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April 2010

# Audit Recommendation Follow-up Report

*Status Update as of  
March 12, 2010*



THE CITY OF SAN DIEGO

DATE: April 29, 2010  
TO: Honorable Members of the Audit Committee  
FROM: Eduardo Luna, City Auditor  
SUBJECT: **Recommendation Follow-Up Report**

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Attached is the City Auditor's Office first Recommendation Follow-Up Report which provides the status of open recommendations as of March 12, 2010. We will continue reporting on open recommendations semiannually for periods ending June 30<sup>th</sup> and December 31<sup>st</sup>.

We provided a short summary of data, highlighted several recommendations, and attached the status updates for all recommendations. We look forward to presenting this report at the May 2010 Audit Committee meeting.

The intent of this report is to keep the Audit Committee informed about the implementation status of recommendations made by the City Auditor's Office. We would welcome any suggestions or recommendations for improving upon this report to enhance your ability to monitor the effective implementation of City Auditor recommendations.

cc: Honorable Mayor Jerry Sanders  
Honorable City Councilmembers  
Jay M. Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Ken Whitfield, Comptroller



## EXECUTIVE SUMMARY

We have prepared a baseline status report on City Auditor recommendations as of the period ending March 12, 2010. To prepare this report, we reviewed the City administration's assessment of audit recommendation status and documentation provided by departments and City Agencies. The Office of the City Auditor would like to thank the City administration, specifically the Comptroller's Office and all the affected departments and City Agencies for their assistance in compiling this report.

## IMPLEMENTATION STATUS OF OPEN RECOMMENDATIONS

This is the first report issued by the Office of the City Auditor regarding the status of open recommendations. On March 12, 2010, the Comptroller's Office provided the City Auditor a listing of 122 recommendations<sup>1</sup> deemed implemented by departments. These submitted recommendations represented only 120 of 361 (33 percent) of all open recommendations.

The Comptroller's Office is working to receive status updates of all open recommendations. Currently, the Comptroller's Office does not report on recommendations which are not deemed fully implemented. As a result, the implementation statistics below include 223 recommendations in which the Comptroller did not provide a status update<sup>2</sup>. Therefore, we classified these as Not Implemented.

Of the 361 outstanding recommendations:

- 89 recommendations were implemented;
- 22 recommendations were partly implemented;
- 241 recommendations were not implemented; and
- 8 recommendations considered to drop.

City Auditor's Office staff deemed recommendations:

- **Implemented** where City staff provided sufficient and appropriate evidence to support all elements of the recommendation;
- **Partly Implemented** where some evidence was provided but not all elements of the recommendation were addressed;
- **Not Implemented** where evidence did not support meaningful movement towards implementation or where no evidence was provided; and

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<sup>1</sup> The Comptroller's report was overstated with two recommendations as these recommendations were remediated and reported as such when the City Auditor's Office issued the audit report (09-018). Therefore the City Auditor's Office did not include the two recommendations for follow up.

<sup>2</sup> We should note that the City Auditor's Office reviewed 18 additional recommendations for the San Diego Processing Corporation in a previous report. Although the City administration did not report on the status of these recommendations, we will include the status update from our previous report.

- **Drop** where the administration disagreed with the recommendation and did not intend to implement. Also, a drop is recommended where circumstances change to make a recommendation not applicable.

Exhibit 1 summarizes the status of open recommendations by audit report in chronological order.

**Exhibit 1: Audit Reports and Recommendation Status**

<b>Report<sup>3</sup></b>	<b>Implemented</b>	<b>Partly Implemented</b>	<b>Not Implemented</b>	<b>Drop</b>
<b>08-001</b> Community Facility District No. 3, Liberty Station Phase I Park Facilities	<b>1</b>			
<b>08-009</b> Central Stores Inventory Audit – General Services Department			<b>1</b>	
<b>08-010</b> Central Stores Inventory Audit- Purchasing & Contracting Department	<b>5</b>	<b>1</b>	<b>3</b>	
<b>08-011</b> City Oversight of the San Diego Public Library Foundation	<b>13</b>		<b>5</b>	
<b>08-019</b> Cash Count and Bank Reconciliation Audit – KROLL Remediation of the City’s Bank Reconciliation Process	<b>5</b>		<b>1</b>	
<b>08-020</b> Audit of Permits Issued for the Blackwater Facility	<b>6</b>		<b>2</b>	
<b>09-001</b> Audit of the Internal Control Remediation Related to the San Diego City Employees’ Retirement System	<b>2</b>		<b>3</b>	<b>1</b>
<b>09-003</b> Audit of Accounts of Anna Tatar (Martinez), Library Director	<b>2</b>		<b>2</b>	
<b>09-004</b> Audit of the San Diego Public Library Fee Collection Process	<b>4</b>	<b>2</b>	<b>2</b>	<b>1</b>
<b>09-005</b> Audit of the 2007 Wildfire Debris Removal Project		<b>3</b>	<b>7</b>	<b>4</b>
<b>09-006</b> Hotline Investigation of the Junior Lifeguard Program’s Deposits of Fundraiser Monies			<b>1</b>	
<b>09-007</b> Hotline Investigation of the Handling of Scrap Metal at the Point Loma Metropolitan Wastewater Department Facility		<b>1</b>		
<b>09-008</b> Hotline Investigation of the Duplication of Water Meter Box Replacement Work			<b>2</b>	
<b>09-009</b> Hotline Investigation of the Fourth District Senior Resource Center		<b>1</b>		
<b>09-011</b> Audit of Accounts of Michael Aguirre, Former City Attorney			<b>2</b>	

<sup>3</sup> We list only issued reports with open recommendations. As a result, not all issued reports are included in this Exhibit.

<b>Report</b>	<b>Implemented</b>	<b>Partly Implemented</b>	<b>Not Implemented</b>	<b>Drop</b>
<b>09-012</b> Audit of Accounts of Scott Peters, Former City Council District 1, Toni Atkins, Former City Council District 3, Brian Maienschein, Former City Council District 5, and James (Jim) Madaffer, Former City Council District 7	<b>1</b>			
<b>09-013</b> The City of San Diego Faces Unique Operational and Administrative Challenges in Managing Qualcomm Stadium			<b>9</b>	
<b>09-014</b> Audit of San Diego Data Processing Corporation's Compensation and Budgeting Practices	<b>5</b>	<b>1</b>		
<b>09-015</b> Audit of the San Diego Public Library Cash Handling (Confidential)			<b>18</b>	
<b>09-016</b> Audit of Accounts of Wendi Brick, Former Customer Services Director, Elmer Heap, Former Deputy Chief Operating Officer, Jillanne (Jill) Olen, Former Deputy Chief Operating Officer, and Joanne SawyerKnoll, Former Deputy Chief Operating Officer			<b>2</b>	<b>1</b>
<b>09-017</b> Park and Recreation Pool Audit	<b>5</b>	<b>4</b>	<b>7</b>	<b>1</b>
<b>09-018</b> Audit of the SAP ERP Implementation-Current to Integration Testing, Cycle 1	<b>3</b>		<b>3</b>	
<b>09-020</b> Hotline Investigation of a City Employee	<b>1</b>			
<b>09-021</b> Hotline Investigation of Promote La Jolla, Inc.	<b>2</b>		<b>2</b>	
<b>09-022</b> Hotline Investigation of a Development Services Department Employee	<b>1</b>			
<b>09-023</b> Audit of the Central Stores Inventory (FY08)		<b>2</b>	<b>5</b>	
<b>09-OA-001</b> Southeastern Economic Development Corporation Performance Audit of Operations			<b>33</b>	
<b>10-001</b> Metropolitan Wastewater Department Contract Compliance Audit	<b>3</b>	<b>1</b>	<b>8</b>	
<b>10-002</b> Performance Audit of the San Diego Housing Commission – Part I	<b>6</b>		<b>13</b>	
<b>10-003</b> Performance Audit of the San Diego Housing Commission – Part II	<b>2</b>	<b>1</b>	<b>9</b>	
<b>10-006</b> Office of the City Attorney Proposition 64 Funds Audit	<b>4</b>	<b>1</b>	<b>2</b>	
<b>10-007</b> Performance Audit of the City's Street Maintenance Functions			<b>4</b>	
<b>10-008</b> Hotline Investigation of a City Comptroller Employee			<b>2</b>	

<b>Report</b>	<b>Implemented</b>	<b>Partly Implemented</b>	<b>Not Implemented</b>	<b>Drop</b>
<b>10-009</b> San Diego Data Processing Corporation Follow-Up Audit	<b>9</b>	<b>3</b>	<b>4</b>	
<b>10-010</b> Performance Audit of the City Treasurer's Delinquent Accounts Program – Development Services Department	<b>3</b>		<b>11</b>	
<b>10-013</b> Bid to Goal: Efficiencies have been Achieved, But Improvements are needed in Documentation, Management, and Internal Review of the Program			<b>14</b>	
<b>10-016</b> Citywide Revenue			<b>23</b>	
<b>10-017</b> Performance Audit of the City's Treasurer's Investments Division			<b>3</b>	
<b>10-018</b> Performance Audit of the Purchasing and Contracting Department – Citywide Open Purchase Order Program			<b>6</b>	
<b>10-OA-001</b> Performance Audit of the Centre City Development Corporation			<b>24</b>	
<b>10-OA-002</b> Audit of the San Diego Convention Center Corporation	<b>6</b>	<b>1</b>	<b>4</b>	
<b>10-OA-003</b> Review of the Hiring Process of the Director of Purchasing and Contracting			<b>5</b>	
<b>Grand Total</b>	<b>89 (25%)</b>	<b>22 (6%)</b>	<b>242 (67%)</b>	<b>8 (2%)</b>

As of March 12, 2010, the distribution of the 361 recommendations is as follows:

- |    |                                      |    |   |
|----|--------------------------------------|----|---|
| 24 | Center City Development Corporation  | 5  | Office of the Mayor                           |
| 23 | Chief Financial Officer              | 18 | Park and Recreation Department                |
| 4  | City Planning & Community Investment | 4  | Personnel Department                          |
| 10 | City Treasurer                       | 29 | Public Utilities Department                   |
| 1  | Comptroller                          | 23 | Purchasing and Contracting Department         |
| 1  | City Council                         | 9  | Real Estate Assets Department                 |
| 15 | Development Services Department      | 1  | Risk Management Department                    |
| 14 | Environmental Services Department    | 11 | San Diego Convention Center Corporation       |
| 6  | Financial Management Department      | 31 | San Diego Housing Commission                  |
| 1  | Fire-Rescue Department               | 49 | San Diego Public Library                      |
| 4  | General Services Department          | 6  | San Diego City Employee Retirement System     |
| 2  | Independent Budget Analyst           | 22 | San Diego Data Processing Corporation         |
| 8  | Land Use & Economic Development      | 33 | Southeastern Economic Development Corporation |
| 7  | Office of the City Attorney          |    |   |

Exhibit 2 shows how long a recommendation remains open since the original report was issued<sup>4</sup>.

**Exhibit 2: Audit Recommendation Implementation Timeframe**

Timeframe	Implemented	Partly Implemented	Not Implemented	Not Implemented-NR	Drop	Total
0-3 Months	12	3	4	57		76
4-6 Months	4	1	2	6		13
6-12 Months	35	9	5	83	2	134
1 to 2 Years	19	8	5	70	6	108
Over 2 Years	19	1	3	7		30
<b>Total</b>	89	22	19	223	8	361

**FUTURE RECOMMENDATION FOLLOW-UP**

The Office of the City Auditor will conduct semiannual follow-up with reporting periods ending June 30<sup>th</sup> and December 31<sup>st</sup> of each calendar year. The first regular semiannual follow-up will begin with the period ending June 30, 2010. We will continue to evaluate ways to improve the recommendation follow-up process. Further, we will work with the Comptroller’s Office to identify opportunities to enhance the City’s internal recommendation response process.

**ATTACHMENTS**

**Attachment A** includes recommendations highlighted for the Audit Committee’s attention. Generally, these recommendations include those where the administration disagreed with implementing the recommendation, the status update significantly varied from the update provided by the administration, or where a recommendation may need some type of action such as dropping.

**Attachment B** includes a chronological listing of all open recommendations as of March 12, 2001, a recommendation status update and the applicable implementation status. The administration did not track or provide an implementation status on 223 recommendations. Their recommendation statuses are shown as Not Implemented-No Response (**Not Implemented-NR**).

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<sup>4</sup> Timing is rounded to the month.

**ATTACHMENT A**

**RECOMMENDATIONS FOR THE  
AUDIT COMMITTEE'S  
ATTENTION**



**ATTACHMENT A**  
**RECOMMENDATIONS FOR THE AUDIT COMMITTEE'S ATTENTION**

**08-010**     **CENTRAL STORES INVENTORY AUDIT - PURCHASING & CONTRACTING DEPARTMENT**

# 2.B     Ensure the surcharge percentage billed to Non-City Agencies is sufficient to recoup all of overhead costs incurred by the City to invoice and collect funds from outside Agencies for stock purchases. (TM)

**Not Implemented**

Neither, Central Stores staff nor Purchasing and Contracting staff have conducted a review to determine if the surcharge percentage billed to Non-City Agencies is sufficient to recoup all of overhead costs incurred by the City to invoice and collect funds from outside Agencies for stock purchases. This item did not result in increased revenues. However, had a study been conducted, this item could have potentially increased revenues by increasing the surcharge percentage applied to invoices billed to Non-City Agencies.

**08-011**     **CITY OVERSIGHT OF THE SAN DIEGO PUBLIC LIBRARY FOUNDATION**

# 4     Ensure insurance for Commercial Crime Coverage complies with the terms of the Memorandum of Understanding or revise the insurance requirements of the Memorandum of Understanding with terms that still provide adequate coverage to protect donated assets. (TM)

**Not Implemented**

The current Memorandum of Understanding requires the Foundation to obtain Commercial Crime Coverage Insurance in an amount not less than \$1,000,000; and add the City as an additional insured. At the issuance of the audit report, the Commercial Crime Coverage Insurance was for \$300,000 and the name insured on the policy was the library, not the Foundation. The Memorandum of Understanding is currently being re-written and it is anticipated by the Foundation to be approved by the Mayor and Council in December 2010.

**09-001**     **AUDIT OF THE INTERNAL CONTROL REMEDIATION RELATED TO THE SAN DIEGO CITY EMPLOYEES RETIREMENT SYSTEM**

# 1     To ensure compliance with the Kroll report recommendation, SDCERS should amend its Board policy to include a ten year limitation on continuous service on contracts for actuarial valuation services, and ensure future renewals with Cheiron, Inc are in compliance with this policy. (TM)

**Drop**

SDCERS' Board policy governing contracting for actuary services was amended to limit actuary contracts to five years. Upon the expiration of the contract, the Board will issue a new Request for Proposal. However, the Board still retains the ability to select the same auditor for a period exceeding ten years. In the event an actuary is selected for more than five continuous years, the policy requires an independent audit firm to audit the actuary's services every five years. It does not appear likely that SDCERS will fully implement this recommendation; therefore, we recommend dropping this recommendation.

**09-003      AUDIT OF ACCOUNTS OF ANNA TATAR (MARTINEZ), LIBRARY DIRECTOR**

# 1      The Office of the City Comptroller and Labor Relations Department should determine the practicability of recouping the \$7,327.68 overpayment from Ms. Tatar. (DA) (TM)

**Not Implemented**

According to the City management, the City will not pursue repayment of monies due to the cost estimate of recovering the monies. The City is foregoing \$7,327.68 in overpayments. We believe the benefit exceeds the cost estimate; as a result, the City should attempt recovery. Further, the City Management may consider collection services which incorporate their service charges on top of the amount owed. We recommend continuing follow up on this recommendation.

# 2      The Office of the City Comptroller, Payroll Division should research the other 7 individuals for potential overpayments. (DA) (TM)

**Not Implemented**

According to City management, no further research will be done to identify additional overpayments, nor will the City pursue recoupment. In their original response to this recommendation, the City management indicated they would consult the City Attorney on this issue and report back to the City Council if their position changed. City management did not provide any supporting documentation showing consultation with the City Attorney nor any report to the City Council. We believe implementation of this recommendation could result in identifying and recouping past overpayments to City employees related to "Old Sick Leave." We recommend continuing follow up on this recommendation.

**09-004      AUDIT OF THE SAN DIEGO PUBLIC LIBRARY FEE COLLECTION PROCESS**

# 2      Consult with San Diego Data Processing Corporation to determine if there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor. (TC)

**Partly Implemented**      The Library Department consulted with San Diego Data Processing Corporation (SDDPC) and determined that there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor. However, SDDPC has ceased efforts to recover an estimated \$10K because all of the original vendor contacts SDDPC had have since left SirsiDynix. Not recovering amounts owed to the City may be construed as a gift of public funds. City management should consider alternative collection options such as a third party collection agency or refer the case to the City Attorney's Office.

# 5      In conjunction with the Treasurer's Collections Division, determine the cost and benefits of implementing a fully automated interface with the Collections software applications to automate the exchange of data between the Library and Collections on payments made by customers. (TC)

**Drop**      The Library Department determined that creating an interface would not be technically feasible and therefore will not be implementing an interface. Library staff indicated that the Library Department submitted a budget item to conduct a cost/benefit analysis, but the request was denied. According to the San Diego Data Processing Corporation, there are significant technical challenges to creating an interface. As a result, Library staff manually processes collections information and provides this information to the Treasurer's Collections Division via email. We recommend dropping this recommendation because it does not appear the library will be able to implement the recommendation.

**09-005      AUDIT OF THE 2007 WILDFIRE DEBRIS REMOVAL PROJECT**

# 1      City staff should ensure that future service contract amendments are reasonable, and do not allow reimbursable expenses to include overhead and profit. (TM) (JT)

**Drop**                      City management has developed the City’s Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. However, Environmental Services (ESD) needs to develop general policies and procedures to ensure reimbursable expenses do not include overhead and profit. We should note that ESD disagrees with this requirement. In the original response, ~~ESD~~ disagrees with any implication that the contract amendment was not reasonable. There is no hard and fast rule that precludes adding some amount for overhead and profit to the costs included in these types of contracts. Nor does ESD agree with the characterization of disposal costs as a ~~reimbursable expense~~. ESD and Purchasing and Contracting considered these costs more analogous to the cost of construction materials, commonly included in construction contracts with an allowance for overhead and profit, than to reimbursable expenses like travel costs, which are more commonly included, without an allowance for overhead and profit, in contexts like consultant contracts. We recommend dropping this recommendation since the department does not appear to agree with making any changes.

# 9      When preparing estimates for future contracting services, City staff should use information that will provide for the most accurate and appropriate estimates. (TM) (JT)

**Drop**                      City management has developed the City’s Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. According to Environmental Services Department (ESD) staff, ESD will not engage in these type of debris removal contracts in the future. We recommend dropping this recommendation.

# 11 For all debris removal contracts, Environmental Services Department staff should ensure that independent verification of billed amounts that are done by staff be documented and retained. (TM) (JT)

**Drop** City management has developed the City’s Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. According to Environmental Services Department (ESD) staff, ESD will not engage in these type of debris removal contracts in the future. We recommend dropping this recommendation.

# 12 For all future contracts or projects that rely on processes followed by other City department or divisions, Environmental Services Department staff should be proactive in communicating the contract or project requirements. (TM) (JT)

**Drop** City management has developed the City’s Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. According to ESD staff, ESD will not engage in these type of debris removal contracts in the future. We recommend dropping this recommendation.

**09-008** **HOTLINE INVESTIGATION OF THE DUPLICATION OF WATER METER BOX REPLACEMENT WORK**

# 1 We recommend the Water Department recover the cost of the unnecessary duplicate replacements from the contractor and implement more thorough procedures to monitor the project to prevent unnecessary meter box replacements in the future. In addition, we recommend the Department monitor the project to ensure that complete meter boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems. (TC)

**Not Implemented** The Department determined that it will not pursue money paid to the vendor for water meter box replacement work performed on boxes that were in good condition during the box replacement contract. The project contract stated the project description as follows: ~~–~~Removal of existing damaged concrete water meter boxes and replacement with new polymer concrete water meter boxes...” Furthermore, the Department has not provided documented evidence that it has established more thorough policies and procedures to monitor the project to prevent unnecessary meter box replacement in the future or shown evidence it monitors projects to ensure that complete boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems. We recommend continuing follow up on this recommendation.

**09-016**

**AUDIT OF ACCOUNTS OF WENDI BRICK, FORMER CUSTOMER SERVICES DIRECTOR, ELMER HEAP, FORMER DEPUTY CHIEF OPERATING OFFICER, JILLANNE (JILL) OLEN, FORMER DEPUTY CHIEF OPERATING OFFICER, AND JOANNE SAWYERKNOLL, FORMER DEPUTY CHIEF OPERATING OFFICER**

# 3 The Personnel Department and City Administration should review the conflicting policies governing the use of terminal leave, and ensure that all policies are consistent and applied appropriately. Due to the additional costs associated with terminal leave, work to modify the Personnel Regulations to eliminate the language allowing terminal leave usage and require lump sum payments for accrued annual leave upon termination from City employment. (TM)

**Drop**

The Personnel Director reviewed the Personnel Regulations and made recommendations to the Civil Service Commission at its September 3, 2009 meeting to modify the regulations to eliminate the language allowing terminal leave usage and require lump sum payments for accrued annual leave upon termination from City employment. The Civil Service Commission did not take action in regards to these recommendations. We recommend dropping this recommendation.

**09-017**

**PARK & RECREATION POOL AUDIT**

# 11 Implement on-site fiscal monitoring and review, such as surprise cash counts and accountability checklists, by the Supervising Recreation Specialists during unscheduled site visits. (DA)

**Not Implemented**

The Department already had a Funds Accountability Form at the time of the audit, but it was not being used. In the Department's original response it makes reference to prior surprise inspections done by supervising staff and states that effective July 1, 2009, the Supervising Recreation Specialists would now conduct surprise inspections on a quarterly basis. The evidence provided for this update was a blank Funds Accountability Form. This evidence does not support recommendation implementation. Auditor requires copies of completed inspections and therefore recommends continuing follow-up.

# 13 Consider scheduling Supervising Recreation Specialists site visits for delivery and pick-up of documents to avoid a wasted trip. (DA)

**Drop**

The Department disagrees with this recommendation and is not planning to implement it. The department indicates that Supervising Recreation Specialists are required to make regular visits to each of the sites to evaluate staffing ratios, cleanliness of facility and overall programming. The department feels that while specialists' schedules can be changed, they would not be able to eliminate visits to the sites. The department may consider mailing forms on a regular basis between sites and the main office to limit any unnecessary trips. We recommend dropping this recommendation.

**10-006 OFFICE OF THE CITY ATTORNEY PROPOSITION 64 FUNDS AUDIT**

# 1 Review and revise the current policies and procedures for the management of Proposition 64 funds. The policies and procedures should include details on how the funds will be properly recorded, tracked and expended. (DK)

**Partly Implemented**

The City Attorney's Office updated policies and procedures for handling the Proposition 64 funds. The updated policies and procedures provide a history of the Proposition, its intent and definitions, the proper use and tracking of expenditures. Although, the updated policies and procedures address the handling of deposits to the fund, it does not address all the internal control issues discovered during the audit. The City Attorney's Office still has to receive an exemption to the City Charter's daily deposit requirement as allowed in Municipal Code 22.0706.

# 6 Include a requirement that money received be deposited daily in your written policies and procedures. (DK)

**Not Implemented**

We identified two award payments totaling \$96,000 that were not deposited timely and required confirmation from the bank that the checks would still be honored. Additionally, a \$70,000 award check was lost and had to be reissued which was yet again not deposited timely.

The current City Attorney administration has updated policies and procedures, but they do not address all the internal control issues discovered during the audit. Specifically, the City Attorney's Office did not include the City Attorney's Office as being exempted from the daily deposit requirement.

The City Attorney's Office needs to request an exemption from the City Charter daily deposit requirement from the City Council.



**ATTACHMENT B**

**OPEN AUDIT  
RECOMMENDATIONS**

**ATTACHMENT B  
OPEN AUDIT RECOMMENDATIONS**

**08-001    COMMUNITY FACILITY DISTRICT NO. 3, LIBERTY STATION PHASE I PARK FACILITIES**

# 1        Reimburse the developer \$7,239,724.41 for Park Phase 1 Facilities based on the availability of special taxes and or special tax bond proceeds. (TM)

**Implemented**                      The City reimbursed \$7,239,724.41 to McMillin-NTC LLC, the developer, for Liberty Station Phase 1 Park facilities. The funding came from funds that were advanced to the City from the developer and held in retention.

**08-009    CENTRAL STORES INVENTORY AUDIT - GENERAL SERVICES DEPARTMENT**

# 1        Establish written policies and procedures for daily, monthly and yearly inventory management processes and transactions. (TM)

**Not Implemented – NR**

**08-010    CENTRAL STORES INVENTORY AUDIT - PURCHASING & CONTRACTING DEPARTMENT**

# 1.A      Ensure each requisition form completed for all stock issuances has a "Received By" and "Authorized By" signature properly recorded on the form. (TM)

**Implemented**                      Central Stores implemented a Department Instruction for the purposes of ensuring that all stores requisitions include –Received By” and "Authorized By” signatures.

# 1.B      Ensure you maintain a file of authorization memos for those departments that permit the same individual to authorize the requisition and receive the goods. (TM)

**Not Implemented – NR**

# 1.C      Ensure all requisitions are processed daily. (TM)

**Implemented**                      Central Stores implemented a Department Instruction that requires all requisitions to be input in the inventory management system the same day the order is filled.

# 2.A Create a written policy for stock issued to Non-City Agencies. The policy should consider limitations on the type of stock issued and should include adequate controls to ensure purchases are authorized and all City costs are recouped. Ensure all departmental storerooms adopt this policy or submit a copy of their policy to Central Stores. (TM)

**Implemented** Central Stores implemented a Department Instruction for the purposes of ensuring proper and timely issuance of invoices to non-city agencies for the purchase of stock items from Central Stores storerooms.

# 2.B Ensure the surcharge percentage billed to Non-City Agencies is sufficient to recoup all of overhead costs incurred by the City to invoice and collect funds from outside Agencies for stock purchases. (TM)

**Not Implemented** Neither, Central Stores staff nor Purchasing and Contracting staff have conducted a review to determine if the surcharge percentage billed to Non-City Agencies is sufficient to recoup all of overhead costs incurred by the City to invoice and collect funds from outside Agencies for stock purchases. This item did not result in increased revenues. However, had a study been conducted, this item could have potentially increased revenues by increasing the surcharge percentage applied to invoices billed to Non-City Agencies.

# 3.A Require Central Stores staff to implement daily analytical procedures to identify and correct price discrepancies within the FleetFocus system and continue to work with the FleetFocus vendor to ensure pricing accuracy. (TM)

**Implemented** Central Stores implemented daily analytical procedures to identify and correct price discrepancies within the inventory management system.

# 3.B For items with pricing discrepancies due to unit of measure or differing brand name, require Central Stores staff to include descriptive notations in the FleetFocus system. (TM)

**Not Implemented** Central Stores staff has stated that pricing discrepancies in the FleetFocus system were able to be identified through adjustment codes. However, as of July 1, 2009, SAP replaced FleetFocus as the inventory management system utilized by the City. Central Stores has not provided information to explain the process utilized in SAP for pricing discrepancies.

# 4 In compliance with Administrative Regulation 35.50, circulate to the principal using departments and divisions, a list of the remaining 133 items with a last issue date prior to June 30, 2006 to determine if the departments wish for these items to remain as stock items. Require the departments to respond within the 30 day time period. Upon receipt of the response, declare obsolete all the items not justified by the department. (TM)

**Implemented** In compliance with Administrative Regulation 35.50, Central Stores has a process in place to distribute to the principal using departments and divisions, a list of obsolete stock to determine if the departments wish for these items to remain as stock items.

# 5 Update the Central Stores' Policy and Procedure Manual. (TM)

**Partly Implemented** A new manual for Central Stores Materials Management is in the process of being drafted as part of the new SAP manual. It is expected to be completed in May 2010 and available for review during the FY10 annual inventory count audit.

#### **08-011 CITY OVERSIGHT OF THE SAN DIEGO PUBLIC LIBRARY FOUNDATION**

# 1 Establish a City policy requiring the Library Development Executive Director report annually on San Diego Public Library Foundation performance, compliance with the Memorandum of Understanding, and compliance with applicable laws and regulations to the Chief Operating Officer and City Comptroller. Ensure this report to City management is sufficient to confirm the policies and practices related to Library donations are consistent with City objectives. (TM)

**Not Implemented – NR**

# 2 Include a comprehensive, comparative analysis of donations and related expenses of the San Diego Public Library Foundation and all other City Library donations from all sources in the annual report to City management. (TM)

**Not Implemented – NR**

# 3 Either engage a Certified Public Accounting firm to perform additional procedures annually to test and report on San Diego Public Library Foundation compliance with the terms of the Memorandum of Understanding or clarify the terms of the Memorandum of Understanding. (TM)

**Not Implemented – NR**

# 4 Ensure insurance for Commercial Crime Coverage complies with the terms of the Memorandum of Understanding or revise the insurance requirements of the Memorandum of Understanding with terms that still provide adequate coverage to protect donated assets. (TM)

**Not Implemented**

The current Memorandum of Understanding requires the Foundation to obtain Commercial Crime Coverage Insurance in an amount not less than \$1,000,000; and add the City as an additional insured. At the issuance of the audit report, the Commercial Crime Coverage Insurance was for \$300,000 and the name insured on the policy was the library, not the Foundation. The Memorandum of Understanding is currently being re-written and it is anticipated by the Foundation to be approved by the Mayor and Council in December 2010.

# 5 Revise and clarify the terms of the San Diego Public Library Foundation Memorandum of Understanding that are unclear and subject to different interpretations. (TM)

**Not Implemented – NR**

# 6 Revise the solicitation material to disclose fundraising expenses as a percent of donations or state financial statements are on file at the San Diego Public Library Foundation address. (TM)

**Implemented**

San Diego Public Library Foundation has revised their solicitation material to disclose that audited financial statements are available by request.

# 7 Revise the solicitation materials to permit the donors to indicate how their donations should be utilized or if the donation is unrestricted. (TM)

**Implemented**

San Diego Public Library Foundation has revised their solicitation material to include a designation for donors to indicate how they wish their donation to be utilized.

# 8 Ensure donors electing to have monies deposited directly at the City shall make checks payable to the City Treasurer with a memo note referencing Library donation. (TM)

**Implemented**

Cashiering procedures and signage have been implemented informing donors to make checks payable to the City Treasurer and to note “donation” on the check memo line.

- # 9 Disclose that the San Diego Public Library Foundation is a nonprofit corporation on written solicitations for donations. (TM)
- Implemented** San Diego Public Library Foundation has revised their solicitation material to include a disclosure that the San Diego Public Library Foundation is a 501(c)(3) non-profit organization and that the gift/donation is tax deductible to the full extent of the law.
- # 10 Request the San Diego Public Library Foundation reimburse the City Library General Fund for fundraising expenses of \$88,995. (TM)
- Implemented** San Diego Public Library Foundation reimbursed the City's General Fund \$88,995 for fundraising expenses.
- # 11 Ensure the Foundation's financial statements disclose all fundraising expenses. (TM)
- Implemented** San Diego Public Library Foundation implemented a Disclosure to Independent CPA Policy that requires full disclosure of all financial records and related data. Additionally, a review of the Foundation's fiscal year 2008 audited financial statements revealed that fundraising expenses were disclosed in the Statement of Activities and in the Supplementary Schedule of Functional Expenses.
- # 12 Develop a disclosure policy/checklist to ensure management provides adequate information to the Independent Certified Public Accountant for financial statement preparation. (TM)
- Implemented** San Diego Public Library Foundation implemented a Disclosure to Independent CPA Policy that requires full disclosure of all financial records and related data.
- # 13 Ensure the disclosure policy addresses:  
A. Required documentation of material promises to give for financial statement disclosure;  
B. Costs of material City contributed services and potentially reimbursable costs;  
C. Potential liabilities at year end not recorded in the financial records. (TM)
- Implemented** San Diego Public Library Foundation adopted a policy governing Disclosure to Independent CPA. This policy addresses the required documentation of material promises to give for financial statement disclosure, costs of material City contributed services and potentially reimbursable costs, and potential liabilities at year end not recorded in the financial records.

- # 14 Establish a written policy on access to donor data. (TM)
- Implemented** San Diego Public Library Foundation requires all employees, volunteers, interns or consultants to read and sign a confidentiality agreement.
- # 15 Determine if donor control batch numbers can be input into the accounting records in a way which would permit extraction of accounting data by batch control number to create an automated audit trail between the two databases. Ensure there are adequate back up procedures for accounting data. (TM)
- Implemented** San Diego Public Library Foundation has implemented the use of control batch numbers in both their accounting and fundraising databases allowing for an automated audit trail.
- # 16 Implement written policies to ensure no payee can authorize a payment to themselves. (TM)
- Implemented** San Diego Public Library Foundation has implemented a Resolution Authorizing Financial Expenditures that prohibits payees from approving or authorizing expenses to him or herself.
- # 17 Require all consultants to submit invoices documenting the scope of work performed. (TM)
- Implemented** San Diego Public Library Foundation has included requirements in their independent contractor agreements for contractors to detail all activities on monthly invoices for which they are requesting compensation.
- # 18 Secure the key to the cabinet, where donations and check stock are stored, in a locked area or consider the purchase of a safe. (TM)
- Implemented** San Diego Public Library Foundation has implemented a Donation Control Policy which requires donations and check stock to be secured in a locked closet with limited Development staff access.

**08-019 CASH COUNT AND BANK RECONCILIATION AUDIT - KROLL REMEDIATION OF THE CITY'S BANK RECONCILIATION PROCESS**

- # 1 The City Treasurer should formalize in writing the Treasurer's cash and reconciliation standards or policies and key controls that ensure policies are in place and effective. Retain policies in a central policy manual. As appropriate, communicate these policies to staff or City-wide. (FP)

**Implemented**

Due to the implementation of SAP, the former cash receipt and bank reconciliation procedures have been replaced. The City's Process Narratives formalize policies/procedures for the City Treasurer's cash and reconciliation standards and key controls to ensure those policies are in place and effective. Completed and finalized Process Narratives are located on the City's intranet site, serving as a central policy manual.

- # 2 The City Treasurer should document the supervisory review and approval process over bank reconciliations. (FP)

**Implemented**

The City's approved "SAP Bank Reconciliation Process – Depository Account" Process Narrative contains procedures for supervisory review and approval over bank reconciliations.

- # 3 The City Treasurer should prepare supplemental schedules at June 30 each year to enhance the clarity of the Bank to Accounting Management Resource Information System (AMRIS) reconciliation, pending the implementation of the Enterprise Resource Planning (ERP) system. (FP)

**Implemented**

In response to the FY07 Cash Count & Bank Reconciliation Audit, a supplemental schedule was provided in August 2008 to the City Comptroller's Office and the City's External Auditors (Macias, Gini and O'Connell, LLP) to enhance the clarity of the bank to AMRIS reconciliations during review of the City's year end reconciliations.

- # 4 The Chief Financial Officer and the Enterprise Resource Planning Team (ERP) should fully automate the cash receipt and reconciliation processes in the ERP system. Document the key controls in the automated system which will remediate the control weaknesses identified in the past. Additionally, reoccurring reconciling items should be clearly identified to ensure ERP is designed to minimize these. (FP)

**Implemented**

The City's Process Narratives formalize policies/procedures for the City Treasurer's cash and reconciliation standards and key controls to ensure those policies are in place and effective. Completed and finalized Process Narratives are located on the City's intranet site. According to City Treasurer's staff, the implementation of SAP results in a more automated cash receipt and reconciliation process than the prior process.



# 5 The City Comptroller should create written procedures and identify the key controls in place that are used to verify the cash balances in the Comprehensive Annual Financial Report (CAFR) are accurate, beginning with the FY07 financial statements. (FP)

**Not Implemented – NR**

# 6 San Diego City Employee Retirement System (SDCERS), in conjunction with the City Treasurer, should establish a separate SDCERS bank account as soon as legally possible. (FP)

**Implemented** SDCERS opened a commercial (non-interest) account with Wells Fargo Bank in February 2009.

**08-020** **AUDIT OF PERMITS ISSUED FOR THE BLACKWATER FACILITY**

# 1 Development Services Department (DSD) should ensure permits are not approved unless the permit application includes all required information (i.e. "Property Owner or Lessee Tenant" and "Proposed Use"). Applicants should not be allowed to leave sections of the application blank. (TM)

**Implemented** As of February 5, 2009, DSD has published a Building Issuance Permit Procedure that is utilized by staff as a step by step process for issuing ministerial building permits. The documented process includes the requirement that DSD staff verify key information such as: property owner, tenant/lessee, and description of proposed work.

# 2 The City's Chief Building Official and City Attorney should review the additional information provided in the attachment of this report to determine the correct course of action regarding the permits issued for the facility located at 7685 Siempre Viva Road. (TM)

**Implemented** The applicant for the permits issued for the building located at 7685 Siempre Viva Road was asked to clearly identify the proposed use/occupancy of the facility. This was done via new inspection plans and a new Certificate of Occupancy was issued changing the occupancy of the building.

# 3 Development Services Department (DSD) should implement a process for reviewing and approving projects that may be subject to interpretation or the Municipal Code may not clearly define the use. (TM)

**Implemented** DSD utilizes periodic staff meetings with various levels of department staff to review and discuss regulations and conflict resolution. Additionally, staff utilizes these meetings to review and approve projects that may be subject to interpretation or where the Municipal Code may not clearly define the use.

# 4 The City should add regulations for law enforcement and security training facilities in the Municipal Code. (TM)

**Not Implemented – NR**

# 5 Development Services Department (DSD) should clarify whether a Certificate of Occupancy was issued for the building. If not, Development Services Code Enforcement should not allow any part of the building to be occupied until the certificate is issued. (TM)

**Implemented** The building located at 7685 Siempre Viva Road was issued a Certificate of Occupancy on April 30, 2008 for occupancy type –Training and Shooting Range.”

# 6 Development Services Department (DSD) should notify Blackwater in writing that training may not be conducted in any areas for which City permits have not been issued. (TM)

**Implemented** The Development Services Department notified Blackwater in writing, via a memo dated May 19, 2008, that a certificate of occupancy or change in use permit would not be granted until all appropriate required review processes were completed.

# 7 Development Services Department (DSD) should determine the appropriate actions to be taken regarding the ship simulator structure that was built without an approved permit. (TM)

**Implemented** Development Services issued a building permit on September 5, 2008 for a simulator at the existing warehouse located at 7685 Siempre Viva Road.

# 8 Development Services Department (DSD) should take additional steps to locate missing records and review controls over records retention to ensure they are adequate. (TM)

**Not Implemented – NR**

**AUDIT OF THE INTERNAL CONTROL REMEDIATION RELATED TO THE SAN DIEGO CITY EMPLOYEES RETIREMENT SYSTEM**

- # 1 To ensure compliance with the Kroll report recommendation, SDCERS should amend its Board policy to include a ten year limitation on continuous service on contracts for actuarial valuation services, and ensure future renewals with Cheiron, Inc are in compliance with this policy. (TM)

**Drop**

SDCERS' Board policy governing contracting for actuary services was amended to limit actuary contracts to five years. Upon the expiration of the contract, the Board will issue a new Request for Proposal. However, the Board still retains the ability to select the same auditor for a period exceeding ten years. In the event an actuary is selected for more than five continuous years, the policy requires an independent audit firm to audit the actuary's services every five years. It does not appear likely that SDCERS will fully implement this recommendation; therefore, we recommend dropping this recommendation.

- # 2 SDCERS should modify their Investment Policy Statement to provide a requirement for all contracts with investment consultants and fund managers to include a clause requiring an annual written disclosure of all financial and personal relationships that may give rise to an actual or perceived conflict of interest and any failure or delay in filing the annual disclosure will result in a penalty, including termination of services. (TM)

**Not Implemented – NR**

- # 3 SDCERS should notify City management that they do not intend to include in their Comprehensive Annual Financial Report (CAFR) a report from each of its standing committees on significant activities during the year, and that the remediation status of this item should be changed from "Complete" to "Not to be implemented". (TM)

**Implemented**

The Kroll recommendation to which this Audit report recommendation is referring to calls for reports from each Board committee to be included as part of the SDCERS' CAFR. This is not a standard practice that is required by Governmental Accounting Standards Board (GASB). Although the SDCERS' CAFR does not include a report from each Board committee, the spirit of the Kroll recommendation has been implemented by SDCERS disclosing significant committee activities in their CAFR. Therefore, changing status of Kroll recommendation 120.1 is not required; Auditor agrees that current status of "Complete" is accurate. Audit recommendation has been resolved.

- # 4 The Mayor's Office should take appropriate actions to resolve the outstanding issues with the draft "Improper Influence" ordinance so that the City Council can pass/adopt the ordinance. Additionally, until such time as the ordinance is adopted by City Council, the status of this item should amended from "Complete or Substantially Complete" to "In Process." (TM)

**Not Implemented – NR**

- # 5 The Mayor's Office should take the steps necessary to fill all SDCERS' Board vacancies as soon as possible. Additionally, the status of Kroll items 115, 116 and 117 should be changed from "Complete ' to "Not to be implemented." (TM)

**Implemented** SDCERS' Board of Administration is composed of 13 members. Effective April 1, 2009, all Board positions have been filled.

- # 6 The Office of Appointments to Boards and Commissions should incorporate into their Board selection policies/procedures, language requiring that all applications for final candidates to serve on the SDCERS' Board be forwarded to the SDCERS Business and Governance Committee. (TM)

**Not Implemented – NR**

**09-003 AUDIT OF ACCOUNTS OF ANNA TATAR (MARTINEZ), LIBRARY DIRECTOR**

- # 1 The Office of the City Comptroller and Labor Relations Department should determine the practicability of recouping the \$7,327.68 overpayment from Ms. Tatar. (DA) (TM)

**Not Implemented** According to the City management, the City will not pursue repayment of monies due to the cost estimate of recovering the monies. The City is foregoing about \$7,327.68 in overpayments. We believe the benefit exceeds the cost estimate; as a result, the City should attempt recovery. Further, the City management may consider collection services which incorporate their service charges on top of the amount owed. We recommend continuing follow up on this recommendation.

# 2 The Office of the City Comptroller, Payroll Division should research the other 7 individuals for potential overpayments. (DA) (TM)

**Not Implemented**

According to City management, no further research will be done to identify additional overpayments, nor will the City pursue recoupment. In their original response to this recommendation, the City Management indicated they would consult the City Attorney on this issue and report back to the City Council if their position changed. City management did not provide any supporting documentation showing consultation with the City Attorney nor any report to the City Council. We believe implementation of this recommendation could result in identifying and recouping past overpayments to City employees related to –Old Sick Leave.” We recommend continuing follow up on this recommendation.

# 3 The Personnel Department should educate Payroll Specialists and City Supervisors on the provisions related to the limited use of old sick leave for family illness or death. (DA) (TM)

**Implemented**

Personnel issued a memo to all Payroll Specialists and City Supervisors on October 27, 2008 providing education on the use of old sick leave.

# 4 Include controls within SAP to alert users of the proper usage of old sick leave when the system is implemented. (DA) (TM)

**Implemented**

Old sick leave has unique and defined requirement when it's used which are different when using regular sick leave. Therefore to ensure its proper use, OneSD included an SAP pop-up that states –Appointing authority approval required when using 40 hours or more” when the user has input 40 hours of old sick leave in a pay period.

**09-004 AUDIT OF THE SAN DIEGO PUBLIC LIBRARY FEE COLLECTION PROCESS**

# 1 Develop disaster recovery policies and procedures to ensure data will be updated efficiently if future information technology system outages interrupt normal operations. (TC)

**Implemented**

The Library Department has developed disaster recovery policies and procedures to ensure data will be updated efficiently if future information technology system outages interrupt normal operations.

- # 2 Consult with San Diego Data Processing Corporation to determine if there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor. (TC)

**Partly Implemented**

The Library Department consulted with San Diego Data Processing Corporation (SDDPC) and determined that there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor. However, SDDPC has ceased efforts to recover an estimated \$10K because all of the original vendor contacts SDDPC had have since left SirsiDynix. Not recovering amounts owed to the City may be construed as a gift of public funds. City management should consider alternative collection options such as a third party collection agency or refer the case to the City Attorney's Office.

- # 3 Ensure past due accounts are referred to Collections in accordance with the City Charter and the Administrative Regulations or obtain authorization from the City Treasurer to suspend referrals. (TC)

**Implemented**

The Library Department ensures past due accounts are referred to Collections in accordance with the City Charter and Administrative Regulations.

- # 4 Develop policies establishing the standards for documentation of system testing at the Library. (TC)

**Partly Implemented**

The Library Department will follow San Diego Data Processing Corporation's system test plan policies and procedures until such time as the City's Department of Information Technology has a policy.

- # 5 In conjunction with the Treasurer's Collections Division, determine the cost and benefits of implementing a fully automated interface with the Collections software applications to automate the exchange of data between the Library and Collections on payments made by customers. (TC)

**Drop**

The Library Department determined that creating an interface would not be technically feasible and therefore will not be implementing an interface. Library staff indicated that the Library Department submitted a budget item to conduct a cost/benefit analysis, but the request was denied. According to the San Diego Data Processing Corporation, there are significant technical challenges to creating an interface. As a result, Library staff manually processes collections information and provides this information to the Treasurer's Collections Division via email. We recommend dropping this recommendation because it does not appear the library will be able to implement the recommendation.

- # 6 Work with City Treasurer staff to design and implement adequate internal controls over cash handling and ensure the branch libraries deposit cash within 7 days of receipt. (TC)

**Implemented**

With the assistance of the City Treasurer's Office, the Library Department has designed and implemented internal controls over cash handling and ensures that branch libraries deposit cash within seven (7) days of receipt.

- # 7 Determine if daily revenue and waiver reports can be designed to report revenues by branch based on transactions in Integrated Library System (ILS). If so, reconcile revenue reports to the register Z-tape; and retain copies of the revenue reports. If revenue reports cannot be generated, ring all transactions on the register and provide customers a receipt from the register, in addition to ILS. Post signs stating that all Library customers will receive receipts for payments. (TC)

**Implemented**

The Library Department established a new department directive which requires staff to ring up transactions on the register and provide a receipt from both the register and ILS to patrons that make payments. Also, the Department directed all library branches to post signs directing patrons to make checks payable to the City Treasurer and informs patrons that the Department provides receipts for all transactions.

- # 8 Perform a periodic reconciliation of total receipts deposited by Central and all branches to total revenues posted in Integrated Library System (ILS) to determine the materiality of and reason for differences, if any. (TC)

**Not Implemented – NR**

- # 9 Establish procedures limiting the dollar amount of waivers that can be authorized by staff without secondary approval and implementing a process to review waivers granted at least monthly. (TC)

**Not Implemented – NR**

**09-005 AUDIT OF THE 2007 WILDFIRE DEBRIS REMOVAL PROJECT**

- # 1 City staff should ensure that future service contract amendments are reasonable, and do not allow reimbursable expenses to include overhead and profit. (TM) (JT)

**Drop**

City management has developed the City's Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. However, Environmental Services (ESD) needs to develop general policies and procedures to ensure reimbursable expenses do not include overhead and profit. We should note that ESD disagrees with this requirement. In the original response, ~~ESD~~ disagrees with any implication that the contract amendment was not reasonable. There is no hard and fast rule that precludes adding some amount for overhead and profit to the costs included in these types of contracts. Nor does ESD agree with the characterization of disposal costs as a ~~reimbursable expense~~. ESD and Purchasing and Contracting considered these costs more analogous to the cost of construction materials, commonly included in construction contracts with an allowance for overhead and profit, than to reimbursable expenses like travel costs, which are more commonly included, without an allowance for overhead and profit, in contexts like consultant contracts. We recommend dropping this recommendation since the department does not appear to agree with making any changes.

- # 2 ESD should invoice Granite Construction Company \$2,223 for weigh tickets that were over billed to the City. (TM) (JT)

**Not Implemented – NR**

- # 3 ESD should review all of Granite's weight tickets involving debris disposed of at Lakeside Land Company and determine if the City was over billed because the type of material was inaccurately described. (TM) (JT)

**Not Implemented – NR**



# 4 If the review yields an over billing due to inaccurate material types, the City should invoice Granite Construction Company the amount of the over billings. (TM) (JT)

**Not Implemented – NR**

# 5 ESD should determine if the City should have been billed for the weight ticket that was also charged to the County. If the billing was not applicable to the City's debris removal, ESD should invoice Granite \$678 for the duplicate billing. (TM) (JT)

**Not Implemented – NR**

# 6 ESD staff should work with A.J. Diani staff to determine the best course of action pertaining to the potential under billings for 336.65 tons of debris and for the questionable billings of 85.52 tons of debris. If this determination results in additional payments to A.J. Diani, ESD staff should request funding from FEMA for the additional amount. (TM) (JT)

**Not Implemented – NR**

# 7 ESD staff should invoice AJ. Diani Construction Company for \$8,442 in net over billings pertaining to billing discrepancies for a site sign and for street sweeping. (TM) (JT)

**Not Implemented – NR**

# 8 City management should establish a comprehensive Debris Management Plan. This plan should be approved by the Mayor and City Council. Prior to establishing the Plan, City staff should consult with the California Office of Emergency Services to ensure the Plan takes into consideration all items needed in order to qualify for federal and state subsidies, such as prequalification of at least two contractors. (TM) (JT)

**Partly Implemented**

City management has developed the City's Debris Management Plan, a Request for Qualifications for Establishment of a Pre-Qualified List of Contractors to Perform Emergency Repairs and/or Construction Services and the Final List of Prequalified As Needed Contractors. However, neither communications with the California Office of Emergency Services nor the approval by the Mayor or City Council have been provided or otherwise been made available to the Office of the City Auditor.

# 9 When preparing estimates for future contracting services, City staff should use information that will provide for the most accurate and appropriate estimates. (TM) (JT)

**Drop** City management has developed the City's Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. According to ESD staff, ESD will not engage in these type of debris removal contracts in the future. We recommend dropping this recommendation.

# 10 In future debris removal programs involving numerous properties, the City should include requirements for a documented work order or checklist to be completed for each property so that all parties are in agreement regarding work to be performed. This work order could also provide a control document for staff to use prior to approving invoices for payments to Contractors. (TM) (JT)

**Partly Implemented** City management has developed the City's Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner; however, the Plan does not appear to have received the approval of the Mayor or City Council. Recommendation 8 indicated that "the plan should be approved by the Mayor and City Council", and management agreed with the recommendation.

# 11 For all debris removal contracts, ESD staff should ensure that independent verification of billed amounts that are done by staff be documented and retained. (TM) (JT)

**Drop** City management has developed the City's Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. According to ESD staff, ESD will not engage in these type of debris removal contracts in the future. We recommend dropping this recommendation.

# 12 For all future contracts or projects that rely on processes followed by other City department or divisions, ESD staff should be proactive in communicating the contract or project requirements. (TM) (JT)

**Drop** City management has developed the City's Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. According to ESD staff, ESD will not engage in these type of debris removal contracts in the future. We recommend dropping this recommendation.

# 13 ESD staff should contact homeowners who have not submitted copies of insurance settlement agreements and request copies of the settlement agreement in order to verify that the City received the appropriate amount. (TM) (JT)

**Not Implemented** Prior to the issuance of the audit report in December 2008, the City received insurance settlement documentation from 109 of the 112 related property owners. City Management should contact the three homeowners who have not submitted copies of insurance settlement agreements and request copies of the settlement agreement in order to verify that the City received the appropriate amount.

# 14 ESD staff should ensure that all remaining insurance proceeds received are accurate based on insurance settlement statements. (TM) (JT)

**Partly Implemented** The City has received insurance proceeds related to debris removal services from 107 of the 112 property owners. With the assistance of the Office of the City Attorney, City Management should continue to pursue the remaining insurance proceed repayments from the five respective homeowners.

**09-006 HOTLINE INVESTIGATION OF THE JUNIOR LIFEGUARD PROGRAM'S DEPOSITS OF FUNDRAISER MONIES**

# 1 We recommend the Junior Lifeguard Program adhere to Department wide written policies and procedures for making deposits in a timely manner in accordance with Charter Section 86. (DA)

**Not Implemented** The Junior Lifeguard Program did not implement the recommendation to deposit fundraiser monies in a time manner, in accordance with Department policy. The department's status update to the Comptroller for the period ending March 12, 2010 stated ~~Pursuant to the City Charter, Article VII Section 85 - Junior Lifeguard staff will deposit funds received within one week of receipt. At a Hawaii Day fundraiser held in July 2009, funds were deposited within one week.~~ The department did not submit support for this status update. Emails from the Department state that there were no deposits made from Hawaii Day 2009 to the City because a separate non-profit was formed and all funds were deposited with this new entity, and not with the City. The Department did not provide documentation related to this new non-profit entity and the deposit.

**09-007**

**HOTLINE INVESTIGATION OF THE HANDLING OF SCRAP METAL AT THE POINT LOMA MWWF FACILITY**

- # 1 Based on our observations during our investigation, we recommend that MWWF implement a process to manage and monitor scrap metal, specifically copper and aluminum, at Point Loma as well as any other facilities where the process might be lacking or non-existent (copper and aluminum are both contracted for recycling at significantly higher reimbursement rates.) These processes should include the following types of internal controls (at a minimum):
- A separately maintained log tracking the amount of copper placed in and taken out of the storage unit. This information should include, at a minimum: date (of occurrence); project material is related to; person involved (name and signature or initials) and description of materials (as available: weight, length, thickness, quantity, condition, etc.);
  - A periodic reconciliation of contents of storage unit, including comparison to the log and evidence of review / approval (supervisors signature), to be performed at least annually;
  - A routine examination for amount and quality of copper included in storage for potential disposal and recycling. Upcoming projects and needs should be evaluated to determine any excessive or otherwise unnecessary quantities to be sold as recyclable materials to generate revenue for the department;
  - At the time of any recycling of copper (and aluminum), notification should be sent to the Point Loma Superintendent and City Purchasing & Contracting personnel responsible for the scrap metal recycling contract to ensure appropriate processing and reimbursement. (JT)

**Partly Implemented**

The implemented “Process and Procedure” internal control document should be updated or enhanced to incorporate each portion of the audit recommendations related to the segregation, storage, security and eventual recycling of copper / aluminum. This document should reference the maintenance of a tracking log, reconciliation of the log and the routine examination of the scrap metal. Specific guidance in the “Process and Procedure” document should be developed to indicate the consistent timing of the preparation of the various logs and official or formalized expectations for content in completing the logs.

**09-008**

**HOTLINE INVESTIGATION OF THE DUPLICATION OF WATER METER BOX REPLACEMENT WORK**

- # 1 We recommend the Water Department recover the cost of the unnecessary duplicate replacements from the contractor and implement more thorough procedures to monitor the project to prevent unnecessary meter box replacements in the future. In addition, we recommend the Department monitor the project to ensure that complete meter boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems. (TC)

**Not Implemented**

The Department determined that it will not pursue money paid to the vendor for water meter box replacement work performed on boxes that were in good condition during the box replacement contract. The project contract stated the project description as follows: ~~Removal of existing damaged concrete water meter boxes and replacement with new polymer concrete water meter boxes...~~ Furthermore, the Department has not provided documented evidence that it has established more thorough policies and procedures to monitor the project to prevent unnecessary meter box replacement in the future or shown evidence it monitors projects to ensure that complete boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems. We recommend continuing follow up on this recommendation.

- # 2 We recommend the Water Department monitor the project to ensure that complete meter boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems. (TC)

**Not Implemented – NR**

**09-009 HOTLINE INVESTIGATION OF THE FOURTH DISTRICT SENIOR RESOURCE CENTER**

- # 1 We recommend the Park and Recreation Department and the City Planning and Investment Department strengthen contract oversight to ensure contractors are in compliance with all contract provisions, including those related to proper accounting and financial reporting, and take appropriate action based on the information provided in this report. (DA)

**Partly Implemented**

The Park and Recreation Department has made changes to its Special Use Permit agreement, obtained the required financial and other documents from the Fourth District Resource Center (FDSRC) including accounting procedures for FDSRC, insurance certificates, Board of Directors' documents and an Incident Report. The Department still must complete the Departmental Instruction related to oversight over Special Use Permittees and is in the process of doing so.

**09-011 AUDIT OF ACCOUNTS OF MICHAEL AGUIRRE, FORMER CITY ATTORNEY**

- # 1 The Independent Budget Analyst in consultation with the City Council research and review the appropriateness of having the City Attorney position in the executive group in the salary ordinance, which allows for Annual Leave and other leave benefits to be earned. (DK)

**Not Implemented – NR**

- # 2 The Independent Budget Analyst in consultation with the City Council should establish a process to approve the City Attorney's salary in order to be in compliance with the salary ordinance and Charter Section 40. (DK)

**Not Implemented – NR**

**09-012** **AUDIT OF ACCOUNTS OF SCOTT PETERS, FORMER CITY COUNCIL DISTRICT 1, TONI ATKINS, FORMER CITY COUNCIL DISTRICT 3, BRIAN MAIENSCHIN, FORMER CITY COUNCIL DISTRICT 5, and JAMES (JIM) MADAFFER, FORMER CITY COUNCIL DISTRICT 7**

- # 1 Council District Administration establish written policies and procedures to annually reconcile the San Diego Data Processing Corporation inventory reports to IT equipment on hand to ensure the City assets are accounted for. (DK)

**Implemented**

The Council Administration Director and San Diego Data Processing's IT Desktop Supporting Analyst conducted an audit/reconciliation of the IT inventory for all eight Council Offices in May 2009. This reconciliation serves as a base line for the Council offices to use going forward. Recommendation has been implemented as intended and procedures have been put in place to ensure proper accounting of all assets.

**09-013** **THE CITY OF SAN DIEGO FACES UNIQUE OPERATIONAL AND ADMINISTRATIVE CHALLENGES IN MANAGING QUALCOMM STADIUM**

- # 1 The Administration should proactively create a financing plan to pay down the City's Stadium Renovation Bond obligation regardless of the Chargers' tenancy at the Stadium. The plan should detail the financial strategy that the City will follow to maintain the solvency of the Stadium Fund should the Chargers terminate its agreement with the City after 2010. The Administration should continuously update the financing plan throughout the liquidation of the Stadium Renovation Bond principal. (EM) (TT)

**Not Implemented – NR**

- # 2 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. (EM) (TT)

**Not Implemented – NR**

- # 3 To decrease its dependence on Transient Occupancy Tax (TOT) tax funding, the Stadium should aggressively pursue agreements with legitimate event producers to help offset its operational costs and the City's outstanding Stadium Renovation Bond principal. (EM) (TT)

**Not Implemented – NR**

- # 4 Stadium management should create a comprehensive business and marketing plan for the Stadium that addresses the following issues: a. 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. b. An analysis of major agreements and responsibilities that the Stadium is required to provide. c. 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. d. 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. If Stadium management wishes to significantly deviate from strategies approved within the plan, then the plan should be updated by Stadium management and vetted through a similar review and approval process. (EM) (TT)

**Not Implemented – NR**

- # 5 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 written policies and procedures are established for the following administrative functions: a. Policies for the creation, content, retention, and approval of Stadium event files. b. Procedures that ensure accurate and timely billings for stadium events and periodic reconciliations of all accounts within the Stadium Fund. (EM) (TT)

**Not Implemented – NR**

- # 6 In order to avoid delays and inaccuracies of the revenue amounts collected on behalf of the Stadium by the City Treasurer, Stadium management should request that the City Treasurer's Revenue Audit Division complete audits of major Stadium tenants on a timelier basis. If the City Treasurer does not have sufficient staff resources to perform these audits on a timelier basis, then Stadium management should consider having its own staff responsible for ensuring all Stadium revenues are properly billed and received. (EM) (TT)

**Not Implemented – NR**

- # 7 Stadium management should review the accounts receivable balance within the Stadium Fund and work with the City Treasurer's Office to ensure that all overdue accounts are being actively collected. (EM) (TT)

**Not Implemented – NR**

# 8 As part of the reporting process between the Stadium and the Department of Real Estate Assets, the Stadium should include high-level performance metrics, such as net revenue generated and attendance data, for the entire reporting period. The report should also include a schedule of events currently planned to be held at the Stadium, as well as a status report of potential events and other contractual agreements being negotiated by the Stadium Manager. These reports should be archived by the Stadium and the Department of Real Estate Assets, and be made available to all Stadium oversight entities including the Stadium Advisory Board and City Council. (EM) (TT)

**Not Implemented – NR**

# 9 To improve the oversight of Stadium operations, the administration should take steps to ensure that the Stadium Advisory Board (SAB) is actively involved with making recommendations to the Mayor and City Council for all major Stadium policy decisions including long-term contract terms, capital expenditures, and long-term marketing strategy. Per the advisory capacity granted to the SAB through the Municipal Code, SAB recommendations should be formally communicated to the Mayor and City Council prior to any significant action related to Stadium policy has been taken. (EM) (TT)

**Not Implemented – NR**

**09-014** **AUDIT OF SAN DIEGO DATA PROCESSING CORPORATION'S  
COMPENSATION AND BUDGETING PRACTICES**

# 1 Amend the San Diego Data Processing Corporation Operating Agreement to include the following:

- Require San Diego Data Processing Corporation to develop a written budget policy;
- Require San Diego Data Processing Corporation to submit salary and wage ranges for each of their job classifications, including actual executive salaries and benefit packages, during the annual budget process. (SG)

**Implemented** The Master Service Agreement (MSA) Team has incorporated the requested modifications into the MSA in Sections 3.3.1 and 3.4.1.4 which address the disclosure of wage ranges and the budgeting process.

# 2 Develop additional controls over the agency budgeting process to ensure that the required budget approvals are obtained. (SG)

**Partly Implemented** City management is currently in the process of developing new governance procedures. Many of these processes will be documented through the Comptroller's Office, Internal Controls Section, as part of the series of Process Narratives they are compiling. Their approach appears to meet the requirements of our recommendation.



# 3 Develop a policy requiring documentation of the Board's evaluation of how the CEO's achievement of goals ties to the bonus awarded. (SG)

**Implemented** The San Diego Data Processing Corporation (SDDPC) has addressed this issue through their "Executive Director Selection, Compensation, Performance and Separation" Policy, clarifying that SDDPC's CEO/Executive Director will not receive any bonus pay.

# 4 Document in detail how the bonuses awarded to employees tie specifically to program achievements, processes or contributions. (SG)

**Implemented** The bonus pay structure has been defined in Chapter II of San Diego Data Processing Corporation's Policy Handbook, requiring detailed documentation of achievements and defining criteria for the award.

# 5 Recover from the CEO the \$1,335.62 bonus overpayment. (SG)

**Implemented** The San Diego Data Processing Corporation recovered the bonus overpayment made to Dale Thomas Flemming through a payroll deduction on May 15, 2009, from the pay period ending May 10, 2009.

# 6 Ensure Board approval of CEO goals and objectives within 60 days as specified in the CEO contract. (SG)

**Implemented** The San Diego Data Processing Corporation's CEO's Annual Goals were approved within 60 days of the end of FY09 as required by the CEO Executive Employment Agreement, in Section 4(b). The Performance Objectives for FY10, attached to the Executive Employment Agreement, were executed on August 27, 2009.

**09-015** **AUDIT OF THE SAN DIEGO PUBLIC LIBRARY CASH HANDLING**  
**(CONFIDENTIAL)**

18 recommendations were made.

**Not Implemented – NR**

**09-016**

**AUDIT OF ACCOUNTS OF WENDI BRICK, FORMER CUSTOMER SERVICES DIRECTOR, ELMER HEAP, FORMER DEPUTY CHIEF OPERATING OFFICER, JILLANNE (JILL) OLEN, FORMER DEPUTY CHIEF OPERATING OFFICER, AND JOANNE SAWYERKNOLL, FORMER DEPUTY CHIEF OPERATING OFFICER**

- # 1 The City Administration should ensure that the policies and procedures governing terminating employees are followed specifically pertaining to the return of City identification cards and the stopping of auto allowances on employees last day of work. (TM)

**Not Implemented – NR**

- # 2 The City Administration should ensure that all unclassified employees who are terminating City employment receive a lump sum payment for their accrued annual leave hours in compliance with AR 95.60 rather than receiving terminal leave. (TM)

**Not Implemented – NR**

- # 3 The Personnel Department and City Administration should review the conflicting policies governing the use of terminal leave, and ensure that all policies are consistent and applied appropriately. Due to the additional costs associated with terminal leave, work to modify the Personnel Regulations to eliminate the language allowing terminal leave usage and require lump sum payments for accrued annual leave upon termination from City employment. (TM)

**Drop**

The Personnel Director reviewed the Personnel Regulations and made recommendations to the Civil Service Commission at its September 3, 2009 meeting to modify the regulations to eliminate the language allowing terminal leave usage and require lump sum payments for accrued annual leave upon termination from City employment. The Civil Service Commission did not take action in regards to these recommendations. We recommend dropping this recommendation.

**09-017**

**PARK & RECREATION POOL AUDIT**

- # 1 Include Carmel Valley and Tierrasanta pools in the on-line payment pilot program proposed for fiscal year 2010. (DA)

**Not Implemented – NR**

- # 2 Continue to pursue online payment and automated patron registration for all city pools. (DA)

**Not Implemented – NR**

# 3 When feasible, eliminate cashiering from staff rotation and limit register use to one staff person for an entire shift. Ensure cashiers exclusively use the register and balance the cash station according to City Treasurer cash handling procedures at the end of the shift. Instruct pool managers to verify and initial each cashier's balancing documents, and continue to prepare and make deposits. Ensure cashiering staff and pool managers attend Treasurer's Cash Handling Training. (DA)

**Not Implemented – NR**

# 4 Consider implementing daily preparation of deposits that are sealed in serial numbered, tamper-proof bank security bags that are placed inside the safe. (Physical delivery to bank and Daily Cash Receipt (DCR) preparation can continue to be every fifth day or \$200, whichever comes first.) When possible, add a second staff person verification of funds prepared for deposit prior to sealing into bag. (DA)

**Implemented** The Department has purchased tamper proof deposit bags for use at the pool locations and revised its pool manual to state ~~When possible, a second staff person should verify the funds prepared for deposit prior to sealing into the bag.~~

# 5 Turn on and use the register receipting function at all sites for all transactions and require staff issue a register receipt to all patrons in addition to the existing forms receipt. Consider adding preprinting on the existing forms receipt that states "not valid without cash register receipt." (DA)

**Partly Implemented** The Department successfully communicated the audit recommendation to the appropriate staff and the Department's Pool Manual requires the use of cash register receipts. The Department has not provided a copy of any form(s) that now contains the recommended verbiage "not valid without cash register receipt"; therefore,

# 6 Implement a sign-in sheet for all day swimmers and drop-in water fitness patrons (all patrons who do not fill out a registration form, swim pass or other document) and instruct cashiers and pool managers to reconcile the daily sign-in sheets to cash register transactions as part of cash station balancing. (DA)

**Partly Implemented**

The Department has implemented sign-in sheets for Water Fitness patrons, but does not plan to implement the same for Day Swimmers. The intent of the recommendation is to have some document to compare against ~~“drop-in”~~ patrons. Since ~~“drop-in”~~ water fitness and day swimmer patrons do not fill out a registration form – or any form – the Auditor recommended a sign-in sheet be used so there would be some document to reconcile payments to during cash station daily balancing. The Department has provided sufficient evidence that Water Fitness patrons have sign-in sheets; however, there is no mention of what is done with these forms or how they may be used to tighten controls over ~~“drop-in”~~ patron payments.

- # 7 Require all pool sites post signs near the register instructing patrons to make checks payable to City Treasurer only and to obtain a register receipt. (DA)

**Implemented**

The Department posts signs near the register instructing patrons to make checks payable to the City Treasurer and staff provides a receipt to paying patrons.

- # 8 Restrictively endorse all checks immediately upon receipt. (DA)

**Implemented**

The Department has communicated the audit recommendation in a timely manner to the appropriate staff, and staff endorse checks immediately upon receipt.

- # 9 Ensure safe combinations are properly safeguarded and changed routinely (particularly after staffing changes) and maintain a list of personnel with safe access. Remind staff to only use the "day lock" feature on a limited basis. Research the feasibility of providing all pool sites with a safe containing a drop slot for use by out of class assignment and visiting staff. (DA)

**Implemented**

The Department ordered and installed safes with drop slots for all pool sites that did not already have one. The Department also communicated with appropriate staff in a timely manner regarding the limited use of ~~“day lock”~~. The Department has reported that safe combinations are kept at the administrative office and an up to date list has been completed.

# 10 Instruct the Supervising Recreation Specialists to perform monthly revenue forecasting for each site based on published schedules and historic attendance, and to perform a periodic comparison of forecasted revenue to actual revenue. (DA)

**Not Implemented**

The Park and Recreation Department did not provide any evidence to show they are performing monthly revenue forecasting based on historical attendance.

# 11 Implement on-site fiscal monitoring and review, such as surprise cash counts and accountability checklists, by the Supervising Recreation Specialists during unscheduled site visits. (DA)

**Not Implemented**

The Department already had a Funds Accountability Form at the time of the audit, but it was not being used. In the Department's original response it makes reference to prior surprise inspections done by supervising staff and states that effective July 1, 2009, the Supervising Recreation Specialists would now conduct surprise inspections on a quarterly basis. The evidence provided for this update was a blank Funds Accountability Form. This evidence does not support recommendation implementation.

# 12 Establish procedures for Supervising Recreation Specialists tracking of all serial numbered forms for each site, and ensure all missing forms are researched and accounted for and that the sum of all uninterrupted sequence of forms reconciles to the amount deposited at the bank. (DA)

**Partly Implemented**

The Department has provided sufficient evidence that a 4-part form is now in use; however, it has not provided any documentation to support the Supervising Recreation Specialists tracking of form numbers. Auditor recommends a 6-month follow-up.

# 13 Consider scheduling Supervising Recreation Specialists site visits for delivery and pick-up of documents to avoid a wasted trip. (DA)

**Drop**

The Department disagrees with this recommendation and is not planning to implement it. The department indicates that Supervising Recreation Specialists are required to make regular visits to each of the sites to evaluate staffing ratios, cleanliness of facility and overall programming. The department feels that while specialists' schedules can be changed, they would not be able to eliminate visits to the sites. The department may consider mailing forms on a regular basis between sites and the main office to limit any unnecessary trips. We recommend dropping this recommendation.

- # 14 Ensure all sites are equipped with the supplies and equipment needed including an adequate change fund, a credit card machine, and a sufficient amount of usable forms. (DA)

**Not Implemented – NR**

- # 15 Consider a water fitness pass, similar to a swim pass. (DA)

**Implemented**

The Department has implemented the recommendation and now uses a Discount Water Fitness Pass similar to a Swim Pass.

- # 16 Consider making all pool fees flat rates (by class or by month) and rounded to the nearest dollar. (DA)

**Partly Implemented**

Effective July 1, 2009, the Department changed its per hour fees for youth teams to flat monthly fees. It does not appear, from the current fee schedule, that all fees have been rounded to the nearest dollar. In addition, it appears that adult team fees are still per hour.

- # 17 Consider eliminating a 100% fee waiver and replacing it with a fee discount such as 50%, to increase Patron commitment. A scholarship program could be available for Patrons unable to afford the discounted rate. (DA)

**Not Implemented – NR**

**09-018**      **AUDIT OF THE SAP ERP IMPLEMENTATION – CURRENT TO INTEGRATION TESTING, CYCLE 1**

# 1      Create an implementation plan for a complete solution. (SG) (DK)

**Implemented**                      The Change Order modifies the Accounts Receivable (AR) implementation from a Pilot Implementation in a single department to a scalable AR implementation, replacing the current primary AR system, Accounts Receivable Invoicing System (ARIS), and interfaced with key City AR systems. This system went live on March 1, 2010.

# 2      Deliverables should be defined in expected document items/contents with a more precise timeline. (SG) (DK)

**Implemented**                      The Master Deliverable Listing Document adequately defines both the deliverables to be completed as well as the deliverable deadlines.

# 3      Create a comprehensive and unified security strategy which will tie into the security goals of the City's IT organization. (SG) (DK)

**Not Implemented – NR**

# 4      Create a universal methodology addressing the variety of Segregation of Duties (SOD) conflicts anticipated during implementation and post-implementation. (SG) (DK)

**Not Implemented – NR**

# 5      A documented global strategic plan and methodology do not exist to address the mitigation of Segregation of Duties (SOD) conflicts. (SG) (DK)

**Implemented**                      The SOD mitigation strategy calls for use of the tools provided in SAP by the Governance Risk and Compliance (GRC) module and no tolerance of unmitigated SOD Conflicts. This is an adequate high level strategy, and meets the requirements for the time it was required.

# 6      Modify current Master Service Level Agreement to define Service Level Agreement content and timeline requirements. (SG) (DK)

**Not Implemented – NR**

**09-020      HOTLINE INVESTIGATION OF A CITY EMPLOYEE**

# 1      We recommend the Personnel Department take appropriate disciplinary action based on the information provided. (DA)

**Implemented**                      Auditor confirmed in the City's payroll system, CAPPS, that the employee was terminated effective May 29, 2009.

**09-021      HOTLINE INVESTIGATION OF PROMOTE LA JOLLA, INC.**

# 1      Consult with the City Attorney's Office to take appropriate action based on the information contained in this report and to recoup the \$112,070 in inappropriate and misused City funds. (DA)

**Implemented**                      Recommendation #1 is part of a confidential City Attorney matter. Per the Department, "The City Attorney's office has advised the department not to offset payments of other eligible expenses. The City Attorney's office is pursuing payment via a lawsuit or a potential settlement agreement."

# 2      Establish an internal review procedure designed to prevent duplicate City payments to organizations receiving City funds from multiple sources. (DA)

**Implemented**                      The Office of Small Business has implemented new Reimbursement Procedures and a Checklist to help identify duplicates and is actively communicating with Business Improvement Districts (BIDs), Maintenance Assessment Districts (MADs) and the BID Council on the documents required for reimbursement.

# 3      Consult with the City Attorney's Office to add language in Business Improvement District (BID) and other contracts to modify the existing audit provisions to include a test for duplicates between funding sources. (DA)

**Not Implemented – NR**

# 4      Conduct on-site visits and other additional oversight of Business Improvement District (BID) and other entities receiving City funds. (DA)

**Not Implemented – NR**



**09-022      HOTLINE INVESTIGATION OF A DEVELOPMENT SERVICES DEPARTMENT EMPLOYEE**

# 1      We recommend the Development Services Department take appropriate disciplinary action based on the information provided. (DA)

**Implemented**                      The Department reported to Comptroller on its March 12, 2010 recommendation follow-up that disciplinary action was taken. The employee was not terminated.

**09-023      AUDIT OF THE CENTRAL STORES INVENTORY (FY08)**

# 1      Monitor year-to-date write-offs of missing inventory at least quarterly and determine if additional control measures are warranted, such as a change in control procedures or the use of theft detection devices, if write-offs continue to increase. (TM)

**Partly Implemented**              The Purchasing & Contracting Department stated that inventory adjustments by store location are reviewed monthly, and monthly review meetings with Storeroom Operations will commence in FY10. City staff did not provide sufficient evidence to show that they conduct monthly reviews of inventory adjustments. We will follow up in our June 2010 report.

# 2      Develop a written policy requiring departments to notify Storerooms immediately when there are changes in inventory needs to minimize obsolete inventory. Work with departments to identify an effective procedure for this process. (TM)

**Partly Implemented**              Administrative Regulation 35.50 serves as the written policy for identification and disposition of Central Stores surplus stock. In accordance with the Regulation, the Purchasing & Contracting Department issues memoranda circulated to using departments and divisions regarding their stock of obsolete items, and requires a written response within 30 days. While this procedure was followed in 2008, City staff did not provide sufficient evidence to indicate the procedure was followed in 2009. We will verify compliance in our June 2010 report.

# 3      If manual requisitions are used after the implementation of ERP, use internal authorization cards for those employees using manual requisitions to request and receive supplies. If implemented, ensure controls, such as employee names on cards, an annual card expiration date and reports to departments, are put in place to prevent misuse. (TM)

**Not Implemented – NR**

- # 4 Ensure ERP will include reports of Central Stores purchases to all departments. In addition to detailed reports of purchases, design summary reports in ERP for management's use in monitoring types and costs of supplies purchased from the storerooms. (TM)

**Not Implemented – NR**

- # 5 Ensure ERP provides accurate inventory reports so Central Stores is able to reconcile beginning to ending inventory and provide this reconciliation to the Comptroller at year end. Ensure ERP provides accurate summary reports related to inventory accounting so Comptroller staff is able to reconcile beginning to ending inventory in the general ledger and ensure the general ledger activity matches inventory activity reports from Central Stores. Comptroller staff should review and document the reasons for variances, if any, between the inventory records and the accounting records. (TM)

**Not Implemented – NR**

- # 6 In conjunction with the Comptroller, revise the accounting for storeroom inventory to segregate storeroom purchases from city-wide purchases and consider establishing a clearance account for city-wide purchase orders. (TM)

**Not Implemented – NR**

- # 7 Document storeroom policies and controls related to storeroom operational risks. Update storeroom procedures at the implementation of the ERP system. (TM)

**Not Implemented – NR**

**09-OA-001 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**  
**PERFORMANCE AUDIT OF OPERATIONS**

- # 1 The City should revamp SEDC's governance structure. Options to consider include: (1) amend and update SEDC's operating agreement to include representatives of the City on the SEDC Board, limitations to the SEDC President's authority; and specific requirements for holding Board of Director meetings, budgeting practices, communication activities, project management, financial management, performance outcomes, mandating leave utilization, and defining the requirements for SEDC Board of Director timing; (2) depending on the results of the anticipated CCDC study, integrate/merge SEDC under the direct control of the RDA or integrate SEDC with CCDC; or (3) have SEDC fully operate as a public agency within the City. (EN)

**Not Implemented – NR**

- # 2 The City should require in SEDC's Operating Agreement the position classification of a Chief Financial Officer that reports to the Board of Directors and fill the newly created position through competitive and open recruitment. (EN)

**Not Implemented – NR**

# 3 The SEDC Board should approve all salary increases to the SEDC President. Incentive pay increases should be documented in the SEDC contract with the President and directly tied to annual performance evaluations provided by the full Board of Directors. (EN)

**Not Implemented – NR**

# 4 SEDC should fill the Manager of Projects and Development as soon as possible. (EN)

**Not Implemented – NR**

# 5 SEDC should fill a Vice President position to help oversee day-to-day operations and be responsible for SEDC's adherence and compliance to internal controls. (EN)

**Not Implemented – NR**

# 6 SEDC should establish a part-time formal Human Resources Manager position to oversee SEDC's recruiting, hiring, staff development, and termination activities. (EN)

**Not Implemented – NR**

# 7 SEDC should ensure that its Board of Directors receives all the training necessary to fully perform their fiduciary responsibility of the Agency. (EN)

**Not Implemented – NR**

# 8 SEDC should immediately develop policies and procedures for ensuring proper recordkeeping and • Documentation of Board member opposition to Board motions and activities and inquiries for information. • Preparation of the Board minutes should be accomplished within specific time frames, and posted on the Agency's website. • Tape recordings of SEDC Board minutes should be maintained in locations fully accessible by the public. (EN)

**Not Implemented – NR**

# 9 SEDC should require the reporting of quarterly expenditure reports for professional and technical services to the SEDC Board of Directors that include the types of services provided. (EN)

**Not Implemented – NR**

# 10 SEDC, in conjunction with the City's Personnel Department, should develop formal procedures for approving pay-outs of accrued leave, including the requirement of the SEDC Board of Director's approval for leave buy-outs of SEDC executive officers. (EN)

**Not Implemented – NR**

# 11 SEDC should develop policies for expenditure allowances. These policies should define the types of allowable and unallowable expenditures. These policies should be streamlined with City policies and take into consideration that the money being utilized are public funds and should not be used for nongovernmental business. (EN)

**Not Implemented – NR**

# 12 SEDC should formalize policies and procedures that describe the segregation of duties for the fiscal operations and authorization procedures. (EN)

**Not Implemented – NR**

# 13 SEDC should amend its merit pay policy and establish maximum amounts that can be awarded. (EN)

**Not Implemented – NR**

# 14 SEDC should ensure that all policies are approved by the SEDC Board of Directors. (EN)

**Not Implemented – NR**

# 15 SEDC should amend its consultant policy and lower the threshold that would trigger SEDC Board of Director approval for professional and technical services contracts/letters of agreement to \$10,000. (EN)

**Not Implemented – NR**

# 16 SEDC should eliminate the authority provided to the SEDC President to implement agency policies at her discretion. (EN)

**Not Implemented – NR**

# 17 The City's Office of the Chief Financial Officer should review and approve of SEDC's newly developed fiscal policies and procedures prior to their finalization. (EN)

**Not Implemented – NR**

# 18 SEDC should discontinue all forms of supplement income payments to SEDC staff, except for merit pay as described under current policies. (EN)

**Not Implemented – NR**

# 19 SEDC should report on a monthly basis, a financial position report to the Board of Directors. This report would show current expenditures as they relate to each budget line item. This would include a report of current financial status as compared to the budget. (EN)

**Not Implemented – NR**

# 20 The new SEDC Chief Financial Officer, in the budget presentation to the Board and supplementary submission to the City, should include a minimum of three years of budget versus actual data for revenues and expenditures, for both project budgets and corporate budgets, including variances. The budget should include detailed and precise information on base salary and other forms of compensation by employee position, and estimated overtime. (EN)

**Not Implemented – NR**

# 21 The SEDC Chief Financial Officer should include project goals and accomplishment information by project to be incorporated into the budget presentation. Having this information will allow SEDC to tie program goals and objectives to their budget. (EN)

**Not Implemented – NR**

# 22 The SEDC Board of Directors should ensure that cost of living increases that are provided to SEDC employees are consistent with City cost of living increases. (EN)

**Not Implemented – NR**

# 23 SEDC should clarify and further develop its real estate acquisition policy. This should include, but not necessarily limited to, detailing when SEDC should use Request for Proposal and when it should go back to its Board of Directors or the City Redevelopment Agency Board for subsequent approval of acquisitions. (EN)

**Not Implemented – NR**

# 24 SEDC should correlate implementation plan goals with redevelopment plan goals and present the revised documents for formal Board approval. (EN)

**Not Implemented – NR**

# 25 Annual work plans should include timeframe for completion of work plan tasks. (EN)

**Not Implemented – NR**

# 26 Accomplishment reports should link specific accomplishments back to the operational goals in project area work plans. They should also discuss the remaining work left to be completed. (EN)

**Not Implemented – NR**

# 27 In accordance with best practices, SEDC should develop an agency-wide strategic plan. This process should include City and community outreach to solicit strategic planning feedback. (EN)

**Not Implemented – NR**

# 28 SEDC should ensure the agency wide strategic plan is linked to the Mayor's vision for the City. (EN)

**Not Implemented – NR**

# 29 SEDC should make its consultant selection process more transparent by: (a) documenting consultant need in the files, including a justification for selecting a sole source consultant, when such a consultant is used; and (b) In accordance with SEDC's policies and procedures, the President should disclose all consultant contracts that are entered into at the Board of Directors monthly meeting immediately following the execution of the contract. (EN)

**Not Implemented – NR**

# 30 The City should consider examining the feasibility and the extent to which supplemental compensation that was not properly authorized should be reclaimed by the City. (EN)

**Not Implemented – NR**

# 31 The City should determine the full impact of 403B contributions on the City stemming from the supplemental compensation increases. (EN)

**Not Implemented – NR**

# 32 The City's Internal Auditing function should conduct an audit within 18 months to review the status of SEDC's efforts to implement the recommendations contained in this report. (EN)

**Not Implemented – NR**

# 33 The City should examine the appropriateness of SEDC's charitable contribution activities. (EN)

**Not Implemented – NR**

**10-001 METROPOLITAN WASTEWATER DEPARTMENT CONTRACT COMPLIANCE AUDIT**

# 1 The Department should periodically review contracts for tax exempt chemicals to ensure that they are not paying unnecessary sales tax. As part of this review, the Department should ensure that Purchasing & Contracting is aware of the use of chemicals purchased for each purchase order. (SH) (DA)

**Not Implemented – NR**

- # 2 The Department should request reimbursement from Olin Chlor for sales tax paid on tax exempt purchases of sodium hypochlorite for the past three years. Upon further review, the Department should request refunds for any other tax-exempt chemicals identified. (SH) (DA)

**Not Implemented – NR**

- # 3 Management should document and periodically review the success of the newly implemented procedures as it pertains to the effectiveness of the process in reducing the risk of inaccurate payments. (SH) (DA)

**Not Implemented – NR**

- # 4 The Department should consider periodically reviewing a sample of purchase orders and invoices for its larger contracts to proactively identify and rectify issues in contracting, billing, and payments. (SH) (DA)

**Not Implemented – NR**

- # 5 Point Loma staff should forward a copy of the Certificate of Analysis for each delivery with each corresponding Bill of Lading to allow invoice approval staff to verify appropriate billing. (SH) (DA)

**Implemented**

The Public Utilities Department added a conversion point system to the Enterprise Daily Operations Reporting System on February 11, 2010. The point system converts chemical deliveries from pounds into dry tons, allowing staff to verify accuracy of invoices and eliminating the need to provide the Certificate of Analysis to accounts payable staff.

- # 6 Accounts Payable staff should utilize the formula provided by Point Loma staff to verify that the Department is being billed appropriately for deliveries. (SH) (DA)

**Implemented**

The Public Utilities Department added a conversion point system to the Enterprise Daily Operations Reporting System on February 11, 2010. The point system converts chemical deliveries from pounds into dry tons, allowing staff to verify accuracy of invoices.

- # 7 The Department should consider consolidating its EMTS AmeriPride purchase orders for efficiency in review and approval. (SH) (DA)

**Implemented**

Per a number of meetings between Public Utilities Department and Purchasing and Contracting regarding the possibility of consolidating AmeriPride purchase orders throughout the City, it was determined by Purchasing that a consolidation was not feasible because deliveries occur at a number of locations throughout the City and billing is based upon the acceptance of deliveries at each location.

- # 8 Invoice approval staff should make unified written requests to AmeriPride for system adjustments for all active Purchase Orders requiring changes. This practice will prevent confusion and multiple inquiries and requests from the Department. Follow-up on these requests should also be conducted. (SH) (DA)

**Not Implemented – NR**

- # 9 In collaboration with AmeriPride's accounting unit and the City's Purchasing & Contracting Department, the Department's Accounts Payable staff should seek to review a number of invoices containing discrepancies and determine a clear method of invoice review and charge calculation. (SH) (DA)

**Not Implemented – NR**

- # 10 The Purchasing & Contracting Department should evaluate the benefits of negotiating a flat fee for services based on average expenditure. (SH) (DA)

**Not Implemented – NR**



# 11 The City's Purchasing & Contracting Department should ensure that it maintains up-to-date pricing lists of all appropriate possible charges, updated in its files with each new pricing agreement or change to services rendered. (SH) (DA)

**Partly Implemented**

While Auditor received confirmation from Purchasing and Contracting Department that up-to-date pricing agreements are now available both to those on the distribution list or any other City employees who wish to access it via SAP, one of the main findings that resulted in this recommendation was the lack of replacement costs listed on the pricing agreements. City employees were signing off on invoice payments for items that were invoiced as lost or damaged.

The Department's original response stated that Purchasing and Contracting would confer with the vendor to reach consensus on pricing for lost and damaged items, as well as an amortization schedule detailing the percent clothing is amortized from the date of issue, and that copies of the amended agreement would be distributed to all user departments. The Purchasing and Contracting Department has requested the vendor provide detail of charges for lost or damaged uniforms as well as dispute resolution procedures. We will verify implementation in our June 2010 report.

# 12 Accounts Payable staff that review AmeriPride invoices should seek consistency in invoice review of charges prior to payment approval and follow procedures for invoice retention. (SH) (DA)

**Not Implemented – NR**

**10-002 PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART**

**I**

# 1 The Executive Director of the San Diego Housing Authority should calendar matters for final action by the Housing Authority within the time parameters set forth in SDMC §98.0301 to avoid excessive time delays between Board and Housing Authority approvals and avoid jeopardizing housing business opportunities. As appropriate, the Executive Director should recommend that the Housing Authority and City Council adopt effective resolutions to delegate authority to the Board on "advisory only" issues that the Housing Authority identifies as routine, which would alleviate the Housing Authority docket for more significant matters. (JT) (TC)

**Not Implemented**

According to City management, ~~the~~ Council President's office has worked with the SDHC to schedule items for the Housing Authority in a timely manner. They now have an established procedure that fits into the City Council process. In addition, the Housing Authority has delegated additional expenditure authority for routine maintenance items and contracts to the Housing Commission." However, City Management did not provide documentation showing implementation of the recommendation.

- # 2 City Administration should formally draft, review, approve and implement adequate process documentation including procedures and communication standards between the City, the nominees and San Diego Housing Commission (or other City-related Board or Commission) to ensure transparency in government processes. (JT) (TC)

**Implemented**

City management formalized and documented the 14 point appointment process in the City's response to our audit report, identifying the major steps to appoint Board members. Of note, the San Diego Housing Commission Board member listing is available on the City's website and indicates a full roster of 7 members as of March 2010.

- # 3 City Administration should clearly document the background investigation process to include roles, responsibilities, process flows and documentation and communication standards. (JT) (TC)

**Implemented**

City management formalized and documented the 14 point appointment process in the City's response to our audit report, identifying the major steps to appoint Board members. Steps 4 through 10 are specific to the confidential vetting background investigation process, forms, and communication standards.

- # 4 City Administration should either follow or facilitate the updating of the City Charter and San Diego Municipal Code (SDMC) to more accurately reflect the actual process. Any updates should include reference to the role of relevant City departments who are responsible for completing background investigations as part of the Board applicant vetting process. (JT) (TC)

**Not Implemented**

City management formalized and documented the 14 point appointment process in the City's response to our audit report, identifying the major steps to appoint Board members. However, management has not provided a decision related to the consideration to either follow or facilitate the updating of the City Charter and SDMC to more accurately reflect the actual process.

- # 5 The online Board member roster should be regularly updated by City Administration and San Diego Housing Commission to accurately reflect the current confirmed members. (JT) (TC)

**Not Implemented – NR**

- # 6 San Diego Housing Commission 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 Section 8 rental assistance program voucher recipients. " (JT) (TC)

**Not Implemented – NR**

- # 7 City Administration should actively assess the status of the De Anza Harbor Resort funding and whether repayment should be expected and engage San Diego Housing Commission in the process as feasible, and take action as appropriate. This assessment would include a review of the status of the De Anza project and the funds utilized since being appropriated from San Diego Housing Commission . Furthermore, City public websites and any other referential material should be updated to accurately reflect current contact and project status information. (JT) (TC)

**Not Implemented – NR**

- # 8 San Diego Housing Commission should take steps to develop and implement a formal succession plan or strategy for Executive Management Service level positions, with particular focus on the CEO and COO since they would appear to be the most difficult positions to fill. This plan should include ongoing efforts to capture organizational knowledge from personnel at all levels, identifying and eliminating any barriers to the plan's success, and holding management accountable for results. (JT) (TC)

**Implemented**

Per San Diego Housing Commission, in June 2009 the management team decided to transition the Succession Planning program into a "Professional Development Initiative," and have endorsed and supported a program design that offers all employees professional development opportunities. As a result, a new training curriculum is being developed for staff agency wide to create greater career growth.

- # 9 To ensure the completeness and accuracy of centralized San Diego Housing Commission personnel files, San Diego Housing Commission should review and update the content of historical employee specific compensation and performance evaluation documentation, as appropriate. (JT) (TC)

**Not Implemented – NR**

# 10 San Diego Housing Commission (SDHC) should ensure that personnel have a completed performance appraisal consistently finalized and processed prior to receiving any compensation increase or to change personnel policies to reflect current performance appraisal and compensation increase practices. (JT) (TC)

**Implemented**

The performance evaluations for the San Diego Housing Commission's Executive Vice President & COO and five Vice Presidents were completed prior to the end of the fiscal year ending June 30, 2009, and sent to their payroll personnel for processing at that time. Furthermore, the Housing Commission appears to be actively managing outstanding and upcoming performance evaluations that require attention and completion.

# 11 San Diego Housing Commission (SDHC) should review employee job descriptions and identify quantifiable and generally applicable criteria for all employees, such as performance evaluation completion, timing and compliance. San Diego Housing Commission should consider the creation of a performance appraisal template for use by all levels of personnel, to include universal evaluation criteria such as the timely completion of the performance evaluations. (JT) (TC)

**Not Implemented – NR**

# 12 San Diego Housing Commission (SDHC) should develop uniform and quantifiable management performance evaluation criteria as an objective measure to aid in the performance evaluations of executive management service (EMS) of subordinate staff (e.g. track the percentage of subordinate staff evaluations that are delinquent or still outstanding by EMS employee and use this metric to objectively compare EMS employee to one another). (JT) (TC)

**Not Implemented – NR**

# 13 San Diego Housing Commission (SDHC) should segregate automobile allowances from inclusion in the base compensation of executive management service (EMS) personnel, or otherwise make them consistent with City practices as appropriate. (JT) (TC)

**Implemented**

Upon receipt of the draft audit report in June 2009, this practice was reviewed by San Diego Housing Commission management and immediately stopped. The prior practice of segregating auto allowances was re-instated at that time.

# 14 City Administration and San Diego Housing Commission should finalize the fiscal year 2008 and 2009 CDBG service agreements as soon as possible. The City Administration should consider disbursing the CDBG program specific funding totaling \$1,277,478 to SDHC upon receipt of adequate supporting documentation, and expediting the review and disbursement approval for the remaining \$648,404. (JT) (TC)

**Not Implemented – NR**

- # 15 In collaboration with San Diego Housing Commission personnel, City Planning & Community Investment staff should clearly document the process and reporting expectations to facilitate the efficient and timely submission of reimbursement requests from SDHC. These should be in the form of formalized procedures or departmental guidelines. (JT) (TC)

**Not Implemented – NR**

- # 16 As part of the negotiations and communications to clarify the documentation supporting reimbursement requests, San Diego Housing Commission and City Planning and Community Investment staff should assess and correct any documentation inaccuracies or inconsistencies. The contract with the outside consulting firm (ICF) should clearly outline these expectations to develop appropriate and comprehensive internal controls to monitor these types of funding activities. (JT) (TC)

**Not Implemented – NR**

- # 17 To ensure compliance with the US Department of Housing and Urban Development (HUD) terms, San Diego Housing Commission should make the progress of the 350 required housing units a standing agenda item for discussion by the Board, which should include regular reporting from the responsible members of San Diego Housing Commission management. (JT) (TC)

**Not Implemented – NR**

- # 18 San Diego Housing Commission should continue to make progress on new development to meet the 350 unit goal, within a five year timeline, and utilize existing undeveloped SDHC owned assets if necessary to accomplish that objective. These expectations should be clearly outlined in future budgetary and business planning documents, and should be included as a defined goal for the responsible members of management and staff as applicable. (JT) (TC)

**Not Implemented – NR**

- # 19 San Diego Housing Commission (SDHC) personnel should take actions to ensure that the data related to public housing disposition tenants are accurate within its information system. One potential solution to resolve this would be creating a data extract from the information system to identify any data discrepancies. (JT) (TC)

**Implemented**

The San Diego Housing Commission has prepared an ongoing reconciliation of Section 8 financial / unit data over the last three calendar years beginning January 1, 2007, and provided this summary documentation to audit staff. Based on the documentation provided, SDHC appears to be actively monitoring the Section 8 voucher data for consistency with expectations.

**10-003**      **PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART II**

- # 1      San Diego Housing Commission (SDHC), in collaboration with City Administration, should perform a review of the Housing Impact Fee schedule, and assess reasonableness and consistency with SDMC §98.0618. The fees should be updated through 2009 to be consistent with the SDMC. If the updates are not practical or feasible, the communication of the current intent to request updates through City Council should be clearly documented and retained by both the City Administration and San Diego Housing Commission. (JT) (TC)

**Not Implemented – NR**

- # 2      San Diego Housing Commission (SDHC), in collaboration with City Administration, should develop and implement procedures so that Housing Impact Fee updates are recalculated March 1 of each year by the appropriate percentage increase or decrease as indicated in the SDMC and prepare a recommendation to the City Council for such revision on an annual basis. If the updates are not accepted or processed by the City Council, the annual communication of the requested updates through City Council should be clearly documented and retained. If the SDMC will not be followed, then it should be amended to reflect the current fee expectations in relation to the Housing Trust Fund, a change that would require City Council action to amend the SDMC. (JT) (TC)

**Not Implemented – NR**

- # 3      City Administration should facilitate the update of the SDMC to accurately reflect the current process for the collection and maintenance of the Housing Trust Fund fees by the Comptroller in a specific subaccount after collection by the City. (JT) (TC)

**Not Implemented – NR**

- # 4      San Diego Housing Commission (SDHC) personnel should immediately discontinue the practice of receiving payments directly from developers. Any future attempted payments of that type should be directed to the City Development Services Department. (JT) (TC)

**Implemented**

The San Diego Housing Commission has updated their internal control documentation to specifically prohibit the receipt of funds from developers for the Affordable Housing Fund. Furthermore, there is no indication of receipts from any developers in the Affordable Housing Fund.

- # 5 San Diego Housing Commission (SDHC) should develop additional policy and departmental guidance to detail the process and documentation requirements in relation to the Affordable Housing Fund (inclusive of both the Housing Trust Fund and Inclusionary Housing Fund), which would include reference to the proper handling of direct payments from developers and the timely reconciliation of Affordable Housing Fund funds to include comparing City-provided periodic reporting to actual payments received on a quarterly or annual basis. (JT) (TC)

**Not Implemented – NR**

- # 6 The San Diego Housing Commission Policy "Commission Responsibilities Related to the Housing Trust Fund" (P0300.501) should be updated as needed to accurately reflect the current process including a prohibition against the receipt of direct payments from developers and the reporting relationship with the City, as applicable. (JT) (TC)

**Not Implemented – NR**

- # 7 City Administration and San Diego Housing Commission (SDHC) personnel should reconcile the current differences in historical reported amounts for Inclusionary Housing Fund funding. If warranted, disbursement to or from SDHC or the City should be made to settle any outstanding payment discrepancies. Procedures should be established to perform this reconciliation at least annually. (JT) (TC)

**Partly Implemented**

SDHC has started to reconcile City fees to SDHC receipts but has not completed this task. The Agency expects to complete this task by the end of April 2010. Furthermore, the Agency has established reconciliation policies and procedures.

- # 8 A new SDHC policy should be drafted, approved and implemented to accurately reflect the SDHC "Responsibilities Related to the Inclusionary Housing Fund" (similar to P0300.501 and including any updates thereof). (JT) (TC)

**Not Implemented – NR**

- # 9 The existing policy P0300.501 (and the new Inclusionary Housing Fund policy recommended separately) should be updated to include the requirements to account for and report separately both the Inclusionary Housing Fund and the Housing Trust Fund in the audited financial statements as well as the audit for compliance with the Affordable Housing Fund Ordinances and any related policies and regulations. (JT) (TC)

**Not Implemented – NR**

- # 10 The requirements to account for and report separately both the Inclusionary Housing Fund and the Housing Trust Fund in the audited financial statements as well as the audit for compliance with the Affordable Housing Fund Ordinances and any related policies and regulations should be implemented for the fiscal year 2009 and future annual audits. (JT) (TC)

**Implemented**

The fiscal year 2009 audited financial statements (compared to prior years) now contain a footnote (Note 17) related to –Affordable Housing” which provides background related to the fund(s) and references the performance audit report. It also includes a table with a –condensed statement of revenues, expenses and changes in net assets” for the two funds.

- # 11 SDHC and City Administration should review SDMC §142.1310(e) and have the applicable SDMC sections updated to reflect the current fees or make reference to the source document or department for the updated fees, a change that would require City Council action. (JT) (TC)

**Not Implemented – NR**

- # 12 City Administration should draft, approve and implement departmental guidelines (across multiple departments as needed) to accurately identify and document the process roles and responsibilities for City departments, including the Treasurer, Comptroller, Facilities Financing and Development Services Department (DSD) in Affordable Housing Fund-related processes. These processes should include the reporting of quarterly and annual Housing Trust Fund and Inclusionary Housing Fund activity by Facilities Financing and DSD to SDHC and the Comptroller. The Comptroller should reconcile fund levels and make disbursements based upon mutually agreed upon amounts from that reporting on a consistent and timely basis. (JT) (TC)

**Not Implemented – NR**



**10-006      OFFICE OF THE CITY ATTORNEY PROPOSITION 64 FUNDS AUDIT**

# 1      Review and revise the current policies and procedures for the management of Proposition 64 funds. The policies and procedures should include details on how the funds will be properly recorded, tracked and expended. (DK)

**Partly Implemented**      The City Attorney’s Office updated policies and procedures for handling the Proposition 64 funds. The updated policies and procedures provide a history of the Proposition, its intent and definitions, the proper use and tracking of expenditures. Although, the updated policies and procedures address the handling of deposits to the fund, it does not address all the internal control issues discovered during the audit. The City Attorney’s Office still has to receive an exemption to the City Charter’s daily deposit requirement as allowed in Municipal Code 22.0706.

# 2      Develop a centralized case management system, with detailed policies and procedures, to record, document and reconcile awards received. (DK)

**Not Implemented – NR**

# 3      Work with Financial Management to develop a strategy to incorporate the Proposition 64 funds in their department budget to help enforce consumer protection laws. (DK)

**Implemented**      The Office of the City Attorney uses the Proposition 64 fund to pay for personnel expenditures for staff responsible for –enforcement of consumer protection laws.” During FY 10 and FY 11, personnel expenditures will be funded by the Proposition 64 fund. In doing so, there is a cost savings to the general fund by approximately \$900,000.

# 4      Management should review the disposition of dormant funds and determine how they should be used and if related funds should be closed. Include the proper management documentation of funds in your detailed written policies and procedures. (DK)

**Implemented**      The City Attorney’s Office has reviewed the dormant funds and determined payment was due to the California Consumer Protection Prosecution Trust Fund. The City Comptroller’s Office disbursed the requested fund to the Trust on behalf of the City Attorney’s Office. The balances totaling \$36,779.61 in the remaining dormant funds were transferred to the Proposition 64 fund.

# 5      Consult with City Comptroller to determine if there are any other funds with inactive balances that could be used by the department and subsequently closed. (DK)

**Implemented**

The City Attorney's Office has reviewed the dormant funds and determined payment was due to the California Consumer Protection Prosecution Trust Fund. The City Comptroller's Office disbursed the requested fund to the Trust on behalf of the City Attorney's Office. The balances totaling \$36,779.61 in the remaining dormant funds were transferred to the Proposition 64 fund.

- # 6 Include a requirement that money received be deposited daily in your written policies and procedures. (DK)

**Not Implemented**

We identified two award payments totaling \$96,000 that were not deposited timely and required confirmation from the bank that the checks would still be honored. Additionally, a \$70,000 award check was lost and had to be reissued which was yet again not deposited timely.

The current City Attorney administration has updated policies and procedures, but they do not address all the internal control issues discovered during the audit. Specifically, the City Attorney's Office did not include the City Attorney's Office as being exempted from the daily deposit requirement.

The City Attorney's Office needs request an exemption from the City Charter daily deposit requirement from the City Council.

- # 7 Provide additional consumer protection information via the City's website and other means such as distributing newsletters and/or consumer tips and alerts. (DK)

**Implemented**

The City Attorney's Office has increased their consumer protection information distribution through newsletters, tips and alerts via news releases/press conferences/interviews, community outreach and provides additional information on their website.

**PERFORMANCE AUDIT OF THE CITY’S STREET MAINTENANCE FUNCTIONS**

# 1 Expedite the performance of a complete citywide street assessment survey prior to the selection of streets for future citywide resurfacing contracts. If resources are not sufficient for this purpose, the Street Division should expedite its budget request so that resources will be available for a complete citywide assessment as soon as practicable. Data obtained from this survey should be analyzed comprehensively prior to the execution of future street resurfacing contracts, and maintained as a baseline for performance metrics when future assessments are performed. (EM)

**Not Implemented – NR**

# 2 Ensure that the condition ratings for recently resurfaced streets are effectively updated within the pavement management system in a timely manner. If the Street Division does not have the staff, resources, or expertise necessary to perform field surveys of street conditions, then the Street Division should establish baseline condition ratings for streets that have been recently resurfaced. (e.g. OCI of 90 for streets that have been recently overlaid with new asphalt) These baseline values should be updated within the pavement management system shortly after the completion of street resurfacing activity. (EM)

**Not Implemented – NR**

# 3 Implement a degradation program into the pavement management system to update street condition ratings on a periodic basis. When formulating this program, major degradation variables such as traffic, drainage, weathering, and functional class should be prescribed for each segment within the pavement management system. If this process cannot be automated, the Street Division should ensure that condition information is manually updated on a regular basis. (EM)

**Not Implemented**

The Department has not implemented the recommendation and has provided documentation to show how the system could potentially be used if it had the resources to use it to its full capability. The original recommendation requested that the department periodically update degradation variables within the pavement management system. The recommended variables were: traffic, drainage, weathering, and functional class. At this time, the Department is relying on “distress” and “ride” as the variables to assess and update within the pavement management system.

- # 4 The Street Division should formally document written policies and procedures for the identification and selection for inclusion into citywide street resurfacing contracts. These policies and procedures should be documented with an aim to maximize the effectiveness and efficiency of resources allocated for street resurfacing projects.

Written policies and procedures should be carefully crafted to ensure objectivity in the identification and selection process; yet also provide flexibility when deviation from the prescribed selection processes is warranted. (i.e. upon completion of a major public works project, or a particular geographic area that has sustained aberrant damage). (EM)

**Not Implemented – NR**

**10-008 HOTLINE INVESTIGATION OF A CITY COMPTROLLER EMPLOYEE**

- # 1 We recommend the Office of the City Comptroller take appropriate disciplinary action based on the information provided. (DK)

**Not Implemented – NR**

- # 2 Risk Management should implement a new process to verify spousal and dependent eligibility before City insurance benefits are provided to reduce the risk of the City incurring additional cost for ineligibly claimed benefits. (DK)

**Not Implemented – NR**

**10-009 SAN DIEGO DATA PROCESSING CORPORATION FOLLOW-UP AUDIT**

- # 1 San Diego Data Processing Corporation’s Board should require San Diego Data Processing Corporation to have written policies related to reimbursements to vendors and the retention of bid documents. (SG)

**Not Implemented** The Master Service Agreement (MSA) team, which consists of both City and San Diego Data Processing Corporation (SDDPC) management, stated that SDDPC will revise its policies to address reimbursements to vendors and the retention of bid documents upon approval of the MSA.

- # 2 Design controls to ensure a review of compliance with the Operating Agreement terms is performed annually. Consider requiring San Diego Data Processing Corporation to self-assess their compliance with the agreement terms and submit the assessment to the Mayor, or designee, for their review prior to executing the annual Service Level Agreement. (SG)

**Implemented** San Diego Data Processing Corporation’s (SDDPC) Bylaws (Article V, Section 4) describe an annual February meeting/update to the City Council at which point SDDPC will provide a summary of the corporation, including reporting on compliance with the Bylaws and Master Service Agreement.

# 3 Modify the Operating Agreement to establish a process by which payments by the City that exceed costs for services are refunded by San Diego Data Processing Corporation. (SG)

**Implemented** The City and San Diego Data Processing Corporation have addressed the issue of overpayment for services provided, through incorporating the mid-year rate adjustment process defined in Section 4.8 of the Master Service Agreement.

# 4 Modify the Operating Agreement to define costs which are unallowable without a justification of benefit to and approval by the City, including the procurement of capital assets. (SG)

**Implemented** Information Technology (IT) related capital will be vetted with the Department of IT during the rate process; non-IT capital items are reviewed by City Chief Financial Officer for input and approved by the San Diego Data Processing Corporation (SDDPC) Board. The department of IT will manage the annual budget process with SDDPC. Specifically, the Master Service Agreement addresses IT Capital Assets in Section 3.4.1.4, while non-IT Capital Assets are addressed in SDDPC's Budget and Fiscal Policy, Sections 1 and 4.

# 5 Consult with the City Attorney to ensure pass-through purchases are properly and clearly authorized by Council as required by the Municipal Code and Charter. (SG)

**Implemented** The draft City Council Policy on IT Procurement is the recommended method from the City Attorney's Office to best achieve compliance with the legal requirements, plus the inclusion of necessary language in the annual Appropriation Ordinance (AO) for IT spending through the San Diego Data Processing Corporation (more specific than the general language used in the past AO). In addition, updated IT governance policies and processes will provide further reviews and approvals to ensure necessary compliance.

# 6 The City should ensure the appropriation ordinance language clearly authorizes payments to San Diego Data Processing Corporation for pass-through expenses. (SG)

**Implemented** The draft City Council Policy on IT Procurement is the recommended method from the City Attorney's Office to best achieve compliance with the legal requirements, plus the inclusion of necessary language in the annual Appropriation Ordinance (AO) for IT spending through San Diego Data Processing Corporation (more specific than the general language used in the past AO). In addition, updated IT governance policies and processes will provide further reviews and approvals to ensure necessary compliance.

# 7 Amend the Operating Agreement with San Diego Data Processing Corporation to improve best practices by requiring: a. A dedicated public vendor webpage for posting: Requests for quotes or proposals; Results of requests for quotes or proposals; and Justifications for sole source / sole responder vendor contracts; b. Standard minimum response times to requests for quotes or proposals; c. Re-advertising for requests for quotes or proposals if an insufficient number of responses are received from vendors for contracts exceeding a specific value, such as \$250,000 unless sufficient justification is documented, presented to the Board and the justification is posted to the website; d. Fixed terms for contracts; and e. Annual report to the City summarizing competitive practices. (SG)

**Partly Implemented** Recommendation 7 consists of 5 components denoted a-e. Component 7e has been implemented through the definition and requirement of an annual reporting process defined in Article 5, Section 4 of San Diego Data Processing Corporation's (SDDPC) Bylaws. City and SDDPC Management plan to implement the remaining components of the recommendation through policies and procedures once the Master Service Agreement has been executed. Their approach appears to meet the requirements of our recommendation.

# 8 City management should consider establishing policies and regulations specific to procurement of long term system maintenance contracts. (SG)

**Not Implemented** This item will be addressed in the future through separate City IT governance and IT procurement policies.

# 9 The City and San Diego Data Processing Corporation should develop policies and procedures to ensure compliance with competitive standards applicable to federally funded technology projects. (SG)

**Not Implemented** This item will be addressed in the future through separate City IT governance and IT procurement policies.

# 10 Add language to the City's Purchasing and Contracting Department website directing vendors to San Diego Data Processing Corporation web site for technology procurement opportunities. (SG)

**Implemented** This recommendation has been completed by the addition of a statement on the City Purchasing "Bid & Contract Opportunities" web page under the sub-category listing for "Computer/Data Systems Related" (<http://apps.sandiego.gov/bcweb/setupSubCatList.do?subCatDesc=Computer%2FData+Systems+Related&subCatCd=1&catCd=1>)

# 11 Either San Diego Data Processing Corporation should permit view access by City employees to their contract, invoice, and vendor payment history for procured goods and services in order to verify the accuracy of San Diego Data Processing Corporation billings, or the procurement of these goods and services should be made directly through the City's procurement process in consultation with San Diego Data Processing Corporation staff. The selected process should ensure the best operational efficiencies for the City that incorporate strong internal controls. (SG)

**Not Implemented**

A documented policy has not been provided, though a practice is mentioned as the remediation. According to the Master Service Level Agreement Team, this item will be addressed in the future, but is currently under discussion as to the best method.

# 12 The City should establish encumbrances for IT Business Leadership Group (ITBLG) approved new project costs procured through San Diego Data Processing Corporation to ensure actual costs do not exceed approved budgeted costs. (SG)

**Partly Implemented**

The recommendation requires that the City should establish encumbrances for the Information Technology Business Leadership Group's (ITBLG) approved new project costs procured through San Diego Data Processing Corporation to ensure actual costs do not exceed approved budgeted costs. City Management is currently in the process of developing new governance procedures for review and approval of IT projects and procurement. Many of these processes will be documented through the Comptroller's Office, Internal Controls Section, as part of the series of Process Narratives they are compiling. Their approach appears to meet the requirements of our recommendation.

# 13 Consult with the City Attorney and amend the Operating Agreement to a more traditional professional services contract to provide the City with specific IT services and as-needed services. The agreement should have a fixed term and incorporate appropriate levels of approval at the City prior to San Diego Data Processing Corporation processing a request for services. (SG)

**Implemented**

The Operating Agreement has been updated into a more traditional Master Service Agreement (MSA). This MSA in Section 2.2 defines the responsibilities and process for Review and Approval of Information Technology Services. Section 6.1 defines the Term of the MSA to be one year from the approval date, and automatically renews for two additional years unless terminated (180 day notification prior to renewal).

- # 14 Amend the Operating Agreement to establish a timeline for execution of the annual SLA and to establish the level of City approval required prior to making payments if an SLA is not executed within the timeframe. (SG)

**Implemented**

The Master Service Agreement (MSA) has been amended to define the timeframe to establish the annual Service Level Agreement (SLA), as well as the case where an SLA is not defined within the established timeframe. Specifically, Section 3.2.1 of the MSA requires that the SLA be approved no later than July 1st of each year. In the case where the SLA is not approved, a temporary ~~memorandum~~ memorandum of agreement which will state the hourly rates and fixed cost allocations that will be paid” will be executed until the SLA is approved.

- # 15 City management, in consultation with the City Attorney, should advise the City Council to consider amending San Diego Data Processing Corporation’s bylaws to include the following: a. The Mayor and City Council shall approve the hiring of the CEO and the CEO’s contract terms; b. The Board shall approve the compensation of the CFO unless increases in compensation are applicable to all employees; c. The CEO shall provide an annual report to the Mayor and City Council on San Diego Data Processing Corporation’s compliance with its Bylaw requirements; d. San Diego Data Processing Corporation shall provide to the Mayor and City Council an annual report on its performance, including its strategy, current year’s goals, status of major projects, and comparison of prior year’s goals to performance; and e. San Diego Data Processing Corporation’s CEO and CFO shall certify to the City that San Diego Data Processing Corporation management assumes full responsibility for the completeness and reliability of the information contained in the financial report. (SG)



**Partly Implemented**

Recommendation 15 consists of 5 components, denoted a-e. Component 15a has been identified as implemented; however, we disagree on the completion of the item. Specifically, we recommend the Mayor and City Council approve the hiring of the Executive Director and his/her contract terms. Management has stated they will implement a strict selection and performance policy, place a cap on compensation, and eliminate the bonus. They further stated that the San Diego Data Processing Corporation's Executive Director will be hired and fired by the SDDPC board, with input from the Mayor and Council. However, the Bylaws do not require that the Mayor and Council approve the hiring and firing of SDDPC's Executive Director as we initially recommended. The remaining components have been remediated through the following methods: (b) Addressed in Article 7, Section 3 of SDDPC's Bylaws which states: The compensation, if any, of the Officers, shall be fixed or determined by resolution of the Board, except that the compensation for the President shall be determined as set forth in Article VIII, Section 1(a) of these Bylaws. (c) Article 5, Section 4 of SDDPC's Bylaws requires ~~a~~ "summary of Bylaws compliance during the preceding Fiscal Year" among other key items reported. (d) Article 5, Section 4 of SDDPC's Bylaws states ~~a~~ "an annual report of the Corporation which shall provide an assessment of the Corporation and describe its operations and financial outlook and include a copy of its Strategic Plan for its past and present Fiscal Year as provided for in Article VII of these Bylaws, and such other issues related to technology, fiscal outlook and operations, the status of major projects" ... (e) The Master Service Agreement, in Section 4.4, requires the SDDPC Chief Executive Officer & Chief Financial Officer to assume responsibility for the financial report.

# 16 City management, in consultation with the City Attorney, should advise the City Council on the appropriate action to be taken regarding delegation of member rights. (SG)

**Implemented**

Article 5, Section 2 of San Diego Data Processing Corporation's (SDDPC) Bylaws addresses the appointing of a ~~Designee~~ "by the Council of the City of San Diego (~~City Council~~)".

**10-010      PERFORMANCE AUDIT OF THE CITY TREASURER'S DELINQUENT ACCOUNTS PROGRAM - DEVELOPMENT SERVICES DEPARTMENT**

- # 1      Review current deficit account balances and immediately refer existing past due accounts to the Treasurer's Delinquent Accounts Program. (DA)

**Not Implemented – NR**

- # 2      Establish appropriate criteria and timelines that will trigger Fiscal Services to generate an ARIS invoice with automatic referral to the Treasurer's Delinquent Accounts Program of unpaid invoices after the invoice due date. If the timeline for referral exceeds 30 days past due, request approval for a more appropriate time frame from the City Treasurer per City regulations. Centralize the deficit account invoicing process in DSD's financial services and eliminate courtesy and collection letters as well as PTS invoices. (DA)

**Not Implemented – NR**

- # 3      Establish procedures for DSD cashiers to coordinate with financial services to ensure payments received on ARIS invoices are properly applied to the invoice so paid accounts are not referred to the Treasurer's Delinquent Accounts Program in error. (DA)

**Not Implemented – NR**

- # 4      Establish procedures and strengthen controls in PTS that prevent DSD cashiers from accepting payment on past due ARIS invoices (those referred to Treasurer's Delinquent Accounts Program). Instruct applicants with referred accounts to make payment at Treasurer's Delinquent Accounts Program. (DA)

**Not Implemented – NR**

- # 5      Reinstate monthly statements, for all applicants, which contain enough detail regarding charges (staff person name, description of work performed, hours spent and amount, etc.), as well as language stating that applicants have a limited amount of time to dispute any charges. Monthly statements for accounts in deficit should also contain a remittance advice, the deficit amount, the minimum positive balance required, a due date and language that clearly states that unpaid amounts will be referred to Treasurer's Delinquent Accounts Program (based on the established criterion and timeline from #2 above). (DA)

**Not Implemented – NR**

- # 6      Implement a late penalty fee to ensure more timely payments on deficit accounts. (DA)

**Not Implemented – NR**

- # 7      Require Development Project Managers (DPMs) as well as any other City staff person acting as lead on deposit projects to review labor charges on all relevant projects at least biweekly to help identify and correct potentially erroneous charges prior to the issuance of monthly statements. (DA)

**Not Implemented – NR**

- # 8 Evaluate the adequacy of Deposit Account initial deposit amounts as well as minimum required balance amounts to help minimize the frequency and speed at which Deposit Accounts fall into deficit. (DA)

**Not Implemented – NR**

- # 9 Implement a policy that would prohibit applicants with an existing deficit account to open another Deposit Account until the existing deficit is paid in full. (DA)

**Not Implemented – NR**

- # 10 Implement system interfaces between PTS and the current and future SAP modules to increase the automation of manual billing and collection tasks. (DA)

**Not Implemented – NR**

- # 1.O Ensure Development Services Department Fiscal Services (as well as development project managers (DPMs) and other project leads) are given access to data, screens and/or reports in SAP Functional, Finance & Logistics (FILO) that clearly and accurately depict project balance, activity and length of time in deficit. (DA)

**Implemented** OneSD provided DSD staff the ability to run a report to get the beginning balance, transaction listing, and ending balance for subdivision projects (Deposit Accounts).

- # 2.O Ensure development project managers (DPMs) are given access to labor charge detail by job order number after implementation of SAP's Human Capital Management (HCM) module. (DA)

**Not Implemented – NR**

- # 3.O Provide Development Services Department (DSD) with a sufficient number of operation accounts in SAP to ensure Deposit Account monthly statements contain enough detail regarding customer charges. (DA)

**Implemented** OneSD provided DSD staff Functional Areas – which replace Accounting Management Resource Information System (AMRIS) Operation Accounts – as the objects used to track the different activities being performed for the project.

# 1.T Assist the Development Services Department (DSD) by providing a periodic report of payments received on referred accounts. (DA)

**Implemented** City Treasurer provides a weekly report to DSD Fiscal Staff and Cashiers. The report is from Columbia Ultimate Business System (CUBS) and shows Client Activity for the period which includes payments received.

**10-013 BID TO GOAL: EFFICIENCIES HAVE BEEN ACHIEVED, BUT IMPROVEMENTS ARE NEEDED IN DOCUMENTATION, MANAGEMENT, AND INTERNAL REVIEW OF THE PROGRAM**

# 1 We recommend that the Department solicit the development of a private sector benchmark at least every 5 years and ensure that the benchmark is comparable with the employee bid for at least the first year of the contract. (EN) (TT)

**Not Implemented – NR**

# 2 We recommend that the Department establish a central location for B2G documentation and core of employees with knowledge about the program. (EN) (TT)

**Not Implemented – NR**

# 3 We recommend that the Department ensure that accurate and updated B2G records, such as the annual performance reports, are maintained. (EN) (TT)

**Not Implemented – NR**

# 4 We recommend that the Department develop guidance with specific criteria for B2G annual reports, including the format and content and required updates to be included in such reports that will allow the results to be easily reviewed and compared. (EN) (TT)

**Not Implemented – NR**

# 5 We recommend that the Department maintain a public, historical record of B2G results by including previous years' annual reports on the Department's website. (EN) (TT)

**Not Implemented – NR**

# 6 We recommend that the Department identify clear and distinct roles and responsibilities for the Department and contractor and provide structure for the bid process. (EN) (TT)

**Not Implemented – NR**

# 7 We recommend that the Department develop a system for accurately tracking the administrative costs of the program. (EN) (TT)

**Not Implemented – NR**

# 8 We recommend that the Department develop a system for accurately tracking EEIR actual expenditures and report these in annual performance reports. (EN) (TT)

**Not Implemented – NR**

# 9 We recommend that the Department require an external audit of payouts, maintain an accurate record of the audited total gross payout amounts and number of employees receiving payouts, and evaluate whether setting net rather than gross payout caps is the most equitable and appropriate limit. (EN) (TT)

**Not Implemented – NR**

# 10 We recommend that the Department ensure that gainsharing goals continue to be measurable, auditable, and stretch goals. (EN) (TT)

**Not Implemented - NR**

# 11 We recommend that the Department establish a structured system for involving all levels of employees in the goal-setting process, such as encouraging participation on goal-setting teams on a rotational basis to obtain ideas and input for improving the efficiency and effectiveness of operations and hold these employees accountable and responsible for each performance measure. (EN) (TT)

**Not Implemented – NR**

# 12 We recommend that the Department develop detailed and specific guidance for standardized savings calculations, including instructions for sources of data, out of scope and in scope expenditures, encumbrances, and justifications for administrative relief when goals are not met. (EN) (TT)

**Not Implemented – NR**

# 13 We recommend that the Department develop procedures for ensuring that recommendations from external audits are implemented. (EN) (TT)

**Not Implemented – NR**

# 14 We recommend that the Department establish processes for making internal controls an integral part of planning, budgeting, management, accounting, and auditing the B2G program, including reviewing savings calculations and goal achievement and segregating duties between performing, reviewing, and documenting a task. (EN) (TT)

**Not Implemented – NR**

**10-016      CITYWIDE REVENUE**

- # 1      Develop a Memorandum of Understanding with the County of San Diego to ensure access to required information allowing the City Treasurer’s Revenue Audit Division to review property tax allocations to the City and observe the next State audit of the County. (FP) (DK)

**Not Implemented – NR**

- # 2      The Financial Management Department should take steps to obtain State audits of County property tax allocations, and review any relevant findings/recommendations for purposes of follow up. (FP) (DK)

**Not Implemented – NR**

- # 3      The City Treasurer’s Office should consider providing business registration information to the County Assessor’s office, and inform new businesses registering in the City of San Diego that they may be required to pay unsecured property tax to the County. (FP) (DK)

**Not Implemented – NR**

- # 4      The City of San Diego should consider streamlining its communication with the County of San Diego’s Assessor’s Office to ensure the County’s possessory interest records are up to date. (FP) (DK)

**Not Implemented – NR**

- # 5      The City’s Financial Management Department should evaluate the benefits of joining the Teeter Plan, and unless there is compelling information to suggest otherwise, take appropriate steps to become part of the Plan. (FP) (DK)

**Not Implemented – NR**

- # 6      Consider having the City Treasurer’s Revenue Audit Division utilize the free audit training offered by MuniServices, LLC to reduce reliance on MuniServices for future sales and use tax audit services. (FP) (DK)

**Not Implemented – NR**

- # 7      Financial Management should review gross Safety Sales Tax revenues annually in order to verify the accuracy of Safety Sales Tax allocations to the City. (FP) (DK)

**Not Implemented – NR**

- # 8      Financial Management should annually reconcile Sales Tax Triple-Flip funds received from the County with ERAF shift loss detailed in BOE sales tax reports. (FP) (DK)

**Not Implemented – NR**

# 9 The City Comptroller's Office should continue identifying the necessary subprocesses and prepare written policies/procedures for verifying the accuracy of TransNet revenues. (FP) (DK)

**Not Implemented – NR**

# 10 In order to verify accurate TransNet allocations, the City of San Diego Streets Division should work with the California Department of Transportation (CalTrans) to ensure accurate miles of road maintained figures. (FP) (DK)

**Not Implemented – NR**

# 11 The Office of the City Comptroller should develop written policies/procedures for verifications of gas tax revenues performed by the City. (FP) (DK)

**Not Implemented – NR**

# 12 The Office of the City Comptroller should ensure the City is not paying federal gas taxes by verifying that the payments to fuel vendors do not include federal excise tax. (FP) (DK)

**Not Implemented – NR**

# 13 The Office of the City Comptroller and Financial Management should develop written policies/procedures for verifications of motor vehicle license fees. (FP) (DK)

**Not Implemented – NR**

# 14 The City Treasurer's Office should monitor when court revenue distribution audits are done by the State Controller's Office, and be aware of findings and/or under remittances relevant to the City of San Diego for purposes of follow up. (FP) (DK)

**Not Implemented – NR**

# 15 The City Treasurer's Revenue Audit Division should consider performing audits of court-distributed revenues. (FP) (DK)

**Not Implemented – NR**

# 16 The Office of the Independent Budget Analyst (IBA) should work in consultation with the Real Estate Assets Department to revise Council Policy 700-10 to clarify who has the appropriate auditing authority. (FP) (DK)

**Not Implemented – NR**

# 17 The Real Estate Assets Department should develop written policies/procedures for the verification of lease payments. (FP) (DK)

**Not Implemented – NR**

- # 18 The Real Estate Assets Department should work with the City Treasurer's Revenue Audit Division to develop an indicator for percentage leases in the Electronic Document Retrieval System (EDRS). (FP) (DK)

**Not Implemented – NR**

- # 19 The City Treasurer's Revenue Audit Division should include their annual reconciliation of the Division's lease audit database with the Real Estate Assets Department database in their written departmental procedures. (FP) (DK)

**Not Implemented – NR**

- # 20 The Revenue Audit Division should develop policies/procedures for auditing state video franchises that include (1) procedures for auditing franchisee's methodology of calculating franchise fees, (2) the requirement for the franchisee to provide detailed calculation summaries, and (3) an audit cycle no longer than 4 years. (FP) (DK)

**Not Implemented – NR**

- # 21 Based on the requirement for hotel operators to maintain records for a period of three years, the Revenue Audit Division should perform audits on a three-year cycle. (FP) (DK)

**Not Implemented – NR**

- # 22 The Business Tax Compliance Program should develop written policies/procedures for the work it performs. (FP) (DK)

**Not Implemented – NR**

- # 23 The Business Tax Compliance Program should expand techniques used for ensuring compliance—including utilization of preventative measures such as informal employee audits—and determine an alternative method for ensuring accurate business size designation. (FP) (DK)

**Not Implemented – NR**

**10-017 PERFORMANCE AUDIT OF THE CITY TREASURER'S INVESTMENTS DIVISION**

- # 1 The City Treasurer should finalize and implement a charter or comparable controlling document for the Investment Advisory Committee defining the roles, responsibilities, term limits, applicant requirements and related administrative processes for the committee. This document and related committee reference information should be included and maintained on the Investments Division's public website. (JT)

**Not Implemented – NR**



- # 2 The City Treasurer should review and update the Investment Policy for inclusion of the identified consensus recommendations during the subsequent update to the Investment Policy within an official Investment Advisory Committee charter or comparable controlling document, as appropriate. (JT)

**Not Implemented – NR**

- # 3 The City Treasurer should formally document a written procedure for processing complete and accurate annual updates for the Investment Policy, including the critical steps in the process from initiation to acceptance by City Council and subsequent handling in preparation for the following year. This procedure should be crafted to effectively and efficiently update the policy, but also provide for appropriate record management clearly identifying documentation requirements during various stages of the process. (JT)

**Not Implemented – NR**

**10-018 PERFORMANCE AUDIT OF THE PURCHASING AND CONTRACTING DEPARTMENT - CITYWIDE OPEN PURCHASE ORDER PROGRAM**

- # 1 Incorporate the use of a requisition form similar to a form 2610 in the Departmental Blanket/Open Purchase Order program to reduce the risk of misappropriation. (TM)

**Not Implemented – NR**

- # 2 City Management should institute a process and timeline for the elimination of the Citywide Blanket/Open Purchase Order program. Instead, citywide contracts should continue to be established and departments should procure goods and services using the newly revised Departmental Blanket program or some other method that is more efficient and incorporates effective controls. (TM)

**Not Implemented – NR**

- # 3 Modify Administrative Regulation 35.15 to adequately reflect the new policies as a result of the actions taken from Recommendations one and two above. 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. (TM)

**Not Implemented – NR**

- # 4 City Management should analyze the Stores Revolving fund balance of \$1.4 million to determine if this balance represents a surplus. If this analysis results in the determination of a surplus, it should be transferred back to the applicable funds (general, enterprise, etc.) per the annual appropriations ordinance. (TM)

**Not Implemented – NR**

- # 5 Central Stores should conduct an annual analysis to ensure that all surcharges (storerooms, mailrooms, etc.) are set at an appropriate level to only recoup the cost of service. This analysis should include a procedure to transfer any surplus at fiscal year end back to the applicable fund(s). (TM)

**Not Implemented – NR**

- # 6 City Management should ensure that all departments are aware of discounts and have appropriate procedures in place to ensure that all discounts are taken advantage of for timely payment on City purchases in order to reduce costs. (TM)

**Not Implemented – NR**

**10-OA-001 PERFORMANCE AUDIT OF THE CENTRE CITY DEVELOPMENT CORPORATION**

- # 1.1 Implement a strategic plan linking redevelopment goals with achievements and organizational performance. This should include goals that are specific, measurable, attainable, reliable, and time-bound as a method of demonstrating whether CCDC efforts are achieving stated goals. Additional performance measures could relate to:
- Leveraging Private Resources
  - Employment & Job Creation
  - Data related to the Design Review/Permitting Function
  - Delivery Cost Ratio & Timeliness/Budget on Public Improvements
  - Program/Administrative Budget Comparison (TT)

**Not Implemented – NR**

- # 1.2 Develop a strategy to ensure that the proportion of affordable units to market-rate units does not fall below the 15 percent threshold mandated by California Community Redevelopment Law. (TT)

**Not Implemented – NR**

- # 1.3 Work with appropriate officials within the City and Agency to determine the feasibility and appropriateness of exploring the introduction of new revenue streams, such as a cost-recovery model for the design review process and imposition of additional Development Impact Fees (DIF). (TT)

**Not Implemented – NR**

- # 1.4 Assess and define CCDC's role in promoting economic development and social service delivery through redevelopment efforts. This could include realigning CCDC's service delivery framework to encourage additional activities that are commonly associated with redevelopment, including providing policy guidance regarding the inclusion of economic development and social service activities commonly employed by other successful redevelopment agencies. Examples include, but are not limited to:
- Facilitating the development of employment-oriented facilities, such as small business incubators, which provide low-cost opportunities for small businesses and other San Diego-based start-up companies;
  - Incorporating covenants within development agreements whereby Agency financial assistance is contingent on the provision of services that advance the economic development goals of San Diego, such as creating a balance of employment and housing opportunities; and/or,
  - Leveraging TIF resource with other funding streams, including grant funding through the United States Department of Housing and Urban Development, to encourage or facilitate additional economic development, blight mitigation, and social service activities. (TT)

**Not Implemented – NR**

- # 2.1 Develop a comprehensive set of policies and procedures to provide guidance and increase internal controls over procurement, contracting, use of on-call agreements, accounts payable, payroll, and fiscal operations, and clarify roles and responsibilities of staff involved. (TT)

**Not Implemented – NR**

- # 2.2 Train staff on established procedures to ensure both staff and management share the same expectations. (TT)

**Not Implemented – NR**

- # 2.3 Ensure adequate competition is sought where feasible and practical, and document key decisions surrounding contract awards to provide transparency and assurance that the contractor selected provides the best good or service at the most competitive price. This includes ensuring proposals are solicited from all on-call firms. (TT)

**Not Implemented – NR**

- # 2.4 Closely monitor trial balance detail and contract activity to identify instances where contract splitting may occur or where competitive procurement may be beneficial, identify vendors that receive multiple payments totaling greater than or equal to current policy thresholds, and determine if a formal agreement should be generated. (TT)

**Not Implemented – NR**

- # 2.5 Provide closer oversight and monitoring of contracting practices to ensure management and CCDC's Board is aware of all contracting activities. As part of this:
- Work with staff to ensure contract information is accurately reported to CCDC's Board.
  - Develop a process to track and monitor an inventory of contracts, which should include elements such as the vendor name, the initial and amended contract amounts, number of amendments, date executed and expiration or termination date, goods/services provided.
- (TT)

**Not Implemented – NR**

- # 2.6 Ensure that invoices are well supported, comport with established agreements, and are thoroughly reviewed prior to approving payment. (TT)

**Not Implemented – NR**

- # 2.7 Require that changes in the scope of work on professional service contracts and in the specifications on construction contracts are formally memorialized in appropriately approved and executed amendments or change orders at the time the change is agreed upon. (TT)

**Not Implemented – NR**

- # 2.8 Create record retention protocols that clearly define the types of records that should be maintained, and for how long to support awarding decisions and to assure sufficient transparency. Document retention policies should require maintenance of key documents for a minimum of three years after the termination of the contract, and should require the inclusion of the following key documents, such as:
- The rationale for the method of procurement—RFP, RFQ, Sole-Source;
  - Selection of contract type—on-call vs. project or task specific;
  - Reasons for contractor selection or rejection, including interview panel score sheets and rankings;
  - The basis for the contract price;
  - The complete contract, contract amendments and changes orders, with rationale for changes in work and contract amount;
  - Important correspondence;
  - Invoices, payment documentation, and budget-to-actual reports; and,
  - Contract close-out and deliverables.(TT)

**Not Implemented – NR**

- # 2.9 Consider developing a contract close-out procedure and/or checklist to better ensure necessary information is memorialized. Information could include:
- Contract start and end date;
  - Expected completion date;
  - Initial contract amount;
  - Total change orders or amendments;
  - Total expenditures;
  - Deliverable schedules and deliverables; and,
  - Key decisions surrounding change in scope. (TT)

**Not Implemented – NR**

- # 2.10 Segregate incompatible roles within the procurement, contracting, accounts payable and payroll processes—such as the contract administrator from the project manager. (TT)

**Not Implemented – NR**

- # 2.11 Develop system access profiles to limit employee access to only those functions required to perform daily duties, and segregate access to incompatible high-risk transactions. This includes providing independent oversight to ensure activity within the MAS90 system is monitored. (TT)

**Not Implemented – NR**

- # 2.12 Establish exit and position change protocols to ensure the removal of employee access upon their departure and review user access when an employee changes positions to limit access to unnecessary functions. (TT)

**Not Implemented – NR**

- # 2.13 Strengthen controls to prevent and detect potential conflicts of interest, and to further promote a “one-at-the-top” that discourages even the appearance of wrongdoing.
- Establish a policy prohibiting the receipt of gifts and gratuities of a material value from those doing business with or seeking to do business with CCDC, particularly in cases where employees have a direct working relationship with the contractors.
  - Review statements of economic interest to identify potential conflicts that may arise, including reviews prior to assigning an employee to a project or selection panel.
  - Consider requiring conflict of interest affirmation statements from employees prior to participating on evaluation panels. (TT)

**Not Implemented – NR**

- # 2.14 Strengthen controls over the recording of assets upon receipt, monitoring, and management of assets. This includes:
- Conducting an inventory of assets every one to three years to ensure all assets are accounted for and the asset listings are updated regularly to reflect current assets.
  - Storing sensitive, portable, and pilferable equipment in a secure location.
  - Reviewing CCDC's equipment inventory to identify equipment no longer in use and salvage stale equipment. (TT)

**Not Implemented – NR**

- # 3.1 Continue implementation of the newly established Audit Committee with the purpose of providing oversight of CCDC's internal business practices and ensuring that CCDC complies with Board policies. (TT)

**Not Implemented – NR**

- # 3.2 Require CCDC management to account for specific successes or reaching specific goals on a consistent basis by devising periodic performance reports to be approved by the CCDC Board and submitted to the Agency on at least an annual basis. (TT)

**Not Implemented – NR**

- # 3.3 Memorialize a formal line of succession of authority to supervise, manage and direct the business operations of CCDC to a full-time CCDC employee, not a Board member, in the event the position of the president is vacated. (TT)

**Not Implemented – NR**

- # 3.4 Require CCDC to implement an adequate system of internal controls to protect Agency assets, and establish an oversight mechanism that requires CCDC to:
- Certify annually to its Board and to the Agency that it has established adequate internal controls over key business processes, including activities related to procurement, accounts payable, payroll, fixed assets, etc. As part of this certification, CCDC should attest as to its compliance with established, formalized policies and procedures regarding each of these areas.
  - Undergo periodic audits, at least every three years that extend beyond the scope of CCDC's annual financial audits to assess the performance of CCDC and its internal control structure. (TT)

**Not Implemented – NR**

- # 3.5 Update the operating agreement to:
- Provide increased specificity and updated provisions regarding the allowability of corporation expenditures.
  - Require CCDC to periodically report on its performance and goal-attainment at least on an annual basis.
  - Better reflect the role of the Executive Director of the Agency, specifically addressing CCDC's obligations and reporting relationship to the Executive Director. (TT)

**Not Implemented – NR**

- # 3.6 Consider establishing a contract administrator dedicated, at least in part, to overseeing CCDC's activities as a whole to provide more cohesive oversight—in addition to existing practices requiring various agencies (Comptroller, Independent Budget Analyst, Redevelopment Division, Real Estate Asset Division, etc.) to review select CCDC records for their own purposes. (TT)

**Not Implemented – NR**

#### **10-OA-002 AUDIT OF THE SAN DIEGO CONVENTION CENTER CORPORATION**

- # 1 We recommend the Board of Directors formally review the SDCC's mission statement at least every 5 years to evaluate whether it needs to be amended to reflect societal or program changes. (CO)

**Implemented**

The SDCC's Board of Directors reviewed the mission statement at the February 2010 strategic planning meeting and agreed that it needed to be updated to reflect the community aspect. SDCC did not provide policy and procedures requiring that the Board of Directors review the mission statement every five years. However, because that was not part of the original recommendation, auditor agrees that recommendation is implemented.

- # 2 We recommend that staff prepare an analysis of the percentages of the SDCC's resources that are spent on program and administration to the Board during the budget review process to ensure that the Board members are fully aware of how the resources of the SDCC are being allocated between these two areas. (CO)

**Not Implemented - NR**

- # 3 We recommend the Corporation amend its bylaws to reflect the two-term limit for its Board members to be consistent with the City of San Diego's policy. (CO)

**Not Implemented - NR**

# 4 We recommend the SDCC closely monitor which positions are required to have ethics training and ensure that each of these employees are current on their training at all times. When a staff or board member must miss the training provided in-house, the SDCC should make other arrangements for that individual to acquire that training through other means such as a self-study. (CO)

**Implemented** SDCC provided policy and procedures that established a code of ethics and conduct which applies equally to all employees and its Board of Directors. Additionally, SDCC provided to us a roster of current employees that are required to have training, and documentation, such as training certificates for those employees.

# 5 We recommend the Corporation either amend its bylaws or develop a written policy that outlines the Corporation's expectations on attendance and participation at board meetings. The amended bylaws or policy should include a process to address noncompliance. In addition we recommend that management develop a policy of board member expectations to assist in the fulfillment of their responsibilities and duties. (CO)

**Partly Implemented** SDCC provided policy and procedures that discuss the board's expectations concerning attendance and participation at board meetings and the process to address noncompliance. However, our review of these policy and procedures revealed that they do not address members' responsibilities and duties concerning their role as board members.

# 6 We recommend that written minutes be prepared and maintained for all Board Committee meetings just as they are currently being prepared for Board minutes. (CO)

**Implemented** SDCC provided copies of Board Committee meetings minutes since the recommendation was implemented, but SDCC did not provide copies of policy and procedures requiring that minutes be prepared because they were not part of the original recommendation. Although, to ensure consistent application of this practice, it would be better to establish policy and procedures requiring that minutes of Board's meetings be kept.

# 7 We recommend that the Board of Directors is provided with a copy of the current Employee Handbook to review and formally approve. In addition, any new or amended personnel policies should be submitted to the Board for approval prior to implementation. (CO)



**Implemented** SDCC provided all the documentation requested to support that the recommendation was implemented except for policy and procedures requiring that the board review and approve (1) the Employee Handbook and (2) new or amended personnel policies. Although, to ensure consistent application of this practice, it would be better to establish policy and procedures concerning this matter, auditor agrees that the recommendation was implemented.

# 8 We recommend that as part of the new hire orientation the SDCC distribute copies of the Standards for Excellence to all employees to demonstrate the culture of excellence that the SDCC strives for. For all existing employees, we recommend that the Standards for Excellence be provided through email or printed copies. The standard suggests all employees should be required to complete a signed acknowledgement of their receipt of the Standards for Excellence; however we believe that issue is at the discretion of management. (CO)

**Implemented** SDCC provided to us the Office Orientation employees sign in sheet, which documents attendance at training that includes —Standards of Excellence”, electronic link to Standards of Excellence on employee portal, and agenda from training programs that include discussions of Standards of Excellence.

# 9 We recommend the following: The fraud policy should be provided to all employees on an annual basis. Each employee should sign a written statement acknowledging they have read and understand the Corporation's fraud policy. This will reaffirm to employees the importance the Corporation places on fraud and will serve to remind employees of the proper procedures to follow. (CO)

**Implemented** SDCC provides to its employees a copy of its fraud policy. However, its current Personnel Policy does not specifically address distribution of the policy on an annual basis. SDCC may consider modifying its current Personnel Policy to include distribution of the fraud policy of an annual basis.

# 10 The Corporation should reactivate the anonymous fraud hotline. (CO)

**Implemented** The SDCC has reactivated the fraud hotline.

# 11 We recommend the SDCC document and implement a financial policy governing the use of the SDCC's unrestricted net assets. The policy should be approved by the SDCC's Board of Directors. (CO)

**Not Implemented**

The SDCC indicates they will consider developing and enacting a specific policy to respond to this recommendation as part of a package of new and revised policies. However, the SDCC has not taken steps to document or implement the financial policy.

- # 12 We recommend that the SDCC make the following available on its website: mission statement, most recent audited financial statements, and its most recent approved budget. (CO)

**Not Implemented - NR**

**10-OA-003 REVIEW OF THE HIRING PROCESS OF THE DIRECTOR OF PURCHASING AND CONTRACTING**

- # 1 Re-issue the Unclassified Recruitment and Hiring Process Guidelines to eliminate the exceptions on using the Personnel Department for unclassified recruitment and hiring activities of upper-level officials. (JT)

**Not Implemented - NR**

- # 2 In addition to the California DOJ check, conduct criminal background checks utilizing the FBI national criminal database (currently utilized when recruiting sworn classified personnel) for non-California resident candidates as well as any candidates that will be responsible for safeguarding the City's assets. (JT)

**Not Implemented - NR**

- # 3 Direct the Chief Operating Officer to assign an appropriate City Department the responsibility to conduct the following steps in hiring upper-level officials. • Lead unclassified higher-level official recruiting efforts, including creating, posting, and advertising job announcements and gathering resumes. • Obtain candidate statements of authentication regarding qualifications and background in writing (use City application as a guide). • Validate and verify education, experience and professional credentials as well as conduct media/Internet background searches prior to conducting interviews. • Screen applicants and forward to hiring departments the best qualified candidates based on resume experience prior to formal interviews. (JT)

**Not Implemented - NR**

- # 4 Direct the Assistant Chief Operating Officer to assure that the departments hiring upper-level officials follow these interview and selection process: • Using an interview panel of persons knowledgeable of the position being filled. • Establishing a preset list of questions to ask each candidate, including asking about successes and challenges faced in prior employment. • Recording or taking notes of questions asked and answered by all interviewees. • Assuring that the interview panel reaches a consensus decision prior to offering a position. • Maintaining appropriate documentation to support selection decisions. (JT)

**Not Implemented - NR**

- # 5      Assure that the Assistant Chief Operating Officer participates with the hiring department in the negotiation of salary, benefits and miscellaneous expense, such as moving costs, for all unclassified upper-level officials. (JT)

**Not Implemented - NR**