



THE CITY OF SAN DIEGO

DATE: July 15, 2015
TO: Honorable Members of the Audit Committee
FROM: Eduardo Luna, City Auditor
SUBJECT: Recommendation Follow-Up Report for Reports Issued 2009 - 2011

This report was prepared in response to the Audit Committee's motion after our presentation of the last semi-annual recommendation follow-up report at the April 29, 2015 meeting. In that motion, the City Auditor was directed to provide an update at the July Audit Committee meeting on 20 recommendations from audits completed in FY 2009 - FY 2011. Based on our follow up work, we determined 10 recommendations have been implemented; nine are In Process; and one recommendation is no longer applicable.

Table with 6 columns: Report Date, Report Title, Implemented, In Process, Not Implemented - N/A, Total. Rows include reports from 05/08/2009 to 06/29/2011, and a Total row.

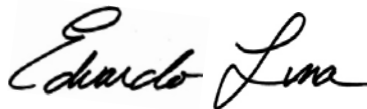


Detailed in **Attachment A** are the recommendations, implementation statuses, and target completion dates for the 20 recommendations.

The April 29, 2015 motion also directed the City Auditor to add a recommendation follow-up section in his monthly activity report. After discussions with management about obtaining monthly recommendation status information, management requested the Audit Committee reconsider requiring this monthly update based on the improvement in recommendation implementation as shown in this report. Based upon the last year of reporting, management feels there is a renewed commitment to implementing recommendations, and additional monthly updates are not necessary. The OCA agrees there has been significant improvement in management's efforts to implement audit recommendations, and the additional monthly reporting as proposed by the Audit Committee should be re-evaluated following the next semi-annual follow up report.

We will take whatever action the Audit Committee decides on this issue, and we will continue providing semi-annual updates for all open recommendations. We would like to thank all the staff from the various departments that provided us with information for this report, and Stacey LoMedico for helping to facilitate this process. All of their valuable time and efforts are greatly appreciated.

Respectfully submitted,



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Eduardo Luna  
City Auditor

cc: Honorable Mayor Kevin Faulconer  
Scott Chadwick, Chief Operating Officer  
Stacey LoMedico, Assistant Chief Operating Officer  
Jan Goldsmith, City Attorney  
Ron Villa, Deputy Chief Operating Officer  
Cybele Thompson, Director, Real Estate Assets Department  
Robert Vacchi, Director, Development Services Department  
Matthew Vespi, Interim Director, Risk Management Department  
Roy Kirby, Deputy Director, Fleet Services  
Gail Granewich, City Treasurer  
DeeDee Alari, Deputy Director, City Treasurer Department, Revenue Collections

**Attachment A – Recommendations, Status and Target Date of Implementation**

| 09-013 – The City of San Diego Faces Unique Operational and Administrative Challenges in Managing Qualcomm Stadium  |  |   |
|---|--|---|
| Recommendation  | Status   | Target Date   |
| <p><b>Recommendation #2</b></p> <p>In order to avoid significant legal settlements in the future, the City should continue to ensure that it meet 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.</p> | <p><b>Implemented</b></p> <p>The Department reported that each year since the 2000 ADA compliance settlement, the City and the Chargers mutually examine an independent audit performed by Price Waterhouse Cooper in order to evaluate the compliance with the settlement. This task is performed annually and is mutually agreed upon by both parties eliminating any compliance issues. The department also performed a detailed analysis of compliance with ADA settlement agreements.</p> | <p><del>June 2010</del></p> <p><del>FBD</del></p> <p><del>June 2015</del></p> <p><b>Implemented</b></p> |

| 09-013 – The City of San Diego Faces Unique Operational and Administrative Challenges in Managing Qualcomm Stadium  |  |   |
|---|--|---|
| Recommendation  | Status   | Target Date   |
| <p><b>Recommendation #4</b></p> <p>Stadium management should create a comprehensive business and marketing plan for the Stadium that addresses the following issues:</p> <ol style="list-style-type: none"> <li>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.</li> <li>An analysis of major agreements and responsibilities that the Stadium is required to provide.</li> <li>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.</li> <li>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.</li> </ol> | <p><b>In Process</b></p> <p>In 2011, the stadium commissioned AECOM to provide a market analysis for the stadium. The report identified the stadium's competitors, market demographics and the key business targets. Stadium Management presented to City Council a new revised rate card based on the market rates determined by AECOM. These rates were approved on October 25, 2011, and have been used from that point forward. A recruitment effort for an event coordinator is underway and the creation of a marketing and business plan will be the high priority tasks for the new role once the position is filled. Capital projects are reviewed by the Stadium Advisory Board and included in the Citywide process and reviewed by CIPRAC.</p> | <p><del>February 2010</del><br/> <del>June 2010</del><br/> <del>TBD</del><br/> <del>June 2015</del><br/> <b>September 2015</b></p>  |
| <p><b>Recommendation #5</b></p> <p>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 unique policies and procedures are established for the following administrative functions:</p> <ol style="list-style-type: none"> <li>Policies for the creation, content, retention, and approval of Stadium event files.</li> <li>Procedures that ensure accurate and timely billings for stadium events and periodic reconciliations of all accounts within the Stadium Fund.</li> </ol>  | <p><b>In Process</b></p> <p>The stadium filing system was reorganized for efficiency in early 2014 and administrative staff adheres to the new procedures. Accounting staff follow Citywide accounting procedures and process all billings through SAP. Any outstanding unpaid invoices are automatically referred to Collections through SAP. Stadium staff will finalize a policy and procedure manual.</p>  | <p><del>December 2009</del><br/> <del>June 2010</del><br/> <del>TBD</del><br/> <del>April 2015</del><br/> <b>September 2015</b></p> |

| 10-002 – Performance Audit of the San Diego Housing Commission – Part I   |   |   |
|---|---|---|
| Recommendation  | Status  | Target Date   |
| <p><b>Recommendation #6</b><br/>           SDHC management should facilitate the modification of SDMC 98.0301(f)(1) to indicate that "...commissioners appointed pursuant to this section shall be tenants of housing commission units or Sect 8 rental assistance program voucher recipients."</p> | <p><b>In Process</b><br/>           SDHC and its counsel are working with the City Attorney's Office (CAO) on revisions to the ordinance. In this regard the CAO is planning to have a draft of the proposed ordinance ready for preliminary review by June 30, 2015. NOTE: Per CAO, on target to receive draft by June 30. Once a draft is complete there are additional tasks and approvals before this is completed that are outside the control of SDHC and the CAO; therefore, completion is anticipated in December 2015.</p> | <p><del>April 2010</del><br/> <del>November 2010</del><br/> <del>October 2014</del><br/> <del>June 2015</del><br/> <b>December 2015</b></p> |

| 10-010 – Performance Audit of the City Treasurer’s Delinquent Accounts Program  |   |   |
|---|---|---|
| Recommendation  | Status  | Target Date   |
| <p><b>Recommendation #1</b><br/>           Review current deficit account balances and immediately refer existing past due accounts to the Treasurer’s Delinquent Accounts Program.</p>   | <p><b>In Process</b><br/>           Development Services Department indicated that of the original 2,689 deficit accounts noted in the audit, 153 remain as non-referred deficits. The remainder has been referred or the customer has brought the account current.</p>   | <p><del>April 2010</del><br/> <del>March 2011</del><br/> <del>TBD</del><br/> <del>January 2015</del><br/> <del>May 2015</del><br/> <del>TBD</del><br/> <b>July 2015</b></p> |
| <p><b>Recommendation #6</b><br/>           Implement a late penalty fee to ensure more timely payments on deficit accounts.</p>   | <p><b>In Process</b><br/>           Development Services Department (DSD) is developing the recommendations for the FY16 Fees which will include this proposal for consideration. If the proposal is approved by City Council, DSD will work with IT Department to develop a timeline for the implementation of the fee and will provide the timeline at the next reporting. If City Council does not approve the fee, this recommendation will be considered closed by the Department.</p> | <p><del>December 2010</del><br/> <del>December 2011</del><br/> <del>TBD</del><br/> <del>June 2017</del><br/> <del>TBD</del><br/> <b>September 2015</b></p>                  |
| <p><b>Recommendation #8</b><br/>           Evaluate the adequacy of Deposit Account initial deposit amounts as well as the minimum required balance amounts to help minimize the frequency and speed at which Deposit Accounts fall into deficit.</p> | <p><b>In Process</b><br/>           Development Services Department is developing the recommendations for the FY 2016 Fees which will include this proposal for consideration.</p>  | <p><del>March 2010</del><br/> <del>December 2010</del><br/> <del>December 2011</del><br/> <del>TBD</del><br/> <del>December 2014</del><br/> <b>September 2015</b></p>       |

| 10-018 – Performance Audit of the Purchasing & Contracting Department<br>(Citywide Purchase Order Program)   |  |   |
|--|--|---|
| Recommendation   | Status   | Target Date   |
| <p><b>Recommendation #3</b><br/>           Modify Administrative Regulation 35.15 to adequately reflect the new policies as a result of the actions taken from Recommendations made in this report. 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.</p> | <p><b>Not Implemented – N/A</b><br/>           This recommendation is no longer applicable since the City no longer uses the form 2610 or similar forms.</p> | <p><del>July 2011</del><br/> <del>September 2011</del><br/> <del>November 2015</del><br/> <del>April 2016</del><br/> <b>Not Implemented – N/A</b></p> |

| 11-001 – Performance Audit of Risk Management's Public Liability and Loss Recovery Division  |  |  |
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| Recommendation   | Status   | Target Date  |
| <p><b>Recommendation #1</b><br/>           Risk Management should adopt public sector practices for collection, analysis, and reporting of risk information, and prepare and distribute an annual Risk Management Report.</p>                  | <p><b>Implemented</b><br/>           Risk Management issued their first Annual Report for Fiscal Years 2014 and 2015. This report includes statistical and financial information related to programs administered by Risk Management. Enhancements will be incorporated in future reports to include additional data points regarding risk management programs and activities.</p>   | <p><del>June 2011</del><br/> <del>June 2012</del><br/> <del>July 2015</del><br/> <del>June 2015</del><br/> <b>Implemented</b></p>    |
| <p><b>Recommendation #3</b><br/>           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.</p> | <p><b>Implemented</b><br/>           Risk Management indicated the cost allocation methodology is based on actual costs. The Public Liability Fund captures all General Fund claims, the Public Utilities Department is charged directly for sewer and water claims, and the remaining enterprise funds are allocated their actual claims under the authority of the Appropriation Ordinance beginning in FY2016. And all the information is presented in Risk Management's Annual Report.</p> | <p><del>June 2011</del><br/> <del>October 2011</del><br/> <del>July 2015</del><br/> <del>June 2015</del><br/> <b>Implemented</b></p> |

| 11-001 – Performance Audit of Risk Management's Public Liability and Loss Recovery Division   |  |  |
|---|--|--|
| Recommendation  | Status   | Target Date  |
| <p><b>Recommendation # 4</b></p> <p>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.</p>  | <p><b>Implemented</b></p> <p>The Administration has considered actions taken by other cities to limit sidewalk repair responsibility. In April 2015, the Infrastructure Committee accepted the motion to forward the Transportation &amp; Storm Water Department's Citywide Sidewalk Assessment Report to City Council, and to direct the City Attorney to discuss two memos (dated January 28, 2011 and August 29, 2013) detailing San Diego's Sidewalk Policy at City Council.</p> | <p><del>December 2010</del></p> <p><del>TBD</del></p> <p><del>December 2016</del></p> <p><b>Implemented</b></p>  |
| <p><b>Recommendation #11</b></p> <p>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.</p>   | <p><b>Implemented</b></p> <p>Risk Management provided documentation to demonstrate a review is conducted to ensure that the City's insurance costs are reasonable and the best option for City is in place. Additionally, Risk Management will continue to refine and enhance their review process.</p>  | <p><del>June 2012</del></p> <p><del>March 2014</del></p> <p><del>TBD</del></p> <p><del>June 2015</del></p> <p><b>Implemented</b></p>                             |
| <p><b>Recommendation #12</b></p> <p>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 and premiums, and the documentation thereof.</p>   | <p><b>Implemented</b></p> <p>Risk Management developed a process narrative that describes the process related to the internal and external reviews of insurance coverage and premiums.</p>   | <p><del>June 2011</del></p> <p><del>June 2012</del></p> <p><del>March 2014</del></p> <p><del>TBD</del></p> <p><del>June 2015</del></p> <p><b>Implemented</b></p> |
| <p><b>Recommendation #13</b></p> <p>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.</p> | <p><b>Implemented</b></p> <p>Risk Management reviewed all their processes and has enhanced, modified or created documents to ensure information is communicated to the appropriate bodies.</p>   | <p><del>December 2011</del></p> <p><del>March 2014</del></p> <p><del>TBD</del></p> <p><del>June 2015</del></p> <p><b>Implemented</b></p>                         |



| 11-001 – Performance Audit of Risk Management's Public Liability and Loss Recovery Division  |   |   |
|--|---|---|
| Recommendation   | Status  | Target Date   |
| <p><b>Recommendation #14</b></p> <p>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.</p> | <p><b>Implemented</b></p> <p>The Annual Risk Management Report discusses preventative programs that were either implemented or enhanced. Additionally, it provides information about the claims by department and type. The report provides good information and the Department has stated it will continue to include more valuable information.</p> | <p><del>June 2011</del></p> <p><del>October 2011</del></p> <p><del>October 2014</del></p> <p><del>June 2015</del></p> <p><b>Implemented</b></p>   |
| <p><b>Recommendation #16</b></p> <p>Risk Management should review and update claim-related City Council Policies, Administrative Regulations (ARs) and forms to ensure consistency with current processes, organizational structure and overall expectations, and periodically perform ongoing reviews of those documents for accuracy.</p>  | <p><b>Implemented</b></p> <p>Updates to Council Policy 000-09, Administrative Regulation 45.80 and 35.70 were completed and claims forms were updated.</p>  | <p><del>TBD</del></p> <p><del>March 2012</del></p> <p><del>April 2014</del></p> <p><del>September 2014</del></p> <p><del>March 2015</del></p> <p><del>June 2015</del></p> <p><b>Implemented</b></p> |

| 11-020 – Performance Audit of the Parking Administration Program  |   |   |
|---|---|---|
| Recommendation  | Status  | Target Date   |
| <p><b>Recommendation #12</b></p> <p>Develop an effective and appropriate replacement schedule for the City's parking meters. In addition, the City Administration should ensure that an appropriate portion of the parking meter revenue is set aside to fund this program.</p> | <p><b>Implemented</b></p> <p>On June 10, 2014, City Council approved a Cooperative Procurement Agreement with the City of Sacramento and vendor IPS Group to replace all existing single head parking meters. Full implementation was completed in March 2015. Annually, Parking Meter Revenue is distributed to the Community Parking Districts in accordance with Council Policy 100-18. Any surplus funds are retained for future eligible expenses or capital improvement projects such as meter replacement. There was sufficient funding available to replace all existing single space parking meters this year and the project is complete.</p> | <p><del>March 2012</del></p> <p><del>TBD</del></p> <p><del>December 2014</del></p> <p><del>March 2015</del></p> <p><b>Implemented</b></p> |

| 11-026 – Performance Audit of the Take-Home Use of City Vehicles  |   |  |
|---|---|--|
| Recommendation  | Status  | Target Date  |
| <p><b>Recommendation #5</b></p> <p>Work in consultation with the San Diego Police Department and the San Diego Fire-Rescue Department to revise Council Policy 200-19 regarding the use of City vehicles by City employees. The revised policy should require that a complete listing of take-home vehicles be provided by each City department yearly with a justification for those assignments. In addition, the revised policy should clearly define the purpose of take-home vehicles and restrict their assignment to the greatest extent possible.</p> | <p><b>In Process</b></p> <p>Management’s position is that a City Council Policy is not necessary, as this an operational issue, and as such would be better served in a Citywide Administrative Regulation (AR). The Take Home Vehicle AR will be created and will include a provision which clearly states the purpose of take home vehicles. Such provision will include appropriate use by City personnel. The AR is anticipated to be completed before the new calendar year.</p> | <p><del>January 2012</del><br/> <del>TBD</del><br/> <b>November 2015</b></p>   |
| <p><b>Recommendation #6</b></p> <p>Work with the Fleet Services Division to calculate the cost of commuting in Department vehicles. These costs should be calculated and reported to the City Administration on an annual basis by the Fleet Services Division.</p>   | <p><b>In Process</b></p> <p>Beginning in July 2015, Fleet Services Division began a comprehensive compilation of annual vehicle expenses. Once these expenses are captured for Fiscal Year 2016, the information will be provided to City departments based on the vehicle ID number. Individual departments will be responsible for identifying cost information by assigned employee (for take home vehicles) and reporting as suggested.</p>                                       | <p><del>January 2012</del><br/> <del>July 2012</del><br/> <del>TBD</del><br/> <del>March 2015</del><br/> <b>October 2016</b></p> |
| <p><b>Recommendation #11</b></p> <p>Maintain backup files of all data on vehicle maintenance and fuel costs according to Internal Revenue Service records retention regulations.</p>  | <p><b>In Process</b></p> <p>Fleet Services indicated that the “Fleet Focus” upgrade should start in July 2015 and it should be completed in June 2016. This upgrade will allow for better data capture for reporting, and the pertinent data will be retained for the life span of the vehicle.</p>   | <p><del>August 2012</del><br/> <del>TBD</del><br/> <del>December 2014</del><br/> <del>TBD</del><br/> <b>June 2016</b></p>        |