



## Department Description

The Office of the City Auditor is an independent office that reports and is accountable to the Audit Committee and City Council. The City Auditor conducts performance audits of City departments, offices, and agencies in accordance with government auditing standards.

The audits may assess internal controls over financial reporting and evaluate how well the City complies with applicable laws, rules, and regulations; achieves stated goals and objectives; reports financial and performance information (reliability); efficiently and effectively uses resources; and safeguards and protects assets.

The Office of the City Auditor also administers the City's Fraud Hotline program and performs investigations for all material complaints received related to fraud, waste, and abuse.

The Department's mission is:

*To advance open and accountable government through accurate, independent, and objective audits and investigations that seek to improve the economy, efficiency, and effectiveness of City government*

## Goals and Objectives

The following goals and objectives represent the action plan for the Department.

### ***Goal 1: Increase the economy, efficiency, and effectiveness of City government through audits and their recommendations***

To fulfill its mission, the Department reports its independent and impartial reviews, conclusions, and recommendations based on performance audits, special audits, and reviews conducted. Some audit reports recommend ways to reduce costs or increase revenues. Other audit reports identify opportunities to increase effectiveness, use resources more efficiently, and improve internal controls. An annual audit workplan is prepared and presented to the Audit Committee each fiscal year. The audit workplan targets business processes and programs identified in the annual City-wide risk assessment model. The Department will move towards accomplishing this goal by focusing on the following objectives.

- Reduce costs and increase revenues
- Utilize audits to identify opportunities for improved efficiency and the effective use of resources
- Improve internal controls

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## ***Goal 2: Increase the economy, efficiency, and effectiveness of the Office of the City Auditor***

During Fiscal Year 2010, the City Auditor will increase its staffing resources allowing the Department to conduct more audits and make recommendations of those business processes and programs identified as high risk in the annual citywide risk assessment model. In addition, City Auditor staff will strive to ensure that all work is completed in accordance to applicable auditing standards. The Department will move towards accomplishing this goal by focusing on the following objective.

- Hire, retain, and develop skilled employees

## ***Goal 3: Provide independent, reliable, accurate, and timely information to the Mayor, Audit Committee, City Council, and other stakeholders***

The City Auditor intends to provide results of all non-confidential audits to its stakeholders. To this end, the Department intends to provide regular updates to the Audit Committee, as well as copies of all issued audit reports to the Mayor and appropriate City management, members of the City Council and their staff, Audit Committee members, and the residents of San Diego via the City Auditor website. The Department will move towards accomplishing this goal by focusing on the following objective.

- Provide audit results, including findings and recommendations, to all relevant stakeholders

## ***Goal 4: Provide independent, confidential and reliable investigations of all material allegations of fraud, waste, or abuse that are reported via the City's Fraud Hotline***

The Office of the City Auditor will investigate all material complaints received related to fraud, waste, and abuse. The City Auditor will provide a means for City of San Diego employees and residents to confidentially report any activity or conduct in which he/she suspects any instances of fraud, waste, or abuse, or violations of laws and regulations that should be investigated. The Department will move towards accomplishing this goal by focusing on the following objective.

- Provide investigation results, including recommendations for necessary actions to be taken, for all allegations of fraud, waste, or abuse that are found to be substantiated

## **Service Efforts and Accomplishments**

The City Auditor will propose an annual audit workplan that will identify the planned audits to be undertaken during the fiscal year. The annual workplan will be based on the results of the comprehensive citywide risk assessment and identify required audits, such as the annual inventory audit, close-out audits, and hotline investigations. The goal will be to complete the required audit workplan, and increase the economy, efficiency, and effectiveness of City operations through these audits and their recommendations.

Additionally, the City Auditor will conduct testing of internal controls during each performance audit that is conducted, report on control weaknesses that are identified, and make recommendations for corrective action that should be taken. The City Auditor will perform follow-up work on all audit recommendations that are made to determine if proper actions have been taken by management.

The City Auditor will provide regular updates to the Audit Committee regarding the activities and accomplishments of the Office, including producing an annual report and information on management's implementation of audit recommendations.

## Budget Dollars at Work: Performance Expectations

### Goal 1: Increase the economy, efficiency, and effectiveness of City government through audits and their recommendations

Performance Measure	Baseline FY2008 <sup>1</sup>	Actual FY2009 <sup>1</sup>	Target FY2010
1. Percent of recommendations management agrees to implement	N/A	96%	90%
2. Percent of recommendations reported as implemented by management that was verified by follow up audit testing	N/A	N/A <sup>2</sup>	90%
3. Ratio of City benefits (measurable monetary recoveries and cost savings) to operational audit costs	N/A	80%	100%
4. Amount of measurable audit deficiencies (money identified to be recovered by the City) and cost savings	N/A	\$1.35M	\$2.0M

### Goal 2: Increase the economy, efficiency, and effectiveness of the City Auditor Department

Performance Measure	Baseline FY2008 <sup>1</sup>	Actual FY2009 <sup>1</sup>	Target FY2010
1. Percent of audit workplan completed during the fiscal year	N/A	71% <sup>3</sup>	90%
2. Percent of employees in compliance with Generally Accepted Government Auditing Standards (GAGAS) training requirements	N/A	100%	100%
3. Number of months with full audit staff (all budgeted positions filled)	N/A	9	9
4. Percent of staff who hold professional certification(s) or advanced degrees	N/A	100%	100%

### Goal 3: Provide independent, reliable, accurate, and timely information to the Mayor, Audit Committee, City Council, and other stakeholders

Performance Measure	Baseline FY2008 <sup>1</sup>	Actual FY2009 <sup>1</sup>	Target FY2010
1. Percent of non-confidential audit reports available via City Auditor website within five days of issuance	NA	96%	100%
2. Percent users satisfied with timeliness, reliability, and value of audit services	NA	100% <sup>4</sup>	90%

<sup>1</sup> The Office of the City Auditor was a newly created department starting in July 2008, and began tracking performance information during Fiscal Year 2009.

<sup>2</sup> Data was not available at the time of printing.

<sup>3</sup> A lower than expected percentage of completion of the Annual Audit Workplan was due to:

- The various issues discovered during our audits that required additional fieldwork
- The Office not having a dedicated fraud investigator resulting in audit staff investigating hotline complaints rather than conducting audits
- Lack of administrative staff support resulting in audit staff spending time performing administrative duties rather than conducting audits

<sup>4</sup> At the time of printing, only 52% of surveys have been returned and all have been satisfied.

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## Goal 4: Provide independent, confidential, and reliable investigations of all material allegations of fraud, waste, or abuse that are reported via the City's Fraud Hotline

Performance Measure	Baseline FY2008 <sup>1</sup>	Actual FY2009 <sup>1</sup>	Target FY2010
1. Percent of Hotline Investigation reports substantiating fraud, waste or abuse available via City Auditor website within five days of issuance	N/A	100% <sup>5</sup>	100%
2. Percent of investigations assigned within two weeks of receiving an allegation of material fraud waste or abuse	N/A	N/A <sup>6</sup>	90%

## Budget Dollars at Work: Sizing and Workload Data

	Actual FY2006	Actual FY2007	Actual FY2008	Actual FY2009	Target FY2010
<b>Sizing Data</b>					
Number of audit staff	N/A	N/A	N/A	12	15
Ratio of internal audit staff to City employees	N/A	N/A	N/A	0.13%	0.16%
<b>Workload Data</b>					
Number of audit and investigative reports issued	N/A	N/A	N/A	26	35
Number of recommendations issued to improve City operations	N/A	N/A	N/A	142	143
Number of hours spent on audit engagements	N/A	N/A	N/A	13,082	16,860
Number of presentations made to the Audit Committee	N/A	N/A	N/A	15	12

<sup>5</sup> Although this is a new performance measure for Fiscal Year 2010, this information was tracked during Fiscal Year 2009 in conjunction with Goal 3, Performance Measure 1.

<sup>6</sup> This is a new performance measure for Fiscal Year 2010.

# City Auditor

## Department Summary

City Auditor				
	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL	FY 2009-2010 CHANGE
Positions	0.00	11.00	<b>16.50</b>	5.50
Personnel Expense	\$ -	\$ 1,562,609	\$ <b>2,118,468</b>	\$ 555,859
Non-Personnel Expense	\$ -	\$ 115,019	\$ <b>412,949</b>	\$ 297,930
<b>TOTAL</b>	\$ -	\$ 1,677,628	\$ <b>2,531,417</b>	\$ 853,789

## Department Staffing

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL
<b>GENERAL FUND</b>			
<b>City Auditor</b>			
City Auditor	0.00	11.00	<b>16.50</b>
<b>Total</b>	<b>0.00</b>	<b>11.00</b>	<b>16.50</b>

## Department Expenditures

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL
<b>GENERAL FUND</b>			
<b>City Auditor</b>			
City Auditor	\$ -	\$ 1,677,628	\$ <b>2,531,417</b>
<b>Total</b>	\$ -	\$ <b>1,677,628</b>	\$ <b>2,531,417</b>

## Significant Budget Adjustments

### GENERAL FUND

City Auditor	Positions	Cost	Revenue
<b>Salary and Benefit Adjustments</b>	0.00	\$ (113,564)	\$ 0

Adjustments to reflect the annualization of the Fiscal Year 2009 negotiated salary compensation schedule, changes to average salaries, retirement contributions, retiree health contributions, and labor negotiation adjustments.

# City Auditor

## Significant Budget Adjustments

### GENERAL FUND

City Auditor	Positions	Cost	Revenue
<b>Annual Audit Expense Transfer</b> Transfer of annual audit expense to the City Auditor Department from the Citywide Program Expenditures Department.	0.00 \$	1,000,000 \$	0
<b>Principal Auditor Addition</b> Addition of 3.00 Principal Auditors for half a year, 1.00 Fraud Investigator, and associated non-personnel expenses per the Audit Committee's recommendation.	2.50 \$	344,594 \$	0
<b>Principal Auditor Addition</b> Addition of 2.00 Principal Auditors and associated non-personnel expenses.	2.00 \$	266,293 \$	0
<b>Principal Auditor Addition</b> Addition of 1.00 Principal Auditor and associated revenue per a Service Level Agreement (SLA) with the Water Department and Metropolitan Wastewater Department.	1.00 \$	116,459 \$	122,323
<b>Equipment/Support for Information Technology</b> Funding allocated according to a zero-based annual review of information technology funding requirements and priority analyses.	0.00 \$	34,927 \$	0
<b>Non-Discretionary Adjustment</b> Adjustments to expense allocations that are determined outside of the department's direct control. These adjustments are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.	0.00 \$	28 \$	0
<b>Vacancy Savings</b> Adjustments to personnel expenses to reflect the anticipated savings resulting from positions projected to be vacant for any period of the fiscal year due to personnel attrition and salary differentials for new employees.	0.00 \$	(44,948) \$	0
<b>Annual Audit Expense Reduction</b> Reduction in annual audit expense for Fiscal Year 2010 as a result of an encumbrance of funds at the end of Fiscal Year 2009.	0.00 \$	(750,000) \$	0

## Expenditures by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL
<b>PERSONNEL</b>			
Salaries & Wages	\$ -	\$ 1,058,936	\$ 1,458,134
Fringe Benefits	\$ -	\$ 503,673	\$ 660,334
<b>SUBTOTAL PERSONNEL</b>	\$ -	\$ 1,562,609	\$ 2,118,468

# City Auditor

## Expenditures by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL
<b>NON-PERSONNEL</b>			
Supplies & Services	\$ -	\$ 94,743	\$ 368,618
Information Technology	\$ -	\$ -	\$ 31,259
Energy/Utilities	\$ -	\$ 1,000	\$ 4,696
Equipment Outlay	\$ -	\$ 19,276	\$ 8,376
<b>SUBTOTAL NON-PERSONNEL</b>	<b>\$ -</b>	<b>\$ 115,019</b>	<b>\$ 412,949</b>
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 1,677,628</b>	<b>\$ 2,531,417</b>

## Revenues by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL
<b>GENERAL FUND</b>			
Transfers from Other Funds	\$ -	\$ -	\$ 122,323
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 122,323</b>

## Salary Schedule

### GENERAL FUND

#### City Auditor

<i>Class</i>	<i>Position Title</i>	<i>FY 2009 Positions</i>	<i>FY 2010 Positions</i>	<i>Salary</i>	<i>Total</i>
1218	Assoc Management Analyst	1.00	<b>1.00</b>	\$ 61,687	\$ 61,687
2132	Department Director	1.00	<b>1.00</b>	\$ 162,960	\$ 162,960
2175	Principal Auditor	0.00	<b>14.50</b>	\$ 88,274	\$ 1,279,977
2228	Principal Accountant	9.00	<b>0.00</b>	\$ -	\$ -
	Vacancy Factor Adjustment	0.00	<b>0.00</b>	\$ -	\$ (44,948)
	Furlough Savings	0.00	<b>0.00</b>	\$ -	\$ (1,542)
	<b>Total</b>	<b>11.00</b>	<b>16.50</b>	<b>\$ -</b>	<b>\$ 1,458,134</b>
<b>CITY AUDITOR TOTAL</b>		<b>11.00</b>	<b>16.50</b>	<b>\$ -</b>	<b>\$ 1,458,134</b>

