomm Stadium	2	2	5
09-014 Audit Of San Diego Data Processing Corporation's Compensation And Budgeting Practices		1	
09-015 Audit Of The San Diego Public Library Cash Handling (Confidential)			18[3]
09-016 Audit Of Accounts Of Wendi Brick, Former Customer Services Director, Elmer Heap, Former Deputy Chief Operating Officer, Jillanne (Jill) Olen, Former Deputy Chief Operating Officer, And Joanne Sawyerknoll, Former Deputy Chief Operating Officer			1

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[2] Includes Not Implemented, Not Implemented – Disagree and Not Implemented – N/A.

[3] Due to the sensitive nature of the recommendations, we will report on these recommendations when all 18 are resolved. The City Auditor is working separately with the Library to determine the implementation status of these recommendations.

Report	Implemented	Partly Implemented	Not Implemented
09-017 Park & Recreation Pool Audit	3	3	4
09-018 Audit Of The SAP ERP Implementation – Current To Integration Testing, Cycle 1	1		
09-021 Hotline Investigation Of Promote La Jolla, Inc.	1		1
09-023 Audit Of The Central Stores Inventory (FY08)	2	3	2
09-OA-001 Southeastern Economic Development Corporation Performance Audit Of Operations	19	4	4
10-001 Metropolitan Wastewater Department Contract Compliance Audit		1	8
10-002 Performance Audit Of The San Diego Housing Commission – Part I	3	2	8
10-003 Performance Audit Of The San Diego Housing Commission – Part II	3		7
10-006 Office Of The City Attorney Proposition 64 Funds Audit		1	1
10-007 Performance Audit Of The City's Street Maintenance Functions	2	2	
10-008 Hotline Investigation Of A City Comptroller Employee			1
10-009 San Diego Data Processing Corporation Follow-Up Audit	3		4
10-010 Performance Audit Of The City Treasurer's Delinquent Accounts Program - Development Services Department	1	2	8
10-011 City Charter Requirements For Unclaimed Funds			1
10-013 Bid To Goal: Efficiencies Have Been Achieved, But Improvements Are Needed In Documentation, Management, And Internal Review Of The Program		1	
10-016 Citywide Revenue	5	4	10
10-017 Performance Audit Of The City Treasurer's Investments Division	3		
10-018 Performance Audit Of The Purchasing And Contracting Department - Citywide Open Purchase Order Program			6
10-019 Performance Audit Of The Subcontractor Outreach Program (Scope)	5		8
10-020 Performance Audit Of The Development Services Department's Collection Of Water And Sewer Fees	2		5
10-OA-001 Performance Audit Of The Centre City Development Corporation	19	5	

Report	Implemented	Partly Implemented	Not Implemented
10-OA-002 Audit Of The San Diego Convention Center Corporation	3		
10-OA-003 Review Of The Hiring Process Of The Director Of Purchasing And Contracting	3	2	
11-001 Performance Audit Of Risk Management's Public Liability And Loss Recovery Division		1	22
11-002 Hotline Investigation Report Of Abuse From The Sale Of Scrap Metal			1
11-006 Performance Audit Of The Fire Prevention Activities Within The City Of San Diego	2	1	20
11-008 Hotline Investigation Of Contract Administration With The Greater Golden Hill Community Development Corporation			3
11-009 Street Maintenance: City Needs To Improve Planning, Coordination, And Oversight To Effectively Manage Transportation Assets	2		12
11-010 Managed Competition Cost Comparison Tool Testing	2		
Grand Total	**96 (31%)**	**39 (12%)**	**179 (57%)**

As of January 3, 2011, the distribution of the 314 recommendations is as follows:

24	Center City Development Corporation	5	Office of the Mayor
19	Chief Financial Officer	10	Park and Recreation Department
2	City Administration	1	Park and Recreation and City Planning & Community Investment
3	City Comptroller	1	Personnel Department
5	City Planning & Community Investment	10	Public Utilities – MWWD
4	City Treasurer	1	Public Utilities – Water
11	Development Services Department	4	Purchasing and Contracting – Central Stores
7	Development Services Department and Pubilic Utilities	13	Purchasing and Contracting Department
9	Environmental Services Department	9	Real Estate Assets Department
13	Equal Opportunity Contracting Program	24	Risk Management Department
1	Financial Management Department	3	San Diego City Employee Retirement System
24	Fire-Rescue Department	3	San Diego Convention Center Corporation
5	General Services Department	23	San Diego Housing Commission
14	General Service/Engineering and Capital Projects/Development Services/Public Utilities Departments	27	San Diego Public Library
2	Land Use & Economic Development	8	San Diego Data Processing Corporation
2	Office of the City Attorney	27	Southeastern Economic Development Corporation

Exhibit 2 breaks down open recommendations by their status and the length of time a recommendation remains open from the original audit report date[4].

Exhibit 2: Audit Recommendation Implementation Aging

Timeframe	Implemented	Partly Implemented	Not Implemented	Not Implemented-N/A	Not Implemented-Disagree	Total
0-3 Months	6	1	34	0	1	42
4-6 Months	2	1	24	0	4	31
6-12 Months	13	5	23	0	2	43
1 to 2 Years	49	25	56	1	1	132
Over 2 Years	26	7	27	5	1	66
Total	96	39	164	6	9	314

As of the current reporting cycle, departments and entities began reporting tentative implementation dates for audit recommendations. Most recommendations listed in Appendix B include self-reported implementation timelines developed by audited departments and entities. The timelines represent the target dates for when the department and/or entities believe each recommendation will be implemented. Exhibit 3 presents a breakdown of the number of recommendations scheduled for implementation for each of the City Auditor's semiannual Recommendation Follow-up periods. Additionally, Exhibit 3 provides the City Auditor's determination of the implementation status for each recommendation reported by departments and entities as implemented.

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[4] Timing is rounded to the month.

For the current period, City departments and entities reported that 98 recommendations were scheduled to be implemented during July 2010 and December 2010. However, the City Auditor found that only 38 (39 percent) of scheduled recommendations were actually implemented within the anticipated timeframe.

Exhibit 3   **City Reported Implementation Timelines and City Auditor's Assessment of Recommendation Status**

	Total	Implemented	Partly Implemented	Not Implemented	Not Implemented – Disagree	Not Implemented –N/A
Past Targets for November 2008 through June 2010	75	41	8	22	3	1
Target Implementation for current period of July though December 2010	99	**38**	**18**	**32**	**6**	**5**
Planned Implementation for January through June 2011	63	7	9	47	0	0
Planned Implementation for July 2011 and beyond	38	1	2	35	0	0
No Date Provided (N/A)	39	9	2	28	0	0
Totals	**314**	**96**	**39**	**164**	**9**	**6**

SUGGESTED RECOMMENDATIONS TO BE HEARD AT AUDIT COMMITTEE

The Audit Committee recommended the Office of the City Auditor identify audit reports of interest, so the Audit Committee could discuss at future meetings. Due to the nature of the recommendations or the length of time the recommendation has been outstanding with little progress, the Office of the City Auditor recommends the Audit Committee consider bringing the following reports before a future Audit Committee meeting to ascertain the updated status and implementation timeline for outstanding recommendations.

08-010   Central Stores Inventory Audit – Purchasing & Contracting Department: four recommendations remain outstanding since its issuance on December 10, 2007.

09-001   Audit of Internal Control Remediation Related to the San Diego Employee Retirement System: two recommendations remaining outstanding since its issuance on August 29, 2008.

09-013   The City Of San Diego Faces Unique Operational And Administrative Challenges In Managing Qualcomm Stadium: seven recommendations remain outstanding since its issuance on May 8, 2009. Additionally, the Stadium provided the Audit Committee a status update on all the recommendations; however, as previously stated, seven remain outstanding.

09-023   Audit of Central Stores Inventory (FY08): five recommendations remain outstanding since its issuance on February 27, 2009. Additionally, department determined target dates have been missed at least twice on some of the recommendations. The department provided a revised target implementation date of March 31, 2011 for at least one recommendation which represent the third target date provided.

09-OA-001   Southeastern Economic Development Corporation Performance Audit of Operations: While great strides have been made to implement all 33 recommendations, eight recommendations remain outstanding since its issuance on September 10, 2008.

FUTURE RECOMMENDATION FOLLOW-UP

The Office of the City Auditor will conduct semiannual follow-up with reporting periods ending the week of June 30th and December 31st of each calendar year. We will continue to evaluate ways to improve the recommendation follow-up process. Further, we will work with the Comptroller's Office to identify opportunities to enhance the City's internal recommendation response process.

ATTACHMENTS

Attachment A includes recommendations highlighted for the Audit Committee's attention. Generally, these recommendations include those where the administration disagreed with implementing the recommendation, the status update significantly varied from the update provided by the administration, or where a recommendation may need some type of further.

Attachment B – Open Audit Recommendations includes a chronological listing of all open recommendations as of January 3, 2011, a recommendation status update and the applicable implementation status. Where the administration did not track or provide an implementation, the recommendation implementation statuses are shown as **Not Implemented.**

Attachment C includes a chronological listing of recommendations that were categorized as **Not Implemented – N/A or Disagree** on the October 2010 report. Not Implemented – Disagree where the administration disagreed with the recommendation and did not intend to implement.
Not Implemented – N/A where circumstances changed to make a recommendation not applicable.

ATTACHMENT A

RECOMMENDATIONS FOR THE AUDIT COMMITTEE'S ATTENTION

ATTACHMENT A
RECOMMENDATIONS FOR THE AUDIT COMMITTEE'S ATTENTION

08-020   AUDIT OF PERMITS ISSUED FOR THE BLACKWATER FACILITY

4   The City should add regulations for law enforcement and security training facilities in the Municipal Code. (DM)

Not Implemented - Disagree	This audit objective was to assess if DSD staff properly issued a permit for the Blackwater facility. Per the Municipal Code cited, the audit found that while DSD staff had the authority under Municipal Code Section 111.0205 to classify Blackwater's use of the building as a vocational / trade school, the concern was warranted because the Municipal Code does not specify specifically how security training should be classified. DSD Management responded to the audit recommendation with neither agree nor disagree. DSD agreed to bring the recommendation to the Code Update team and Code Monitoring Team for their consideration (this is an outside advisory group created by the Land Use and Housing Committee). The Code Monitoring Team holds the position that no further code amendments are necessary. (Target date: April 30, 2009)

09-008   HOTLINE INVESTIGATION OF THE DUPLICATION OF WATER METER BOX REPLACEMENT WORK

1   We recommend the Water Department recover the cost of the unnecessary duplicate replacements from the contractor and implement more thorough procedures to monitor the project to prevent unnecessary meter box replacements in the future. In addition, we recommend the Department monitor the project to ensure that complete meter boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems.(AA)

Not Implemented - Disagree	No change in status from previous reporting cycle. As reported during the previous reporting cycle the Department determined that it will not pursue money paid to the vendor for water meter box replacement work performed on boxes that were in good condition during the box replacement contract. The project contract stated the project description as follows: "Removal of existing damaged concrete water meter boxes and replacement with new polymer concrete water meter boxes…" Furthermore, the Department has not provided documented evidence that it has established more thorough policies and procedures to monitor the project to prevent unnecessary meter box replacement in the future or shown evidence it monitors projects to ensure that complete boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems. The department responded that development and implementation of new policies and procedures was not deemed necessary because no future meter box replacement project(s) were/are anticipated. (Target Date: February 23, 2009)
	We will refer this recommendation to the City Attorney's Office to determine the feasibility of collecting the costs from the contractor. We will continue to follow up on this recommendation during the next reporting cycle pending the City Attorney's Office review.

10-010   PERFORMANCE AUDIT OF THE CITY TREASURER'S DELINQUENT ACCOUNTS PROGRAM - DEVELOPMENT SERVICES DEPARTMENT

9   Implement a policy that would prohibit applicants with an existing deficit account to open another Deposit Account until the existing deficit is paid in full. (SH)

Not Implemented - N/A	In another recommendation, the City Auditor recommended that these type of delinquent accounts be referred to collections. Additionally, subsequent to issuance of the audit, the City Attorney advised that the City should not inhibit an applicant's ability to open new accounts based on the delinquent status of a previous account. As such, this recommendation is no longer applicable. (Target Date: March 27, 2010)

10-019 **PERFORMANCE AUDIT OF THE SUBCONTRACTOR OUTREACH PROGRAM (SCOPE)**

2   The City should perform a comprehensive disparity study. (DM)

Not Implemented - Disagree

This audit objective sought to assess the disposition of a future disparity study. The former City Attorney noted that the City should supplement current data with a new disparity study in order to best insulate itself from legal challenge to newly instituted race/gender-conscious preference and /or outreach programs. The disparity study would document and determine where there is evidence that the City has participated in discrimination against specific groups of Contractors and provide justification for any race/gender-based measures. The audit suggested the study would prove to be less financially, politically, and socially costly to the City in the long run as a result of averting potential legal liabilities and investing City resources into an effort that is guaranteed to benefit the City. The Department disagreed with this recommendation from the point the report was issued. Department management said disparity studies can be costly and conducting a disparity study does not guarantee the ability to establish and implement a race-conscious goal based program. The City's early disparity study recommended several race-neutral remedies based, in part, on the passage of Proposition 209.

We will refer this recommendation to the Office of the City Attorney for review to determine if a comprehensive disparity study would be beneficial in reducing potential legal challenges and liability.

11-001   <u>**PERFORMANCE AUDIT OF RISK MANAGEMENT'S PUBLIC LIABILITY AND LOSS RECOVERY DIVISION**</u>

5   The City Administration should establish a risk management working group charged with coordinating Risk Management efforts with membership representation from all the major city departments and the City Attorney's Office. This committee should meet at least quarterly and be chaired by the Director of Risk Management or another senior city official. (TT) (JT)

> **Not Implemented**   Professional risk management standards or frameworks recommend the involvement of senior executives in risk management efforts through a working group or a committee. Such committees elevate discussions of risk in an organization, and are particularly important at a time when the City has no alternative structure for coordinating and sharing risk information. The County of Los Angeles and the University of California have both established such groups. (Target Date: August 13, 2010)

15   Risk Management should develop, document and implement policy, procedure and departmental guidance to detail the actuarial process and expectations to include the following: a. Receipt and analysis of the results of the annual actuarial review, including any impact on the recommended annual Risk Management reporting; b. Any internally or externally developed reports or analysis including, but not limited to, risk control cost allocations and claims reviews; and, c. Claim reserving practices developed, formalized and implemented. (TT) (JT)

> **Not Implemented - Disagree**   Risk Management is not utilizing the actuarial report for risk management purposes such as the compilation of an annual risk management report. Its sole use appears to be related to the preparation of the City's CAFR. Upon the eventual implementation of risk control, cost allocation, and formalized claims review practices, departmental guidance documentation for those processes would be an essential internal control. (Target Date: N/A)

18   Risk Management staff should also document, formalize and implement detailed policies and related procedures and departmental instructions to specify the current process and documentation requirements regarding the receipt, handling and resolution of public liability claims. (TT) (JT)

> **Not Implemented - Disagree**   The California Government Code establishes general requirements for filing claims against public entities and sets various deadlines for filing and processing claims. It does not, however, provide detailed guidance on claims administration or other procedural concerns that are internal to Public Liability and for which there are currently no formal guidelines. (Target Date: N/A)

20   Risk Management should develop and implement legally defensible documentation standards for claimants that would permit the rapid evaluation and/or rejection of claims lacking sufficient evidence. Documentation requirements should be included on the City's claim form and / or Risk Management's external website. (TT) (JT)

Not Implemented - Disagree	Currently, Risk Management uses questions on its Liability Claims form to prompt claimants to submit the documentation necessary for Risk Management to fully process different type of claims. However, our recommendation is geared towards having Public Liability communicate more clearly the required documentation for commonly encountered claims, so adjusters reduce the lag time between receiving information and making liability judgments. While the City's claim form requests the inclusion of bills, invoices, and estimates, Risk Management does not adequately communicate to claimants the specific information needed to form an appropriate judgment as to the City's liability. Obtaining such information at the onset of a claim filing will provide better customer service to claimants and streamline the work of claims adjusters. (Target Date: N/A)

22   Risk Management should deny or reject all tow and impound related claims that have not been reviewed and substantiated by the San Diego Police Departments' Internal Affairs. (TT) (JT)

Not Implemented - Disagree	Tow claims currently represent the single largest category of claims processed by Public Liability. While tow claims are less complex than other claims, and while most are ultimately denied, claims adjusters spend a considerable portion of their time handling them. According to Risk Management staff, the claims adjusters work with the San Diego Police Department's Internal Affairs division to request the relevant police tow report. The San Diego Police Department forwards the report, but does not provide any advice regarding the City's liability for the tow nor insight regarding the appropriateness of the tow.

The San Diego Police Department is in a much better position to determine whether or not a tow was legitimate than a claims adjuster with no training in police procedures or the California Vehicle Code. Therefore, the process for adjusting tow claims should be reconfigured so that the responsibility for evaluating their merit is shifted to the Police Department, after which they can be forwarded to Public Liability with a recommendation to pay or not pay. (Target Date: N/A) |

20   The Fire Prevention Bureau should take the following items to Council for action:

a. Commission an assessment to determine whether the current standards for creating an adequate defensible space buffering the Wildland/Urban Interface properly address: slope, fire intensity and environmental conditions, existing non-conforming rights, and other outstanding issues. The assessment should also evaluate the need to hire an Urban Forester and a GIS specialist to increase brush management efficiency and effectiveness.

b. Based on the results of the assessment, prepare an ordinance with additional standards to address the deficiencies identified and present to the City Council justification for any additional staffing requests. (CO)

Not Implemented - Disagree	The Department disagrees because it believes that major revisions to the City's brush management program and building codes were made following the 2003 and 2007 wildfires. Our review indicates that even though the City has developed several regulatory enhancements since 2003 and 2007 wildfires, certain regulatory items that would increase the bureau's ability to mitigate fires remain unaddressed. These items include addressing whether the current standards for creating an adequate defensible space buffering the Wildland Urban Interface properly address: 1) slope as it relates to fire intensity and environmental conditions; 2) existing non-conforming rights; 3) increased clarity over brush management regulations including what can be thinned and at what height.
	In addition the City has not performed a review to determine whether 100 feet of defensible space is sufficient even in areas affected by slope and high intensity winds. We surveyed four jurisdictions regarding their defensible space requirements and found that all four jurisdictions have higher defensible space standards then San Diego. As a result, the City still faces uncertainty when it comes to enforcing brush management regulations and achieving a sufficient defensible space buffer. (Target Date: October 6, 2010)

ATTACHMENT B

OPEN AUDIT RECOMMENDATIONS

ATTACHMENT B
OPEN AUDIT RECOMMENDATIONS

08-010   **CENTRAL STORES INVENTORY AUDIT - PURCHASING &**
CONTRACTING DEPARTMENT

1.B   Ensure you maintain a file of authorization memos for those departments that permit the same individual to authorize the requisition and receive the goods. (MW)

Not Implemented   No change in status from previous reporting cycle. Management does not maintain a file of authorization memos for departments that allow a requisition authorizer to also receive the items. For paper requisitions, copies of requisitions are provided to the department for review/retention; for online requisitions through SAP, departments designate which employees have the ability to create the reservation. Because this does not address internal controls over inventory issuance, the recommendation is categorized as "Not Implemented." Management must ensure an updated file of authorization information is maintained in order to satisfactorily implement the recommendation. If it has been determined that implementation of the recommendation is not feasible, management must ensure a compensating control over inventory issuance is put in place to fulfill the intent of the recommendation. (Target Date: March 3, 2011)

We should note that this the department's third target implementation date. The first date was April 1, 2008 followed by December 31, 2010. We will continue to follow up during our next reporting cycle.

2.B   Ensure the surcharge percentage billed to Non-City Agencies is sufficient to recoup all of overhead costs incurred by the City to invoice and collect funds from outside Agencies for stock purchases. (MW)

Not Implemented   Currently no evidence exists to determine whether a study has been conducted. We will continue to follow up during the next reporting cycle to determine the status of this recommendation. We should note the original implementation date was December 31, 2007 and subsequently revised to January 1, 2011 and as of end of January 2011 the recommendation has not been implemented.

#3.B   For items with pricing discrepancies due to unit of measure or differing brand name, require Central Stores staff to include descriptive notations in the FleetFocus system. (MW)

Partly Implemented   Management is capturing variances in inventory pricing. However, basic descriptive notation explaining variances has not been developed. We will continue to follow up on this recommendation during our next reporting cycle. We should note the original implementation target date was January 1, 2008 and then subsequently revised to December 31, 2010.

5   Update the Central Stores' Policy and Procedure Manual. (MW)

Partly Implemented   A new manual for Central Stores Materials Management is in the process of being drafted as part of the new SAP manual. We will continue to follow up on the recommendation implementation during our next reporting cycle. (Target Date: March 31, 2010)

08-011   CITY OVERSIGHT OF THE SAN DIEGO PUBLIC LIBRARY FOUNDATION

1   Establish a City policy requiring the Library Development Executive Director report annually on San Diego Public Library Foundation performance, compliance with the Memorandum of Understanding, and compliance with applicable laws and regulations to the Chief Operating Officer and City Comptroller. Ensure this report to City management is sufficient to confirm the policies and practices related to Library donations are consistent with City objectives. (TT)

Not Implemented - N/A   The Library Foundation is now funded entirely independently from the City and will not be entering into a new MOU with the City. Therefore this recommendation is not applicable and no further follow up is required. (Target Date: December 31, 2010)

2   Include a comprehensive, comparative analysis of donations and related expenses of the San Diego Public Library Foundation and all other City Library donations from all sources in the annual report to City management. (TT)

Not Implemented - N/A   The Library Foundation is now funded entirely independently from the City and will not be entering into a new MOU with the City. Therefore this recommendation is not applicable and no further follow up is required. Audited financial statements are available on the San Diego Public Library Foundation website. (Target Date: December 31, 2010)

3 Either engage a Certified Public Accounting firm to perform additional procedures annually to test and report on San Diego Public Library Foundation compliance with the terms of the Memorandum of Understanding or clarify the terms of the Memorandum of Understanding. (TT)

Not Implemented - N/A The Library Foundation is now funded entirely independently from the City and will not be entering into a new MOU with the City. Therefore this recommendation is not applicable and no further follow up is required. (Target Date: December 31, 2010)

4 Ensure insurance for Commercial Crime Coverage complies with the terms of the Memorandum of Understanding or revise the insurance requirements of the Memorandum of Understanding with terms that still provide adequate coverage to protect donated assets. (TT)

Not Implemented - N/A The Library Foundation is now funded entirely independently from the City and will not be entering into a new MOU with the City. Therefore this recommendation is not applicable and no further follow up is required. (Target Date: December 31, 2010)

5 Revise and clarify the terms of the San Diego Public Library Foundation Memorandum of Understanding that are unclear and subject to different interpretations. (TT)

Not Implemented - N/A The Library Foundation is now funded entirely independently from the City and will not be entering into a new MOU with the City. Therefore this recommendation is not applicable and no further follow up is required. (Target Date: December 31, 2010)

08-019 CASH COUNT AND BANK RECONCILIATION AUDIT - KROLL REMEDIATION OF THE CITY'S BANK RECONCILIATION PROCESS

5 The City Comptroller should document steps taken annually, and internal controls over the process, to verify that the cash balances in the Comprehensive Annual Financial Report (CAFR) are accurate, beginning with the FY07 financial statements. (MW)

Not Implemented No change in status from previous reporting cycle. We will continue to follow up on this recommendation during our next reporting cycle. (Target Date: March 31, 2011)

08-020   AUDIT OF PERMITS ISSUED FOR THE BLACKWATER FACILITY

 # 4   The City should add regulations for law enforcement and security training facilities in the Municipal Code. (DM)

> **Not Implemented**
> **- Disagree**
>
> This audit objective was to assess if DSD staff properly issued a permit for the Blackwater facility. Per the Municipal Code cited, the audit found that while DSD staff had the authority under Municipal Code Section 111.0205 to classify Blackwater's use of the building as a vocational / trade school, the concern was warranted because the Municipal Code does not specify specifically how security training should be classified. DSD Management responded to the audit recommendation with neither agree nor disagree. DSD agreed to bring the recommendation to the Code Update team and Code Monitoring Team for their consideration (this is an outside advisory group created by the Land Use and Housing Committee). The Code Monitoring Team holds the position that no further code amendments are necessary. (Target Date: April 30, 2009)

 # 8   Development Services Department (DSD) should take additional steps to locate missing records and review controls over records retention to ensure they are adequate. (DM)

> **Not Implemented**
>
> No change in status from previous reporting cycle. Development Services Department provided an implementation target date of April 1, 2016. We will continue to follow up on the progression of the implementation. (Target Date: April 1, 2016)

09-001   AUDIT OF THE INTERNAL CONTROL REMEDIATION RELATED TO THE SAN DIEGO CITY EMPLOYEES RETIREMENT SYSTEM

 # 2   SDCERS should modify their Investment Policy Statement to provide a requirement for all contracts with investment consultants and fund managers to include a clause requiring an annual written disclosure of all financial and personal relationships that may give rise to an actual or perceived conflict of interest and any failure or delay in filing the annual disclosure will result in a penalty, including termination of services. (SG)

> **Not Implemented**
>
> No change in status from previous reporting cycle. San Diego City Employee Retirement System (SDCERS) has not provided an updated implementation target date. We will continue to follow up on this recommendation during our next reporting cycle. (Target Date: December 31, 2010)

4   The Mayor's Office should take appropriate actions to resolve the outstanding issues with the draft "Improper Influence" ordinance so that the City Council can pass/adopt the ordinance. Additionally, until such time as the ordinance is adopted by City Council, the status of this item should amended from "Complete or Substantially Complete" to "In Process". (SG)

Implemented	The Municipal Code was amended in October 2009 to include an ordinance prohibiting improper influence of outside professionals and obstruction of the City Auditor. The ordinance addresses the key elements recommended in the Kroll Report. (Target Date: December 31, 2010)

6   The Office of Appointments to Boards and Commissions should incorporate into their Board selection policies/procedures, language requiring that all applications for final candidates to serve on the SDCERS' Board be forwarded to the SDCERS Business and Governance Committee. (SG)

Partly Implemented	The Office of Appointments to Boards and Commissions has partly addressed the recommendation. While the Office did forward the resumes of final board member candidates to SDCERS, the practice has not been codified in formal policies and procedures, as recommended. (Target Date: December 31, 2010)

09-003   AUDIT OF ACCOUNTS OF ANNA TATAR (MARTINEZ), LIBRARY DIRECTOR

1   The Office of the City Comptroller and Labor Relations Department should determine the practicability of recouping the $7,327.68 overpayment from Ms. Tatar. (DK)

Implemented	The Office of the City Attorney reviewed the collectability and potential overpayments to a City employee; as a result of this review, no further action is necessary. (Target Date: N/A)

2   The Office of the City Comptroller, Payroll Division should research the other 7 individuals for potential overpayments. (DK)

Implemented	The Office of the City Attorney reviewed the collectability and potential overpayments to a City employee as part of Recommendation #1. As a result of this review, no further action is necessary. (Target Date: N/A)

09-004   AUDIT OF THE SAN DIEGO PUBLIC LIBRARY FEE COLLECTION PROCESS

 # 2   Consult with San Diego Data Processing Corporation to determine if there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor. (CO)

> **Implemented**   The San Diego Public Library provided sufficient documentation that SDDPC was able to recover an estimated $10,000 via a credit memo to the City for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor. (Target Date: February 11, 2011)

 # 4   Develop policies establishing the standards for documentation of system testing at the Library. (CO)

> **Implemented**   The San Diego Public Library has agreed to use the SDDPC procedures. This approach is consistent with other city departments (including Police, Developmental Services Department, Public Utilities, and Dept of IT). (Target Date: February 11, 2011)

 # 8   Perform a periodic reconciliation of total receipts deposited by Central and all branches to total revenues posted in Integrated Library System (ILS) to determine the materiality of and reason for differences, if any. (CO)

> **Implemented**   The Library did not attempt reconciliation between the two existing systems and it found that this recommendation would not be feasible or effective. However, the Library informed us that there are other procedures in place to assure that funds received are properly accounted for. These procedures include reconciling daily cash drawers, provide receipts to patrons from both the ILS and cash registers for every transaction, and having staff go to cash handling training on an ongoing basis. These procedures satisfy the intent of the recommendation. (Target Date: October 22, 2010)

 # 9   Establish procedures limiting the dollar amount of waivers that can be authorized by staff without secondary approval and implementing a process to review waivers granted at least monthly. (CO)

> **Implemented**   In January 2011, the Library added an instruction to its policy pertaining to waivers requiring Branch and Central management to review monthly waivers to assure appropriate procedures are followed. On February 3rd, 2011, Branch Managers and Central Section Supervisors were trained on procedures to follow to review waivers on a monthly basis. (Target Date: October 22, 2010)

09-005   AUDIT OF THE 2007 WILDFIRE DEBRIS REMOVAL PROJECT

 # 2   Environmental Services Department (ESD) should invoice Granite Construction Company
$2,223 for weigh tickets that were over billed to the City. (JT)

>   **Not Implemented**   As a result of ongoing litigation, this recommendation has not been
>   resolved. The department provided an implementation target date of
>   June 30, 2012. We will continue to follow up on this
>   recommendation. (Target Date: June 30, 2012)

 # 3   Environmental Services Department (ESD) should review all of Granite's weight tickets
involving debris disposed of at Lakeside Land Company and determine if the City was over
billed because the type of material was inaccurately described. (JT)

>   **Not Implemented**   As a result of ongoing litigation, this recommendation has not been
>   resolved. The department provided an implementation target date of
>   June 30, 2012. We will continue to follow up on this
>   recommendation. (Target Date: June 30, 2012)

 # 4   If the review yields an over billing due to inaccurate material types, the City should invoice
Granite Construction Company the amount of the over billings. (JT)

>   **Not Implemented**   As a result of ongoing litigation, this recommendation has not been
>   resolved. The department provided an implementation target date of
>   June 30, 2012. We will continue to follow up on this
>   recommendation. (Target Date: June 30, 2012)

 # 5   ESD should determine if the City should have been billed for the weight ticket that was
also charged to the County. If the billing was not applicable to the City's debris removal,
ESD should invoice Granite $678 for the duplicate billing. (JT)

>   **Not Implemented**   As a result of ongoing litigation, this recommendation has not been
>   resolved. The department provided an implementation target date of
>   June 30, 2012. We will continue to follow up on this
>   recommendation. (Target Date: June 30, 2012)

 # 6   ESD staff should work with A.J. Diani staff to determine the best course of action
pertaining to the potential under billings for 336.65 tons of debris and for the questionable
billings of 85.52 tons of debris. If this determination results in additional payments to A.J.
Diani, ESD staff should request funding from FEMA for the additional amount. (JT)

>   **Not Implemented**   As a result of ongoing litigation, this recommendation has not been
>   resolved. The department provided an implementation target date of
>   June 30, 2012. We will continue to follow up on this
>   recommendation. (Target Date: June 30, 2012)

7   ESD staff should invoice AJ. Diani Construction Company for $8,442 in net over billings pertaining to billing discrepancies for a site sign and for street sweeping. (JT)

Not Implemented   As a result of ongoing litigation, this recommendation has not been resolved. The department provided an implementation target date of June 30, 2012. We will continue to follow up on this recommendation. (Target Date: June 30, 2012)

8   City management should establish a comprehensive Debris Management Plan. This plan should be approved by the Mayor and City Council. Prior to establishing the Plan, City staff should consult with the California Office of Emergency Services to ensure the Plan takes into consideration all items needed in order to qualify for federal and state subsidies, such as prequalification of at least two contractors. (JT)

Implemented   The City's Administration has developed the City's Debris Management Plan and related documentation, which has been appropriately reviewed and approved by the Mayor's Office, the Office of Homeland Security and the California Emergency Management Agency. According to the City's Administration, approval by the City Council was not acquired since this is an operational response document. (Target Date: December 31, 2010)

10   In future debris removal programs involving numerous properties, the City should include requirements for a documented work order or checklist to be completed for each property so that all parties are in agreement regarding work to be performed. This work order could also provide a control document for staff to use prior to approving invoices for payments to Contractors. (JT)

Implemented   The City's Administration has developed the City's Debris Management Plan and related documentation, which has been appropriately reviewed and approved by the Mayor's Office, the Office of Homeland Security and the California Emergency Management Agency. According to the City's Administration, approval by the City Council was not obtained since this is an operational response document. (Target Date: December 31, 2010)

14   ESD staff should ensure that all remaining insurance proceeds received are accurate based on insurance settlement statements. (JT)

Partly Implemented   The City has received insurance proceeds related to debris removal services from 107 of the 112 property owners, and closed an additional property owner's file. With the assistance of the Office of the City Attorney, City Administration should continue to pursue insurance proceed repayments from the four remaining respective homeowners. The department has provided an implementation target date of November 1, 2012. We will continue to follow up on this recommendation. (Target Date: November 1, 2012)

09-006 **HOTLINE INVESTIGATION OF THE JUNIOR LIFEGUARD PROGRAM'S DEPOSITS OF FUNDRAISER MONIES**

 # 1   We recommend the Junior Lifeguard Program adhere to Department wide written policies and procedures for making deposits in a timely manner in accordance with Charter Section 86. (AA)

        Not Implemented   A non-profit, San Diego Junior Lifeguard Association(SDJLA) (CA #C3213647) was formed on 6/3/2009 to apparently act as the fund raising arm for the Junior Lifeguard program. Information regarding the existence of this entity was obtained from the California Secretary of State and a copy of the registration put into the file. Fire-Rescue states that they have no power or capacity to provide evidence that SDJLA received and deposited funds for the City's Junior Lifeguard program. (Target Date: December 31, 2010)

09-008 **HOTLINE INVESTIGATION OF THE DUPLICATION OF WATER METER BOX REPLACEMENT WORK**

 # 1   We recommend the Water Department recover the cost of the unnecessary duplicate replacements from the contractor and implement more thorough procedures to monitor the project to prevent unnecessary meter box replacements in the future. In addition, we recommend the Department monitor the project to ensure that complete meter boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems.(AA)

        Not Implemented - Disagree   No change in status from previous reporting cycle. As reported during the previous reporting cycle the Department determined that it will not pursue money paid to the vendor for water meter box replacement work performed on boxes that were in good condition during the box replacement contract. The project contract stated the project description as follows: "Removal of existing damaged concrete water meter boxes and replacement with new polymer concrete water meter boxes…" Furthermore, the Department has not provided documented evidence that it has established more thorough policies and procedures to monitor the project to prevent unnecessary meter box replacement in the future or shown evidence it monitors projects to ensure that complete boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems. The department responded that development and implementation of new policies and procedures was not deemed necessary because no future meter box replacement project(s) were/are anticipated. (Target Date: February 23, 2009)

We will refer this recommendation to the City Attorney's Office to determine the feasibility of collecting the costs from the contractor. We will continue to follow up on this recommendation during the next reporting cycle pending the City Attorney's Office review.

09-009   HOTLINE INVESTIGATION OF THE FOURTH DISTRICT SENIOR RESOURCE CENTER

1   We recommend the Park and Recreation Department and the City Planning and Investment Department strengthen contract oversight to ensure contractors are in compliance with all contract provisions, including those related to proper accounting and financial reporting, and take appropriate action based on the information provided in this report.   (AA)

Implemented   The Department completely revised its Special Use Permit in 2009 to strengthen requirements for all permittees. These revisions included requirements for permittees to submit annual financial records; documentation of tax exempt status; submittal of operating policies, bylaws and procedures; as well as requiring permittees to provide equal access without discrimination. We feel that these ongoing operational activities are consistent with the SUP requirements, which do have the same force and effect, if not more, than an operational DI. (Target Date: December 31, 2011)

09-013   THE CITY OF SAN DIEGO FACES UNIQUE OPERATIONAL AND ADMINISTRATIVE CHALLENGES IN MANAGING QUALCOMM STADIUM

1   The Administration should proactively create a financing plan to pay down the City's Stadium Renovation Bond obligation regardless of the Chargers' tenancy at the Stadium. The plan should detail the financial strategy that the City will follow to maintain the solvency of the Stadium Fund should the Chargers terminate its agreement with the City after 2010. The Administration should continuously update the financing plan throughout the liquidation of the Stadium Renovation Bond principal. (EM) (TT)

Not Implemented   The stadium administration has not developed a financing plan to outline how the City would ensure the solvency of the Stadium Fund should the Chargers terminate its agreement with the City. Although the Stadium Renovation Bond was refinanced in the City wide master refunding project, the administration has not provided a financial plan to address the risk of the Chargers terminating their contract with the City even after the Master Refunding Project. In order to change the status of this recommendation to "implemented," the administration must show a financial plan addresses the new financial terms of the bonds and the risk of the Chargers leaving the City. (Target Date: June 1, 2010)

2   In order to avoid significant legal settlements in the future, the City should continue to ensure that it meets its obligation to provide the Stadium to the Chargers per the terms of its current agreement. To minimize the legal and financial risks involved with managing the Stadium, the Stadium should perform a comprehensive analysis of its compliance with the key terms of the City's agreement with the Chargers and with the 2000 ADA compliance settlement. If the results of the analysis are unfavorable for the City, the City should take steps to aggressively abate the risks of non-compliance with ADA requirements and Chargers agreement terms. (EM) (TT)

Not Implemented	The administration has not provided any documentation to show how they are ADA compliant; nor has it provided documentation to demonstrate how the stadium plans to ensure future compliance to any changes or additions to ADA regulations. In order t to change the status of this recommendation to "implemented," the stadium administration needs to provide sufficient and appropriate documentation that address the current ADA regulations and future plans to proactively ensure compliance to ADA changes or additions. (Target Date: June 1, 2010)

3   To decrease its dependence on Transient Occupancy Tax (TOT) tax funding, the Stadium should aggressively pursue agreements with legitimate event producers to help offset its operational costs and the City's outstanding Stadium Renovation Bond principal. (EM) (TT)

Partly Implemented	Qualcomm staff says the Strategic business plan is due last week of February. Once it is delivered, they will be able to show how they will be offsetting operational costs. (Target Date: March 8, 2009)

4   Stadium management should create a comprehensive business and marketing plan for the Stadium that addresses the following issues: a. Strengths, opportunities, weaknesses, and threats that face the Stadium in both the short and long-term, as well as provide benchmarks for the financial and operational performance of the Stadium over the next three to five years. b. An analysis of major agreements and responsibilities that the Stadium is required to provide. c. A strategic plan for the amounts and types of events the Stadium will be hosting in the future including estimates of the revenues and expenses attributable to each event. d. A capital projects prioritization schedule that the Stadium can follow while determining the use of the Stadium's annual capital improvement budget. The schedule should be reviewed by the Stadium Advisory Board, approved by the Mayor, and presented to the City Council on an annual basis. If Stadium management wishes to significantly deviate from strategies approved within the plan, then the plan should be updated by Stadium management and vetted through a similar review and approval process. (EM) (TT)

Partly Implemented	According to Qualcomm staff, they are preparing a strategic business plan, which is scheduled for completion at the end of February 2011. This plan will show how the Administration will be offsetting operational costs. The recommendation can be changed to "implemented" once the stadium provides a completed business plan. (Target Date: February 28, 2011)

 # 5   To help alleviate the effects of administrative staff turnover at the Stadium, Stadium management should create a policy and procedure manual specific to Stadium operations. At a minimum, the Stadium should ensure that written policies and procedures are established for the following administrative functions: a. Policies for the creation, content, retention, and approval of Stadium event files. b. Procedures that ensure accurate and timely billings for stadium events and periodic reconciliations of all accounts within the Stadium Fund. (EM) (TT)

Not Implemented	In August 2010, stadium administration issued a memorandum, stating that they now have staff that creates, retains, and approves stadium files on a daily basis. However, the stadium did not provide written policies and procedures to ensure standardized processes are in place to address the recommendation. In order to change the status of this recommendation to "implemented," Stadium Administration must provide sufficient and appropriate documentation to show standardized policies and procedures, which will then have to verify by inspecting process outcomes. (Target Date: June 1, 2010)

 # 6   In order to avoid delays and inaccuracies of the revenue amounts collected on behalf of the Stadium by the City Treasurer, Stadium management should request that the City Treasurer's Revenue Audit Division complete audits of major Stadium tenants on a timelier basis. If the City Treasurer does not have sufficient staff resources to perform these audits on a timelier basis, then Stadium management should consider having its own staff responsible for ensuring all Stadium revenues are properly billed and received. (EM) (TT)

Not Implemented	The Stadium staff provided email communication from the Revenue Audit manager showing a schedule of audits to be performed in the future. Qualcomm does not have appropriate staff to perform audits. On the other hand, the Office of the City Treasurer conducts audits within their constraints. According to City Treasurer personnel, they conduct audits based on magnitude of revenue every two to three years. In order to implement this, the Treasurer's office needs to take a more active role in Qualcomm audits. (Target Date: December 3, 2010)

 # 7   Stadium management should review the accounts receivable balance within the Stadium Fund and work with the City Treasurer's Office to ensure that all overdue accounts are being actively collected. (EM) (TT)

Not Implemented	According to Qualcomm staff, they do not forward delinquencies to The City Treasurer's Office. They mentioned that Diana Muzquiz in the Treasury receives automatic referrals once an account is 30-days past due via interface file. However, Diana mentioned that the automatic notifications are contingent upon stadium staff inputting all invoices into SAP. (Target Date: December 3, 2010)

8   As part of the reporting process between the Stadium and the Department of Real Estate Assets, the Stadium should include high-level performance metrics, such as net revenue generated and attendance data, for the entire reporting period. The report should also include a schedule of events currently planned to be held at the Stadium, as well as a status report of potential events and other contractual agreements being negotiated by the Stadium Manager. These reports should be archived by tile Stadium and the Department of Real Estate Assets, and be made available to all Stadium oversight entities including the Stadium Advisory Board and City Council. (EM) (TT)

Implemented	Based on the response in the 8/25/10 memo, the staff provided proof that they are submitting reports to READ. (Target Date: October 31, 2009)

9   To improve the oversight of Stadium operations, the administration should take steps to ensure that the Stadium Advisory Board (SAB) is actively involved with making recommendations to the Mayor and City Council for all major Stadium policy decisions including long-term contract terms, capital expenditures, and long-term marketing strategy. Per the advisory capacity granted to the SAB through the Municipal Code, SAB recommendations should be formally communicated to the Mayor and City Council prior to any significant action related to Stadium policy has been taken. (EM) (TT)

Implemented	The Stadium staff provided a memorandum from the Advisory Board's Chair, Rudy Castruita, which listed out the recommendations and involvement of the board in Stadium operations. Additionally, I read several meeting minutes and determined that Board becomes involved with the Mayor and City Council when needed. (Target Date: December 4, 2010)

09-014   AUDIT OF SAN DIEGO DATA PROCESSING CORPORATION'S COMPENSATION AND BUDGETING PRACTICES

2   Develop additional controls over the agency budgeting process to ensure that the required budget approvals are obtained. (SG)

Partly Implemented	No change in status from previous reporting cycle. City management is currently in the process of developing new governance procedures. Many of these processes will be documented through the Comptroller's Office, Internal Controls Section, as part of the series of Process Narratives they are compiling. Their approach appears to meet the requirements of our recommendation. (Target Date: June 30, 2010)

09-015   **AUDIT OF THE SAN DIEGO PUBLIC LIBRARY CASH HANDLING (CONFIDENTIAL)**

18 recommendations were made. (DK)

Not Implemented   Due to the sensitive nature of the findings, we will issue a separate memo that will address the status on all the recommendations associated with this report. (Target Date: N/A)

09-016   **AUDIT OF ACCOUNTS OF WENDI BRICK, FORMER CUSTOMER SERVICES DIRECTOR, ELMER HEAP, FORMER DEPUTY CHIEF OPERATING OFFICER, JILLANNE (JILL) OLEN, FORMER DEPUTY CHIEF OPERATING OFFICER, AND JOANNE SAWYERKNOLL, FORMER DEPUTY CHIEF OPERATING OFFICER**

1   The City Administration should ensure that the policies and procedures governing terminating employees are followed specifically pertaining to the return of City identification cards and the stopping of auto allowances on employees last day of work. (EN)

Not Implemented   No change in status from previous reporting cycle. We will continue to follow up on the this recommendation and report the status during our next recommendation follow up report. (Target Date: March 31, 2011)

09-017   **PARK & RECREATION POOL AUDIT**

1   Include Carmel Valley and Tierrasanta pools in the on-line payment pilot program proposed for fiscal year 2010. (EB)

Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

2   Continue to pursue online payment and automated patron registration for all city pools. (EB)

Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

3   When feasible, eliminate cashiering from staff rotation and limit register use to one staff person for an entire shift. Ensure cashiers exclusively use the register and balance the cash station according to City Treasurer cash handling procedures at the end of the shift. Instruct pool managers to verify and initial each cashier's balancing documents, and continue to prepare and make deposits. Ensure cashiering staff and pool managers attend Treasurer's Cash Handling Training. (EB)

Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

5   Turn on and use the register receipting function at all sites for all transactions and require staff issue a register receipt to all patrons in addition to the existing forms receipt. Consider adding preprinting on the existing forms receipt that states "not valid without cash register receipt." (EB)

        Partly Implemented — The Department successfully communicated the audit recommendation to the appropriate staff and the Department's Pool Manual already required use of cash register receipts. The Department has not provided a copy of any form(s) that now contains the recommended verbiage "not valid without cash register receipt." We will continue to follow up on this recommendation during the next recommendation follow-up report cycle. (Target Date: July 1, 2011)

6   Implement a sign-in sheet for all day swimmers and drop-in water fitness patrons (all patrons who do not fill out a registration form, swim pass or other document) and instruct cashiers and pool managers to reconcile the daily sign-in sheets to cash register transactions as part of cash station balancing. (EB)

        Not Implemented — This recommendation has not been implemented, and the department does not intend to implement it. Per the Department the additional internal controls now in place would result in poor customer service. (Target Date: January 1, 2010)

10   Instruct the Supervising Recreation Specialists to perform monthly revenue forecasting for each site based on published schedules and historic attendance, and to perform a periodic comparison of forecasted revenue to actual revenue. (EB)

        Partly Implemented — The Department partially agreed in its original response. It appears the Division Analysts will continue to do revenue forecasting based on prior period revenue. It appears the SRSs are more closely involved with revenue forecasting; however, it does not appear that SRSs will be making their own forecasts based on published lists of classes. Additionally, the documentation does not include any evidence of comparisons between forecasted and actual revenue. (Target Date: January 20, 2010)

11   Implement on-site fiscal monitoring and review, such as surprise cash counts and accountability checklists, by the Supervising Recreation Specialists during unscheduled site visits. (EB)

        Implemented — The evidence provided for the update, completed copies of the Funds Accountabilities Forms, supports the implementation of this recommendation. The department has started implementation of regular audits on a semi-annual basis. (Target Date: July 1, 2009)

12   Establish procedures for Supervising Recreation Specialists tracking of all serial numbered forms for each site, and ensure all missing forms are researched and accounted for and that the sum of all uninterrupted sequence of forms reconciles to the amount deposited at the bank. (EB)

Implemented   The Department has provided sufficient evidence that a policy exists for the tracking of serial numbered forms, and it has provided examples of how the serial numbered forms are tracked and reconciled against bank deposit statements. According to the Department, no forms have gone missing since implementation of the new policy requiring sequential forms be submitted together. (Target Date: June 30, 2011)

16   Consider making all pool fees flat rates (by class or by month) and rounded to the nearest dollar. (EB)

Partly Implemented   On the FY 2011 (effective 08/01/10) Pool Fee Schedule, all fees have been rounded to the nearest dollar except per hour per person water fitness class cost and the hourly cost of adult masters swim team or water polo. Additionally, adult swim team costs remain hourly instead of flat fees. Water fitness classes are also still charged by the hour. (Target Date: July 1, 2009)

17   Consider eliminating a 100% fee waiver and replacing it with a fee discount such as 50%, to increase Patron commitment. A scholarship program could be available for Patrons unable to afford the discounted rate. (EB)

Implemented   On July 19, 2010, Recreation Department staff presented a fee schedule to the City Council for approval. The proposed fee schedule replaced the 100% fee waiver program with a 50% fee discount for qualified families. The City Council approved the fee schedule, but also approved an amendment extending the fee waiver program rather than the discount. The report and fee schedule contain no mention of a proposed scholarship for families and children that could not afford the discounted fees. (Target Date: July 1, 2010)

09-018 **AUDIT OF THE SAP ERP IMPLEMENTATION – CURRENT TO INTEGRATION TESTING, CYCLE 1**

3   Create a comprehensive and unified security strategy which will tie into the security goals of the City's IT organization. (SG) (DK)

Implemented   The second version of the SAP Security Strategy, released on December 30th 2010, adequately defines the overall security approach within the SAP system. The document appropriately allows for periodic updates and includes a table for tracking change dates as well as items changed or updated. (Target Date: December 31, 2010)

09-021 **HOTLINE INVESTIGATION OF PROMOTE LA JOLLA, INC.**

3   Consult with the City Attorney's Office to add language in Business Improvement District (BID) and other contracts to modify the existing audit provisions to include a test for duplicates between funding sources. (AA)

Implemented   The department provided supporting documentation that this recommendation has been fully implemented. (Target Date: June 30, 2010)

4   Conduct on-site visits and other additional oversight of Business Improvement District (BID) and other entities receiving City funds. (AA)

Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

09-023 **AUDIT OF THE CENTRAL STORES INVENTORY (FY08)**

1   Monitor year-to-date write-offs of missing inventory at least quarterly and determine if additional control measures are warranted, such as a change in control procedures or the use of theft detection devices, if write-offs continue to increase. (MW)

Implemented   Evidence was provided that monthly inventory adjustment review meetings are occurring to comply with the recommendation in monitoring inventory. (Target Date: December 31, 2010)

2   Develop a written policy requiring departments to notify Storerooms immediately when there are changes in inventory needs to minimize obsolete inventory. Work with departments to identify an effective procedure for this process. (MW)

Partly Implemented	Administrative Regulation 35.50 serves as the written policy for identification and disposition of Central Stores surplus stock. However, management has stated that they will continue to be the ones notifying departments of obsolete items. Further evaluation should be conducted once an updated policy manual is issued to determine the language in the document addressing obsolete items. (Target Date: March 31, 2011)

3   If manual requisitions are used after the implementation of ERP, use internal authorization cards for those employees using manual requisitions to request and receive supplies. If implemented, ensure controls, such as employee names on cards, an annual card expiration date and reports to departments, are put in place to prevent misuse. (MW)

Not Implemented	No change in status from previous reporting cycle. (Target Date: December 31, 2010)

4   Ensure ERP will include reports of Central Stores purchases to all departments. In addition to detailed reports of purchases, design summary reports in ERP for management's use in monitoring types and costs of supplies purchased from the storerooms. (MW)

Implemented	Documentation provided indicates that training is being offered to departments upon request and the ability for departments to run reports was independently verified by audit staff. (Target Date: December 31, 2010)

5   Ensure ERP provides accurate inventory reports so Central Stores is able to reconcile beginning to ending inventory and provide this reconciliation to the Comptroller at year end. Ensure ERP provides accurate summary reports related to inventory accounting so Comptroller staff is able to reconcile beginning to ending inventory in the general ledger and ensure the general ledger activity matches inventory activity reports from Central Stores. Comptroller staff should review and document the reasons for variances, if any, between the inventory records and the accounting records. (MW)

Not Implemented	No change in status from previous reporting period. Management stated that Central Stores does not have written evidence that Comptroller's staff reviewed variances between inventory and accounting records as part of SAP Material Management implementation. No response was received after requests for additional information. (Target Date: December 31, 2010)

6   In conjunction with the Comptroller, revise the accounting for storeroom inventory to segregate storeroom purchases from city-wide purchases and consider establishing a clearance account for city-wide purchase orders. (MW)

Partly Implemented	A separate account has been created separate from citywide open POs to capture storeroom stock items. According to management, a clearance account for city-wide purchase orders was not established. (Target Date: December 31, 2010)

7 Document storeroom policies and controls related to storeroom operational risks. Update storeroom procedures at the implementation of the ERP system. (MW)

    Not Implemented   Management communicated that the updated policy manual is set to be completed and implemented by March 31, 2011. During the next recommendation follow-up cycle, documentation should be provided and analyzed to determine compliance with the recommendation. (Target Date: March 31, 2011)

09-OA-001 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION PERFORMANCE AUDIT OF OPERATIONS

1 The City should revamp SEDC's governance structure. Options to consider include: (1) amend and update SEDC's operating agreement to include representatives of the City on the SEDC Board, limitations to the SEDC President's authority; and specific requirements for holding Board of Director meetings, budgeting practices, communication activities, project management, financial management, performance outcomes, mandating leave utilization, and defining the requirements for SEDC Board of Director timing; (2) depending on the results of the anticipated CCDC study, integrate/merge SEDC under the direct control of the RDA or integrate SEDC with CCDC; or (3) have SEDC fully operate as a public agency within the City. (EN)

    Implemented   New Bylaws establish guidelines for the Board of Directors (Article 7), including training, terms of office, etc. The Bylaws (Article 7, Section 2) also reference two Board members representing the City--one representing the Mayor's office and one representing the City Council. (Target Date: June 30, 2010)

3 The SEDC Board should approve all salary increases to the SEDC President. Incentive pay increases should be documented in the SEDC contract with the President and directly tied to annual performance evaluations provided by the full Board of Directors. (EN)

    Implemented   Revised Bylaws (Article 8, Section 4) require that the Board review fairness of compensation of the President and CFO when the officer is hired, terms of employment are altered, or compensation is modified. (Target Date: June 30, 2010)

6 SEDC should establish a part-time formal Human Resources Manager position to oversee SEDC's recruiting, hiring, staff development, and termination activities. (EN)

    Implemented   SEDC created position--Manager of Operations, IT, HR, and Business Development--and hired James Arnold to fill this position in September of 2009. (Target Date: September 30, 2009)

8   SEDC should immediately develop policies and procedures for ensuring proper recordkeeping and • Documentation of Board member opposition to Board motions and activities and inquiries for information. • Preparation of the Board minutes should be accomplished within specific time frames, and posted on the Agency's website. • Tape recordings of SEDC Board minutes should be maintained in locations fully accessible by the public. (EN)

Partly Implemented   SEDC's Revised Bylaws (Article 13), Operating Agreement (2.05), and Corporate Policies (Chapter 5.0, Section 5.03) require Board minutes be written and posted to the website in a timely manner. This has been deemed partly implemented because guidelines do not (1) provide a specific timeframe for posting minutes or (2) require that Board member opposition be recorded in minutes. According to the SEDC Interim President, the City Attorney's Office prepared the Operating Agreement and made the decision to exclude these items. The City Attorney's Office did not respond to our questions on this issue. (Target Date: January 31, 2011)

9   SEDC should require the reporting of quarterly expenditure reports for professional and technical services to the SEDC Board of Directors that include the types of services provided. (EN)

Implemented   SEDC's Operating Agreement (Section 2.17 a) and Bylaws (Article 13, Section 5) require that monthly financial reports be presented to the Board for review and approval. In addition, Corporate Policies (4.4.2) state that the President shall report at each Board meeting any contract into which the Corporation has entered into regardless of the amount. (Target Date: January 31, 2009)

10   SEDC, in conjunction with the City's Personnel Department, should develop formal procedures for approving pay-outs of accrued leave, including the requirement of the SEDC Board of Director's approval for leave buy-outs of SEDC executive officers. (EN)

Implemented   SEDC's Corporate Policies (6.04) establish personnel guidelines regarding permissible sick leave and authorized vacation leave, including requiring Board approval of all leave buyouts to executive officers who voluntarily separate from or are terminated by the Corporation. (Target Date: December 31, 2010)

11   SEDC should develop policies for expenditure allowances. These policies should define the types of allowable and unallowable expenditures. These policies should be streamlined with City policies and take into consideration that the money being utilized are public funds and should not be used for nongovernmental business. (EN)

| **Implemented** | Corporate Policies (3.07) establish SEDC's Travel and Expense Reimbursement Policy, including allowable and nonallowable expenses and guidelines for authorization and approval by the President and, in some cases, the Board of Directors. (Target Date: December 31, 2010) |

12   SEDC should formalize policies and procedures that describe the segregation of duties for the fiscal operations and authorization procedures. (EN)

| **Implemented** | Corporate Policies establish Budget Policy for SEDC, including guidelines on the segregation of duties of staff. The Chief Financial Officer is responsible for preparing the annual budget with input from other departments. The staff shall present the draft budget to the Budget and Finance Committee for review and approval. The final budget shall be presented to the Board for timely approval so that it can be submitted to the City's annual budgeting process. (Target Date: December 31, 2010) |

13   SEDC should amend its merit pay policy and establish maximum amounts that can be awarded. (EN)

| **Partly Implemented** | Corporate Policies (6.02) establish guidelines for compensation and schedule, including requiring that merit pay increases greater than five percent of an employee's salary must be approved by the Board of Directors. In addition, employees who are transferred or promoted to a new position may be eligible for an increase of up to five percent of their current salary. Employees may also be awarded a one-time bonus based on individual performance. This recommendation is being marked "Partly Implemented" because, although bonuses must be approved by the Board, the Corporate Policies do not provide maximum amounts that can be awarded. (Target Date: December 31, 2010) |

14   SEDC should ensure that all policies are approved by the SEDC Board of Directors. (EN)

| **Implemented** | Corporate Policies (1.07 and for each policy throughout) establish that policies are effective and may only be amended upon approval of the Board. Further, Corporate Policies (1.04, 4.1) require that the Board annually review the policies of the Corporation and update as appropriate to ensure that they are current. (Target Date: October 31, 2010) |

15   SEDC should amend its consultant policy and lower the threshold that would trigger SEDC Board of Director approval for professional and technical services contracts/letters of agreement to $10,000. (EN)

Implemented	Corporate Policies establishes Consultant Selection (Chapter 4.0, Section 4.02) and Contracting Policy (Section 4.03), including requiring Board approval for contracts over $25,000. The City Auditor agreed that the $25,000 threshold in conjunction with quarterly reporting is sufficient in lieu of the $10,000 originally recommended (OCA Memorandum to Audit Committee; Jan. 9, 2007; p. 2). (Target Date: November 24, 2008)

 # 16 SEDC should eliminate the authority provided to the SEDC President to implement agency policies at her discretion. (EN)

Implemented	SEDC's Revised Bylaws (Article 11, Section 4) establishes that the President's authority is subject to the control, advice, and consent of the Board of Directors. Further, the governing and oversight role of the Board have been strengthened in the Bylaws (Article 7) and in SEDC's Corporate Policies (Chapter 1.0, Section 1.01), including requiring that Policies are annually reviewed by the Board. (Target Date: June 30, 2010)

 # 17 The City's Office of the Chief Financial Officer should review and approve of SEDC's newly developed fiscal policies and procedures prior to their finalization. (EN)

Implemented	As required by the Operating Agreement (Section 3.05), the City's Chief Financial Officer reviewed and commented on SEDC's newly developed fiscal policies prior to their finalization (Letter from CFO Mary Lewis to SEDC Interim President Brian Trotier; October 28, 2010). (Target Date: October 31, 2010)

 # 18 SEDC should discontinue all forms of supplement income payments to SEDC staff, except for merit pay as described under current policies. (EN)

Partly Implemented	SEDC Corporate Policies (6.02) establishes guidance and limitations for supplemental income, which includes merit pay salary increases. This is marked as partly implemented because Corporate Policies also allows one-time bonuses, which are not prohibited in the Revised Bylaws or Operating Agreement. The City Attorney's Office, which developed these documents, did not respond to our questions to clarify whether one-time bonuses are considered merit pay. (Target Date: January 31, 2011)

 # 20 The new SEDC Chief Financial Officer, in the budget presentation to the Board and supplementary submission to the City, should include a minimum of three years of budget versus actual data for revenues and expenditures, for both project budgets and corporate budgets, including variances. The budget should include detailed and precise information on base salary and other forms of compensation by employee position, and estimated overtime. (EN)

Implemented	Corporate Policies (Chapter 3.0, Section 3.06) provides guidelines that SEDC's Chief Financial Officer is responsible for preparing the annual budget and providing budget and actual data and expenditures over a four year period for SEDC's Corporate and Project Budgets. (Target Date: June 30, 2010)

\# 21   The SEDC Chief Financial Officer should include project goals and accomplishment information by project to be incorporated into the budget presentation. Having this information will allow SEDC to tie program goals and objectives to their budget. (EN)

Implemented	Corporate Policies (Chapter 3.0, Section 3.06) provides guidelines for a Project Budget and Corporate Budget to serve as a guide to the propriety of expenditures incurred by the Corporation toward achievement of its development goals. (Target Date: June 30, 2010)

\# 22   The SEDC Board of Directors should ensure that cost of living increases that are provided to SEDC employees are consistent with City cost of living increases. (EN)

Implemented	Corporate Policies (Chapter 6.0, Section 6.04, 4.14) establishes that a cost of living adjustment (COLA) must be consistent with City cost of living increases. (Target Date: December 31, 2010)

\# 23   SEDC should clarify and further develop its real estate acquisition policy. This should include, but not necessarily limited to, detailing when SEDC should use Request for Proposal and when it should go back to its Board of Directors or the City Redevelopment Agency Board for subsequent approval of acquisitions. (EN)

Implemented	Corporate Policies (Chapter 4.0, Section 4.04) establish guidelines for real estate acquisitions, including requiring that acquisitions less than $250,000 must be approved by the Board of Directors and acquisitions greater than $250,00 must be approved by the City. (Target Date: October 31, 2010)

\# 25   Annual work plans should include timeframe for completion of work plan tasks. (EN)

Partly Implemented	Annual work plans do not include timeframe for completion of work tasks, because they are part of the budget submission to the City and based on the City's budget format. This format does not include timeframes for task completion. Although SEDC is providing timelines at a strategic level in its Strategic Plan which includes 10 strategies, steps for achievement, metrics for success, and timeframe for completion, to fully implement this recommendation, SEDC should include timelines for work plan tasks. (Target Date: January 31, 2011)

\# 26   Accomplishment reports should link specific accomplishments back to the operational goals in project area work plans. They should also discuss the remaining work left to be completed. (EN)

Implemented	SEDC's annual budget (posted on its website) includes for each of its four development areas (1) annual work plan status reports which represent SEDC's accomplishments and (2) the annual work plan which includes work to be completed during that fiscal year. These are both linked back to operational goals from the Five-Year Implementation Plans for each of the Four Development Areas. (Target Date: January 31, 2011)

27   In accordance with best practices, SEDC should develop an agency-wide strategic plan. This process should include City and community outreach to solicit strategic planning feedback. (EN)

Implemented	SEDC developed a Strategic Plan (May 2010) and included City and Community outreach. This Plan is required by the Revised Bylaws (Article 9, Section 12). (Target Date: June 30, 2010)

28   SEDC should ensure the agency wide strategic plan is linked to the Mayor's vision for the City. (EN)

Implemented	SEDC's Strategic Plan (May 2010) and Revised Bylaws (Article 9, Section 12) require that it reflect the needs of the community as determined by extensive community outreach and also meet the goals and objectives of the City as communicated to the Corporation from time to time. (Target Date: June 30, 2010)

29   SEDC should make its consultant selection process more transparent by: (a) documenting consultant need in the files, including a justification for selecting a sole source consultant, when such a consultant is used; and (b) In accordance with SEDC's policies and procedures, the President should disclose all consultant contracts that are entered into at the Board of Directors monthly meeting immediately following the execution of the contract. (EN)

Implemented	Corporate Policies (Chapter 4.0, Section 4.02) establish policies for Consultant Selection, including justifying need and evaluation criteria, reasons for sole source contracts, and documentation and retention requirements. Further, Corporate Policies (Chapter 4.0, Section 4.03) provides guidelines for Contracting Policy, including requiring that (1) the President shall report at each Board meeting all contracts into which the Corporation has entered since the previous Board meeting regardless of the amount and (2) contracts over $25,000 be approved by the Board. (Target Date: January 1, 2009)

30   The City should consider examining the feasibility and the extent to which supplemental compensation that was not properly authorized should be reclaimed by the City. (EN)

Not Implemented	No change in status from previous reporting cycle. (Target Date: N/A)

 # 31 The City should determine the full impact of 403B contributions on the City stemming from the supplemental compensation increases. (EN)

      Not Implemented   No change in status from previous reporting cycle. (Target Date: N/A)

 # 32 The City's Internal Auditing function should conduct an audit within 18 months to review the status of SEDC's efforts to implement the recommendations contained in this report. (EN)

      Not Implemented   No change in status from previous reporting cycle. (Target Date: N/A)

 # 33 The City should examine the appropriateness of SEDC's charitable contribution activities. (EN)

      Not Implemented   The City did not respond to our inquiries regarding whether the CFO has examined the appropriateness of SEDC's charitable contributions. (Target Date: January 1, 2009)

10-001   METROPOLITAN WASTEWATER DEPARTMENT CONTRACT COMPLIANCE AUDIT

 # 1 The Department should periodically review contracts for tax exempt chemicals to ensure that they are not paying unnecessary sales tax. As part of this review, the Department should ensure that Purchasing & Contracting is aware of the use of chemicals purchased for each purchase order. (SH)

      Not Implemented   Per Susan LaNier, they are currently unprepared to present supporting documentation on this recommendation. Public Utilities should provide supporting documentation for review for the June 30th review. (Target Date: June 30, 2010)

 # 2 The Department should request reimbursement from Olin Chlor for sales tax paid on tax exempt purchases of sodium hypochlorite for the past three years. Upon further review, the Department should request refunds for any other tax-exempt chemicals identified. (SH)

      Not Implemented   Per Susan LaNier, they are currently unprepared to present supporting documentation on this recommendation. Public Utilities should provide supporting documentation for review for the June 30th review. (Target Date: June 30, 2010)

 # 3 Management should document and periodically review the success of the newly implemented procedures as it pertains to the effectiveness of the process in reducing the risk of inaccurate payments. (SH)

      Not Implemented   Per Susan LaNier, they are currently unprepared to present supporting documentation on this recommendation. Public Utilities should provide supporting documentation for review for the June 30th review. (Target Date: June 30, 2010)

4   The Department should consider periodically reviewing a sample of purchase orders and invoices for its larger contracts to proactively identify and rectify issues in contracting, billing, and payments. (SH)

Not Implemented   Per Susan LaNier, they are currently unprepared to present supporting documentation on this recommendation. Public Utilities should provide supporting documentation for review for the June 30th review. (Target Date: June 30, 2010)

8   Invoice approval staff should make unified written requests to AmeriPride for system adjustments for all active Purchase Orders requiring changes. This practice will prevent confusion and multiple inquiries and requests from the Department. Follow-up on these requests should also be conducted. (SH)

Not Implemented   Per Susan LaNier, they are currently unprepared to present supporting documentation on this recommendation. Public Utilities should provide supporting documentation for review for the June 30th review. (Target Date: June 30, 2010)

9   In collaboration with AmeriPride's accounting unit and the City's Purchasing & Contracting Department, the Department's Accounts Payable staff should seek to review a number of invoices containing discrepancies and determine a clear method of invoice review and charge calculation. (SH)

Not Implemented   Per Susan LaNier, they are currently unprepared to present supporting documentation on this recommendation. Public Utilities should provide supporting documentation for review for the June 30th review. (Target Date: June 30, 2010)

10   The Purchasing & Contracting Department should evaluate the benefits of negotiating a flat fee for services based on average expenditure. (SH)

Not Implemented   Per Susan LaNier, they are currently unprepared to present supporting documentation on this recommendation. Public Utilities should provide supporting documentation for review for the June 30th review. (Target Date: August 31, 2010)

11   The City's Purchasing & Contracting Department should ensure that it maintains up-to-date pricing lists of all appropriate possible charges, updated in its files with each new pricing agreement or change to services rendered. (SH)

Partly Implemented   Per Susan LaNier, they are currently unprepared to present supporting documentation on this recommendation. Public Utilities should provide supporting documentation for review for the June 30th review. (Target Date: December 31, 2010)

12   Accounts Payable staff that review AmeriPride invoices should seek consistency in invoice review of charges prior to payment approval and follow procedures for invoice retention. (SH)

| Not Implemented | Per Susan LaNier, they are currently unprepared to present supporting documentation on this recommendation. Public Utilities should provide supporting documentation for review for the June 30th review. (Target Date: June 30, 2010) |

10-002   **PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART I**

1   The Executive Director of the San Diego Housing Authority should calendar matters for final action by the Housing Authority within the time parameters set forth in SDMC §98.0301 to avoid excessive time delays between Board and Housing Authority approvals and avoid jeopardizing housing business opportunities. As appropriate, the Executive Director should recommend that the Housing Authority and City Council adopt effective resolutions to delegate authority to the Board on "advisory only" issues that the Housing Authority identifies as routine, which would alleviate the Housing Authority docket for more significant matters. (JT)

| **Implemented** | The City Council President's office has worked with the San Diego Housing Commission to schedule items for the Housing Authority in a very timely manner. They now have an established process that fits into the City Council process. In addition, the Housing Authority has delegated additional expenditure authority for routine maintenance items and contracts to the Housing Commission. (Target Date: October 31, 2010) |

4   City Administration should either follow or facilitate the updating of the City Charter and San Diego Municipal Code (SDMC) to more accurately reflect the actual process. Any updates should include reference to the role of relevant City departments who are responsible for completing background investigations as part of the Board applicant vetting process.   (JT)

| **Partly Implemented** | No additional documentation has been provided. (Target Date: January 31, 2011) |

5   The online Board member roster should be regularly updated by City Administration and San Diego Housing Commission to accurately reflect the current confirmed members. (JT)

| **Implemented** | The Board of Commissioners member rosters on both the San Diego Housing Commission and City websites have been updated as of February 2011, and are consistent in content. (Target Date: March 31, 2010) |

6   San Diego Housing Commission management should facilitate the modification of SDMC §98. 0301 (f)(l) to indicate that " … commissioners appointed pursuant to this section shall be tenants of housing commission units or Section 8 rental assistance program voucher recipients. " (JT)

| **Not Implemented** | No change in status from previous reporting cycle. (Target Date: |

November 30, 2010)

7   City Administration should actively assess the status of the De Anza Harbor Resort funding and whether repayment should be expected and engage San Diego Housing Commission in the process as feasible, and take action as appropriate. This assessment would include a review of the status of the De Anza project and the funds utilized since being appropriated from San Diego Housing Commission . Furthermore, City public websites and any other referential material should be updated to accurately reflect current contact and project status information. (JT)

          Partly Implemented   San Diego Housing Commission management has indicated that they have met with City staff on this matter and will be pursuing return of these funds to the Housing Commission to be used as a part of the funding for the One Stop Shop for Homeless Persons. (Target Date: December 31, 2010)

9   To ensure the completeness and accuracy of centralized San Diego Housing Commission personnel files, San Diego Housing Commission should review and update the content of historical employee specific compensation and performance evaluation documentation, as appropriate. (JT)

          Implemented   San Diego Housing Commission management has asserted that as of July 6, 2010 all Housing Commission files have been updated. They have indicated that staff is available to review files if necessary. (Target Date: June 30, 2010)

11   San Diego Housing Commission (SDHC) should review employee job descriptions and identify; quantifiable and generally applicable criteria for all employees, such as performance evaluation completion, timing and compliance. San Diego Housing Commission should consider the creation of a performance appraisal template for use by all levels of personnel, to include universal evaluation criteria such as the timely completion of the performance evaluations. (JT)

          Not Implemented   No change in status from previous reporting cycle. (Target Date: June 30, 2011)

12   San Diego Housing Commission (SDHC) should develop uniform and quantifiable management performance evaluation criteria as an objective measure to aid in the performance evaluations of executive management service (EMS) of subordinate staff (e.g. track the percentage of subordinate staff evaluations that are delinquent or still outstanding by EMS employee and use this metric to objectively compare EMS employee to one another). (JT)

          Not Implemented   No change in status from previous reporting cycle. (Target Date: June 30, 2011)

14   City Administration and San Diego Housing Commission should finalize the fiscal year 2008 and 2009 CDBG service agreements as soon as possible. The City Administration should consider disbursing the CDBG program specific funding totaling $1,277,478 to SDHC upon receipt of adequate supporting documentation, and expediting the review and disbursement approval for the remaining $648,404. (JT)

Not Implemented   No change in status from previous reporting cycle. (Target Date: June 30, 2011)

15   In collaboration with San Diego Housing Commission personnel, City Planning & Community Investment staff should clearly document the process and reporting expectations to facilitate the efficient and timely submission of reimbursement requests from SDHC. These should be in the form of formalized procedures or departmental guidelines. (JT)

Not Implemented   According to SDHC staff, formalized procedures from the City that would be followed by the Housing Commission were available. However, to date, these procedures have not been provided to the Housing Commission or the Office of the City Auditor for review / use. (Target Date: January 31, 2010)

16   As part of the negotiations and communications to clarify the documentation supporting reimbursement requests, San Diego Housing Commission and City Planning and Community Investment staff should assess and correct any documentation inaccuracies or inconsistencies. The contract with the outside consulting firm (ICF) should clearly outline these expectations to develop appropriate and comprehensive internal controls to monitor these types of funding activities. (JT)

Not Implemented   No change in status from previous reporting cycle. (Target Date: November 30, 2010)

17   To ensure compliance with the US Department of Housing and Urban Development (HUD) terms, San Diego Housing Commission should make the progress of the 350 required housing units a standing agenda item for discussion by the Board, which should include regular reporting from the responsible members of San Diego Housing Commission management. (JT)

Not Implemented   No change in status from previous reporting cycle. (Target Date: June 30, 2012)

18   San Diego Housing Commission should continue to make progress on new development to meet the 350 unit goal, within a five year timeline, and utilize existing undeveloped SDHC owned assets if necessary to accomplish that objective. These expectations should be clearly outlined in future budgetary and business planning documents, and should be included as a defined goal for the responsible members of management and staff as applicable. (JT)

Not Implemented   No change in status from previous reporting cycle. (Target Date: June 30, 2012)

10-003   **PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART II**

1   San Diego Housing Commission (SDHC), in collaboration with City Administration, should perform a review of the Housing Impact Fee schedule, and assess reasonableness and consistency with SDMC §98.0618. The fees should be updated through 2009 to be consistent with the SDMC. If the updates are not practical or feasible, the communication of the current intent to request updates through City Council should be clearly documented and retained by both the City Administration and San Diego Housing Commission. (JT)

    Not Implemented   No change in status from previous reporting cycle. (Target Date: November 30, 2010)

2   San Diego Housing Commission (SDHC), in collaboration with City Administration, should develop and implement procedures so that Housing Impact Fee updates are recalculated March 1 of each year by the appropriate percentage increase or decrease as indicated in the SDMC and prepare a recommendation to the City Council for such revision on an annual basis. If the updates are not accepted or processed by the City Council, the annual communication of the requested updates through City Council should be clearly documented and retained. If the SDMC will not be followed, then it should be amended to reflect the current fee expectations in relation to the Housing Trust Fund, a change that would require City Council action to amend the SDMC. (JT)

    Not Implemented   No change in status from previous reporting cycle. (Target Date: November 30, 2010)

3   City Administration should facilitate the update of the SDMC to accurately reflect the current process for the collection and maintenance of the Housing Trust Fund fees by the Comptroller in a specific subaccount after collection by the City. (JT)

    Not Implemented   No change in status from previous reporting cycle. (Target Date: May 31, 2011)

5   San Diego Housing Commission (SDHC) should develop additional policy and departmental guidance to detail the process and documentation requirements in relation to the Affordable Housing Fund (inclusive of both the Housing Trust Fund and Inclusionary Housing Fund), which would include reference to the proper handling of direct payments from developers and the timely reconciliation of Affordable Housing Fund funds to include comparing City-provided periodic reporting to actual payments received on a quarterly or annual basis. (JT)

| **Implemented** | San Diego Housing Commission management has provided a copy of the new policy and supporting internal control procedures documentation which includes restrictions against the receipt of direct payments from developers and the reporting and reconciliation relationship with the City. (Target Date: November 30, 2010) |

6   The San Diego Housing Commission Policy "Commission Responsibilities Related to the Housing Trust Fund" (P0300.501) should be updated as needed to accurately reflect the current process including a prohibition against the receipt of direct payments from developers and the reporting relationship with the City, as applicable. (JT)

| **Implemented** | San Diego Housing Commission management has provided a copy of the revised policy which includes restrictions against the receipt of direct payments from developers and the reporting relationship with the City. (Target Date: September 30, 2010) |

7   City Administration and San Diego Housing Commission (SDHC) personnel should reconcile the current differences in historical reported amounts for Inclusionary Housing Fund funding. If warranted, disbursement to or from SDHC or the City should be made to settle any outstanding payment discrepancies. Procedures should be established to perform this reconciliation at least annually. (JT)

| **Implemented** | The San Diego Housing Commission previously established reconciliation policies and procedures as of the March 2010 update. The reconciliation of these funds was completed in July 2010 and the payment of approximately $122,000 was received from the City in August 2010. (Target Date: January 31, 2010) |

8   A new SDHC policy should be drafted, approved and implemented to accurately reflect the SDHC "Responsibilities Related to the Inclusionary Housing Fund" (similar to P0300.501 and including any updates thereof). (JT)

| **Not Implemented** | No change in status from previous reporting cycle. (Target Date: December 31, 2010) |

9   The existing policy P0300.501 (and the new Inclusionary Housing Fund policy recommended separately) should be updated to include the requirements to account for and report separately both the Inclusionary Housing Fund and the Housing Trust Fund in the audited financial statements as well as the audit for compliance with the Affordable Housing Fund Ordinances and any related policies and regulations. (JT)

| **Not Implemented** | No change in status from previous reporting cycle. (Target Date: March 31, 2011) |

11   SDHC and City Administration should review SDMC §142.1310(e) and have the applicable SDMC sections updated to reflect the current fees or make reference to the source document or department for the updated fees, a change that would require City Council action. (JT)

Not Implemented   No change in status from previous reporting cycle. (Target Date: November 30, 2010)

12   City Administration should draft, approve and implement departmental guidelines (across multiple departments as needed) to accurately identify and document the process roles and responsibilities for City departments, including the Treasurer, Comptroller, Facilities Financing and Development Services Department (DSD) in Affordable Housing Fund-related processes. These processes should include the reporting of quarterly and annual Housing Trust Fund and Inclusionary Housing Fund activity by Facilities Financing and DSD to SDHC and the Comptroller. The Comptroller should reconcile fund levels and make disbursements based upon mutually agreed upon amounts from that reporting on a consistent and timely basis. (JT)

Not Implemented   No change in status from previous reporting cycle. (Target Date: September 30, 2009)

10-006   OFFICE OF THE CITY ATTORNEY PROPOSITION 64 FUNDS AUDIT

1   Review and revise the current policies and procedures for the management of Proposition 64 funds. The policies and procedures should include details on how the funds will be properly recorded, tracked and expended. (DK)

Partly Implemented   No change in status from previous reporting cycle. The City Attorney's Office has updated policies and procedures which provides direction to staff to deposit checks within 24 hours; however, the City Attorney's Office contends they are not authorized to cash a check until the Judge signs the Judgment. Many times checks are received from the defendant prior to the final acceptance by the judge. The City Attorney's Office still has to receive an exemption to the City Charter's daily deposit requirement as allowed in Municipal Code 22.0706. (Target Date: December 7, 2010)

6   Include a requirement that money received be deposited daily in your written policies and procedures or take action to amend the SDMC 22.0706 to include an exception for the City Attorney's Office, so as to not violate the City Charter's requirement for daily deposits.. (DK)

Not Implemented   No change in status from previous reporting cycle. The City Attorney's Office has updated policies and procedures which provides direction to staff to deposit checks within 24 hours; however, the City Attorney's Office contends they are not authorized to cash a check until the Judge signs the Judgment. Many times checks are received from the defendant prior to the final acceptance by the judge. The City Attorney's Office still has to receive an exemption to the City Charter's daily deposit requirement as allowed in Municipal Code 22.0706.

The City Attorney's Office needs request an exemption from the City Charter daily deposit requirement from the City Council. (Target Date: December 7, 2010)

10-007   PERFORMANCE AUDIT OF THE CITY'S STREET MAINTENANCE FUNCTIONS

1   Expedite the performance of a complete citywide street assessment survey prior to the selection of streets for future citywide resurfacing contracts. If resources are not sufficient for this purpose, the Street Division should expedite its budget request so that resources will be available for a complete citywide assessment as soon as practicable. Data obtained from this survey should be analyzed comprehensively prior to the execution of future street resurfacing contracts, and maintained as a baseline for performance metrics when future assessments are performed. (EM)

Partly Implemented   Full implementation can be given once the survey is complete. Per Street Staff: The assessment survey was approved by City Council on 1/11/2011. The consultant is expected to begin the survey work in February 2011 and be completed by August 2011. The final OCI report is expected in September 2011. (Target Date: September 2011)

2   Ensure that the condition ratings for recently resurfaced streets are effectively updated within the pavement management system in a timely manner. If the Street Division does not have the staff, resources, or expertise necessary to perform field surveys of street conditions, then the Street Division should establish baseline condition ratings for streets that have been recently resurfaced. (e.g. OCI of 90 for streets that have been recently overlaid with new asphalt) These baseline values should be updated within the pavement management system shortly after the completion of street resurfacing activity. (EM)

Partly **Implemented**	The Transportation and Storm Water Department provided data showing that the department has begun updating the pavement management system; however, the department has yet to formalize this updating process in documented policies and procedures. The importance and ongoing nature of this process necessitates documenting and enforcing their updating practices. We will show full implementation of this recommendation when the department establishes written policy and procedures and we verify that baseline condition updates are being made in a timely fashion. (Target Date: September 30, 2010)

3   Implement a degradation program into the pavement management system to update street condition ratings on a periodic basis. When formulating this program, major degradation variables such as traffic, drainage, weathering, and functional class should be prescribed for each segment within the pavement management system. If this process cannot be automated, the Street Division should ensure that condition information is manually updated on a regular basis. (EM)

Implemented	The auditee provided policies and procedures that state that they will conduct citywide street assessments every four years. They added the following statement: "The process of updating street condition ratings on a periodic basis is done automatically by the system, but requires the user to initiate the running of the program. One of the tasks of the consultant performing the FY'11 pavement assessment survey is to modify the deterioration variables used to calculate the updated street condition rating (OCI)." (Target Date: June 30, 2009)

4   The Street Division should formally document written policies and procedures for the identification and selection for inclusion into citywide street resurfacing contracts. These policies and procedures should be documented with an aim to maximize the effectiveness and efficiency of resources allocated for street resurfacing projects.

Written policies and procedures should be carefully crafted to ensure objectivity in the identification and selection process; yet also provide flexibility when deviation from the prescribed selection processes is warranted. (i.e. upon completion of a major public works project, or a particular geographic area that has sustained aberrant damage). (EM)

Implemented	The auditee provided policies and procedures to show how they select streets and a point system based on condition and complaints. (Target Date: August 15, 2010)

10-008   HOTLINE INVESTIGATION OF A CITY COMPTROLLER EMPLOYEE

 # 2   Risk Management should implement a new process to verify spousal and dependent eligibility before City insurance benefits are provided to reduce the risk of the City incurring additional cost for ineligibly claimed benefits. (AA)

Not Implemented   No change in status from previous reporting cycle. (Target Date: October 1, 2011)

10-009   SAN DIEGO DATA PROCESSING CORPORATION FOLLOW-UP AUDIT

 # 1   San Diego Data Processing Corporation's Board should require San Diego Data Processing Corporation to have written policies related to reimbursements to vendors and the retention of bid documents. (SG)

Implemented   Policies have been created to define allowable reimbursements to vendors and to address the retention of bid documents as documented. (Target Date: December 31, 2010)

 # 7   Amend the Operating Agreement with San Diego Data Processing Corporation to improve best practices by requiring: a. A dedicated public vendor webpage for posting: Requests for quotes or proposals; Results of requests for quotes or proposals; and Justifications for sole source / sole responder vendor contracts; b. Standard minimum response times to requests for quotes or proposals; c. Re-advertising for requests for quotes or proposals if an insufficient number of responses are received from vendors for contracts exceeding a specific value, such as $250,000 unless sufficient justification is documented, presented to the Board and the justification is posted to the website; d. Fixed terms for contracts; and e. Annual report to the City summarizing competitive practices. (SG)

Implemented   Recommendation 7 consists of 5 components denoted a-e. The five components have been fully implemented through the execution of the updated SDDPC Bylaws, Master Service Level Agreement and internal processes. (Target Date: December 31, 2010)

 # 8   City management should consider establishing policies and regulations specific to procurement of long term system maintenance contracts. (SG)

Not Implemented   No change in status from previous reporting cycle. (Target Date: July 1, 2010)

 # 9   The City and San Diego Data Processing Corporation should develop policies and procedures to ensure compliance with competitive standards applicable to federally funded technology projects. (SG)

Not Implemented   No change in status from previous reporting cycle. (Target Date: July 1, 2010)

11   Either San Diego Data Processing Corporation should permit view access by City employees to their contract, invoice, and vendor payment history for procured goods and services in order to verify the accuracy of San Diego Data Processing Corporation billings, or the procurement of these goods and services should be made directly through the City's procurement process in consultation with San Diego Data Processing Corporation staff. The selected process should ensure the best operational efficiencies for the City that incorporate strong internal controls. (SG)

Not Implemented   SDDPC has stated they will continue to provide City Departments with third party vendor contracts when requested as before. However, they are not providing view access to the contracts as required by the recommendation. (Target Date: November 30, 2009)

12   The City should establish encumbrances for IT Business Leadership Group (ITBLG) approved new project costs procured through San Diego Data Processing Corporation to ensure actual costs do not exceed approved budgeted costs. (SG)

Not Implemented   No change in status from previous reporting cycle. The department provided a revised implementation target date of December 31, 2011. (Target Date: December 31, 2011)

15   City management, in consultation with the City Attorney, should advise the City Council to consider amending San Diego Data Processing Corporation's bylaws to include the following: a. The Mayor and City Council shall approve the hiring of the CEO and the CEO's contract terms; b. The Board shall approve the compensation of the CFO unless increases in compensation are applicable to all employees; c. The CEO shall provide an annual report to the Mayor and City Council on San Diego Data Processing Corporation's compliance with its Bylaw requirements; d. San Diego Data Processing Corporation shall provide to the Mayor and City Council an annual report on its performance, including its strategy, current year's goals, status of major projects, and comparison of prior year's goals to performance; and e. San Diego Data Processing Corporation's CEO and CFO shall certify to the City that San Diego Data Processing Corporation management assumes full responsibility for the completeness and reliability of the information contained in the financial report. (SG)

Implemented   Recommendation 15 consists of 5 components, denoted a-e. Components b-e had been completed and reviewed in our previous follow-up cycle. Component 15a, addressing the hiring of SDDPC's Executive Director, was disputed as to it's completion. However, SDDPC's Bylaws have been updated to require that the Mayor and Council approve the hiring and firing of SDDPC's Executive Director as we initially recommended. (Target Date: December 31, 2010)

10-010 PERFORMANCE AUDIT OF THE CITY TREASURER'S DELINQUENT ACCOUNTS PROGRAM - DEVELOPMENT SERVICES DEPARTMENT

1   Review current deficit account balances and immediately refer existing past due accounts to the Treasurer's Delinquent Accounts Program. (SH)

Not Implemented   No change in status from previous reporting cycle. (Target Date: April 30, 2010)

2   Establish appropriate criteria and timelines that will trigger Fiscal Services to generate an ARIS invoice with automatic referral to the Treasurer's Delinquent Accounts Program of unpaid invoices after the invoice due date. If the timeline for referral exceeds 30 days past due, request approval for a more appropriate time frame from the City Treasurer per City regulations. Centralize the deficit account invoicing process in DSD's financial services and eliminate courtesy and collection letters as well as PTS invoices. (SH)

Not Implemented   No change in status from previous reporting cycle. (Target Date: April 30, 2010)

3   Establish procedures for DSD cashiers to coordinate with financial services to ensure payments received on ARIS invoices are properly applied to the invoice so paid accounts are not referred to the Treasurer's Delinquent Accounts Program in error. (SH)

Not Implemented   Development Services Department has not provided evidence showing implementation of this recommendation. DSD should provide an official written procedure regarding cashiers coordination with financial services to ensure payments received on Accounts Receivable Information System (ARIS) invoices are properly applied to the invoice for review. (Target Date: April 30, 2010)

4   Establish procedures and strengthen controls in PTS that prevent DSD cashiers from accepting payment on past due ARIS invoices (those referred to Treasurer's Delinquent Accounts Program). Instruct applicants with referred accounts to make payment at Treasurer's Delinquent Accounts Program. (SH)

Partly Implemented   Steps have been taken to automate this process within the PTS system, and are expected to be completed in June 2011. (Target Date: May 28, 2010)

5   Reinstate monthly statements, for all applicants, which contain enough detail regarding charges (staff person name, description of work performed, hours spent and amount, etc.), as well as language stating that applicants have a limited amount of time to dispute any charges. Monthly statements for accounts in deficit should also contain a remittance advice, the deficit amount, the minimum positive balance required, a due date and language that clearly states that unpaid amounts will be referred to Treasurer's Delinquent Accounts Program (based on the established criterion and timeline from #2 above). (SH)

| **Not Implemented** | No change in status from previous reporting cycle. (Target Date: April 30, 2010) |

6   Implement a late penalty fee to ensure more timely payments on deficit accounts. (SH)

| **Not Implemented** | No change in status from previous reporting cycle. (Target Date: December 31, 2010) |

7   Require Development Project Managers (DPMs) as well as any other City staff person acting as lead on deposit projects to review labor charges on all relevant projects at least biweekly to help identify and correct potentially erroneous charges prior to the issuance of monthly statements. (SH)

| **Not Implemented** | No change in status from previous reporting cycle. (Target Date: April 30, 2010) |

8   Evaluate the adequacy of Deposit Account initial deposit amounts as well as minimum required balance amounts to help minimize the frequency and speed at which Deposit Accounts fall into deficit. (SH)

| **Not Implemented** | No change in status from previous reporting cycle. (Target Date: December 31, 2010) |

9   Implement a policy that would prohibit applicants with an existing deficit account to open another Deposit Account until the existing deficit is paid in full. (SH)

| **Not Implemented - N/A** | In another recommendation, the City Auditor recommended that these type of delinquent accounts be referred to collections. Additionally, subsequent to issuance of the audit, the City Attorney advised that the City should not inhibit an applicant's ability to open new accounts based on the delinquent status of a previous account. As such, this recommendation is no longer applicable. (Target Date: March 27, 2010) |

10   Implement system interfaces between PTS and the current and future SAP modules to increase the automation of manual billing and collection tasks. (SG)

| **Partly Implemented** | Interfaces from SAP to PTS have been created to import current account status as well as the amount to notify PTS users when an account is in deficit. However, relevant PTS information regarding collection of past due accounts must still be manually invoiced in SAP. (Target Date: December 31, 2010) |

2.O   Ensure development project managers (DPMs) are given access to labor charge detail by job order number after implementation of SAP's Human Capital Management (HCM) module. (SG)

Implemented   An interface from SAP to Development Services Department' Project Tracking System has been created to import the relevant internal order information to enable development project managers (DPMs) to view labor charge detail. (Target Date: April 1, 2010)

10-011   CITY CHARTER REQUIREMENTS FOR UNCLAIMED FUNDS

1   We recommend that the Office of the City Comptroller consult with the City Attorney to determine the legality of transferring the $777,832 in unclaimed money to the general fund to be in compliance with the City Charter. If compliance with the City Charter supersedes the California Government Code, the Office of the City Comptroller should ensure appropriate processes and procedures are in place to ensure compliance. (CO)

Not Implemented   No change in status from previous reporting cycle. (Target Date: March 31, 2011)

10-013   BID TO GOAL: EFFICIENCIES HAVE BEEN ACHIEVED, BUT IMPROVEMENTS ARE NEEDED IN DOCUMENTATION, MANAGEMENT, AND INTERNAL REVIEW OF THE PROGRAM

11   We recommend that the Department establish a structured system for involving all levels of employees in the goal-setting process, such as encouraging participation on goal-setting teams on a rotational basis to obtain ideas and input for improving the efficiency and effectiveness of operations and hold these employees accountable and responsible for each performance measure. (TT) (EN)

Partly Implemented   Public Utilities has developed extensive processes for employee participation in goal-setting. (Target Date: N/A)

10-016   CITYWIDE REVENUE

1   Develop a Memorandum of Understanding with the County of San Diego to ensure access to required information allowing the City Treasurer's Revenue Audit Division to review property tax allocations to the City and observe the next State audit of the County. (DK)

Partly Implemented   The department conducted the study and this is currently under management review. After management's review of the study, a determination will need to be made as to whether the City of San Diego and the County of San Diego will enter into a Memorandum of Understanding to allow the City Treasurer's Revenue Audit Division access to review property tax allocations and have the ability to observe the next State audit. (Target Date: December 31, 2010)

 # 2 The Financial Management Department should take steps to obtain State audits of County property tax allocations, and review any relevant findings/recommendations for purposes of follow up. (DK)

Partly Implemented	Financial Management reported they have the latest audit report and analyzed the State's findings; however, the City Auditor was unable to review the analysis since the department did not provide the documentation. We will continue to follow up during the next reporting cycle. (Target Date: October 13, 2010)

 # 3 The City Treasurer's Office should consider providing business registration information to the County Assessor's office, and inform new businesses registering in the City of San Diego that they may be required to pay unsecured property tax to the County. (DK)

Implemented	The City Treasurer's Office provided sufficient documentation to satisfy the implementation of this recommendation. The County of San Diego has literature on its website to notify businesses of a possible requirement to pay unsecured property tax. Additionally information regarding unsecured property tax requirements has been added to the City San Diego's Office of Small Business publication "10 Key Steps" to Starting a Business. (Target Date: June 30, 2010)

 # 4 The City of San Diego should consider streamlining its communication with the County of San Diego's Assessor's Office to ensure the County's possessory interest records are up to date. (DK)

Implemented	READ sends a report twice yearly to the County Assessor that lists all the possessory interests in City owned property. Any questions or anomalies are discussed directly by phone with the Assessor's office. (Target Date: July 31, 2010)

 # 5 The City's Financial Management Department should evaluate the benefits of joining the Teeter Plan, and unless there is compelling information to suggest otherwise, take appropriate steps to become part of the Plan. (DK)

Partly Implemented	City Management has conducted an analysis and determined it was not advantageous for the City to enter into the Teeter Plan. The Office of the City Auditor offered to help obtain additional information from the County so management could conduct a more thorough analysis. The Office of the City Auditor will continue to work with the County to acquire the appropriate information, so management can make an informed decision. (Target Date: November 30, 2010)

 # 6 Consider having the City Treasurer's Revenue Audit Division utilize the free audit training offered by MuniServices, LLC to reduce reliance on MuniServices for future sales and use tax audit services. (DK)

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Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

7   Financial Management should review gross Safety Sales Tax revenues annually in order to verify the accuracy of Safety Sales Tax allocations to the City. (DK)

        Not Implemented   Financial Management reported they currently review, on a monthly and annual basis, the distributions of safety sales tax using information from the California State Controller Office's website and the County of San Diego; however, auditor was unable verify any of the reviews as documentation was not provided. We will verify the documentation in the next reporting cycle. (Target Date: October 13, 2010)

8   Financial Management should annually reconcile Sales Tax Triple-Flip funds received from the County with ERAF shift loss detailed in BOE sales tax reports. (DK)

        Not Implemented - Disagree   Financial Management disagrees with the recommendation because they currently review quarterly and reconcile annually the Sales Tax Triple-Flip funds received from the County with Educational Revenue Augmentation Fund (ERAF) shift loss detailed in BOE sales tax reports. The State Department of Finance provides the triple flip allocation calculations to counties with specific allocations for each city within that county. The county does not determine the allocation to cities; that information comes to the counties from the BOE. (Target Date: October 13, 2010)

9   The City Comptroller's Office should continue identifying the necessary subprocesses and prepare written policies/procedures for verifying the accuracy of TransNet revenues. (DK)

        Not Implemented   No change in status from previous reporting cycle. The department has provided an implementation target date of June 30, 2011. We will follow up on the status during our next reporting cycle. (Target Date: June 30, 2011)

11   The Office of the City Comptroller should develop written policies/procedures for verifications of gas tax revenues performed by the City. (DK)

        Not Implemented   No change in status from previous reporting cycle. The department has provided an implementation target date of June 30, 2011. We will follow up on the status during our next reporting cycle. (Target Date: June 30, 2011)

12   The Office of the City Comptroller should ensure the City is not paying federal gas taxes by verifying that the payments to fuel vendors do not include federal excise tax. (DK)

Not Implemented   No change in status from previous reporting cycle. The department has provided an implementation target date of June 30, 2011. We will follow up on the status during our next reporting cycle. (Target Date: June 30, 2011)

 # 13   The Office of the City Comptroller and Financial Management should develop written policies/procedures for verifications of motor vehicle license fees. (DK)

Implemented   Appropriate documentation has been provided to support the implementation of this recommendation. Financial Management drafted a process narrative for Motor Vehicle License Fee Verification and the City Comptroller has approved and implemented this process narrative which is posted on CityNet. (Target Date: November 30, 2010)

 # 14   The City Treasurer's Office should monitor when court revenue distribution audits are done by the State Controller's Office, and be aware of findings and/or under remittances relevant to the City of San Diego for purposes of follow up. (DK)

Implemented   The department provided a policy and procedure for monitoring State of California court fee distribution audits. Although not a requirement of the recommendation, the department should consider adding procedures that would document their attempts to conduct their annual review. No state audits were conducted in the prior year. (Target Date: November 30, 2010)

 # 15   The City Treasurer's Revenue Audit Division should consider performing audits of court-distributed revenues. (DK)

Not Implemented   No change in status from previous reporting cycle. The department provided an implementation target date of March 31, 2011. We will continue to follow up on this recommendation and report on status during our next reporting cycle. (Target Date: March 31, 2011)

 # 16   The Office of the Independent Budget Analyst (IBA) should work in consultation with the Real Estate Assets Department to revise Council Policy 700-10 to clarify who has the appropriate auditing authority. (DK)

Not Implemented   No change in status from previous reporting cycle. (Target Date: January 31, 2011)

17   The Real Estate Assets Department should develop written policies/procedures for the verification of lease payments. (DK)

Not Implemented   No change in status from previous reporting cycle. The department provided an implementation target date of March 1, 2011. We will continue to follow up on this recommendation and provide a status update on the next reporting cycle. (Target Date: March 1, 2011)

18   The Real Estate Assets Department should work with the City Treasurer's Revenue Audit Division to develop an indicator for percentage leases in the Electronic Document Retrieval System (EDRS). (DK)

Implemented   Real Estate Assets implemented the intent of our recommendation by providing an indicator in the Reportfolio system to allow the City Treasurer's Audit Division to search for percentage leases. (Target Date: November 30, 2010)

22   The Business Tax Compliance Program should develop written policies/procedures for the work it performs. (DK)

Partly Implemented   The Business Tax Compliance program has drafted a process narrative as their policies and procedures document. This document has been approved by department management and communicated to staff within the program. The process narrative will be submitted to the Comptroller's office for review. We will show the recommendation as implemented once the Comptroller approves the process narrative. (Target Date: June 30, 2010)

23   The Business Tax Compliance Program should expand techniques used for ensuring compliance—including utilization of preventative measures such as informal employee audits—and determine an alternative method for ensuring accurate business size designation. (DK)

Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

10-017   PERFORMANCE AUDIT OF THE CITY TREASURER'S INVESTMENTS DIVISION

1   The City Treasurer should finalize and implement a charter or comparable controlling document for the Investment Advisory Committee defining the roles, responsibilities, term limits, applicant requirements and related administrative processes for the committee. This document and related committee reference information should be included and maintained on the Investments Division's public website. (JT)

| | **Implemented** | A Statement of Purpose for the Investment Advisory Committee (IAC) was completed in June 2010. After extensive discussion with IAC members, the City Attorney's Office and City Treasurer staff, the City Treasurer has decided to create a Statement of Purpose at this time in lieu of by-laws or similarly more detailed governing documentation. It was decided that it would not be posted on the Office of the City Treasurer's website. (Target Date: N/A) |

2   The City Treasurer should review and update the Investment Policy for inclusion of the identified consensus recommendations during the subsequent update to the Investment Policy within an official Investment Advisory Committee charter or comparable controlling document, as appropriate. (JT)

> **Implemented**   The Investment Policy is updated once a year in November to incorporate any enacted legislative changes which most recently occurred in November 2010. Please refer to the 2011 City Treasurer's Investment Policy at http://www.sandiego.gov/treasurer/pdf/invpolicy.pdf which includes changes made per audit recommendations. (Target Date: N/A)

3   The City Treasurer should formally document a written procedure for processing complete and accurate annual updates for the Investment Policy, including the critical steps in the process from initiation to acceptance by City Council and subsequent handling in preparation for the following year. This procedure should be crafted to effectively and efficiently update the policy, but also provide for appropriate record management clearly identifying documentation requirements during various stages of the process. (JT)

> **Implemented**   The City Treasurer's Investments Division has updated its internal procedures to incorporate this annual update process and has complied with the City's new "Internal Controls Over Financial Reporting" mandate with a documented process narrative maintained by the City Comptroller's Office on the CityNet intranet. (Target Date: N/A)

10-018   PERFORMANCE AUDIT OF THE PURCHASING AND CONTRACTING DEPARTMENT - CITYWIDE OPEN PURCHASE ORDER PROGRAM

1   Incorporate the use of a requisition form similar to a form 2610 in the Departmental Blanket/Open Purchase Order program to reduce the risk of misappropriation. (SG)

> **Not Implemented**   No change in status from previous reporting cycle. (Target Date: June 30, 2011)

2   City Management should institute a process and timeline for the elimination of the Citywide Blanket/Open Purchase Order program. Instead, citywide contracts should continue to be established and departments should procure goods and services using the newly revised Departmental Blanket program or some other method that is more efficient and incorporates effective controls. (SG)

      Not Implemented   No change in status from previous reporting cycle. (Target Date: June 30, 2011)

3   Modify Administrative Regulation 35.15 to adequately reflect the new policies as a result of the actions taken from Recommendations one and two above. Additionally, the Administrative Regulation should include a requirement for departments to document and retain a reconciliation of the requisition forms, similar to the form 2610, on a quarterly basis. (SG)

      Not Implemented   No change in status from previous reporting cycle. (Target Date: June 30, 2011)

4   City Management should analyze the Stores Revolving fund balance of $1.4 million to determine if this balance represents a surplus. If this analysis results in the determination of a surplus, it should be transferred back to the applicable funds (general, enterprise, etc.) per the annual appropriations ordinance. (SG)

      Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

5   Central Stores should conduct an annual analysis to ensure that all surcharges (storerooms, mailrooms, etc.) are set at an appropriate level to only recoup the cost of service. This analysis should also include a procedure to transfer any surplus at fiscal year end back to the applicable fund(s). (SG)

      Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

6   City Management should ensure that all departments are aware of discounts and have appropriate procedures in place to ensure that all discounts are taken advantage of for timely payment on City purchases in order to reduce costs. (SG)

      Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

10-019   PERFORMANCE AUDIT OF THE SUBCONTRACTOR OUTREACH PROGRAM (SCOPE)

1   The City should collect accurate and comprehensive data that measures the contracting practices in the City. (DM)

Not Implemented   No change in status from previous reporting cycle. (Target Date: January 21, 2011)

2   The City should perform a comprehensive disparity study. (DM)

Not Implemented - Disagree   This audit objective sought to assess the disposition of a future disparity study. The former City Attorney noted that the City should supplement current data with a new disparity study in order to best insulate itself from legal challenge to newly instituted race/gender-conscious preference and /or outreach programs. The disparity study would document and determine where there is evidence that the City has participated in discrimination against specific groups of Contractors and provide justification for any race/gender-based measures. The audit suggested the study would prove to be less financially, politically, and socially costly to the City in the long run as a result of averting potential legal liabilities and investing City resources into an effort that is guaranteed to benefit the City. The Department disagreed with this recommendation from the point the report was issued. Department management said disparity studies can be costly and conducting a disparity study does not guarantee the ability to establish and implement a race-conscious goal based program. The City's early disparity study recommended several race-neutral remedies based, in part, on the passage of Proposition 209.

We will refer this recommendation to the Office of the City Attorney for review to determine if a comprehensive disparity study would be beneficial in reducing potential legal challenges and liability. (Target Date: April 30, 2010)

3   The City should create policies and procedures for collecting and reporting on data that may be used in a disparity study. (DM)

Implemented   EOCP created a Department Instruction (DI) Manual to establish the processes and procedures for preparing and reporting statistical data. (Target Date: December 31, 2010)

4   Equal Opportunity Contracting Program management should develop written policies and procedures to ensure that SCOPe goals formulas embedded in spreadsheets used to generate SCOPe goals are accurate and are reviewed by management. (DM)

Implemented   EOCP formalized Goal Calculations and the Bid Discount processes for SLBE-ELBE. (Target Date: July 30, 2010)

5   Engineering & Capital Projects management should review the accuracy of goals generated by specification engineers prior to submitting SCOPe goals to Equal Opportunity Contracting PROGRAM for final review and approval. (DM)

> **Implemented**   EOCP formalized the requirement for E&CP to review all goal calculations performed by E&CP engineers.
> (Target Date: July 30, 2010)

6   Equal Opportunity Contracting Program and Engineering & Capital Projects should document the rationale for adjustments made to SCOPe goals calculations or factors that impact SCOPe goals on a per-project basis. (DM)

> **Implemented**   EOCP documents rationale/explanation for projects when there are goal markups. (Target Date: July 30, 2010)

7   SCOPe goal formulas should be calculated as prescribed by Caltrans to ensure that the City reaps the benefits of streamlining processes if the City continues to use the Caltrans methodology to calculate goals for City-funded projects. (DM)

> **Implemented**   EOCP continues to use its modified version of Caltrans goal calculation arguing that it is more appropriate; goals are reviewed and updated bi-annually and changes documented. Management responded to the audit recommendation that EOCP is utilizing a modified version of the Caltrans goal calculation because it is more appropriate. The Caltrans methodology limits the field of available firms to Caltrans certified DBEs. It excludes DVBEs/MBEs/WBEs certified by other agencies and therefore narrows the field which is contrary to the goals of EOCP. In addition, management noted Caltrans certification lengthens the wait time for eligible firms. It has a minimum wait time of 9 months and can be as long as 18 months. (Target Date: December 1, 2010)

8   Management should establish an annual goal for City-funded projects in order to measure the progress (or lack thereof) that prime contractors subcontract to the various historically underrepresented contractor groups. (DM)

> **Not Implemented**   No change in status from previous reporting cycle. (Target Date: February 15, 2011)

9   Management should provide both committed and actual achievement data like those found in the Final Summary Report when reporting to City Council the performance of SCOPe. (DM)

> **Not Implemented**   No change in status from previous reporting cycle. (Target Date: January 12, 2011)

10   Program Management should evaluate the extent to which change order work can feasibly be assigned to subcontractors on a per-project basis and require and enforce SCOPe goals to apply to all feasible change order work to the fullest extent of the law. (DM)

Not Implemented   No change in status from previous reporting cycle. (Target Date: February 15, 2011)

\# 11   Management should review the approaches to increasing contractor diversity outlined in nominations to SARA and continue to consult with other entities for best practice guidance on how to increase the diversity of subcontractors and document the communications. (DM)

Not Implemented   No change in status from previous reporting cycle. (Target Date: February 15, 2011)

\# 12   Equal Opportunity Contracting Program, Engineering & Capital Projects and Purchasing & Contracting should discuss the distinct data Equal Opportunity Contracting Program needs to adequately manage SCOPe. (DM)

Not Implemented   No change in status from previous reporting cycle. (Target Date: January 30, 2011)

\# 13   Equal Opportunity Contracting Program should obtain direct access to the data it needs to effectively and efficiently administer SCOPe. (DM)

Not Implemented   No change in status from previous reporting cycle. (Target Date: September 15, 2011)

10-020   PERFORMANCE AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT'S COLLECTION OF WATER AND SEWER FEES

\# 1   Development Services Department should revise its collection processes to ensure that building permits and certificates of occupancy are not being issued to customers prior to full payment of all development fees including water fees. (SH)

Implemented   DSD implemented Building Permit Issuance Procedure 6.05, to ensure that payments are made appropriately prior to issuance of building permits and certificates of occupancy, as well as detailed narratives for the standardization of Plan Review Specialist review of IOS-related elements. (Target Date: June 15, 2010)

\# 2   Development Services Department and Public Utilities should create and maintain either a Service Level Agreement or a Memorandum of Understanding that formally defines the agreed level of service between the two departments. (SH)

Not Implemented   No change in status from previous reporting cycle. (Target Date: January 31, 2011)

3   Development Services Department management should develop formal written policies and procedures regarding the collection of IOS permit fees to ensure appropriate payments are made and payment information is transferred into IOS. These policies and procedures should be monitored by management for effectiveness. (SH)

Implemented   DSD implemented Building Permit Issuance Procedure 6.05, to ensure that payments are made appropriately prior to issuance of building permits and certificates of occupancy. It monitors IOS reports to ensure that these procedures, along with others, are effective. (Target Date: December 31, 2010)

4   Development Services Department should continue implementation of the newly developed recovery practices, including how unpaid fees will be referred to Collections, in order to recoup unpaid fees while sharing monitoring and recovery information of delinquent accounts with Public Utilities' IOS Section. (SH)

Not Implemented   The Department has not provided a written copy of its recovery practices; referral to Collections. DSD should provide an official written recovery procedure for review for the June 30th report. (Target Date: June 15, 2010)

5   Development Services Department management, in conjunction with the Public Utilities' IOS Section, should create a common repository that is updated as rules or procedures for the assessment of IOS permit fees are created or changed. (SH)

Not Implemented   No change in status from previous reporting cycle. (Target Date: May 1, 2011)

6   Development Services Department should implement a periodic review of plans in Supervisory Clusters that regularly assess IOS fees and yearly training sessions in conjunction with Public Utilities. (SH)

Not Implemented   No change in status from previous reporting cycle. (Target Date: January 31, 2011)

7   Public Utilities should work with implementation consultants as planned to ensure maximum efficiencies are gained through interfacing with all process-related applications, including Development Services Department's (DSD) Project Tracking System. DSD should be included on the relative interfaces and facilitate automated data interfacing as recommended and required by the implementing consultant. (SH)

Not Implemented   No change in status from previous reporting cycle. (Target Date: September 30, 2011)

10-OA-001 PERFORMANCE AUDIT OF THE CENTRE CITY DEVELOPMENT CORPORATION

1.1   Implement a strategic plan linking redevelopment goals with achievements and organizational performance. This should include goals that are specific, measurable, attainable, reliable, and time-bound as a method of demonstrating whether CCDC efforts are achieving stated goals. Additional performance measures could relate to:
• Leveraging Private Resources
• Employment & Job Creation
• Data related to the Design Review/Permitting Function
• Delivery Cost Ratio & Timeliness/Budget on Public Improvements
• Program/Administrative Budget Comparison (TT)

Implemented   Incorporated as part of updates to the By-Laws and operating agreements which were adopted by the City Council and CCDC. (Target Date: December 31, 2010)

1.2   Develop a strategy to ensure that the proportion of affordable units to market-rate units does not fall below the 15 percent threshold mandated by California Community Redevelopment Law. (TT)

Implemented   CCDC reports summary affordable housing statistics and provides an annual update of affordable housing activities in downtown. It also tracks completed residential projects as part of its budgeting process. CCDC reports that the current ratio of affordable units to market units is 19%. (Target Date: March 22, 2010)

1.3   Work with appropriate officials within the City and Agency to determine the feasibility and appropriateness of exploring the introduction of new revenue streams, such as a cost-recovery model for the design review process and imposition of additional Development Impact Fees (DIF). (TT)

Partly Implemented   CCDC has hired a consulting firm to assist in the analysis of a cost-recovery model for the design review process. The firm completed its study, and CCDC staff is currently conducting outreach to affected stakeholders, and will present its findings to the CCDC Board when completed. (Target Date: April 2011)

1.4 Assess and define CCDC's role in promoting economic development and social service delivery through redevelopment efforts. This could include realigning CCDC's service delivery framework to encourage additional activities that are commonly associated with redevelopment, including providing policy guidance regarding the inclusion of economic development and social service activities commonly employed by other successful redevelopment agencies. Examples include, but are not limited to:
• Facilitating the development of employment-oriented facilities, such as small business incubators, which provide low-cost opportunities for small businesses and other San Diego-based start-up companies;
• Incorporating covenants within development agreements whereby Agency financial assistance is contingent on the provision of services that advance the economic development goals of San Diego, such as creating a balance of employment and housing opportunities; and/or,
• Leveraging TIF resource with other funding streams, including grant funding through the United States Department of Housing and Urban Development, to encourage or facilitate additional economic development, blight mitigation, and social service activities. (TT)

Partly Implemented	CCDC is in the process of hiring a consultant to assist the corporation in establishing a comprehensive economic development strategy for downtown. Additionally, staff has sought approval of the CCDC Board to negotiate to acquire a parcel for business incubator space. (Target Date: June 30, 2011)

2.1 Develop a comprehensive set of policies and procedures to provide guidance and increase internal controls over procurement, contracting, use of on-call agreements, accounts payable, payroll, and fiscal operations, and clarify roles and responsibilities of staff involved. (TT)

Partly Implemented	The CCDC Board adopted a comprehensive set of policies and procedures on November 17, 2010. (Target Date: December 31, 2010)

2.2 Train staff on established procedures to ensure both staff and management share the same expectations. (TT)

Partly Implemented	Staff committed to training employees on updated policies in a report to the CCDC Audit Committee outlining the timeframe for updating policies. Additionally, the new Bylaws require that CCDC staff and board members receive training on policies, ethics, governance, and fiduciary duties. (Target Date: June 2011)

2.3   Ensure adequate competition is sought where feasible and practical, and document key decisions surrounding contract awards to provide transparency and assurance that the contractor selected provides the best good or service at the most competitive price. This includes ensuring proposals are solicited from all on-call firms. (TT)

       Implemented   Contracting oversight was taken out of the direct control of the department working with consultants and the oversight vested in the Finance Department. An Audit Committee was also established, and now reviews the basic terms of every contract including the selection process, contract amount, and last time the contract was publicly bid. CCDC has also recreated an internal database to track requests for quotes/proposals to ensure competition is sought on a regular basis for the reoccurring contracts. (Target Date: March 22, 2010)

2.4   Closely monitor trial balance detail and contract activity to identify instances where contract splitting may occur or where competitive procurement may be beneficial, identify vendors that receive multiple payments totaling greater than or equal to current policy thresholds, and determine if a formal agreement should be generated. (TT)

       Implemented   Oversight for contracts has been assigned to the CCDC Finance Department which is monitoring for contract splitting. Furthermore, a review of all contracts is now being performed by the CCDC Audit Committee. (Target Date: March 22, 2010)

2.5   Provide closer oversight and monitoring of contracting practices to ensure management and CCDC's Board is aware of all contracting activities. As part of this:
• Work with staff to ensure contract information is accurately reported to CCDC's Board.
• Develop a process to track and monitor an inventory of contracts, which should include elements such as the vendor name, the initial and amended contract amounts, number of amendments, date executed and expiration or termination date, goods/services provided. (TT)

       Implemented   CCDC's Audit Committee now reviews the basic terms of every contract including the selection process, contract amount, and last time the contract was publicly bid. CCDC has also created a database to track current contracts. (Target Date: March 22, 2010)

2.6   Ensure that invoices are well supported, comport with established agreements, and are thoroughly reviewed prior to approving payment. (TT)

       Implemented   CCDC reports that its Accounting Department reviews the invoices for accuracy, compliance with contract terms, verifies that the amounts are within the contract limits, and that appropriate back-up is supplied for the services listed on the invoice. Invoices are then forwarded to a project manager and the department vice president for review and approval. (Target Date: March 22, 2010)

2.7   Require that changes in the scope of work on professional service contracts and in the specifications on construction contracts are formally memorialized in appropriately approved and executed amendments or change orders at the time the change is agreed upon. (TT)

Implemented   CCDC has established a new process wherein any changes in a contract scope or individuals that are added to the fee schedule must be approved by the Executive Vice President/CFO. Any change orders to construction contracts must be approved by a series of individuals and presented to the CCDC Audit Committee. (Target Date: March 22, 2010)

2.8   Create record retention protocols that clearly define the types of records that should be maintained, and for how long to support awarding decisions and to assure sufficient transparency. Document retention policies should require maintenance of key documents for a minimum of three years after the termination of the contract, and should require the inclusion of the following key documents, such as:
• The rationale for the method of procurement—RFP, RFQ, Sole-Source;
• Selection of contract type—on-call vs. project or task specific;
• Reasons for contractor selection or rejection, including interview panel score sheets and rankings;
• The basis for the contract price;
• The complete contract, contract amendments and changes orders, with rationale for changes in work and contract amount;
• Important correspondence;
• Invoices, payment documentation, and budget-to-actual reports; and,
• Contract close-out and deliverables.(TT)

Implemented   The CCDC Board adopted a comprehensive set of policies and procedures on November 17, 2010. (Target Date: December 31, 2010)

2.9   Consider developing a contract close-out procedure and/or checklist to better ensure necessary information is memorialized. Information could include:
• Contract start and end date;
• Expected completion date;
• Initial contract amount;
• Total change orders or amendments;
• Total expenditures;
• Deliverable schedules and deliverables; and,
• Key decisions surrounding change in scope. (TT)

Partly Implemented   CCDC has created a new position of Contracts Manager and expects to fill it in September 2010. The Contracts Manager will be responsible for developing a contract close-out procedure. (Target Date: January 31, 2011)

 # 2.10 Segregate incompatible roles within the procurement, contracting, accounts payable and payroll processes—such as the contract administrator from the project manager. (TT)

Implemented CCDC reports that certain roles have been separated, while other functions cannot be separated due to the small size of staff. However, compensating checks and balances have been developed to ensure proper internal controls. (Target Date: March 22, 2010)

 # 2.11 Develop system access profiles to limit employee access to only those functions required to perform daily duties, and segregate access to incompatible high-risk transactions. This includes providing independent oversight to ensure activity within the MAS90 system is monitored. (TT)

Implemented CCDC has segregated duties between the Accounting and Information Technology (IT) departments. Accounting no longer has the ability to create, modify, or delete users and access profiles. These functions have been transferred to the IT Department, which cannot process transactions. (Target Date: March 22, 2010)

 # 2.12 Establish exit and position change protocols to ensure the removal of employee access upon their departure and review user access when an employee changes positions to limit access to unnecessary functions. (TT)

Implemented CCDC has created check lists to be utilized by the Human Resources and Information Technology departments for processing employee changes during hiring, terminations, or position changes. The checklists include items such as network access and computer program access. (Target Date: March 22, 2010)

 # 2.13 Strengthen controls to prevent and detect potential conflicts of interest, and to further promote a "tone-at-the-top" that discourages even the appearance of wrongdoing.
• Establish a policy prohibiting the receipt of gifts and gratuities of a material value from those doing business with or seeking to do business with CCDC, particularly in cases where employees have a direct working relationship with the contractors.
• Review statements of economic interest to identify potential conflicts that may arise, including reviews prior to assigning an employee to a project or selection panel.
• Consider requiring conflict of interest affirmation statements from employees prior to participating on evaluation panels. (TT)

Implemented The CCDC Board has adopted a no gift policy and has updated CCDC's Conflict of Interest Code. All Fair Political Practices Commission Form 700 filers are required to submit their Form 700 to Human Resources, which reviews, audits, and files the form with the City Clerk. (Target Date: December 31, 2010)

2.14 Strengthen controls over the recording of assets upon receipt, monitoring, and management of assets. This includes:
• Conducting an inventory of assets every one to three years to ensure all assets are accounted for and the asset listings are updated regularly to reflect current assets.
• Storing sensitive, portable, and pilferable equipment in a secure location.
• Reviewing CCDC's equipment inventory to identify equipment no longer in use and salvage stale equipment. (TT)

Implemented CCDC completed a full inventory of all assets in 2009 and has updated the records accordingly. CCDC will complete a full inventory at least annually before the end of each fiscal year. Additionally, CCDC has developed a database for tracking fixed assets. Fixed assets will be tagged and placed into inventory as they are received and removed from the inventory listing when disposed. Sensitive and portable equipment are controlled by an Information Technology Specialist and are documented as items are checked in and out for use. (Target Date: March 22, 2010)

3.1 Continue implementation of the newly established Audit Committee with the purpose of providing oversight of CCDC's internal business practices and ensuring that CCDC complies with Board policies. (TT)

Implemented The Audit Committee has been meeting monthly since May 2009, and the CCDC Board adopted an Audit Committee charter in April 2010. (Target Date: May 31, 2010)

3.2 Require CCDC management to account for specific successes or reaching specific goals on a consistent basis by devising periodic performance reports to be approved by the CCDC Board and submitted to the Agency on at least an annual basis. (TT)

Implemented CCDC is including specific goals in the annual work plan in its annual budget, as well as reporting on the prior year's work plan results. (Target Date: March 22, 2010)

3.3 Memorialize a formal line of succession of authority to supervise, manage and direct the business operations of CCDC to a full-time CCDC employee, not a Board member, in the event the position of the president is vacated. (TT)

Implemented The new By-Laws and Operating Agreement designate the CFO as the Executive Vice President in the event that the position of the president is vacant. (Target Date: March 22, 2010)

3.4 Require CCDC to implement an adequate system of internal controls to protect Agency assets, and establish an oversight mechanism that requires CCDC to:
• Certify annually to its Board and to the Agency that it has established adequate internal controls over key business processes, including activities related to procurement, accounts payable, payroll, fixed assets, etc. As part of this certification, CCDC should attest as to its compliance with established, formalized policies and procedures regarding each of these areas.
• Undergo periodic audits, at least every three years that extend beyond the scope of CCDC's annual financial audits to assess the performance of CCDC and its internal control structure. (TT)

> **Implemented**   These recommendations haves been incorporated with the new By-Laws and Operating Agreement. (Target Date: March 22, 2010)

3.5 Update the operating agreement to:
• Provide increased specificity and updated provisions regarding the allowability of corporation expenditures.
• Require CCDC to periodically report on its performance and goal-attainment at least on an annual basis.
• Better reflect the role of the Executive Director of the Agency, specifically addressing CCDC's obligations and reporting relationship to the Executive Director. (TT)

> **Implemented**   These recommendations have been incorporated with the new By-Laws and Operating Agreement. (Target Date: March 22, 2010)

3.6 Consider establishing a contract administrator dedicated, at least in part, to overseeing CCDC's activities as a whole to provide more cohesive oversight—in addition to existing practices requiring various agencies (Comptroller, Independent Budget Analyst, Redevelopment Division, Real Estate Asset Division, etc.) to review select CCDC records for their own purposes. (TT)

> **Implemented**   Oversight with appropriate controls has been incorporated into the By-Laws and Operating Agreement. For example, the Mayor now has direct control over hiring and firing the CCDC President. (Target Date: March 22, 2010)

10-OA-002 AUDIT OF THE SAN DIEGO CONVENTION CENTER CORPORATION

2 We recommend that staff prepare an analysis of the percentages of the SDCC's resources that are spent on program and administration to the Board during the budget review process to ensure that the Board members are fully aware of how the resources of the SDCC are being allocated between these two areas. (CO)

> **Implemented**   The Board provided to us an analysis of the resources spent in operations and general administration functions. (Target Date: September 30, 2010)

 # 3   We recommend the Corporation amend its bylaws to reflect the two-term limit for its Board members to be consistent with the City of San Diego's policy. (CO)

        Implemented   The Corporation amended its bylaws and made it consistent with the City of San Diego policy. (Target Date: June 30, 2010)

 # 10   We recommend the San Diego Convention Center document and implement a financial policy governing the use of the SDCC's unrestricted net assets. The policy should be approved by the SDCC's Board of Directors. (CO)

        Implemented   The Corporation provided to us the board minutes in which the board approved the new policy in regard to restricted net assets management. (Target Date: June 30, 2010)

10-OA-003 REVIEW OF THE HIRING PROCESS OF THE DIRECTOR OF PURCHASING AND CONTRACTING

 # 1   Re-issue the Unclassified Recruitment and Hiring Process Guidelines to eliminate the exceptions on using the Personnel Department for unclassified recruitment and hiring activities of upper-level officials. (EB)

        Implemented   An Administrative Regulation has been developed by the City Administration titled "Recruitment and Appointment of Unclassified Officers and Employees" which is to be followed by all appointing authorities. Administrative Regulation 96.05 was adopted September 9, 2010. It can be found online at http://citynet.sannet.gov/documentsforms/ar/pdf/ar9605.pdf. (Target Date: N/A)

 # 2   In addition to the California DOJ check, conduct criminal background checks utilizing the FBI national criminal database (currently utilized when recruiting sworn classified personnel) for non-California resident candidates as well as any candidates that will be responsible for safeguarding the City's assets. (EB)

        Implemented   An Administrative Regulation has been developed and approved on 9/9/10 by the City Administration titled "Recruitment and Appointment of Unclassified Officers and Employees." It is to be followed by all appointing authorities, and includes procedures to perform California Department of Justice and Federal Bureau of Investigation national criminal database checks consistent with the audit recommendation. The "Recruitment and Selection Guidelines for Unclassified Officers and Employees" provides additional information and specific steps for the background check process that must be followed by all Appointing Authorities in Mayoral departments. (Target Date: N/A)

3   Direct the Chief Operating Officer to assign an appropriate City Department the responsibility to conduct the following steps in hiring upper-level officials. • Lead unclassified higher-level official recruiting efforts, including creating, posting, and advertising job announcements and gathering resumes. • Obtain candidate statements of authentication regarding qualifications and background in writing (use City application as a guide). • Validate and verify education, experience and professional credentials as well as conduct media/Internet background searches prior to conducting interviews. • Screen applicants and forward to hiring departments the best qualified candidates based on resume experience prior to formal interviews. (EB)

Partly Implemented	An Administrative Regulation has been approved and implemented (effective 9/9/2010) by the City Administration titled "Recruitment and Appointment of Unclassified Officers and Employees" which is to be followed by all appointing authorities. The Administrative Regulation includes the steps in hiring upper-level officials consistent with the audit recommendation, and the responsibility for their completion is shared by the Human Resources Department and the Appointing Authority (hiring department). HRD's "Recruitment and Selection Guidelines for Unclassified Officers and Employees" includes specific guidelines and steps related to the recruitment and screening (education and professional credentials) techniques for candidates. However, neither the policy nor the guidelines specify a process for conducting media/Internet searches of candidates, and there is no evidence such searches are conducted. (Target Date: N/A)

4   Direct the Assistant Chief Operating Officer to assure that the departments hiring upper-level officials follow these interview and selection process: • Using an interview panel of persons knowledgeable of the position being filled. • Establishing a preset list of questions to ask each candidate, including asking about successes and challenges faced in prior employment. • Recording or taking notes of questions asked and answered by all interviewees. • Assuring that the interview panel reaches a consensus decision prior to offering a position. • Maintaining appropriate documentation to support selection decisions. (EB)

Implemented	An Administrative Regulation was developed and approved by the City Administration titled "Recruitment and Appointment of Unclassified Officers and Employees." which is to be followed by all appointing authorities. The Administrative Regulation identifies the Human Resources Department and its staff as responsible for overseeing the recruitment and appointment process of all unclassified officers and employees in departments under the Mayor's authority who can be contacted for assistance and direction. Furthermore, the Administrative Regulation makes reference to the specific interview and selection processes mentioned in the audit recommendation. Final authorization was received for AR 96.05, which is online at http://citynet.sannet.gov/documentsforms/ar/pdf/ar9605.pdf on September 9, 2010. The "Recruitment and Section Guidelines for Unclassified Officers and Employees" provides additional guidance and specific steps with regard to the candidate interview process. All Mayoral departments are to follow these steps in order to ensure that all new unclassified appointments are properly vetted and processed prior to employment with the City of San Diego. (Target Date: N/A)

5   Assure that the Assistant Chief Operating Officer participates with the hiring department in the negotiation of salary, benefits and miscellaneous expense, such as moving costs, for all unclassified upper-level officials. (EB)

Partly Implemented	An Administrative Regulation has been developed and approved by the City Administration titled "Recruitment and Appointment of Unclassified Officers and Employees" which is followed by all appointing authorities. AR 96.05 was adopted on September 9, 2010. The Administrative Regulation indicates that the Chief Operating Officer and /or assigned designee shall provide authorization to the appointing authority to make a conditional offer of employment which is consistent with the audit recommendation. AR 96.05 can be found online at http://citynet.sannet.gov/documentsforms/ar/pdf/ar9605.pdf. However, no specific reference is made to the Assistant Chief Operating Officer's involvement in the hiring and negotiating process. Additionally, the HRD acknowledges this recommendation is desirable but not yet included in A.R. 96.05. (Target Date: N/A)

11-001 **PERFORMANCE AUDIT OF RISK MANAGEMENT'S PUBLIC LIABILITY AND LOSS RECOVERY DIVISION**

1   Risk Management should adopt public sector practices for collection, analysis, and reporting of risk information, and prepare and distribute an annual Risk Management Report. (TT) (JT)

Not Implemented   The department has provided an implementation target date of June 30, 2011. (Target Date: June 30, 2011)

2   Risk Management should annually survey City departments about their informational needs and analyze historical claims data and provide departments with reports on a monthly or quarterly basis. (TT) (JT)

Not Implemented   The department has provided an implementation target date of June 30, 2011. (Target Date: June 30, 2011)

3   Risk Management, with the assistance of an actuarial consultant, should develop and implement cost allocation methodology for City departments to assess the costs of general liability claims. (TT) (JT)

Not Implemented   The department has provided an implementation target date of June 30, 2011. (Target Date: June 30, 2011)

4   The City Administration should consider actions taken by other cities to limit sidewalk repair responsibility and to take appropriate action to limit the City's liability related to sidewalks. (TT) (JT)

Not Implemented   The Public Liability division was seeking a City Attorney's opinion and provided an implementation target date of December 31, 2010, however a status update on the City Attorney's opinion has not been provided. We will continue to follow up and report on the implementation status during our next reporting cycle. (Target Date: December 31, 2010)

5   The City Administration should establish a risk management working group charged with coordinating Risk Management efforts with membership representation from all the major city departments and the City Attorney's Office. This committee should meet at least quarterly and be chaired by the Director of Risk Management or another senior city official. (TT) (JT)

Not Implemented   Professional risk management standards or frameworks recommend the involvement of senior executives in risk management efforts through a working group or a committee. Such committees elevate discussions of risk in an organization, and are particularly important at a time when the City has no alternative structure for coordinating and sharing risk information. The County of Los Angeles and the University of California have both established such groups. (Target Date: August 13, 2010)

6   Risk Management should develop a detailed safety training curriculum for City employees and deliver this training on a regular basis. The Public Liability and Loss Recovery Division should develop detailed informational material regarding its services and post it on the City website. Training and informational material should be targeted to areas and activities with high public liability losses and addressing frequently asked questions. (TT) (JT)

Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

7   Risk Management and the City Attorney should solicit feedback from the City Council on the adequacy and completeness of current public liability claims-related reporting and, as appropriate, facilitate the updating of Council Policy 000-009 to be consistent with agreed-upon reporting. (TT) (JT)

Not Implemented   The department has provided an implementation target date of March 31, 2011. (Target Date: March 31, 2011)

8   Develop additional Risk Management policy and departmental guidance to detail the steps for the proper reporting of claims compliant with Council Policy 000-009. This guidance should specify report contents to satisfy current reporting requirements and subsequently developed ones. (TT) (JT)

Not Implemented   The department has provided an implementation target date of March 31, 2011. (Target Date: March 31, 2011)

9   Risk Management should formalize and document the claim reserving approach and periodically review it with the City's actuary. (TT) (JT)

Not Implemented   No change in status from previous reporting cycle. (Target Date: December 31, 2010)

\# 10   Risk Management should properly document and maintain each annual marketing effort in relation to insurance premiums to retain historical self- insured retention limits, excess liability coverage's and available premiums. (TT) (JT)

      Not Implemented   The department has provided an implementation target date of June 30, 2011. (Target Date: June 30, 2011)

\# 11   Risk Management should prepare formalized annual reviews of historical premiums, actual losses and reimbursements. These reviews would include the self-insured retention limit, excess liability limits, and related premiums on an annual basis to assess the best limits to maintain and validate the reasonableness of insurance costs. This is typically done in conjunction with the preparation of the City's annual budget and the city's annual renewal of its insurance. Risk Management will continue its practice of annual insurance reviews an in conjunction with the FY2012 budget development will document this process by the fourth quarter of FY2012. (TT) (JT)

      Not Implemented   The department has provided an implementation target date of June 30, 2012. (Target Date: June 30, 2012)

\# 12   Risk Management should develop additional policy, procedure and departmental guidance to detail the process and expectations related to the periodic internal and external reviews of insurance coverage's and premiums, and the documentation thereof. (TT) (JT)

      Not Implemented   The department has provided an implementation target date of June 30, 2011. (Target Date: June 30, 2011)

\# 13   Risk Management should review documented and undocumented processes for current reporting, practices, roles and responsibilities to ensure that Risk Management has a strong documented loss recovery function in compliance with Administrative Regulation 45.80 and best practices. These processes should incorporate formalized communication about and advertisement of the loss recovery function, including on the internal and external Risk Management websites. (TT) (JT)

      Not Implemented   The department has provided an implementation target date of December 31, 2011. (Target Date: December 31, 2011)

\# 14   Risk Management should seek additional actuarial analysis or reviews for risk control, cost allocations, and claims reviews to assist with loss management processes and the implementation of loss prevention programs. Any newly created and existing actuarial analysis should be incorporated into the proposed annual reporting that we separately recommended Risk Management prepare. (TT) (JT)

      Not Implemented   The department has provided an implementation target date of June 30, 2011. (Target Date: June 30, 2011)

15   Risk Management should develop, document and implement policy, procedure and departmental guidance to detail the actuarial process and expectations to include the following: a. Receipt and analysis of the results of the annual actuarial review, including any impact on the recommended annual Risk Management reporting; b. Any internally or externally developed reports or analysis including, but not limited to, risk control cost allocations and claims reviews; and, c. Claim reserving practices developed, formalized and implemented. (TT) (JT)

> **Not Implemented - Disagree**   Risk Management is not utilizing the actuarial report for risk management purposes such as the compilation of an annual risk management report. Its sole use appears to be related to the preparation of the City's CAFR. Upon the eventual implementation of risk control, cost allocation, and formalized claims review practices, departmental guidance documentation for those processes would be an essential internal control. (Target Date: N/A)

16   Risk Management should review and update claim-related City Council Policies, Administrative Regulations and forms to ensure consistency with current processes, organizational structure and overall expectations, and periodically perform ongoing reviews of those documents for accuracy. (TT) (JT)

> **Not Implemented**   No change in status from previous reporting cycle. In Management's original response they anticipate implementation by the end of the first quarter in fiscal year 2012. We will continue to follow up on this recommendation. (Target Date: N/A)

17   Risk Management should resolve the discrepancy between the CA Government Code and Section 110 of the City Charter regarding the time limit for submitting claims against the City. (TT) (JT)

> **Not Implemented**   No change in status from previous reporting cycle. (Target Date: N/A)

18   Risk Management staff should also document, formalize and implement detailed policies and related procedures and departmental instructions to specify the current process and documentation requirements regarding the receipt, handling and resolution of public liability claims. (TT) (JT)

> **Not Implemented - Disagree**   The California Government Code establishes general requirements for filing claims against public entities and sets various deadlines for filing and processing claims. It does not, however, provide detailed guidance on claims administration or other procedural concerns that are internal to Public Liability and for which there are currently no formal guidelines. (Target Date: N/A)

19   Risk Management should obtain or develop formalized staffing and workload benchmarking to monitor workload levels, measure staff performance and substantiate future budgetary requests. (TT) (JT)

Partly Implemented	The figures reported by Risk Management, representing a caseload of 125-150 claims per adjuster, cannot be considered industry standards as they represent the judgment of one claims manager. We will continue to follow up on this recommendation. (Target Date: N/A)

20   Risk Management should develop and implement legally defensible documentation standards for claimants that would permit the rapid evaluation and/or rejection of claims lacking sufficient evidence. Documentation requirements should be included on the City's claim form and / or Risk Management's external website. (TT) (JT)

Not Implemented - Disagree	Currently, Risk Management uses questions on its Liability Claims form to prompt claimants to submit the documentation necessary for Risk Management to fully process different type of claims. However, our recommendation is geared towards having Public Liability communicate more clearly the required documentation for commonly encountered claims, so adjusters reduce the lag time between receiving information and making liability judgments. While the City's claim form requests the inclusion of bills, invoices, and estimates, Risk Management does not adequately communicate to claimants the specific information needed to form an appropriate judgment as to the City's liability. Obtaining such information at the onset of a claim filing will provide better customer service to claimants and streamline the work of claims adjusters. (Target Date: N/A)

21   Risk Management should review and where appropriate request and update of the authorization limits indicated in section IV of Council Policy 000-009 as appropriate to allow greater efficiency in claims handling as well as consistency with the jurisdiction of the small claims court (claims up to $7,500) and the organizational structure of the Public Liability & Loss Recovery Division. (TT) (JT)

Not Implemented	No change in status from previous reporting cycle. (Target Date: N/A)

22   Risk Management should deny or reject all tow and impound related claims that have not been reviewed and substantiated by the San Diego Police Departments' Internal Affairs. (TT) (JT)

Not Implemented - Disagree	Tow claims currently represent the single largest category of claims processed by Public Liability. While tow claims are less complex than other claims, and while most are ultimately denied, claims adjusters spend a considerable portion of their time handling them. According to Risk Management staff, the claims adjusters work with the San Diego Police Department's Internal Affairs division to request the relevant police tow report. The San Diego Police Department forwards the report, but does not provide any advice regarding the City's liability for the tow nor insight regarding the appropriateness of the tow.	

The San Diego Police Department is in a much better position to determine whether or not a tow was legitimate than a claims adjuster with no training in police procedures or the California Vehicle Code. Therefore, the process for adjusting tow claims should be reconfigured so that the responsibility for evaluating their merit is shifted to the Police Department, after which they can be forwarded to Public Liability with a recommendation to pay or not pay. (Target Date: N/A)

23   The City Administration should transfer the responsibility for vehicle post-storage hearings being performed by Risk Management to the San Diego Police Department. (TT) (JT)

Not Implemented   No change in status from previous reporting cycle. (Target Date: N/A)

11-002   **HOTLINE INVESTIGATION REPORT OF ABUSE FROM THE SALE OF SCRAP METAL**

1   Based on our observations during this investigation we recommend that the General Services Department implement a process to manage and monitor scrap metal, especially for the more valuable metals of copper, brass, and aluminum. The process should include: All proceeds from the sale of scrap metal should be deposited with the City's General Fund; Affirmation by top management that recycling of appropriate materials is an integral part of all employee's duties; Utilize the citywide contract for all scrap metal recycling transactions; Establishment of a log or other procedures to track scrap metal and other recyclables as they are returned to the division's headquarters; the scrap inventory log should be reconciled with vendor records to ensure that scrap metal and other recycling proceeds are properly deposited; Utilize the In-Town Reimbursable Expense procedures detailed in Administrative Regulation 95.40 to fund the Safety Awards dinner and other employee recognition events. (AA)

Not Implemented   It appears that Facilities has joined the City-wide contract for scrap metal recycling but additional documentation from Facilities and P&C is needed to verify the implementation and determine if the quantity of scrap metal recycling is consistent with information gathered in the investigation. Follow-up will be made to verify Facilities is participating in City-wide scrap metal recycling contract. (Target Date: September 9, 2010)

11-006   **Performance Audit of the Fire Prevention Activities Within the City of San Diego**

1   The San Diego-Fire Rescue Department should further evaluate the resource requirements of the Fire Prevention Bureau and identify options for augmenting inspection staff. This may include, but is not limited to, assigning light duty personnel to help inspections or augment inspection staffing with qualified return retirees. (CO)

    Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: December 31, 2011).

2   The San Diego Fire-Rescue Department should evaluate the Fire Prevention Bureau's workload before assigning its staff special projects that require considerable efforts, particularly if the Fire Prevention Bureau is not achieving inspection goals. (CO)

    Implemented   The San Diego Fire-Rescue Department issued a Memorandum that makes it a requirement for all requests to utilize inspection staff on any special assignment to be approved through the chain of command. (Target Date: March 31, 2011)

3   The Fire Prevention Bureau should replace its practice of canceling CEDMAT inspections with a justifiable prioritization schedule that varies the frequency of inspections according to risk. (CO)

    Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: December 31, 2011)

4   The San Diego-Fire Rescue Department should ensure that the Fire Prevention Bureau maintains adequate documentation and data systems which provide reliable and accurate information on the universe of inspections, inspections performed, cancelled, and overdue. The Fire Prevention Bureau should use this information to appropriately plan inspection activities. (CO)

    Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

5   The Fire Prevention Bureau should increase the time inspectors spend on direct inspection activity to match established department goals. (CO)

Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: September 30, 2011)

6   The San Diego Fire-Rescue Department should assess the adequacy of their inspection related performance measure for its FCIP unit to ensure the measure tracks compliance with the annual inspection requirements. (CO)

Partly Implemented   The San Diego Fire-Rescue Department informed us that it changed the FCIP unit performance measure to:
1. Percentage of annual inspections initiated within 30 days of annual inspection date. Baseline 90%
2. Percentage of annual inspections completed within 90 days of annual inspection date. Baseline 90%
However, we will need to obtain a copy of the updated Tactical Plan when it is finalized to consider this recommendation fully implemented. (Target Date: October 6, 2010)

7   The San Diego Fire-Rescue Department should assess current staffing requirements for providing inspection services that are fully cost recoverable, and as part of the assessment consider the use of alternatives services to supplement and/or enhance inspection activity. (CO)

Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: December 31, 2011)

8   The Fire Prevention Bureau should work with other City departments, such as the City Treasurer's Business Tax Office and the Development Services Department, to electronically interface the Fire Prevention Bureau's database with other relevant City systems to ensure the timely capture of new business information. (CO)

Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: December 31, 2011)

9   The Fire Prevention Bureau should update policies and procedures making database completeness and accuracy a high priority. (CO)

Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: September 30, 2011)

\# 10   The Fire Prevention Bureau should develop policies and procedures and implement controls addressing the following areas:
• Defining the process for obtaining, maintaining, entering, and modifying inspection status information in the management information system;
• Clarifying responsibilities for communication of inspection status between inspectors and data personnel;
• Establishing the manner in which the information system is managed;
• Discussing employees' roles and responsibilities related to internal controls and data management. (CO)

        Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

\# 11   The Fire Prevention Bureau should work closely with the consultant hired to install the new data management system to ensure critical fields are only accessible by appropriate personnel, or if this is impractical establish mitigating controls to monitor the appropriateness of data access and modification. (CO)

        Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: September 30, 2012)

\# 12   The Fire Prevention Bureau should work closely with its Field Collection Unit consultant and IT staff to ensure that information transferred to the new system is corrected as soon as possible. (CO)

        Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

\# 13   The Fire Prevention Bureau should retroactively invoice for the inspections that were not invoiced at the time they were performed due to data errors. (CO)

        Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

\# 14   The Fire Prevention Bureau should develop a systemic and documented approach towards billing for, and recovering, unpaid inspection fees related to high rise inspections. (CO)

        Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

\# 15   The Fire Prevention Bureau should resume and retroactively bill for inspections performed on high rises once the City Council approves the new fee structure. (CO)

Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

\# 16   The Fire Prevention Bureau should bring before City Council a recommended policy and protocol for future fee deferral that determines when the Mayor has the discretion to grant approval for discontinuing billing for services rendered. (CO)

     Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

\# 17   The Fire Prevention Bureau should identify the capabilities and resources necessary to maintain a brush management tracking system which is up to date, retains relevant inspection information, and is used to efficiently and effectively deploy inspection resources. (CO)

     Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

\# 18   The Fire Prevention Bureau should conduct periodic benchmarking of fire prevention activities with other jurisdictions to identify and implement best practices. (CO)

     Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

\# 19   The Fire Prevention Bureau should reconcile its workload capabilities with the 2007 After Action Report and report the results to City Council. (CO)

     Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

\# 20   The Fire Prevention Bureau should take the following items to Council for action:
a. Commission an assessment to determine whether the current standards for creating an adequate defensible space buffering the Wildland/Urban Interface properly address: slope, fire intensity and environmental conditions, existing non-conforming rights, and other outstanding issues. The assessment should also evaluate the need to hire an Urban Forester and a GIS specialist to increase brush management efficiency and effectiveness.
b. Based on the results of the assessment, prepare an ordinance with additional standards to address the deficiencies identified and present to the City Council justification for any additional staffing requests. (CO)

Not Implemented - Disagree	The Department disagrees because it believes that major revisions to the City's brush management program and building codes were made following the 2003 and 2007 wildfires. Our review indicates that even though the City has developed several regulatory enhancements since 2003 and 2007 wildfires, certain regulatory items that would increase the bureau's ability to mitigate fires remain unaddressed. These items include addressing whether the current standards for creating an adequate defensible space buffering the Wildland Urban Interface properly address: 1) slope as it relates to fire intensity and environmental conditions; 2) existing non-conforming rights; 3) increased clarity over brush management regulations including what can be thinned and at what height.
	In addition the City has not performed a review to determine whether 100 feet of defensible space is sufficient even in areas affected by slope and high intensity winds. We surveyed four jurisdictions regarding their defensible space requirements and found that all four jurisdictions have higher defensible space standards then San Diego. As a result, the City still faces uncertainty when it comes to enforcing brush management regulations and achieving a sufficient defensible space buffer. (Target Date: October 6, 2010)

21   The Fire Prevention Bureau should establish policies and procedures that require City departments to report back to the Fire Prevention Bureau the status of complaints and the steps taken to address the violation. These policies and procedures should establish a process to inform the Mayor and/or the Chief Operating Officer of non complying City departments. (CO)

Not Implemented	New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: June 30, 2011)

22   The Administration should determine the number of lots managed by City departments and the Fire Prevention Bureau should ensure departments are aware of their brush management responsibilities. (CO)

Implemented	The Administration complied with our recommendation to determine the number of lots managed by City departments and the Fire Prevention Bureau to ensure departments are aware of their brush management responsibilities. (Target Date: June 30, 2011)

23   The Park and Recreation Department Open Space Division should conduct a new cost benefit analysis for future contracts and determine the most cost effective option to provide brush management services. (CO)

Not Implemented	New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: September 30, 2011)

11-008   **Hotline Investigation of Contract Administration with the Greater Golden Hill Community Development Corporation**

1   We recommend that the Office of Small Business (OSB) establish policies and procedures to require written documentation of all on-site inspections required by maintenance agreements with the City and non-profit corporations retained to provide services. The report or checklist should include but not be limited to date and time of visit, list of participants, records reviewed, specific topics of discussion, observations made by the OSB staff member, and list of any follow-up actions as a result of the visit. (AA)

     Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: N/A)

2   We recommend that the Office of Small Business establish policies and procedures to verify that procurement policy guidelines are being followed by recipients when payments to an individual vendor exceed any threshold amounts that require the contracting agency to seek multiple bids prior to award. This may include periodically reviewing recipient's procedures used to ensure compliance with the procurement policy guidelines during on-site visits. (AA)

     Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: N/A

3   We recommend that the Office of Small Business determine what actions should be taken regarding the Greater Golden Hill Community Development Corporation (GGHCDC) not following the City's contract (or procurement guidelines) in its transactions with a vendor by not receiving three price proposals for expenditures between $5,000 and $25,000. (AA)

     Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: N/A)

11-009   **Street Maintenance: City Needs to Improve Planning, Coordination, and Oversight to Effectively Manage Transportation Assets**

1   Assess the most effective organizational structure to manage the City's transportation functions that will improve efficiency, enhance collaboration, and allow the new Department to implement transportation asset management. (EM) (EN)

     Implemented   The administration reorganized and created a new Transportation and Storm Water Department. On September 7, 2010 a memo entitled "Reorganization of Street and Drainage Related Functions" was issued; the memo discussed the reorganization of Engineering and Capital Projects – Transportation Engineering, General Services – Street Division, and Storm Water. (Target Date: January 1, 2011)

\# 2   Appoint a leader to advocate for transportation asset management and investment. (EM) (EN)

         Implemented   On December 22, 2010 the administration issued a memo providing the new organizational structure for the newly created Transportation and Storm Water Department. (Target Date: January 1, 2011)

\# 3   Begin to take steps to implement transportation asset management, including:

         a.   setting well-defined policies and goals;
         b.   establishing and reporting on performance measures;
         c.   developing short- and long-term plans for transportation assets where the City lacks plans—such as for resurfacing, clarifying and enhancing existing plans, integrating all transportation-related plans, and making these available to the public, for example via the Department's website;
         d.   annually reporting the City's various investments in transportation, including capital projects and maintenance. (EM) (EN)

         Not Implemented   New recommendation, department still under construction, furthermore department was non-existent before the December 31, 2010 ending reporting period. We will continue to follow up and report the implementation status in the reporting cycle associated with its target date. (Target Date: December 31, 2012)

\# 4   Develop a 24-month Citywide excavation plan for all maintenance work and share this plan with other departments and relevant private entities to prevent and/or resolve to the extent possible conflicts involving planned projects. (EM) (EN)

         Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: July 1, 2012)

\# 5   Develop and implement a documented process for ensuring that City departments and private entities comply with trench cut requirements and identify conflicts in a more timely manner, including establishing policies and procedures and internal controls. (EM) (EN)

         Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: July 1, 2012)

\# 6   Develop suggested changes to the San Diego Municipal Code for holding nonlinear cuts into pavement or the use of trenchless technologies to the same requirements as linear trench cuts during the moratorium period. (EM) (EN)

         Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: July 1, 2012)

\# 7   Establish one Citywide subscription and email account for Underground Service Alert notifications within City limits that can be accessed by all relevant departments. (EM) (EN)

Not Implemented   New recommendation, not enough time for department to
implement before December 31, 2010. (Target Date: July 1, 2011)

8   Establish written policies and procedures and internal controls for inspections
of work performed by private entities to ensure compliance with permit
requirements. (EM) (EN)

> **Not Implemented**   New recommendation, not enough time for department to
implement before December 31, 2010. (Target Date: July 1, 2011)

9   Revise City standards for trench restoration to establish more stringent
requirements and ensure that public and private entities restore streets to an
acceptable level, such as resurfacing curb to curb. (EM) (EN)

> **Not Implemented**   New recommendation, not enough time for department to
implement before December 31, 2010. (Target Date: July 1, 2012)

10   Enforce the formal, specific trench repair requirements and establish stringent
penalties for unpermitted work, which:

• fully cover the cost of current and future degradation,
• are based on current costs and updated annually,
• incentivize public and private entities to coordinate street excavations. (EM) (EN)

> **Not Implemented**   New recommendation, not enough time for department to
implement before December 31, 2010. (Target Date: July 1, 2012)

11   Require written and complete records of in lieu warranties and moratorium
waivers and other information that is needed by E&CP/Field Engineering to
effectively inspect, monitor, and enforce contracts, including tracking this
information in PTS. (EM) (EN)

> **Not Implemented**   New recommendation, not enough time for department to
implement before December 31, 2010. (Target Date: January 1,
2012)

12   Reconcile right-of-way permits issued with excavation fees collected for fiscal
years 2007 through 2010 and identify an effective method of reporting this
information to the new Transportation and Stormwater Department in future
years. (EM) (EN)

> **Not Implemented**   New recommendation, not enough time for department to
implement before December 31, 2010. (Target Date: January 1,
2012)

13   Revise current policies and procedures for pavement management and contracts
to include conducting thorough and timely site assessments to ensure that cost
estimates are as accurate as possible. (EM) (EN)

Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: January 1, 2012)

\# 14   Define roles and responsibilities for managing resurfacing contracts and providing construction management services and establish a mechanism for internal control and oversight of resurfacing contracts. (EM) (EN)

Not Implemented   New recommendation, not enough time for department to implement before December 31, 2010. (Target Date: July 1, 2011)

11-010   Managed Competition Cost Comparison Tool Testing

\# 1   The Business Office should consider making the recommended changes to improve the CCT's accuracy and user-friendliness. (EB)

Implemented   The Business Office submitted an updated version of the Managed Cost Comparison Tool demonstrating staff made all of the agreed upon corrections included in this recommendation. The CCT accurately costs out Employee Proposal Team bids according to the principles of the managed competition process. Through these corrections, the CCT is now a more user-friendly and straightforward workbook for users. (Target Date: N/A)

\# 2   The City Administration should apply the security provisions that lock and password-protect all cells in the workbook except the cells where the user is required to input information. Additionally, the City Administration should conduct verification testing after proposers submit proposals to confirm the data validity of each proposal. (EB)

Implemented   The Business Office submitted an updated version of the Managed Competition Tool demonstrating the recommended security provisions had been put in place to protect the integrity of the Managed Competition process. Upon receiving the Employee Proposal Team's best offer, the Business Office will transfer the values into its copy of the CCT to ensure the calculations match. Additionally, the Business Office will review each tab in the workbook to ensure password-protected content has not been compromised. (Target Date: N/A)

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ATTACHMENT C

NOT IMPLEMENTED – N/A OR DISAGREE RECOMMENDATIONS

ATTACHMENT C
RECOMMENDATIONS DISAGREED OR NO LONGER APPLICABLE

10-016   CITYWIDE REVENUE

21   Based on the requirement for hotel operators to maintain records for a period of three years, the Revenue Audit Division should perform audits on a three-year cycle. (FP) (DK)

Not Implemented - Disagree	Management disagrees with recommendation and states that documented City Treasurer Departmental Procedure already contains an audit cycle of two to three years for TOT audits. Our March 2010 audit revealed that the City Treasurer did not conduct all TOT audits within three years. As of this report, the City Treasurer has not provided any documentation to show all TOT audits have been conducted within three years; therefore, we cannot validate the City Treasurer audits within the three year. (Target Date: March 5, 2010)