



THE CITY OF SAN DIEGO

DATE: July 13, 2011

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

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

This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of June 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:

- June 6, 2011 – Presented to the Audit Committee our Annual Audit Work Plan for Fiscal Year 2012. The presentation can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/memo/pres_fy12_auditplan.pdf
- June 6, 2011 – Presented to the Audit Committee our Quarterly Fraud Hotline Report for the Third Quarter, Fiscal Year 2011. The presentation can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/memo/pres_fraud_q3_update.pdf
- June 6, 2011 – Presented to the Audit Committee our Performance Audit of the Parking Administration Program. The presentation can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/memo/pres_11-020.pdf

- June 17, 2011 – Issued a Hotline Investigation Report regarding employee malfeasance. We conducted an investigation of an Environmental Services employee in response to a complaint made to the City’s Fraud Hotline, and determined that the allegations of employee malfeasance were substantiated. We found that an employee did not notify and obtain approval from the Department Director for outside employment per City regulations. In addition, we found documents indicating the employee was on paid City duty while also being paid by a vendor for the employee’s work at a location away from the employee’s City job site for the same days. The payments in question total \$6,707. We recommended the Department conduct an independent fact-finding, recoup all payments made for time not worked, and take appropriate disciplinary action based on the results of the fact-finding. The report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/hotline/11-023_hotline_inv.pdf
- June 24, 2011 – Issued our Performance Audit of the Animal Services Agreement Between the City of San Diego and the County of San Diego. We found unfavorable contractual provisions negatively impact the City while opportunities for operational enhancements exist. The unfavorable contract provisions and County budgeting practices cost the City about \$1.9 million from fiscal year 2008 through fiscal year 2010. Also, our analysis shows disparity in the ratio of service requests to license activity throughout Animal Services’ coverage area. The County has not developed programming to address the wide disparity between these areas and other areas in the Animal Services coverage area. Additionally, given the rising costs of the contract, the City needs to consider strategies to improve its cost recovery rate. Finally, we found that National organizations and local veterinary and animal services professionals believe that vaccinating cats against rabies is important to protecting the health of both the animal and human populations. Beyond improving public health and safety, cat registration provides an opportunity to more equitably distribute the burden of paying for the Animal Services Agreement to those who directly benefit from the services. We made 10 recommendations to address the issues identified. The report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-024.pdf
- June 28, 2011 – Issued our Central Stores Agreed-Upon Procedures Inventory Count for FY 2011. This inventory count is required by San Diego Municipal Code §22.0501. The review consisted of comparing the City’s physical inventory in its storerooms to the inventory stock record. We found that the physical count of items on hand did not match the City inventory records in 30 instances. As a result, the actual inventory value of stock items tested is \$1,312, or .65%, less than Central Stores’ records. The report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-025.pdf

- June 29, 2011 – Issued our Performance Audit of the Take-Home Use of City Vehicles. We found that the City lacks a review process for take-home vehicle assignments and associated costs, and many units do not have clearly defined response time expectations. The City assigns take-home vehicles to some employees who rarely respond to emergency call backs, who do not have any special skills, or do not require any special equipment when responding to emergencies. As a result, during fiscal year 2010, SDPD and Fire-Rescue take-home vehicles logged about 2.5 million commute-only miles, with an estimated annual cost to the City of \$2.1 million. We believe that the City could save up to \$569,000 annually, while maintaining the ability to respond to emergencies, by reducing the quantity of its SDPD and Fire-Rescue take-home fleet by 76 vehicles or 23%. In addition, we found that the City does not have processes and procedures in place to review fuel card transactions; that the City’s established procedure to determine and report vehicle-related taxable fringe benefits is inadequate; and that the City paid approximately \$212,000 to maintain, fuel, and insure 15 vehicles operated by a City partner, San Diego Medical Services, but failed to seek reimbursement for these costs. We made 15 recommendations to address the issues identified. The report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-026.pdf
- June 29, 2011 – Issued our Performance Audit of the Capital Improvement Program. We found that better planning and oversight are needed to effectively identify capital infrastructure needs and manage projects. The City lacks coordination and oversight because no one department or leader is accountable or responsible for the process. This has contributed to impediments in the various stages of the process. We found that the City lacks a long-term Capital Improvement Program (CIP) plan because it uses an annual CIP budget as a “rolling” CIP; however, the budget does not provide a clear view of the City’s planned capital improvements over the next five years. Because the City lacks integrated capital planning, it is relying on client departments to effectively identify needs for its annual CIP budget. Additionally, we found the extent to which departments evaluate project alternatives and prioritize projects varies with some departments having higher quality approaches than others. We also found impediments in the Engineering and Capital Projects Department’s process for managing projects that affect its ability to effectively deliver projects within budget and schedule. These impediments include the lack of: performance goals and measures; efficient integration of project scope, cost, and schedule; reliable project data; and requirements for timely execution and completion of required project closeout tasks. Many of these impediments are due to lack of requirements and oversight of processes. We made 24 recommendations to address the issues identified. The report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-027.pdf

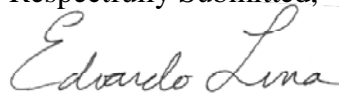
Current Audits and Activities:

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Annual Mission Bay Fund Audit FY10	The Annual Mission Bay Funds Audit is required by the City Charter, Article V, Section 55.2 (e). The objective of this audit is to verify that the prior fiscal year collection, allocation, and use of Mission Bay Funds are in compliance with City Charter requirements. Audit fieldwork is in progress.	August 2011	124	120
City Retirement System Audit	The objective of this audit is to evaluate the efficiency and effectiveness of the San Diego City Employee Retirement System's administration. Audit report writing is in progress.	August 2011	1,148	1,700
Public Utilities – Water Department and Metropolitan Wastewater Audit	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 the Public Utilities Capital Improvement Program. Audit report writing is in progress.	August 2011	2,222	2,600
Police Department – Fiscal Services (License and Permit Fees)	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.	September 2011	1,089	1,300

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Development Services Department Audit	The objective of this audit is to conduct a performance audit of DSD systems. Audit fieldwork is in progress.	September 2011	741	1,600
Public Safety – Police, Fire and Life Guard Audits	We plan to conduct two audits. The objectives of these audits are: 1) to determine the efficiency and effectiveness of the Police, Fire and Lifeguard 9-1-1 emergency call and dispatch system; and 2) to determine the efficiency and effectiveness of the Police Department’s Patrol Operations. Audit background and preliminary survey are in progress.	TBD	320	4,800
Fraud, Waste and Abuse Hotline	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.	On-going	1,556 (Fiscal Year 2011 Hours)	1,560 (Fiscal Year 2011 Hours)

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Follow-up on Audit Report Recommendations	The City Auditor tracks all audit recommendations made since fiscal year 2008. 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	632 (Fiscal Year 2011 Hours)	600 (Fiscal Year 2011 Hours)

Respectfully Submitted,



Eduardo Luna
City Auditor

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