
Annual Citywide Risk Assessment and Audit Work Plan

FISCAL YEAR 2012

JUNE 2011

Office of the City Auditor
City of San Diego



Independent • Objective • Accurate

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THE CITY OF SAN DIEGO

DATE: June 2, 2011
TO: Honorable Members of the Audit Committee
FROM: Eduardo Luna, City Auditor
SUBJECT: **Annual Citywide Risk Assessment and Audit Work Plan – Fiscal Year 2012**

Attached is the Annual Audit Work Plan proposed by the Office of the City Auditor for Fiscal Year 2012. This report will be presented at the June 6th Audit Committee meeting for your review and approval. The list of 22 proposed audit assignments for Fiscal Year 2012 includes performance audits regarding various City departmental activity groups and other audit projects and activities.

The Audit Work Plan was developed by considering the required audits mandated by the City Charter and the San Diego Municipal Code, results of the FY 2012 Citywide Risk Assessment, and perspective from City management, City Council, and IBA staff. We designed our work plan to address what we considered to be the highest priority areas, while limiting the scope of work to what we can realistically accomplish with the staff resources available.

Respectfully submitted,

Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable City Councilmembers
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



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Mission Statement

The mission of the Office of the City Auditor is to advance open and accountable government through accurate, independent, and objective audits and investigations that seek to improve the economy, efficiency, and effectiveness of City government.

Introduction

Generally Accepted Government Auditing Standards and the Institute of Internal Auditors' Standards require the chief audit executive to establish a risk-based approach to determine the priorities for City Auditor activities. The Auditor's Office has completed a FY 2012 Citywide Risk Assessment as a means to help identify, measure, and prioritize the City's potential audits based on the level of risk to the City. Each Activity Group's risk score was considered when selecting audits for the City Auditor's FY 2012 Audit Work Plan.

Audit Resources

The FY 2012 proposed budget for the Office of the City Auditor includes twenty staff members² at a budgeted cost of approximately \$2.8 million for salaries, fringe benefits, and non-personnel expenses such as office equipment, training and supplies. The City Auditor’s FY 2012 budget also includes costs for the City’s Comprehensive Annual Financial Report (CAFR) audit that will be conducted by an outside independent audit firm. The City Auditor administers the CAFR audit contract. During FY 2012, the Office of the City Auditor will have 16 Performance Auditors to conduct audits and investigations with an estimated 22,950 audit hours available to perform audits. The estimated audit hours available were calculated as follows:

| Calculation of Estimated Audit Hours Available for FY 2012 | | |
|--|--|----------------------|
| <u>One full time equivalent (FTE) Performance Auditor:</u> | | <u>Hours</u> |
| 40 hours a week x 52 weeks a year = total annual hours available | | 2,080 |
| Less: Hours for vacation, sick leave and holidays | | -200 |
| Less: Estimated hours for indirect audit activity including: training, City committee meetings, staff meetings, other miscellaneous activities | | -345 |
| Total annual audit hours available per Performance Auditor | | <u>1,535</u> |
| <u>Performance Auditors</u> | | <u>Audit Hours</u> |
| 14 | Employed and auditing at the beginning of the fiscal year | 21,490 |
| 1 | Employed and auditing at the beginning of the fiscal year ¹ | 780 |
| 1 | Vacancy filled and auditing by February 2012 ² | 680 |
| Total Estimated Audit Hours Available for FY 2012 | | <u>22,950</u> |
| <u>Note:</u> Audit supervision and administrative hours for the City Auditor, two Assistant City Auditors and one Executive Assistant are not included. | | |
| ¹ Audit hours were reduced for one Performance Auditor to perform administrative duties half-time. | | |
| ² The Audit Committee proposed adding one position half way through the Fiscal Year 2012. However, this position was not included in the Mayor’s May Revise Budget. If the position is not added to the final budget by the City Council, we will need to adjust the available hours. | | |

Performance Audits and Other Audit Activities

The City Charter requires the Office of the City Auditor to conduct all of its audits under Government Auditing Standards, and there are three main types. They are financial audits, performance audits and attestation engagements. The City of San Diego hires an outside independent audit firm to perform the City's financial statement audit of the City's CAFR. The City Auditor conducts performance audits of the City's departments, agencies and their activities. Under Government Auditing Standards, performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability. A performance audit is a dynamic process that includes consideration of applicable standards throughout the course of the audit. Performance audit objectives may vary widely and include assessments of program effectiveness, economy and efficiency, internal controls, compliance with laws and regulations, and prospective analysis. Examples of Performance Audit objectives may include but are not limited to:

- Assessing the extent to which legislative, regulatory or organizational goals and objectives are being achieved;
- Analyzing the relative cost-effectiveness of a program or activity;
- Evaluating whether the audited entity is following sound procurement practices;

- Assessing the reliability, validity, or relevance of performance measures concerning program effectiveness and results, or economy and efficiency;
- Assessing internal controls designed to provide reasonable assurance of achieving effective and efficient operations, and reliable financial and performance reporting;
- Determining if program activities are in compliance with laws, regulations, contract provisions, grant agreements and other requirements.

The Office of the City Auditor also performs some attestation engagements based on agreed-upon procedures, which consists of specific testing procedures performed on a subject matter.

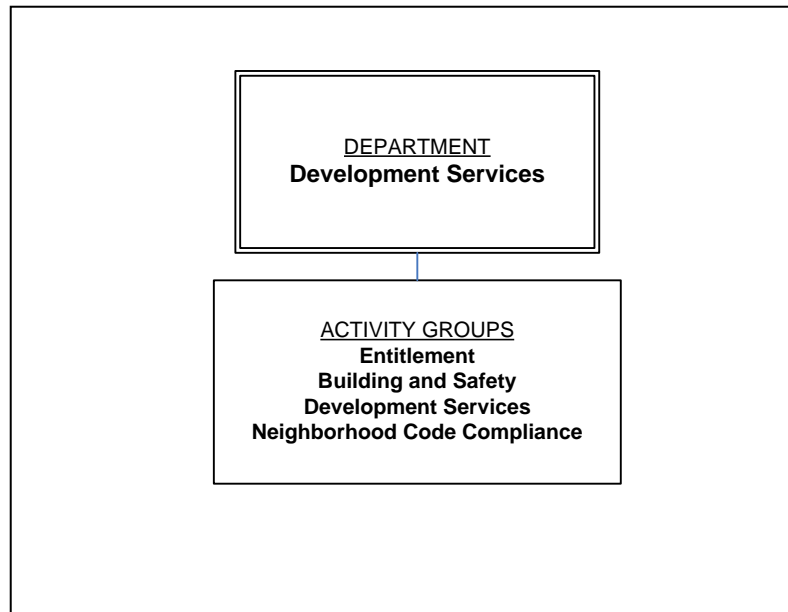
Additionally, we will perform other non-audit services such as investigating complaints received from the City's Fraud Hotline regarding allegations of fraud, waste and abuse. We will perform investigations following the procedures recommended by the Association of Certified Fraud Examiners for allegations of improper financial activity, fraud, waste and/or abuse that appear to be material in nature. For any material internal control weaknesses that are identified during the investigation of hotline complaints, we may conduct an audit or review to determine the extent of the internal control weaknesses identified to provide appropriate recommendations to correct the deficiencies found.

Citywide Risk Assessment FY 2012

Risk assessment is a process of systematically scoring (or rating) the relative impact of a variety of “risk factors.” A risk factor is an observable or measurable indicator of conditions or events that could adversely affect the organization. Risk factors can measure inherent risks (such as a large organizational structure) or organizational vulnerability (such as level of cash and assets easily converted to cash). The first step in creating the City’s risk assessment model was to define the audit universe. The audit universe is a listing of all of the City’s significant Auditable Units (all of the City’s potential audits that could be performed). We created a list of City Departments and significant City Agencies and their primary Activity Groups as the Auditable Units. To accomplish this we utilized the City’s FY 2012 proposed budget data from SAP and the component unit information in the City’s most current financial statements. We have reduced the number of Activity Groups from prior risk assessments by combining together some activities within Departments in order to target more areas of risk using our existing resources, address cross-cutting issues which impact multiple units within a department, and create efficiencies in conducting future audits of Activity Groups. However, a Department may still be broken out into many Activity Groups as in the example shown in Exhibit 1.

Exhibit 1

Sample Department and Activity Groups



The next step in creating the risk assessment model was to identify and rank the major risks associated with each of the City's significant Auditable Units (Activity Groups). To achieve this, a management questionnaire was developed, which measured a variety of "risk factors" (See **Attachment A – Management Questionnaire**).

The questionnaire used had ten measurable risk factors as follows:

1. Interface with the external public.
2. "Mission critical" nature of activity group for the department to achieve its goals and objectives.
3. Support of internal operations is considered critical to achieving the objectives of other department's mission or goals
4. Failure to achieve the activity group's mission or goals leads to public displeasure or negative media coverage.
5. Level of cash or cash convertible nature of activity group's transactions.

6. Activity group's tracking of activity performance metrics.
7. Regulation effect or impact on operations.
8. Number of Budgeted Employees (FTE).
9. Budgeted Annual Revenues.
10. Budgeted Annual Expenses.

A management questionnaire was completed for each of the City's Auditable Units to determine a risk score of 0 (low), 3 (medium low), 5 (medium), 7 (medium high), or 9 (high) for each of the ten risk factors listed above. Audit staff reviewed the questionnaires and adjusted some scores based on professional judgment. Also, weights were assigned to each factor based on relative importance as determined by input from audit staff (See **Attachment B – Calculation of Weights Used for Risk Factors**).

The final step in completing the Citywide Risk Assessment was to calculate the total risk score for each Auditable Unit (list of the potential audits) in order of highest risk score to the lowest by tabulating the information gathered from the questionnaires and applying the weights assigned to the risk factors. We then calculated the overall risk score for each Activity Group, by stratifying the resulting rating in descending order by tenths, and identifying the top 30 percent (or those ranking 10, 9, or 8) as High Risk. The next 40 percent (ranking 7, 6, 5, 4) were identified as Medium Risk, and the bottom 30 percent (score of 3, 2 or 1) or risk scores were ranked as Low Risk (See **Attachment C – Citywide Risk Assessment**).

Interpreting Risk Assessment Results

The weighted scores for ten risk factors were tabulated for each significant Departmental Activity Group identified in **Attachment C – Citywide Risk Assessment**, and the risk scores were considered when preparing the Audit Work Plan – FY 2012 that follows. The Departments and Activity Groups with a high risk score merely indicates that the services they provide or the functions they are responsible for are by nature a high risk activity because of such factors as having a large amount of expenditures and revenues, having a high level of liquid assets such as cash, or a high degree of public interest. A high risk score does not mean that an Activity Group is being managed ineffectively or that it is not functioning properly. High risk areas may indicate opportunities to address activities which are mission critical, provide substantial support for other internal City operations, reflect high public need, or consume significant financial resources. The overall results identify the activities with the highest risk factors that may warrant and benefit from additional management action or audit services.

Audit Work Plan (July 2011 through June 2012)

In FY 2012, we are continuing three audits that were initiated in the previous fiscal year, and we are planning to undertake complex audits that will require additional audit resources. The following Audit Work Plan includes our scheduled performance audits as well as additional audit activities. Included is the proposed audit objective for each assignment and estimated audit hours. We will perform an in depth risk assessment on each activity group selected for audit to ensure our audit objective covers the areas of highest risk for that activity group and adjust the audit objective, procedures, and hours accordingly. Our estimated audit hours are based on our knowledge of the complexity of the activity groups selected for audit. The actual hours may vary based on the audit scope determined by the detailed risk assessment for each engagement, as well as the extent and complexity of findings revealed during audit testing.

Additions to Audit Work Plan

Requests to add audits to the Audit Work Plan during the fiscal year will be presented to the Audit Committee with a City Auditor analysis of the impact the proposed audit will have on the other audits on the Work Plan. Audit priority will be given to those requests that pertain to the health and safety of citizens, potential for significant financial savings or increased revenues, and issues of integrity.

Audit Work Plan - FY 2012

| PERFORMANCE AUDITS FY 2012 – CARRY OVER FROM FY 2011 AUDIT WORK PLAN | | | | | | |
|--|------------------|-------------------|---|--|---------------------|----------------|
| Work Plan Item No. | Risk Assess Ln # | Risk Score | Activity Group Audit | Audit Objectives | FY 2012 Audit Hours | Status |
| 1 | 17 | 622 | City Retirement System Audit | The objective of this audit is to determine the efficiency and effectiveness of the San Diego City Employee Retirement System's administration. We plan to complete fieldwork during FY 2011, and we estimate that 240 hours will be needed in FY 2012 for report writing. We estimate that total audit hours will be approximately 1,400. | 240 | Report Writing |
| 2 | 35 45 76 | 582 552 478 | Public Utilities Capital Improvement Projects Audit | The objective of this audit is to determine to what extent is the Public Utilities Department is effectively planning for and managing capital improvement needs and projects. We plan to complete fieldwork during FY 2011, and we estimate that 380 hours will be needed in FY 2012 for report writing. We estimate that total audit hours will be approximately 2,000, which includes the time spent on the FY 2011 Public Utilities Risk Assessment. | 380 | Report Writing |
| 3 | 78 | 476 | Development Services Department Systems Audit | The objective of this audit is to conduct a performance audit of DSD's IT system. We plan to complete fieldwork during FY 2011, and we estimate that 380 hours will be needed in FY 2012 for report writing. We estimate that total audit hours will be approximately 1,000. | 380 | Report Writing |

| PERFORMANCE AUDITS FY 2012 – PROPOSED AUDITS | | | | | | | |
|--|------------------|------------|--|--|---------------------|-------------|-----|
| Work Plan Item No. | Risk Assess Ln # | Risk Score | Activity Group Audit | Audit Objectives | FY 2012 Audit Hours | Status | |
| 4 | 15 | 631 | Public Utilities – Water Department and Metropolitan Wastewater Audits | The Office of the City Auditor has a Service Level Agreement with the Public Utilities Department to conduct three audits during FY 2012. City auditor staff will conduct a detailed risk assessment of Water and Wastewater activities and consult with Independent Rates Oversight Committee members and Public Utilities Department management to identify the scope and objectives of these audits. In FY 2012, these programs’ budgeted expenditures are \$781.8 million; revenues \$983.1 million; and 1,593 FTEs. | 2,200 | Not Started | |
| | 23 | 606 | | | | | |
| | 27 | 594 | | | | | |
| | 35 | 582 | | | | | |
| | 45 | 552 | | | | | |
| | 50 | 531 | | | | | |
| | 61 | 502 | | | | | |
| | 62 | 500 | | | | | |
| | 5 | 74 | | | | | 478 |
| | 76 | 478 | | | | | |
| | 6 | 86 | | | | | 448 |
| | 88 | 444 | | | | | |
| | 90 | 438 | | | | | |
| | 100 | 407 | | | | | |
| 101 | 404 | | | | | | |
| 106 | 375 | | | | | | |
| 111 | 360 | | | | | | |

| PERFORMANCE AUDITS FY 2012 – PROPOSED AUDITS | | | | | | |
|--|------------------|------------|--|--|---------------------|-------------|
| Work Plan Item No. | Risk Assess Ln # | Risk Score | Activity Group Audit | Audit Objectives | FY 2012 Audit Hours | Status |
| 7 | 38 | 572 | Real Estate Assets Department Audit | The objective of this audit is to determine the efficiency and effectiveness of the Real Estate Assets Department's administration of City leases. In FY 2012, this program's budgeted expenditures are \$814,000; revenues \$39.4 million; and 7 FTEs. | 1,600 | Not Started |
| 8 9 | 26 | 599 | Purchasing and Contracting Department Audits | We plan to conduct two audits. The objectives of these audits are to 1) determine the efficiency and effectiveness of the City's contract process; and 2) the use and controls for procurement cards. In FY 2012, this program's budgeted expenditures are \$4.2 million; revenues \$744,000; and 39 FTEs. The value of the Citywide contracts processed in FY 2011 is approximately \$236 million. | 3,400 | Not Started |
| 10 | 34 | 584 | City Planning and Community Investments – Economic Development | The objective of this audit is to determine the efficiency and effectiveness of the City Planning and Community Investments' economic department process. In FY 2012, this program's budgeted expenditures are \$7.5 million; revenues \$5.6 million; and 32 FTEs. | 1,400 | Not Started |
| 11 12 | 63 40 | 498 564 | City Comptroller / Personnel Department – Payroll Audit | We plan to conduct two audits. The objectives of these audits are to 1) determine review the City's payroll process to determine if payroll; payments are being properly made and adequate controls are in place and 2) to determine if there are adequate controls over the City's use of overtime. In FY 2012, these programs' budgeted expenditures are \$2 million and \$822,000 respectively; no revenues; and 19 and 10 FTEs respectively. The value of the Citywide payroll processed is approximately \$1.1 billion. | 2,300 | Not Started |

| PERFORMANCE AUDITS FY 2012 – PROPOSED AUDITS | | | | | | |
|--|------------------|-------------------|---|--|---------------------|-------------|
| Work Plan Item No. | Risk Assess Ln # | Risk Score | Activity Group Audit | Audit Objectives | FY 2012 Audit Hours | Status |
| 13 | 54 | 522 | Transportation and Storm Water – Pollution Prevention Audit | The objective of this audit is to determine the efficiency and effectiveness of the Transportation and Storm Water pollution and prevention efforts. In FY 2012, this program's budgeted expenditures are \$16.8 million; revenues \$150,000; and 35 FTEs. | 1,400 | Not Started |
| 14 | 14 | 642 | General Services – Facilities Audit | The objective of this audit is to determine the efficiency and effectiveness of General Services Facilities Division. In FY 2012, this program's budgeted expenditures are \$14.8 million; revenues \$5.7 million; and 107 FTEs. | 1,400 | Not Started |
| 15 16 | 1 49 51 | 745 540 523 | Public Safety – Police, Fire and Life Guard Audits | We plan to conduct two audits. The objectives of these audits are to 1) 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. In FY 2012, these programs' budgeted expenditures are \$242.3 million and \$4.5 million respectively; revenues \$28.8 million and \$555,000 respectively; and 1658 and 46 FTEs respectively. | 4,800 | Not Started |

| ADDITIONAL AUDIT ACTIVITIES FY 2012 | | | | | | |
|-------------------------------------|------------------|------------|--|--|---------------------|--------------|
| Work Plan Item No. | Risk Assess Ln # | Risk Score | Activity Group Audit | Audit Objectives | FY 2012 Audit Hours | Status |
| 17 | TBD | TBD | On-going Expense and Revenue Audits | On-going audits of City expenditures and revenues (i.e. contract payments, accounts payable, accounts receivable, billings and budgeting practices, etc.) to ensure compliance with the appropriate terms and regulations. | 600 | On-going |
| 18 | N/A | N/A | Fraud, Waste and Abuse Hotline | The Office of the City Auditor administers the City's Fraud Hotline to provide individuals a way to confidentially report evidence of fraud, waste or abuse involving City of San Diego employees or operations. Investigations are performed for all material accusations. | 1,535 | On-going |
| 19 | N/A | N/A | Follow-up on Previously Issued Audit Reports | The Office of the City Auditor tracks and follows-up on all audit recommendations to determine if they were properly implemented by City management. | 755 | On-going |
| 20 | N/A | N/A | Close-out Audits | Close-out audits are required by the City Charter, Article VII, Section 111 when City Officials leaves office. The primary audit objective is 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. Each Close-out audit takes approximately 40 hours to complete and we estimate approximately 5 audits may be necessary in FY 2012. | 200 | As Necessary |

| ADDITIONAL AUDIT ACTIVITIES FY 2012 | | | | | | |
|--|-------------------------|-------------------|--|---|----------------------------|---------------|
| Work Plan Item No. | Risk Assess Ln # | Risk Score | Activity Group Audit | Audit Objectives | FY 2012 Audit Hours | Status |
| 21 | 53 | 522 | Annual Mission Bay Fund Audit | The Annual Mission Bay Funds Audit is required by the City, Article V, Section 55.2 (e). The objective of this audit is to verify the prior fiscal year collection, allocation, and use of Mission Bay Funds are in compliance with City Charter requirements. | 240 | Not Started |
| 22 | 26 | 599 | Annual Central Stores Inventory Audit FY12 | The San Diego Municipal Code Section §22.0501 requires an annual count of inventory in City storerooms and warehouses. The objective of this audit was to confirm the valuation of Central Stores inventory. In FY 2012, this program's budgeted expenditures are \$24 million; revenues \$24.2 million; and 22 FTEs. | 120 | Not Started |
| | | | Total Planned Audit Hours for FY 2012 | | 22,950 | |

Next Steps

I will provide the Audit Committee with monthly activity reports describing the status and progress towards completing the audit assignments listed, as well as quarterly fraud hotline statistics reports. The Audit Committee will receive the results of all completed audits in the form of an audit report, and I will present audit results at scheduled Audit Committee and City Council meetings upon request.

Respectfully Submitted,

A handwritten signature in black ink that reads "Eduardo Luna". The signature is written in a cursive style with a large initial 'E' and 'L'.

Eduardo Luna
City Auditor

Attachment A

Office of the City Auditor
Annual Risk Assessment
Management Questionnaire
FY2012

1. To what extent does your activity group interface with the external public?

Description / Purpose: Assess how frequently your activity group works/interacts directly with the public or City residents. Little to no interaction is not a negative indicator, but rather an indicator that your activity group serves internal customers – internal customer interaction is addressed in question 3.

| | Risk Score |
|--|---------------|
| a. None. | 0 |
| b. Rarely or infrequently. | 3 |
| c. Monthly to quarterly level of interface. | 5 |
| d. Weekly level of interface. | 7 |
| e. Continual interface with the external public several times daily or more. | 9 |

2. To what extent is your activity group considered to be “mission critical” for the department to achieve its goals and objectives?

Description / Purpose: Ascertain the significance that your activity group plays in your department’s overall mission relative to other activity groups. Little to no contribution is not a negative indicator, but rather an indicator that your activity group may provide services and be focused on other internal customers.

| | |
|--|---|
| a. No contribution towards the department’s goals / objectives. | 0 |
| b. Minimal contribution towards attaining the department’s goals and objectives. | 3 |
| c. Moderate contribution towards attaining the department’s goals and objectives. | 5 |
| d. Significant contribution towards attaining the department’s goals and | 7 |
| e. The success of the department’s goals and objectives is fully dependent on this activity group. | 9 |

3. To what extent does your activity group support internal operations or are considered critical to achieving the objectives of other entity’s/department’s mission/goals?

Description / Purpose: Determine the level of support and role your department plays in helping other departments achieve their overall mission. This question identifies the interconnectedness that one activity group has with other internal operations.

- a. No support provided to other operations / departments. 0
- b. Infrequent (i.e. annual) support provided to other operations / departments. 3
- c. Periodic (i.e. monthly) support provided to other operations / departments. 5
- d. Regular (i.e. weekly) support provided to other operations / departments. 7
- e. Ongoing support provided to other operations / departments every day. 9

4. To what extent would failure to achieve your activity group’s mission or goals lead to public displeasure or negative media coverage?

Description / Purpose: Assess how the activity group’s level of visibility to the public, public interest in the group’s activities, interest of the media, or other public safety related factors would lead to an increased potential loss or embarrassment if the activity group did not perform its critical mission or goals. This could also be called the newspaper test – how much negative press or public disapproval would a failure cause?

- a. No risk of loss or embarrassment. 0
- b. Low risk of loss or embarrassment. 3
- c. Moderate risk of loss or embarrassment. 5
- d. Significant risk of loss or embarrassment. 7
- e. Very high risk of loss or embarrassment. 9

5. To what extent is there potential loss due to the cash or cash convertible nature of your activity group’s transactions?

Description / Purpose: Assess the risk associated with cash or cash-convertible assets. Be sure to factor in the amount of cash collected as compared to business transacted by other means (credit card, electronic funds transfer, invoice, journal entry, etc) , as well as risks associated with the volume, type and nature of existing assets that are susceptible to theft such as equipment, supplies and inventories.

- a. None. 0
- b. Minimal amount of cash transactions or assets are difficult to convert to cash. 3
- c. Moderate amount of cash transactions or assets can be converted to cash with some difficulty. 5
- d. Nature of operations is primarily cash or assets are easily converted to cash. 7
- e. Fully cash or cash equivalent operations. 9

6. To what extent does your activity group track activity performance / metrics?

Description / Purpose: *Determine the extent to which your activity group captures, assesses, and responds to performance measurement data.*

- | | | |
|----|---|---|
| | We continuously capture performance metrics on key operations, assess | |
| a. | achievement of goals and trends in the information, and adjust operations to improve upon our performance in all key areas. | 0 |
| | We track performance information in all key operations, assess and use data to | |
| b. | improve operations, but we do not engage this process in a continuous, fluid manner. | 3 |
| | We track performance information in all our key operations and may assess data | |
| c. | to some extent, but we do not use data to improve performance in all key areas. | 5 |
| | We collect some performance information, but the information does not account | |
| d. | for all our key operations or we do not assess the data. | 7 |
| | We do not track performance measures or metrics. | |
| e. | | 9 |

7. To what extent do regulations affect or have impact on operations?

Description / Purpose: *Assess how government regulations (federal, state, or local) impact your activity group operations and the exposure to sanctions and potential penalties for noncompliance. Please be sure to factor in the complexity, volume, and change in regulations, including ordinances, municipal codes, administrative regulations, MOUs, federal and state laws and regulations, contract conditions, and grant provisions that pertain to your department..*

- | | | |
|----|--|---|
| a. | None. | 0 |
| b. | Few regulations and little risk of noncompliance. | 3 |
| c. | Risk of either substantial regulations or significant penalties. | 5 |
| d. | Complex, voluminous, or frequently changing regulations with significant | 7 |
| e. | Heavily regulated with serious consequences for noncompliance. | 9 |

The information detailed below was obtained from the FY 2012 Proposed Budget and scored accordingly.

8. Total number of FY12 budgeted full time employees (FTEs) for this Activity Group

- | | | |
|----|------------------------|---|
| a. | None. | 0 |
| b. | Greater than 0 to 10. | 3 |
| c. | Greater than 10 to 25. | 5 |
| d. | Greater than 25 to 75. | 7 |
| e. | Greater than 75. | 9 |

9. Total annual FY12 budgeted revenues for this Activity Group

| | |
|----------------------------------|---|
| a. \$0 to \$500,000. | 0 |
| b. \$500,001 to \$5,000,000. | 3 |
| c. \$5,000,001 to \$10,000,000. | 5 |
| d. \$10,000,001 to \$25,000,000. | 7 |
| e. Greater than \$25,000,000. | 9 |

10. Total annual FY12 budgeted expenditures for this Activity Group

| | |
|----------------------------------|---|
| a. \$0 to \$1,000,000. | 0 |
| b. \$1,000,001 to \$10,000,000. | 3 |
| c. \$10,000,001 to \$25,000,000. | 5 |
| d. \$25,000,001 to \$40,000,000. | 7 |
| e. Greater than \$40,000,000. | 9 |

CITY OF SAN DIEGO
Citywide Risk Assessment FY2012
Calculation of Weights Used for Risk Factors (Based on City Auditor Staff Input)

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | | | | |
|--|-------------------------------------|---|---|--|--|--|--|-------------------------------------|---------------------------|---------------------------|------------|---------------|------------|----------------------------|
| COMPARATIVE RISK FACTORS | Interface with the external public. | “Mission critical” nature of activity group for the department to achieve its goals and objectives. | Support of internal operations is considered critical to achieving the objectives of other entity's/department's mission/goals. | Failure to achieve the activity group's mission or goals leads to public displeasure or negative media coverage. | Potential loss due to the cash or cash convertible nature of your activity group's transactions. | Activity group's tracking of activity performance / metrics. | Regulation effect or impact on operations. | Number of Budgeted Employees (FTE). | Budgeted Annual Revenues. | Budgeted Annual Expenses. | Total | Percent | Weight | Maximum Possible Score [1] |
| 1. Interface with the external public. | | 3 | 3 | 5 | 4 | 4 | 6 | 5 | 2 | 0 | 32 | 6.49% | 6 | 54 |
| 2. “Mission critical” nature of activity group for the department to achieve its goals and objectives. | 8 | | 8 | 9 | 7 | 6 | 8 | 7 | 5 | 4 | 62 | 12.58% | 13 | 117 |
| 3. Support of internal operations is considered critical to achieving the objectives of other entity's/department's mission/goals. | 8 | 3 | | 8 | 6 | 7 | 9 | 8 | 4 | 2 | 55 | 11.16% | 11 | 99 |
| 4. Failure to achieve the activity group's mission or goals leads to public displeasure or negative media coverage. | 6 | 2 | 3 | | 6 | 6 | 6 | 6 | 1 | 0 | 36 | 7.30% | 7 | 63 |
| 5. Potential loss due to the cash or cash convertible nature of your activity group's transactions. | 7 | 4 | 5 | 5 | | 5 | 7 | 6 | 2 | 2 | 43 | 8.72% | 9 | 81 |
| 6. Activity group's tracking of activity performance / metrics. | 7 | 5 | 4 | 5 | 6 | | 8 | 4 | 1 | 0 | 40 | 8.11% | 8 | 72 |
| 7. Regulation effect or impact on operations. | 5 | 3 | 2 | 5 | 4 | 3 | | 5 | 2 | 0 | 29 | 5.88% | 6 | 54 |
| 8. Number of Budgeted Employees (FTE). | 6 | 4 | 3 | 5 | 5 | 7 | 6 | | 2 | 0 | 38 | 7.71% | 8 | 72 |
| 9. Budgeted Annual Revenues. | 9 | 6 | 7 | 10 | 9 | 10 | 9 | 9 | | 2 | 71 | 14.40% | 14 | 126 |
| 10. Budgeted Annual Expenses. | 11 | 7 | 9 | 11 | 9 | 11 | 11 | 9 | 9 | | 87 | 17.65% | 18 | 162 |
| Total | 67 | 37 | 44 | 63 | 56 | 59 | 70 | 59 | 28 | 10 | 493 | 100.0% | 100 | 900 |

Notes:

Eleven staff members in the Office of the City Auditor were asked to record if they felt the factors listed on the left of this schedule has a greater level of inherent risk when compared to the factor listed on top of the schedule. The numbers above represent the results of this survey and will be used to calculate the weighted risk factors in the Citywide Risk Assessment.

e.g. The items highlighted above show that 11 people felt that the Budgeted Annual Expenses has greater inherent risk than a department's interface with the external public, and 7 people felt that the Budgeted Annual Expenses has greater inherent risk than "mission critical" activities for a department to achieve their goals and objectives.

[1] City management was asked to answer a questionnaire for each of their Activity Groups, which had risk scores of 0, 3, 5, 7, 9, (with 0 as low risk and 9 as highest risk) for each of the 10 risk factors listed above (See Citywide Risk Assessment Questionnaire). The highest score that a single risk factor can be given is 9 multiplied by its weighted factor. Overall the highest risk score that an Auditable Unit can achieve is 900, as shown in the left hand column above.

City of San Diego
Citywide Risk Assessment FY 2012

See Footnotes for explanations of columns → [1] [2] [3] [4] [5] [6] [7] [8] [9] [10] [11] [12] [13] [14] [15] [16] [17] [18] [19] [20] [21] [22]

| # | Department | Activity Group | Wt FTEs | | Wt Exp | | Wt Rev | | Wt ExP | | Wt MC | | Wt InOp | | Wt Pub | | Wt Csh | | Wt Met | | Wt Regs | | Risk Score | Rank 10ths |
|-----|---------------------------------------|-------------------------------------|---------|----|--------|----|--------|----|--------|----|-------|-----|---------|----|--------|----|--------|----|--------|----|---------|----|------------|------------|
| | | | FTEs | 8 | Exp | 18 | Rev | 14 | Exp | 6 | MC | 13 | InOp | 11 | Pub | 7 | Csh | 9 | Met | 8 | Regs | 6 | | |
| 108 | Commission for Arts & Culture | | 0 | 0 | 3 | 54 | 0 | 0 | 9 | 54 | 7 | 91 | 7 | 77 | 5 | 35 | 0 | 0 | 3 | 24 | 5 | 30 | 365 | 2 |
| 109 | Special Promotional Programs | Arts Culture & Community Festivals | 0 | 0 | 3 | 54 | 0 | 0 | 0 | 0 | 9 | 117 | 5 | 55 | 7 | 49 | 0 | 0 | 9 | 72 | 3 | 18 | 365 | 2 |
| 110 | General Services | General Services | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 30 | 7 | 91 | 7 | 77 | 7 | 49 | 3 | 27 | 9 | 72 | 3 | 18 | 364 | 2 |
| 111 | Public Utilities | ES&IC | 5 | 40 | 5 | 90 | 0 | 0 | 3 | 18 | 7 | 91 | 5 | 55 | 3 | 21 | 3 | 27 | 0 | 0 | 3 | 18 | 360 | 2 |
| 112 | Airports | | 3 | 24 | 3 | 54 | 3 | 42 | 5 | 30 | 9 | 117 | 0 | 0 | 5 | 35 | 3 | 27 | 0 | 0 | 5 | 30 | 359 | 2 |
| 113 | Ethics Commission | | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 42 | 9 | 117 | 7 | 77 | 7 | 49 | 3 | 27 | 5 | 40 | 0 | 0 | 352 | 2 |
| 114 | Local Enforcement Agency Fund | | 0 | 0 | 0 | 0 | 3 | 42 | 9 | 54 | 5 | 65 | 5 | 55 | 7 | 49 | 5 | 45 | 0 | 0 | 7 | 42 | 352 | 2 |
| 115 | City Clerk | Records Management | 3 | 24 | 0 | 0 | 0 | 0 | 3 | 18 | 7 | 91 | 9 | 99 | 7 | 49 | 3 | 27 | 0 | 0 | 7 | 42 | 350 | 2 |
| 116 | General Services | Publishing Services | 5 | 40 | 3 | 54 | 5 | 70 | 0 | 0 | 3 | 39 | 5 | 55 | 3 | 21 | 3 | 27 | 3 | 24 | 3 | 18 | 348 | 2 |
| 117 | Transportation & StormWater | Storm Water Administration | 3 | 24 | 3 | 54 | 0 | 0 | 3 | 18 | 7 | 91 | 3 | 33 | 3 | 21 | 3 | 27 | 3 | 24 | 9 | 54 | 346 | 2 |
| 118 | Special Promotional Programs | Economic Development Programs | 0 | 0 | 3 | 54 | 0 | 0 | 0 | 0 | 9 | 117 | 3 | 33 | 7 | 49 | 0 | 0 | 9 | 72 | 3 | 18 | 343 | 1 |
| 119 | Police | Family Justice Center | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 54 | 7 | 91 | 7 | 77 | 9 | 63 | 0 | 0 | 3 | 24 | 3 | 18 | 327 | 1 |
| 120 | SDGIS | | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 54 | 9 | 117 | 9 | 99 | 5 | 35 | 0 | 0 | 0 | 0 | 3 | 18 | 323 | 1 |
| 121 | Special Promotional Programs | Discretionary Funding | 0 | 0 | 5 | 90 | 0 | 0 | 0 | 0 | 9 | 117 | 5 | 55 | 5 | 35 | 0 | 0 | 0 | 0 | 3 | 18 | 315 | 1 |
| 122 | City Planning & Community Investments | Administrative & Technical Services | 3 | 24 | 3 | 54 | 0 | 0 | 3 | 18 | 7 | 91 | 5 | 55 | 3 | 21 | 0 | 0 | 3 | 24 | 3 | 18 | 305 | 1 |
| 123 | Transportation & StormWater | Admin & Right of Way Coordination | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 42 | 3 | 39 | 0 | 0 | 9 | 63 | 9 | 81 | 7 | 56 | 3 | 18 | 299 | 1 |
| 124 | Park & Recreation | Environmental Grown 2/3 | 0 | 0 | 3 | 54 | 5 | 70 | 0 | 0 | 3 | 39 | 0 | 0 | 3 | 21 | 0 | 0 | 9 | 72 | 5 | 30 | 286 | 1 |
| 125 | Public Works | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 91 | 5 | 55 | 7 | 49 | 0 | 0 | 9 | 72 | 0 | 0 | 267 | 1 |
| 126 | Park & Recreation | Environmental Grown 1/3 | 0 | 0 | 3 | 54 | 3 | 42 | 0 | 0 | 3 | 39 | 0 | 0 | 3 | 21 | 0 | 0 | 9 | 72 | 5 | 30 | 258 | 1 |
| 127 | Park & Recreation | Los Penasquitos Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 54 | 5 | 65 | 0 | 0 | 5 | 35 | 0 | 0 | 0 | 0 | 5 | 30 | 184 | 1 |

Note: The risk factor scores that are bolded above were changed (primarily increased) by City Auditor staff based on past experience and professional judgment.

Footnotes:

- [1] FTE - Risk score associated with the number of budgeted full time employees (FTE). See Exhibit A - Management Questionnaire, question number 8.
- [2] Wt FTE - A weight (wt) of 8 was multiplied by the FTE risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 8.
- [3] Exp - Risk score associated with the amount of budgeted expenditures (Exp). See Exhibit A - Management Questionnaire, question number 10.
- [4] Wt Exp - A weight (wt) of 18 was multiplied by the Exp risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 10.
- [5] Rev - Risk score associated with the amount of budgeted revenue (Rev). See Exhibit A - Management Questionnaire, question number 9.
- [6] Wt Rev - A weight (wt) of 14 was multiplied by the Rev risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 9.
- [7] ExP - Risk score associated with Interface with the external public (ExP). See Exhibit A - Management Questionnaire, question number 1.
- [8] Wt ExP - A weight (wt) of 6 was multiplied by the ExP risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 1.
- [9] MC - Risk score associated with the "Mission Critical" activities (MC). See Exhibit A - Management Questionnaire, question number 2.
- [10] Wt MC - A weight (wt) of 13 was multiplied by the MC risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 2.
- [11] InOp - Risk score associated with the Internal Operations (InOp). See Exhibit A - Management Questionnaire, question number 3.
- [12] Wt InOp - A weight (wt) of 11 was multiplied by the InOp risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 3.
- [13] Pub - Risk score associated with public (Pub) exposure and interest. See Exhibit A - Management Questionnaire, question number 4.
- [14] Wt Pub - A weight (wt) of 7 was multiplied by the Pub risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 4.
- [15] Csh - Risk score associated with Cash or cash convertible (Csh). See Exhibit A - Management Questionnaire, question number 5.
- [16] Wt Csh - A weight (wt) of 9 was multiplied by the Csh risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 5.
- [17] Met - Risk score associated with Performance/Metrics (Met). See Exhibit A - Management Questionnaire, question number 6.
- [18] Wt Met - A weight (wt) of 8 was multiplied by the Met risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 6.
- [19] Regs - Risk score associated with compliance with laws and regulations (Regs). See Exhibit A - Management Questionnaire, question number 7.
- [20] Wt Regs - A weight (wt) of 6 was multiplied by the Regs risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 7.
- [21] Risk Score - This is the total risk score calculated by adding together all of the nine weighted risk scores.
- [22] Rank 10ths - The activity groups were divided into tenths. Rank 10, 9, 8 (High Risk) 7, 6, 5, 4 (Medium Risk) 3, 2, 1 (Low Risk).
Convention Center Budget Data is based on FY11 figures as the FY12 is not board approved at the time of this publication.
City Council Offices were not surveyed due to a conflict of interest, since the Office of the City Auditor reports directly to the Audit Committee of the City Council.