
Report to the Audit Committee

ACTIVITIES AND ACCOMPLISHMENTS OF THE OFFICE OF THE CITY AUDITOR JULY 2013 THROUGH DECEMBER 2014

Office of the City
Auditor

City of San Diego



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The Office of the City Auditor is an independent office that reports and is accountable to the Audit Committee and City Council. Our mission 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 San Diego City government. In many instances, implementation of our recommendations results in significant financial benefits to the City. In other cases, our recommendations aim to improve policies and procedures, increase transparency and oversight, and enhance the City's accountability to those it serves.

The City Auditor conducts performance audits of City departments, offices, and agencies in accordance with government auditing standards. We also administer the Fraud, Waste and Abuse Hotline and perform fraud investigations. For all of the issues identified during our audits and investigations, we have made recommendations for City management to implement to mitigate the problems found.

Below is a summary of accomplishments and highlights from some of our significant reports:

- **We completed 24 performance audits, two agreed-upon procedures reviews, and six hotline investigations. These reports contained 105 recommendations to improve the economy, efficiency, and effectiveness of City operations.** The Administration agreed with **100 percent** of our recommendations. We issued three recommendation follow-up reports to track and validate implementation. A complete listing of all the reports we issued during this period, with the number of recommendations made, can be found in **Appendix I**.
- ***Performance Audit of the Industrial Wastewater Control Program*** – We found that fees charged for permitting and monitoring, which are conducted by the Industrial Wastewater Control Program (IWCP), are not routinely reviewed and updated, and in some cases may be based on a flawed methodology that does not capture all costs. We estimated that of the approximately \$9.8 million in billable costs related to IWCP permitting, monitoring, sample analysis, and enforcement activities, \$8.3 million (85 percent) went unrecovered for three years.
- ***Performance Audit of the Utilities Undergrounding Program (UUP)*** – We found that the SDG&E payments appeared correct and procedures are in place to verify SDG&E's remittance to the City. However, we also found that the UUP keeps approximately one year of operating funds in total balance and reserves, of which \$20 million could be utilized for additional undergrounding, and the UUP could improve financial oversight by reviewing labor expenditure reports and reviewing the SDG&E expenditure obligation.
- ***Performance Audit of the Personnel Department*** – We found that opportunities exist for Personnel and City departments to expedite the hiring process. We found that Personnel could shorten timeframes within various phases of the hiring process, and we identified areas where hiring departments can contribute to reducing hiring timelines. We also found that workforce planning and continued predictive recruiting are essential for filling high need positions, and that hiring departments should be assessing their needs regularly and communicating the outcomes to Personnel.

- ***Performance Audit of the Graffiti Control Program*** – We found that significant program revisions are needed to improve graffiti control efforts as graffiti abatement efforts are decentralized, resulting in delayed service response, waste of resources, inadequate performance reporting, and inconsistent customer service. We also found that the City can develop a more comprehensive approach to graffiti control by: adopting outreach efforts considered effective by other jurisdictions; ensuring that abatement crews document graffiti for law enforcement use; bolstering the “Spray and Pay” incentive program for reporting graffiti vandalism; and coordinating efforts with the other parties conducting abatement, such as utility companies, Caltrans, and the Metropolitan Transit System. Lastly, we found that the City can improve management and oversight of the graffiti abatement vendor contract.
- ***Performance Audit of the Office of Homeland Security*** – With ongoing concerns about terrorism, pandemic influenza, and catastrophic natural disasters, leaders at all levels of government continue to acknowledge the need to strengthen emergency planning capabilities. We found that enhanced coordination between the San Diego Office of Homeland Security (SD-OHS) and City departments is necessary to ensure that the City is prepared to handle disasters. However, SD-OHS needs to be empowered with the formal authority to administer the City’s emergency management program. Lastly, we found that SD-OHS should strengthen its planning framework and familiarize City staff with emergency plans and responsibilities through targeted and structured training activities.
- ***Performance Audit of the City’s Waste Reduction and Recycling Programs*** – While the Environmental Services Department has helped increase the City’s overall diversion rate to 68 percent, we found that many businesses and residents are not meeting minimum requirements of the Citywide Recycling Ordinance. The recycling rate for commercial and multi-family properties is only 26 percent, and the recycling rate for single-family residential properties receiving City collection services is only 23 percent. Improving compliance with recycling requirements is essential to meet the City’s waste reduction goals and prolong the life of the only City-operated waste disposal site, Miramar Landfill. We also found that the City’s agreements with 21 franchised haulers do not require a minimum diversion rate. As a result, haulers have little incentive to ensure customers are recycling. In addition, the City’s non-exclusive franchise system does not maximize efficiency and may not provide the best incentives for recycling.
- ***Fraud Hotline Investigations*** – We issued six fraud hotline reports including a review of Former Mayor Filner’s trip to Paris travel expenses. One fraud investigation into the Public Utilities Department’s supply purchases resulted in a former employee being arrested and charged with felony counts. The employee pleaded guilty and was sentenced to three years of formal probation and was ordered to pay the City over \$160,000 in restitution.

Leadership, Professional Development and Other Accomplishments

- The Association of Local Government Auditors presented its Knighton Awards to the Office of the City Auditor for audits conducted in 2013 and 2014. The Knighton Award competition recognizes the best performance audit reports submitted by government audit shops throughout the United States and Canada.
 - ***Bronze Knighton Award, Performance Audit Report 2013*** – *Performance Audit of the Streets Division’s Pothole Repair Operations*
 - ***Exemplary Knighton Award, Performance Audit Report 2014*** – *Performance Audit of the Environmental Services Department’s Waste Reduction and Recycling Programs*

- The Institute of Internal Auditors' report on "Emerging Strategies for Performance Auditing" identified the OCA as a "high-performing audit function."
- The Association of Local Government Auditors is holding its 2015 Annual Conference in San Diego scheduled for May 4 - 6, 2015. The Office of the City Auditor will serve as host office, and staff were involved in planning the conference.
- The City Auditor recorded a public service announcement for the Fraud Hotline that publicized a web-based reporting feature.

Conclusion

The year and a half covered by this report has been productive, challenging, and rewarding. I am very grateful to the Audit Committee and City Council for the support given to this Office. I am also very appreciative of Mayor Kevin Faulconer and his Administration's wonderful cooperation during this period. This is the first accomplishments report in which the Administration has agreed to implement 100 percent of all audit recommendations. I believe the Mayor and his staff should be commended for their efforts to utilize the audit process to improve City operations.

Respectfully submitted,



Eduardo Luna
City Auditor

Appendix I: Summary of Work Performed – July 2013 through December 2014

Report No.	Date	Description	Recommendations to Improve the Economy, Efficiency, Operations or Program Effectiveness	Number of Recommendations Auditee Concurred With
14-001	07/25/13	Performance Audit of the Park and Recreation Department's Playground Maintenance Program	3	3
14-002	08/05/13	Performance Audit of the Public Utilities Department's Industrial Wastewater Control Program	8	8
14-003	08/12/13	Performance Audit of the Transportation and Storm Water Department's Utilities Undergrounding Program	4	4
14-004	08/23/13	Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2012	2	2
14-005	09/09/13	Performance Audit of Publishing Services	4	4
14-006	09/23/13	Performance Audit of Police Patrol Operations	3	3
14-007	09/26/13	Agreed-Upon Procedures Related to the Central Stores Physical Inventory	0	N/A
14-008	11/08/13	Audit of Accounts of Public Officials Terminating Office in Fiscal Year 2013	0	N/A
14-009	11/22/13	Performance Audit of the Public Utilities Department's Customer Support Division	3	3
14-010	11/27/13	Performance Audit of the Personnel Department	6	6
14-011	12/10/13	Performance Audit of IT Web Services	4	4
14-012	12/20/13	Review of City Travel Expenses Associated with Former Mayor Filner's Trip to Paris, France	1	1
14-013	02/27/14	Performance Audit of Employee Add-on Pays	5	5
14-014	03/05/14	Performance Audit of the Graffiti Control Program	14	14
14-015	03/13/14	Hotline Investigation Report of the Presidio Hills Golf Course Use and Occupancy Permit	1	1

City Auditor's Activities and Accomplishments Report for July 2013 - December 2014

Report No.	Date	Description	Recommendations to Improve the Economy, Efficiency, Operations or Program Effectiveness	Number of Recommendations Auditee Concurred With
14-016	03/18/14	Hotline Investigation Report of Public Utilities Warehouse Supply Purchases	4	4
14-017	03/25/14	Hotline Investigation Report of Overtime and Telephone Usage	2	2
14-018	05/07/14	Performance Audit of Community Facilities Districts	2	2
14-019	05/07/14	Performance Audit of the Real Estate Assets Department - Residential Property Leases	4	4
14-020	05/28/14	Performance Audit of Public Utilities Department's Reserves	3	3
14-021	05/30/14	Performance Audit of the San Diego Convention Center's Financial Systems	2	2
14-022	06/02/14	Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2013	0	N/A
15-001	07/09/14	Performance Audit of the Office of Homeland Security	3	3
15-002	07/10/14	Investigation of Federal Seized Assets Funds and Certifications	3	3
15-003	08/11/14	Performance Audit of the City's Waste Reduction and Recycling Programs	12	12
15-004	08/14/14	Performance Audit of the San Diego Convention Center's HR Systems	0	N/A
15-005	08/25/14	Performance Audit of the San Diego Fire-Rescue Department's Overtime Costs	3	3
15-006	08/26/14	Agreed-Upon Procedures Related to the Central Stores Physical Inventory	0	N/A
15-007	08/29/14	Audit of Accounts of Public Officials Terminating Office in Fiscal Year 2014	0	N/A
15-008	10/01/14	Performance Audit of Balboa Park Celebration, Inc.	0	N/A
15-009	11/07/14	Performance Audit of the Community Parking District Program	3	3
15-010	12/23/14	Fleet Services Division Fraud Risk Assessment Report	6	6
		Total	105	105