



## THE CITY OF SAN DIEGO

DATE: August 23, 2010

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – July 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 July 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:**

- July 12, 2010 – Presented to the Audit Committee the upcoming Peer Review of the Office of the City Auditor in October 2010. The presentation can be found on our website at:  
[http://docs.sandiego.gov/councilcomm\\_agendas\\_attach/2010/Audit\\_100712\\_4ppt.pdf](http://docs.sandiego.gov/councilcomm_agendas_attach/2010/Audit_100712_4ppt.pdf)
- July 12, 2010 – Presented to the Audit Committee the Office of the City Auditor's FY 2011 Risk Assessment and Audit Work Plan. The presentation can be found on our website at:  
[http://docs.sandiego.gov/councilcomm\\_agendas\\_attach/2010/Audit\\_100712\\_7ppt.pdf](http://docs.sandiego.gov/councilcomm_agendas_attach/2010/Audit_100712_7ppt.pdf)
- July 12, 2010 – Issued the City Auditor's Quarterly Fraud Hotline Report for the Fourth Quarter of Fiscal Year 2010. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/hotline\\_pdf/hotline\\_q4\\_fy10\\_update.pdf](http://www.sandiego.gov/auditor/reports/hotline_pdf/hotline_q4_fy10_update.pdf)
- July 13, 2010 – Staff participated in a training focused on Improving Audit Efficiency and developing audit plans. Under Government Auditing Standards, each auditor is required to perform 80 hours of continuous professional development, and this training provided a cost-effective seven hours towards the requirement. The City Auditor's Office partnered with the Public Utilities Internal Controls group to host Drummond Kahn, Portland's Director of Internal Audit.

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

- July 21, 2010 – Hotline Investigation Report of Abuse from the Sale of Scrap Metal. We conducted an investigation in response to a complaint made to the City’s Fraud Hotline. The complaint alleged that employees of a division in the General Services Department sold scrap metal salvaged from City projects for approximately \$5,000 and intentionally diverted \$3,000 of the proceeds of the sale to purchase raffle items for the raffle held at the Safety Awards banquet in 2009. The investigation concluded that the allegation is substantiated. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/hotline\\_pdf/hotline\\_gen\\_srvcs\\_scrp-mtl\\_report.pdf](http://www.sandiego.gov/auditor/reports/hotline_pdf/hotline_gen_srvcs_scrp-mtl_report.pdf)
- July 29, 2010 – Issued our Central Stores Agreed-Upon Procedures Inventory Count for FY 2010. This inventory count is required by San Diego Municipal Code §22.0501. The review consisted of comparing the City’s physical inventory in its three storerooms to the inventory stock record. We found that the physical count of items on hand did not match the City inventory records in 59 instances. As a result, the actual inventory value of stock items tested is \$2,442.24, or 1.4%, greater than Central Stores’ records. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/audit\\_pdf/fy10\\_cs\\_inventory\\_audit.pdf](http://www.sandiego.gov/auditor/reports/audit_pdf/fy10_cs_inventory_audit.pdf)

**New Staff Member**

**Martin Wilson, MPA, Performance Auditor**

Martin Wilson joined the City Auditor's Office as a Performance Auditor in July 2010. Martin holds a Masters in Public Administration from the Maxwell School of Citizenship and Public Affairs at Syracuse University, and a Bachelor’s degree in Political Science from the University of North Carolina at Chapel Hill. His experience includes budget and administrative work for the Meridian International Center in Washington D.C.

**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>Close-out Audits</b>	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are 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. We are currently conducting close-out audits for Nader Tirandazi, former Financial Management Director, and Jim Barrett, former Public Utilities Director. We have used approximately 39 hours to date on these two audits, and anticipate another 6 hours will be needed in FY11 to complete these two audits.	August 2010	39	240
<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. Fieldwork is completed and audit report writing is in progress. We have used approximately 1,493 hours to date and anticipate an additional 100 hours will be needed in FY11.	August 2010	1,493	980

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>Enterprise Resource Planning (ERP) System Implementation Review</b>	<p>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 nearly completed, and audit report writing is in progress. One report has already been issued during this audit. We have used approximately 2,925 hours to date and anticipate an additional 200 hours will be needed in FY11.</p>	September 2010	2,925	3,407
<b>General Services - Streets Division Roadways Audit (Part I &amp; II)</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 one additional report. Our preliminary testing uncovered risks which required additional audit testing. As a result, this audit will exceed the budgeted hours allocated to this project. Audit report writing is in progress. We have used approximately 3,082 hours to date and anticipate an additional 200 hours will be needed in FY11.</p>	Part II September 2010	3,082	1,574

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>City Treasurer - Delinquent Account Collections Audit</b>	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 in December 2009 regarding Development Services' lack of referrals to City Treasurer for collection efforts. Report Writing is in progress. We have used approximately 830 hours to date and anticipate an additional 300 hours will be needed in FY11.	September 2010	830	921
<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. Audit report writing is in progress. We have used approximately 942 hours to date and anticipate an additional 200 hours will be needed in FY11.	September 2010	942	1,080
<b>Capital Improvement Projects Audit</b>	The objective of this audit is to determine the extent to which the City effectively initiates, prioritizes, and implements CIP projects. Audit fieldwork is in progress. We have used approximately 1,468 hours to date and anticipate additional 1,000 hours will be needed in FY11.	Part I November 2010	1,468	2,880

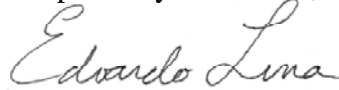
Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>Police Department – Fiscal Services (Animal Services Contract) Audit</b>	The objective of this audit is to review the City’s contract for Animal Services and determine if the service provider is in compliance with the terms of the contract. Audit planning is in progress.	TBD	30	600
<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 fraud related allegations that are substantiated. During the month of July, there were 12 new Hotline calls received.	On-going	83  (Fiscal Year 2011 Hours)	1,560  (Fiscal Year 2011 Hours)
<b>Follow-up on Audit Report Recommendations</b>	The City Auditor tracks all audit recommendations made since FY08. 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 next semi-annual follow-up report is due in September 2010.	On-going	158  (Fiscal Year 2011 Hours)	600  (Fiscal Year 2011 Hours)

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>Public Utilities – Water Department and Metropolitan Wastewater Audits</b>	The City Auditor entered into a Service Level Agreement with Public Utilities and the Independent Rates Oversight Committee to conduct audits of the Public Utilities department. Currently, the City Auditor is undertaking a comprehensive risk assessment to identify areas for subsequent audits. We expect completion of the risk assessment in September 2010.	TBD	121	2,600
<b>Fire Rescue – Emergency Medical Services Audit</b>	The objective of this audit is to determine the efficiency and effectiveness of the City's Emergency Medical Services and related partnership with Rural/Metro of San Diego. Audit planning is in progress.	TBD	60	1,800

**Planned FY11 Audits Not Yet Started (as of July 31, 2010):**

<b>Planned Audit</b>	<b>Estimated Audit Hours</b>
<b>City Treasurer – Parking Administration Audit</b>	1,280
<b>City Comptroller / Personnel Department – Payroll Audit</b>	1,500
<b>City Retirement System Audit</b>	1,700
<b>Development Services Department Audit</b>	1,600
<b>General Services – Fleet Services Audit</b>	1,400
<b>Police Department – Fiscal Services (License and Permit Fees)</b>	1,300
<b>Real Estate Assets Department Audit</b>	1,800

Respectfully Submitted,



Eduardo Luna  
City Auditor

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
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