



## THE CITY OF SAN DIEGO

DATE: March 4, 2010  
TO: Honorable Members of the Audit Committee  
FROM: Eduardo Luna, City Auditor  
SUBJECT: **City Auditor Activity Report – February 2010**

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This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of February 2010. 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:**

- February 1, 2010 – Presented to the Audit Committee a Fraud Hotline Update for the period October to December 2009. The presentation can be found at the following location:

[Fraud Hotline Update October 2009 - December 2009](#)

- February 2, 2010 – Issued our performance audit of the Public Utilities Department Bid to Goal Program. This audit found that efficiencies have been achieved, but improvements are needed in documentation, management and internal review of the program. We made fourteen recommendations to management for corrective actions. The audit report can be found at the following location:

[Performance Audit of the Bid to Goal Program](#)

- February 8, 2010 – Issued the Close-Out Audit report for Anna Danegger, former Business Office Director. We found that Ms. Danegger had no outstanding debt to the City and nothing came to our attention requiring further review. The audit report can be found at the following location:

[Close Out Audit of Anna Danegger, Former Business Office Director](#)

**Audit Reports and Accomplishments (Continued):**

- February 19, 2010 – Issued the Close-Out Audit report for David Wescoe, former Retirement Administrator. We found that Mr. Wescoe had no outstanding debt to the City and nothing came to our attention requiring further review. The audit report can be found at the following location:

[Close Out Audit of David Wescoe, Former Retirement Administrator](#)

**New Audit Staff Additions**

- Claudia Orsi has joined the City Auditor's Office as a Principal Auditor. Claudia has a Master of Public Policy and Bachelor of Arts degree in International Studies from Pepperdine University. Her experience includes over four years with the California Bureau of State Audits as a Senior Auditor Evaluator/Auditor Evaluator. At the Bureau, her assignments included an audit of the Los Angeles City Attorney's internal process for contracting out legal services, an analysis of the Board of Equalization's Tobacco Tax enforcement efforts, and an evaluation of the Franchise Tax Board's protocol for collecting on delinquent labor accounts. Prior to starting with the Bureau, she worked as a Legislative Researcher/Analyst for Legislative Intent Service analyzing and monitoring bills as they moved through the legislative process.
- Albert Allison has joined the City Auditor's Office as a Fraud Investigator. Al has broad experience in planning and conducting financial fraud investigations in both the public and private sector. Al's previous experience includes serving as IRS, Criminal Investigation (CI) Branch Chief for the San Diego Post of Duty for twelve years. He directed the policies and programs of CI employees in the San Diego and Imperial Counties. The San Diego office investigated and recommended for prosecution income tax evasion, domestic and foreign money laundering, currency report violations, and made civil and criminal asset seizures. The prosecution of the financial aspects of criminal cases was the result of many successful joint agency investigations. Al was also the Methamphetamine Program Coordinator for the San Diego/Imperial County Narcotic Information Network and was responsible to develop a process to improve law enforcement's ability to identify methamphetamine trafficking organizations. Most recently, Al worked with the San Diego private investigation firm, Baker Street Group, Inc, where he was the firm's specialist in forensic accounting techniques, anti-money laundering, and asset location for eight years before joining the Office of the City Auditor. Al has a Bachelor of Business Administration degree with a concentration in Accounting and a Master of Business Administration degree from Western Michigan University, and he is a Certified Fraud Examiner.

**New Audit Staff Additions (Continued):**

- Chris Constantin has joined the City Auditor's Office as an Audit Manager. His experience includes working in the City of San Jose's Office of the City Auditor for nine years. He served as a Senior Auditor conducting, leading or overseeing auditors conducting numerous complex performance and financial-related audits of government programs and services. His work earned two national awards from the Association of Local Government Auditors. He has presented at numerous national conferences and has trained hundreds of government auditors. Chris has also spent over thirteen years developing policy and governing the West Valley-Mission Community College District. He created and chaired the first district Audit and Budget Oversight Committee to enhance financial controls, monitor district audits, and maintain fiscal discipline. Chris served over five years on national and statewide education policy, legislative, and finance advisory committees, presented at numerous conferences, and conducted U.S. Education Department sanctioned accreditation reviews of two community college districts. Chris serves as a Reserve Police Officer for the City of Hayward, CA. He is a certified internal affairs investigator, defensive tactics instructor, and served on special reserve unit details. He has over four years of enforcement, investigations, and community relations police experience. Chris is a Certified Fraud Examiner and a Certified Law Enforcement Auditor. He currently serves on the Association of Local Government Auditor's Communications Committee and is the Assistant Editor of their national Quarterly publication. He has a Masters in Public Administration from the Maxwell School of Citizenship at Syracuse University, and a Bachelor of Science degree in Engineering from San Jose State University.

**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>Citywide Revenue Audit</b>	The objective of this audit is to assess the risk associated with the various revenues collected by the City, identify revenue categories that have not been audited by the City, and recommend a strategy for auditing revenues based on risk to the City. Furthermore, this audit will review the activities of the Treasurer's Revenue Audit and Appeals Division. The draft audit report is under review by City Management. Issuing this report has taken more time than anticipated due to the volume and complexity of issues identified during the audit. We did not issue this report in February 2010 as anticipated because City Administration requested an extension until March 5 <sup>th</sup> to respond to the report.	March 2010	1,483	860
<b>City Treasurer - Investment Activities Audit</b>	The objective of this audit is to determine if investments are being properly handled, accounted for and accurately reported in the City's financial statements. We held an exit conference and provided a draft report to the Administration. We did not issue this report in February 2010 because the Administration is scheduled to respond by March 16 <sup>th</sup> .	March 2010	852	849

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>Purchasing and Contracting – Requisition, Purchase Order and Contract Management</b>	The objective of this audit is to determine if Purchasing and Contracting has sound procurement procedures in place and to evaluate the efficiency and effectiveness of the Department’s procedures. We completed an audit of the contracts associated with the debris removal program to clear homes destroyed in the 2007 wildfires and a report regarding unclaimed monies within the scope of this audit. We held an exit conference and provided a draft report to the Administration. We did not issue this report in February 2010 because the Administration is scheduled to respond at a later date in March.	March 2010	2,087	2,467
<b>Purchasing and Contracting - Equal Opportunity Contracting and Labor Compliance Audit</b>	The objective of this audit is to determine the efficiency and effectiveness of the City's equal opportunity contracting and labor compliance. A draft audit report has been prepared and is under review. The timing of key audit activities from several audits resulted in delaying the target completion date.	March 2010	1,006	841

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>Audit of Development Services' Process for the Collection of Public Utilities Fees</b>	The objective of this audit is to determine if Development Services has adequate procedures in place to ensure the proper collection of Public Utilities fees. Audit fieldwork is completed and audit management is reviewing the draft audit report.	March 2010	820	880
<b>Enterprise Resource Planning (ERP) System Implementation Review</b>	The objectives of this audit are: (a) determine if the City's key financial activities were adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system (b) determine if the system was adequately tested prior to implementation and (c) review high risk interfaced and impacted systems post SAP go-live. Audit fieldwork is in progress. One report has already been issued during this audit.	March 2010	2,418	3,207

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>General Services - Streets Division Roadways Audit (Part I, II, &amp; III)</b>	<p>The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. Audit fieldwork is in progress. We issued a report on Part I, and we plan to issue two additional reports. Our preliminary testing uncovered risks which required additional audit testing. As a result, this audit will exceed the budgeted hours allocated to this project.</p>	<p>Part II May 2010</p> <p>Part III TBD</p>	<p>1,843</p>	<p>1,374</p>
<b>City Treasurer - Delinquent Account Collections Audit</b>	<p>The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements. We issued a report on December 2, 2009 regarding Development Services Department's lack of referrals to City Treasurer for collection efforts. Audit fieldwork for a second and final report is in progress.</p>	<p>TBD</p>	<p>531</p>	<p>621</p>
<b>Engineering and Capital Projects – CIP Audit</b>	<p>The objective of this audit is to evaluate the efficiency and effectiveness of Engineering and Capital Projects' administration of CIP projects. This audit is in the planning stage.</p>	<p>TBD</p>	<p>375</p>	<p>1,880</p>

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>Fire Rescue – Fire Prevention Audit</b>	The objective of this audit is to assess the efficiency and effectiveness of the City’s fire prevention program. This audit is in the planning stage.	TBD	173	920
<b>Risk Management – Public Liability and Loss Recovery Audit</b>	The objective of this audit is to determine if public liability and loss recovery is being properly handled, accounted for and accurately reported. This audit is in the planning stage.	TBD	232	880
<b>Fraud, Waste and Abuse Hotline</b>	We review and administer the City’s Hotline calls that are received. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on any fraud related allegations that are substantiated. During the month of February, there were 3 new Hotline calls received.	On-going	927  (Fiscal Year 2010 Hours)	1,660  (Fiscal Year 2010 Hours)
<b>Disclosure Practices Working Group (DPWG)</b>	City Auditor staff participates in DPWG meetings as an ex officio member. We did not spend any hours participating in DPWG meetings during the month of February.	On-going	21  (Fiscal Year 2010 Hours)	210  (Fiscal Year 2010 Hours)



**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<p><b>Follow-up on All Audit Report Recommendations Issued in FY08 Through the First Quarter of FY09</b></p>	<p>We have created a database to track all of our audit recommendations made since FY08. We provided our database to City Comptroller staff for follow-up. Comptroller staff will contact those responsible for implementing our recommendations and provide status data to the City Auditor on all recommendations. The Comptroller's original target date to provide the status was November 30, 2009, and we received some status information on February 25, 2010. City Auditor staff will conduct follow-up testing to verify that the recommendations marked as completed have actually been implemented.</p>	<p>On-going</p>	<p>3</p>	<p>600</p>

**Planned FY10 Audits Not Yet Started:**

<b>Planned Audit</b>	<b>Estimated Audit Hours</b>
<b>City Treasurer – Parking Administration Audit</b>	640
<b>Police Department – Fiscal Services (Animal Services Contract) Audit</b>	600
<b>City Comptroller / Personnel Department – Payroll Audit</b>	1,280
<b>Risk Management – Workers’ Compensation Audit</b>	1,200
<b>Annual Central Stores Inventory Audit FY10</b>	45

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  
Mary Lewis, Chief Financial Officer  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst  
Stanley Keller, Independent Oversight Monitor