



## THE CITY OF SAN DIEGO

DATE: May 17, 2011

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – April 2011**

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This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of April 2011. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

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

- April 1, 2011 – Issued a follow-up memo regarding Revenue Recovery Auditing. The City Auditor met with City administration to discuss Recovery Audits, and this memorandum summarizes opportunities to expand the City's current revenue recovery efforts. While the City currently conducts revenue recovery audits, there are more opportunities to consider. We believe the three areas of accounts payable, reverse sales tax, and municipal court revenue offer the potential for cost-effective returns if the City engages outside firms to conduct contingency-based auditing services. This memo can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/fy11\\_pdf/memo/revenue\\_rec\\_aud\\_memo2.pdf](http://www.sandiego.gov/auditor/reports/fy11_pdf/memo/revenue_rec_aud_memo2.pdf)
- April 18, 2011 – Issued the City Auditor's Quarterly Fraud Hotline Report for the Third Quarter, Fiscal Year 2011. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/fy11\\_pdf/hotline/fraud\\_q3\\_2011\\_update\\_report.pdf](http://www.sandiego.gov/auditor/reports/fy11_pdf/hotline/fraud_q3_2011_update_report.pdf)
- April 19, 2011 – At the request of the Audit Committee, we issued a review of the gainsharing goals for the Public Utility Department's Bid-to-Goal Program. The purpose of the review was to assess the extent to which the goals 1) have clearly-identified outcomes which benefit ratepayers, 2) have specific and measurable performance measures that relate to goal outcomes, and 3) have a clear target which indicates exceptional performance will be achieved. Overall, we believe that Public Utilities has invested significant effort and made good progress in the development of a robust performance management system. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/fy11\\_pdf/audit/11-016.pdf](http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-016.pdf)

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**TO REPORT FRAUD, WASTE, OR ABUSE, CALL OUR FRAUD HOTLINE: (866) 809-3500**



- April 25, 2011 – Issued the Performance Audit Report on Fire-Rescue’s Emergency Medical Services. The City’s Fire-Rescue Department has partnered with Rural/Metro to form San Diego Medical Services Enterprise (SDMS) to provide the City’s 9-1-1 paramedic service. We found that the City has not adequately managed or monitored the financial activities of Rural/Metro. We identified several potential financial accounting issues for SDMS as well as potentially improper or unreasonable costs and fees that remain unresolved. These accounting issues include \$4.2 million that were not properly remitted directly to the SDMS bank account. Also, based on records we reviewed, Rural/Metro appears to have withdrawn approximately \$5.8 million from the SDMS bank account in excess of its entitled expense reimbursement amounts. According to Rural/Metro, this difference is primarily a result of patient refunds and other adjustments. Additionally, the City has not sought up to \$10.9 million per year for the personnel and non-personnel costs in providing the first responder services. Moreover, we found that the summary of City-wide emergency medical responses that is reported to the City Council does not reflect actual on-scene results. We provided 11 recommendations for the City to improve its operations. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/fy11\\_pdf/audit/11-017.pdf](http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-017.pdf)
- April 29, 2011 – Issued the Close-Out Audit report for Benjamin Hueso, former Council Member - District 8. We found that Mr. Hueso had no outstanding debt to the City and nothing came to our attention requiring further review. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/fy11\\_pdf/audit/11-019.pdf](http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-019.pdf)
- April 29, 2011 – Issued the Close-Out Audit report for Donna Frye, former Council Member - District 6. We found that Ms. Frye had no outstanding debt to the City and nothing came to our attention requiring further review. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/fy11\\_pdf/audit/11-019.pdf](http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-019.pdf)

**Current Audits and Activities:**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>City Treasurer – Parking Administration Audit</b>	The objective of this audit is to determine if the collections for parking citations are being properly accounted for and efficiently and effectively handled. This report was issued on May 3, 2011.	May 2011	1,422	1,280
<b>Close-out Audits</b>	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are conducting close-outs for David Jarrell, Former Assistant Deputy Chief Operating Officer for Public Works, and Naresh Lachmandas, Former Director, Department of Information Technology. We plan to issue these reports by May 2011.	May 2011	119	240
<b>Capital Improvement Projects Audit</b>	The objective of this audit is to determine the extent to which the City effectively initiates, prioritizes, and implements CIP projects. A draft audit report was sent to management for review on March 11, 2011, and an exit conference was held on March 30, 2011. City management is still reviewing the report in order to provide feedback and a written response.	May 2011	3,902	2,880

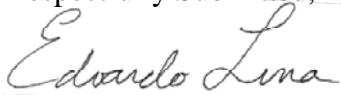
Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>Police Department – Fiscal Services (Animal Services Contract) Audit</b>	The objective of this audit is to review the City’s contract for Animal Services and determine if the service provider is in compliance with the terms of the contract. A draft report was sent to management for review on April 11, and an exit conference was held on May 3, 2011.	May 2011	806	600
<b>Police Department – Fiscal Services (License and Permit Fees)</b>	The objective of this audit is to determine if the Police Department is efficiently and effectively collecting license and permit fees owed to the City with adequate internal controls in place. Audit report writing is in progress.	June 2011	747	1,300
<b>General Services – Fleet Services Audit</b>	The objective of this audit is to evaluate the efficiency and effectiveness of the City’s fleet vehicle utilization. Audit report writing is in progress.	June 2011	1,013	1,400
<b>Development Services Department Audit</b>	The objective of this audit is to conduct a performance audit of DSD systems. Audit fieldwork is in progress.	June 2011	428	1,600
<b>City Retirement System Audit</b>	The objective of this audit is to evaluate the efficiency and effectiveness of the San Diego City Employee Retirement System’s administration. Audit fieldwork is in progress.	June 2011	742	1,700

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>Public Utilities – Water Department and Metropolitan Wastewater Audit</b>	The City Auditor entered into a Service Level Agreement with Public Utilities and the Independent Rates Oversight Committee (IROC) to conduct audits of the Public Utilities Department. We are conducting an audit of Public Utilities CIP with a target completion date of July 2011.	July 2011	1,272	2,600
<b>Fraud, Waste and Abuse Hotline</b>	City Auditor staff reviews all City Hotline calls received and performs investigations for accusations of material fraud, waste or abuse. Hotline reports are issued for fraud related allegations that are substantiated. During the month of April, there were eight new Hotline calls received.	On-going	1,307  (Fiscal Year 2011 Hours)	1,560  (Fiscal Year 2011 Hours)
<b>Follow-up on Audit Report Recommendations</b>	The City Auditor tracks all audit recommendations made since FY08. Comptroller staff contacts those responsible for implementing our recommendations and provides regular status data to the City Auditor on all implemented recommendations. We verify if recommendations have actually been implemented and report the implementation status on a semi-annual follow-up report. The last semi-annual follow-up report was issued on February 28, 2011. We plan to issue our next semi-annual follow-up report in September 2011.	On-going	605  (Fiscal Year 2011 Hours)	600  (Fiscal Year 2011 Hours)

**Planned FY11 Audits Not Yet Started:**

<b>Planned Audit</b>	<b>Estimated Audit Hours</b>
<b>Annual Mission Bay Fund Audit</b>	120
<b>Annual Central Stores Inventory Audit FY11</b>	80
<b>9-1-1 Emergency Call and Dispatch System Audit will be conducted in place of the Real Estate Assets Department Audit</b>	TBD
<b>City Comptroller / Personnel Department – Payroll Audit (The start of this audit has been postponed at management’s request)</b>	

Respectfully Submitted,



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Eduardo Luna  
City Auditor

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Wally Hill, Assistant Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Ken Whitfield, City Comptroller  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst