

# 2024 Accomplishments Report

*JANUARY 2025*

## Activities and Accomplishments of the Office of the City Auditor for Calendar Year 2024

**Andy Hanau**, City Auditor

**Matthew Helm**, Assistant City Auditor

CITY OF SAN DIEGO



OFFICE of the CITY AUDITOR

## *independent. objective. accurate.*

Our mission is to advance open and accountable government through independent, objective, and accurate audits and investigations that seek to improve the efficiency, effectiveness, and equity of San Diego City government.

The Office of the City Auditor (OCA) is an independent office that reports to the Audit Committee. OCA identifies opportunities for improvement in City programs, and implementation of OCA's recommendations has resulted in significant financial benefits to the City, substantial improvements in the delivery of critical City services, increased oversight of City programs, and has increased the City's transparency and accountability to those it serves.

OCA conducts performance audits of City departments, offices, and agencies in accordance with government auditing standards. OCA also administers the Fraud, Waste, and Abuse Hotline and performs fraud investigations. OCA makes recommendations to City leadership to mitigate issues identified in our audits and investigations. In the face of the City's budgetary challenges, OCA is a key municipal asset that helps ensure limited public funds are used appropriately. OCA's work helps the City identify opportunities to increase revenues, reduce or avoid costs, and become more efficient with the use of taxpayer money.



### CONTACT US:



Find past audit reports—and sign up to get future reports delivered to your inbox—on our website: [sandiego.gov/auditor](https://sandiego.gov/auditor)



[@SDCityAuditor](https://twitter.com/SDCityAuditor)



[The City of San Diego Office of the City Auditor](https://www.linkedin.com/company/the-city-of-san-diego-office-of-the-city-auditor/)



[City of San Diego Office of the City Auditor](https://www.facebook.com/CityofSanDiegoOfficeoftheCityAuditor/)



[@sdcityauditor](https://www.instagram.com/sdcityauditor)



[cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov)



619-533-3165



[Report fraud, waste, or abuse](#) in City operations through our fraud hotline: 866-809-3500



600 B Street, Suite 1350, San Diego, CA 92101

## Reports

We issue several types of reports to keep the Mayor, City Council, Audit Committee, the public, and other stakeholders informed of our work. Our **performance audits** review the efficiency, effectiveness, and equity of City programs. Our **quarterly hotline reports** summarize work on cases received through our Fraud, Waste, and Abuse Hotline, and we issue separate hotline reports on significant issues of fraud, waste, and abuse within the City, when warranted. Our **recommendation follow-up reports** provide the implementation status of the audit and investigative recommendations we have made and help hold City Management accountable for making critical improvements.

We issued a total of 16 reports in 2024, as shown below.

**16** total reports issued in CY2024

- 10** audit & hotline reports issued
  - 7 performance audits
  - 1 confidential IT performance audit
  - 1 fraud hotline report
  - 1 agreed-upon procedures review
- 4** quarterly hotline reports
- 2** public Recommendation Follow-Up Reports

A complete list of all reports issued in 2024, with the number of recommendations made and links to the public reports, can be found in the **Summary of Work Performed** table. Summaries of the audit reports we issued can be found in **Appendix A**.

## Recommendations

We don't just point out problems. We identify and recommend solutions. In 2024, we made 61 recommendations to improve the efficiency, effectiveness, and equity of City operations. Management agreed to implement 98 percent of the recommendations we made.

**61** recommendations to improve efficiency, effectiveness, and equity of City operations

City Management agreed with **98%** of our recommendations



## Impact

In calendar year 2024, OCA made recommendations that, when implemented, will help reduce costs, generate additional revenue, increase public safety, and enhance efficiency. Summarized below is an illustrative, but not exhaustive, list showing the positive impact of OCA's CY2024 audits and investigations. **Below are examples of recent recommendations that will help:**

- Calculate and better communicate the City's **shortfall of over \$1 billion in routine facilities maintenance funding:** Facilities are one of many City needs that require major investments, such as streets and storm water. The City's limited resources have prevented the City from adequately funding facilities maintenance. We estimated the routine maintenance backlog exceeds \$1 billion, and regularly calculating the cost of facilities maintenance needs will help inform the Mayor, City Council, and public of what additional resources are needed.
- Improve the **efficiency, effectiveness, equity, and transparency of street maintenance:** We found that the City's new Pavement Management Plan (PMP) is a major step forward, and Transportation can build on this progress by incorporating additional elements into the PMP to address street maintenance equity, develop a strategy to close a projected \$1.2 billion funding shortfall, and ensure that the City is positioned to utilize all of the resources it is able to allocate for street maintenance.
- Ensure the City Council's ability to **oversee hundreds of millions of dollars in contract alterations:** From FY2017 to FY2023, we found that close to half of contract alterations—totaling approximately \$155 million in spending—were presented to City Council in an untimely manner, retroactively, or not at all. Improving relevant policies, procedures, guidance, and applicable provisions of the San Diego Municipal Code will help ensure that the City Council can provide effective and required oversight over this critical process.
- Reduce the risks to Police Officer and public safety due to Police Officer fatigue and **better manage Police Officer overtime** that costs approximately **\$50 million per year:** We found that the San Diego Police Department (SDPD) does not limit individual Officer overtime, and some Officers work excessive amounts of overtime that studies show reduces Officer performance and increases the risk of accidents and mistakes. Our audit also found that centralizing how SDPD assigns and manages overtime would help ensure that the funds SDPD spends on overtime goes towards filling high-priority assignments first. SDPD indicated that efforts are currently underway to centralize overtime management, as we recommended. Lastly, we estimated that 13 percent of calls for service could have been dispatched to Police Investigative Service Officer (PISOs). However, PISOs make up only about 1.4 percent of officer staffing. In a [subsequent analysis](#), we estimated that hiring 100 PISOs could cost \$2.8 million to \$10 million less per year than hiring 100 Police Officers. Per our recommendation, SDPD is currently working on a staffing analysis.

- **Cost-effectively fill thousands more potholes per year** and improve the **equity of pothole repairs**: We found that one extra patch truck would increase productivity by 11 percent, with only a 1 percent cost increase over 5 years. This truck was included in the FY2025 budget, and will significantly increase pothole repair productivity and cost effectiveness for years to come. We also found that by grouping pothole assignments in closer proximity, productivity could have increased by 27 percent and miles driven could have decreased by 40 percent. This would also reduce the buildup of large pothole repair backlogs, which diverts City crews from other critical tasks. Further, we found that Transportation should proactively assess and monitor whether pothole repairs are being equitably executed throughout the City and develop an approach to address service equity issues, as appropriate.
- Ensure the Housing Commission follows best practices to **avoid potentially overpaying for property acquisitions**: We found that the Housing Commission largely follows property acquisition best practices. However, we found that the Commission did not follow the best practice of using an appraisal with a valuation date that corresponded to the appraisal inspection date for its acquisition of a hotel property in November 2020. As a result, the Commission may have overpaid by approximately \$6.7 million for this acquisition, due to the roughly 10 percent decrease in hotel property values at the time of the property valuation versus when the property was later inspected.
- Improve the City's boat storage **permit administration, facilities, fee recovery, and compliance operations**: The City only collects about \$30,000 per year in revenue for the boat storage program because fees are lower than other jurisdictions, and because the City did not issue over 100 available permits. Increasing fees to reflect benchmarking with other agencies and correcting clerical errors to ensure all permits are issued could increase revenues to approximately \$108,000, or nearly four times what is currently collected. In addition to increasing revenues, our recommendations will help ensure the program benefits as many people as possible.

The following table lists the audit reports we issued in calendar year 2024, along with the number of recommendations made and agreed to.

## Summary of Audit and Investigative Reports Issued January 2024 through December 2024

Report No.	Date	Description	Recommendations to Improve Efficiency, Effectiveness, or Equity	Number of Recommendations Management Agreed to Implement
24-07	2/12/2024	<a href="#">Performance Audit of the City's Street Maintenance Program</a>	7	7
24-08	2/28/2024	<a href="#">Performance Audit of SDPD Overtime</a>	4	4
24-09	3/5/2024	<a href="#">Performance Audit of the San Diego Housing Commission's Property Acquisition Process</a>	4	3
24-10	3/28/2024	CONFIDENTIAL IT Performance Audit of SDPD Body Camera Management and Use	3	3
24-11	4/29/2024	<a href="#">2024 High Risk Re-Review: Performance Audit of the City's Pothole Repair Operations</a>	10	10
25-01	6/16/2024	<a href="#">Performance Audit of Facility Maintenance</a>	10	10
25-02	7/17/2024	<a href="#">Performance Audit of the City's Contract Management Process</a>	13	13
25-03	9/30/2024	<a href="#">Agreed-Upon Procedures Report Related to the Central Stores Physical Inventory, Fiscal Year 2024</a>	0	0
24-04	11/6/2024	<a href="#">Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2023</a>	0	0
24-05	11/13/2024	<a href="#">Fraud Hotline Report of Boat Storage Permits</a>	10	10
		<b>Total</b>	<b>61</b>	<b>60</b>

## Recommendation Follow-Up

We follow up on every recommendation that Management agrees to implement, and work closely with Management to verify whether and how agreed-upon recommendations are implemented. We issue two public reports each year with the implementation status of each recommendation. In 2024, our reviews found that management implemented 48 of our recommendations.

Issued **2** public Recommendation Follow-Up Reports

**200+** outstanding recommendations:  
**48** recommendations implemented  
**148** recommendations remain in process  
**8** recommendations will not be fully implemented

The following examples of implemented recommendations show the benefits of our audits and investigations to our residents and taxpayers, and Management's efforts to make needed improvements:

### [Performance Audit of the San Diego Police Department's Data Analysis:](#)

To maximize effectiveness of limited resources, SDPD implemented a recommendation to formally document a requirement for Commanders to include data analysis in planning and evaluation of Division operations, such as analysis of response times, call outcomes, and community-oriented policing efforts.

### [2024 High Risk Re-Review of the 2013 Performance Audit of the City's Pothole Repair Operations:](#)

To more cost-effectively fill potholes, the Transportation Department implemented a recommendation that resulted in the City Council including the purchase of one additional patch truck in its adoption of the City's FY2025 budget.

### [Performance Audit of Equity in Recreation Programming:](#)

To provide high-quality customer service to residents who speak languages other than English, the Parks and Recreation Department implemented a recommendation to use the City's contract with a vendor for translation services and has started to translate flyers into other languages.

### [Performance Audit of the City's Lease Management and Renewal Process:](#)

To prevent future leases from entering into holdover status, which may lead to foregone revenue for the City, Economic Development implemented a recommendation to set up its lease portfolio management software to alert agents of past due and upcoming items within 120 days (such as expiration, rental adjustments, inspections, etc.).

### [Performance Audit of the City's Get It Done Application and Service Requests Management:](#)

To improve the customer experience and ensure customers receive accurate service request status information, the Performance and Analytics Department implemented a recommendation to develop procedures for department supervisors to regularly review Get It Done activity reports, closure details, and customer communication codes.

### [Performance Audit of the Public Utilities Department's Water Billing Operations:](#)

To improve customer satisfaction, the Public Utilities Department implemented a recommendation to develop customer service notification procedures to communicate with customers in advance of anticipated bill-impacting activities, such as delayed water bills.

## Fraud, Waste, and Abuse Hotline

OCA Fraud Investigators managed **275** reports filed with the Fraud, Waste, and Abuse Hotline

**153** reports not in purview of OCA Fraud Hotline

**122** new reports received in 2024:

**30** reports investigated by OCA

**92** reports referred to City departments

**128** hotline reports closed

**20** substantiated

**12** corrective action

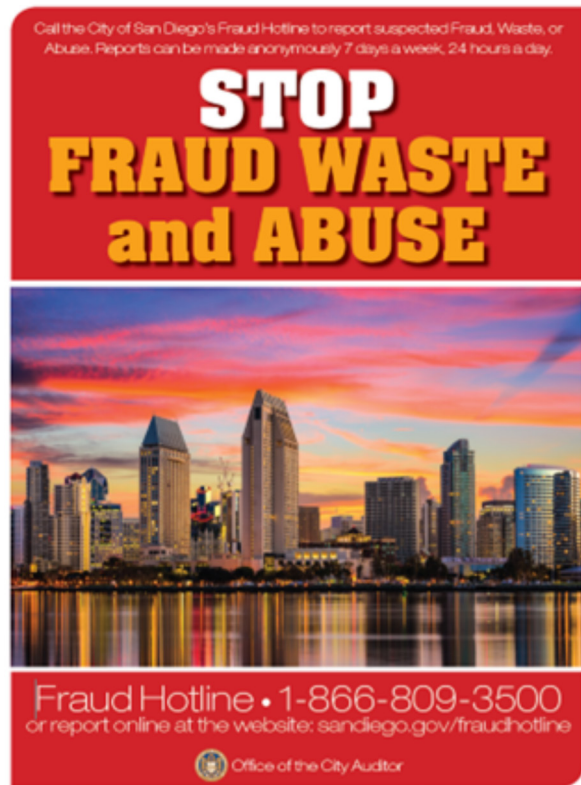
**96** unsubstantiated or no action

The Fraud, Waste and Abuse Hotline is a critical part of the City’s efforts to detect and deter improper activity within City government.

We continued to effectively use the Hotline to detect and deter fraud, waste, and abuse within the City. Our Fraud Investigators oversaw the investigation of 275 cases throughout the year, as detailed in the four quarterly hotline reports we issued. In addition, we issued a public Hotline report on mismanagement of boat storage permits at Mission Bay, which found that in general, the City’s boat storage program is not benefitting as many people as it could, fees are much lower than they could be, storage is not efficient, some structures need to be repaired or replaced, and the boat storage areas look unappealing to beach visitors due to poor program management and enforcement.

In addition, we have been working with Management to develop online trainings for City employees, as well as a series of [public-facing videos](#) on the Hotline to increase awareness even further. To report suspected fraud, waste, or abuse, please call 1-866-809-3500 or click the link below:

[Report Fraud, Waste, or Abuse Online](#)



## Awards & Recognition



### Knighton Award - Exemplary



Nathan Otto, Principal Performance Auditor; Marye Sanchez, Senior Performance Auditor; Kayla Edwards, Performance Auditor; and Andy Hanau, City Auditor accepted the award at the 2024 ALGA Conference.

OCA continues to be a leader in the local government performance auditing field. In 2024, we received the Exemplary Knighton Award from the Association of Local Government Auditors (ALGA) for our [2023 Performance Audit of the City’s Brush Management on City-Owned Land](#). The judges were unanimously impressed by the audit and stated that the audit topic (related to fire prevention) was highly responsive to current risks that impact the health and well-being of the public. Additionally, the recommendations were specific and feasible, addressing meaningful gaps that could lead to disaster-level consequences.

The award letter can be found [here](#). A video describing the award-winning audit can be found [here](#).

This is OCA’s third year in a row winning a Knighton Award and the 10th time we have received a Knighton Award overall.



## OCA Staff Experience & Expertise



750+ hours of CPE obtained by staff

professional development training to ensure professional competency & meet Government Auditing Standards educational requirements



1

Staff member completed a professional certification

Project Management Professional (PMP)



8

Staff members participated in City academies and programs

Public Service Management Certificate Program (PSMC)  
Race & Equity Academy

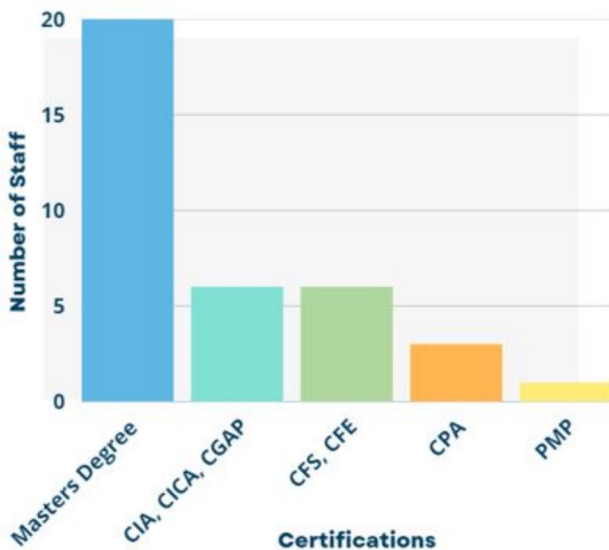


1

Staff member wrote an article\* to help other audit shops leverage OCA's expertise

Association of Local Government Auditors Quarterly Publication

\*Read the article [here](#)



% of Staff with 5+ Years of Audit or Investigative Experience



300+ cumulative years of auditor/investigator experience

## Presentations

OCA staff made **47** presentations across **18** different meetings, including Audit Committee meetings, City Council meetings, and other events and stakeholder meetings



## Professional Leadership

OCA maintains active membership in **4** professional organizations



**ALGA**



The Institute of Internal Auditors



**ACFE**  
Association of Certified Fraud Examiners



**ISACA**

# Improved Recommendation Follow-Up Process & Report Reorganization

As a result of ongoing process improvement discussions between OCA and the Compliance Department based largely on input from the Executive Team and stakeholder departments, in January 2024, we issued a [joint memorandum](#) with the Chief Operating Officer to City Department Directors regarding the requested format for providing status updates for our recommendations. The new format is intended to improve consistency in the updates and provide better information to the Audit Committee and other stakeholders on the status and steps needed to implement each recommendation.

The format, which is reflected in many of the recommendation implementation updates in the report, includes the following basic elements:

1. A summary of the key steps or tasks required to implement an agreed-upon recommendation;
2. The status of each step or task, including whether the step or task has been completed, or any information on the progress in completing the step or task; and
3. Target timeframes for completing the remaining steps or tasks.

In consultation with the Audit Committee, OCA also revised the format and organization of the report to improve stakeholder useability and provide better context for readers. The new format, pictured below, breaks down recommendation implementation status by audit or investigative report, summarizes the overall findings of the report, displays a table with the status of all recommendations from the report, visually marks recommendations that require additional resources or recommendations for which the auditee did not provide an update, and includes a hyperlink to the full report.

Report Title, Report #, Auditor Initials

Summary of Report (including Audit Findings or Investigative Conclusions)

Color-Coded Table of Recommendation Status of All Recommendations from the Report

Previously Implemented recommendations include Month & Year of Reporting Period in Which Implemented

Period Ending June 30, 2024 | Section B

**Performance Audit of Workplace Safety and Workers' Compensation**

**22-008**

(JP)

City employees expect and deserve a safe workplace, and work-related injuries and illnesses harm employees and their families. We conducted a [Performance Audit of Workplace Safety and Workers' Compensation](#) and industrial leave and found that improving workplace safety and minimizing workers' compensation costs requires a multi-pronged approach. Specifically, we found:

**Finding 1:** Some departments do not meet the Citywide Injury and Illness Prevention Program requirements, which likely contributes to higher injury rates and workers' compensation costs.

**Finding 2:** The City should proactively prevent workplace incidents by conducting incident investigations with a focus on root cause analyses; collecting and analyzing injury, illness, and near-miss data; and using safety performance indicators to continuously improve safety program effectiveness.

**Finding 3:** Workers' Compensation has a process in place for reviewing potential fraud, but it can improve controls over this process by centrally tracking all fraud red flags or tips and investigations.

No.	Department	Recommendation Status	Resources Required	No Update Provided
1	Chief Compliance Officer	In Process - Past Due		
2	Chief Compliance Officer	Previously Implemented (June 2023)		
3	Chief Compliance Officer	In Process - Past Due		
4	Risk Management	Previously Implemented (December 2023)		
5	Chief Compliance Officer	In Process - Past Due		
6	Risk Management	Previously Implemented (December 2023)		
7	Chief Compliance Officer	In Process - Past Due		
8	Chief Compliance Officer	In Process - Past Due		
9	Chief Compliance Officer	In Process - Past Due		
10	Risk Management	Previously Implemented (December 2023)		

| 119

Hyperlink to Full Report

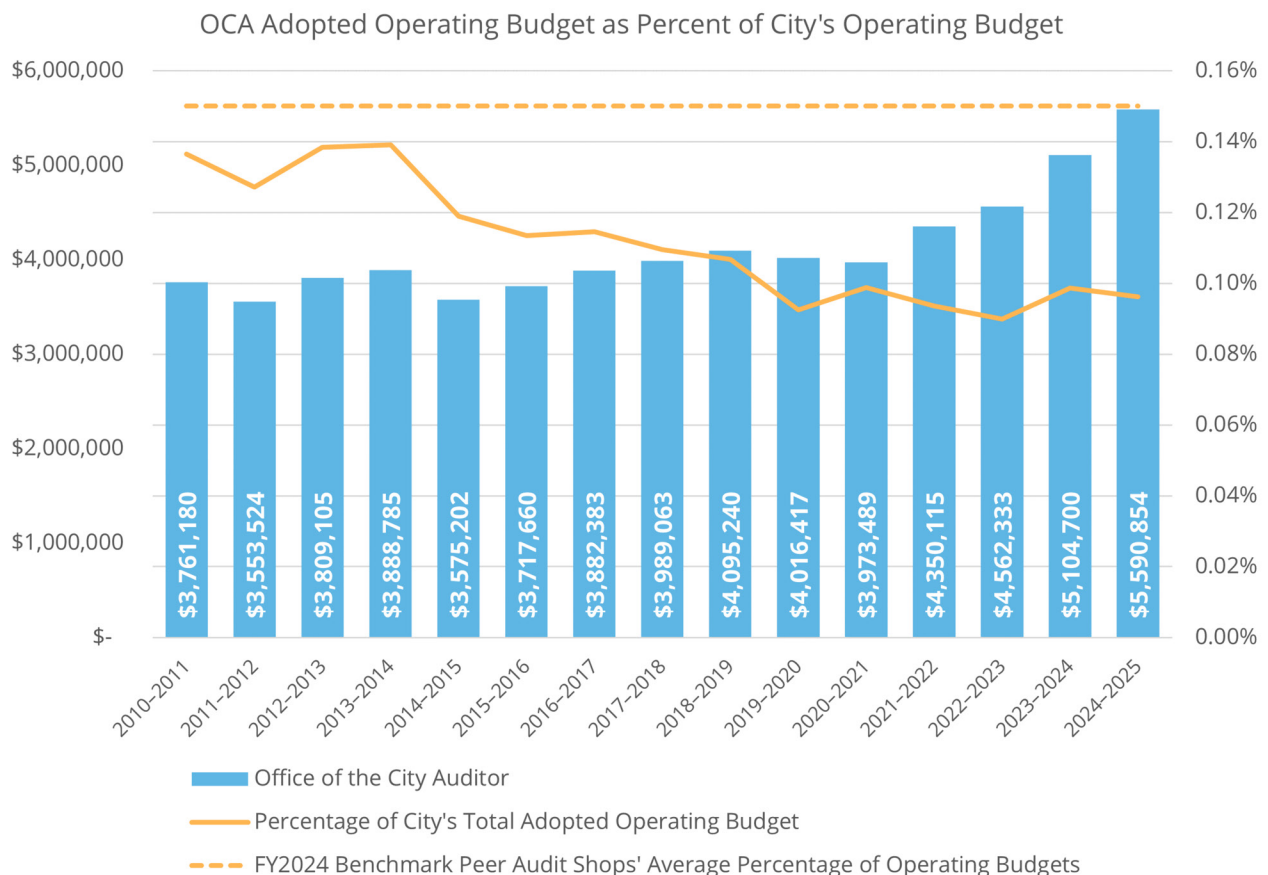
Use of & symbols to indicate Resources Required or No Update Provided

## Office Staffing & Resources

In 2024, we filled all vacancies as well as the two additional positions approved by the Mayor and the City Council in 2023, at the recommendation of the Audit Committee. In total, we welcomed and onboarded four audit staff and two internal operations staff in 2024. As a result, we are able to expand our audit coverage of critical City programs. **All of OCA's 24 positions are filled.**

Despite being one of the smallest City departments, OCA generates a very high return on investment for the City's residents and taxpayers. As shown below, OCA's budget as a percentage of the City's budget declined due to years of growth in the City's overall budget paired with relative stagnation and reductions in OCA's budget. As a result, OCA's relative ability to provide sufficient audit coverage of City operations declined over a number of years.

Thanks in part to the Audit Committee's support, the Mayor and the City Council included additional resources in OCA's FY2024 budget, which reversed the previous downward trend; as noted above, OCA is currently fully staffed (zero vacancies). However, the increase only temporarily reversed the previous downward trend, which continues in FY2025. While we greatly appreciate the support of the Audit Committee, City Council, and Mayor to add resources to carry out our important mission, we note that the increase only brought OCA up to 0.10 percent of the City's overall budget, meaning we are still under-resourced compared to earlier years. By comparison, our recent benchmarking showed that peer audit shops are 50 percent larger, on average, than OCA as a portion of the organization they audit.



## Ballot Measure for Independent Legal Counsel

Another major accomplishment was the passage of Measure A in March 2024. Voters approved Measure A, which **authorizes the Office of the City Auditor and the Audit Committee to obtain independent legal counsel in certain circumstances**. Over 67 percent of voters recognized the importance of this issue after we worked for over 4 years to get the measure on the ballot. This work is not yet done, and we will continue to work with the Ad Hoc Subcommittee to bring recommendations for the implementation of Measure A forward to the Audit Committee. We appreciate the Audit Committee and City Council's support on this critical issue.

## Social Media Presence

To broaden our reach and engagement with stakeholders and the public, we expanded our social media presence in 2024. In addition to our existing X (formerly known as Twitter) profile, we now have active profiles on LinkedIn, Facebook, and Instagram. We have started to post on all of these platforms whenever we release a new audit or investigative report. OCA will continue to refine our digital strategy, seek ways to maximize engagement with the public, and facilitate understanding of our work.

Click here to follow us on:



X (Twitter): [@SDCityAuditor](#)



LinkedIn: [The City of San Diego Office of the City Auditor](#)



Facebook: [City of San Diego Office of the City Auditor](#)



Instagram: [@sdcityauditor](#)

We are striving to make 2025 yet another successful year. As always, our top priority is to produce audits and investigations that identify opportunities to improve the efficiency, effectiveness, and equity of critical City programs and functions. To that end, we continue to work towards completion of our FY2025 Audit Work Plan. We have audits in progress on topics including the City's competitiveness for grants that help supplement the City's limited resources; flood disaster response; fleet maintenance; fire-rescue overtime; agreements, oversight, and fee structure for the City's franchised waste haulers; Pure Water; and cybersecurity defenses. In addition, we have audits planned on topics including brush management on private property to reduce the risk of wildfires like those that have recently devastated vast areas of Los Angeles; the Unsafe Camping Ordinance; Fire-Rescue dispatch; SDPD Internal Affairs Unit investigations; Golf Division operations and contracts; the historical designation process; and the City's process for developing and reporting Key Performance Indicators.

In the coming months, we will conduct our annual risk assessment and solicit suggestions for audit topics from a range of stakeholders, including the Audit Committee, City Council, the Mayor and City Management, and the general public, which we will use to develop our Proposed FY2026 Audit Work Plan. In the 2025 State of the City Address, the Mayor emphasized that "we will reimagine how we operate—examining every service we provide and how we can make the most of our public assets." We plan for our FY2026 Audit Work Plan to include audits that will be key in supporting this initiative.

We will also pursue continuous improvement in our own office operations and in the efficiency and effectiveness of our communications with our many stakeholders. Major initiatives for the year are anticipated to include **updating our annual risk assessment methodology**; implementing Measure A by retaining **independent legal counsel**; continuing to **enhance our recommendation follow-up dashboard** by adding updated information from the current reporting cycle and adding additional historical information on recommendations that were implemented in the past; implementing a formal **manager feedback review process** to further professional development of staff; **enhancing our social media** to grow public outreach; and **translating our Highlights Pages into Spanish** and potentially other languages.

As reflected in this report, OCA continues to be a leader in the local government performance auditing field. Our office frequently consults with peer organizations who are seeking to implement our best practices, and is often recognized by the Association of Local Government Auditors as an office with some of the best audit reports in the country.

Since the inception of the Office of the City Auditor nearly 16 years ago, we have issued 300 public and confidential reports with 1,514 recommendations. As of June 30, 2024, City Management has implemented 1,234 (82 percent) of those recommendations, while 107 recommendations were not implemented because City Management disagreed with the recommendations, or they were deemed no longer applicable. As of December 31, 2024, there were 171 open recommendations that still need to be implemented.

2024 was a productive, challenging, and rewarding year for OCA. We issued 10 reports that contained 61 recommendations to improve the efficiency, effectiveness, and equity of City operations and help identify fraud, waste, and abuse. I would like to thank our talented and dedicated staff for their efforts this year and every year.

In the face of the City's budgetary challenges, OCA is a key municipal asset that helps ensure limited public funds are used appropriately. We note that OCA's core mission directly aligns with recent budget mitigation directives from the Mayor and Chief Operating Officer. In short, we help the City identify opportunities to increase revenues, reduce or avoid costs, and become more efficient with the use of taxpayer money. We look forward to continuing our productive partnership with City leadership and stakeholders to assist the City during the challenging times that lie ahead.

I am very grateful to the Mayor, City Council, Audit Committee, and our residents for the support given to this Office. I am also very appreciative of City Management's cooperation and assistance during this period. City Management and City staff should be commended for their continuous efforts to utilize the audit process to improve City operations. We look forward to the year ahead.

Respectfully submitted,



Andy Hanau,  
City Auditor

cc: Honorable Mayor Todd Gloria  
Honorable Members of the City Council  
Honorable City Attorney Heather Ferbert  
Eric Dargan, Chief Operating Officer  
Matthew Vespi, Chief Financial Officer  
Christiana Gauger, Chief Compliance Officer  
Charles Modica, Independent Budget Analyst

## Appendix A: Report Highlights

We summarize our audit results for our readers in a 1–2 page Report Highlights section.

The following pages display the Report Highlights for audit reports issued in calendar year 2024:

- Performance Audit of the City’s Street Maintenance Program
- Performance Audit of SDPD Overtime
- Performance Audit of the San Diego Housing Commission’s Property Acquisition Process
- Re-Review of the 2013 Audit of the City’s Pothole Repair Operations
- Performance Audit of Facility Maintenance
- Performance Audit of the City’s Contract Management Process
- Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2023
- Fraud Hotline Report of Boat Storage Permits

# Performance Audit of the City's Street Maintenance Program

## Why OCA Did This Study

Decades of underinvestment in the City's 3,000-mile street network have degraded the overall quality of City streets, leading to dissatisfaction amongst City leaders and residents, as well as a large and growing deferred maintenance backlog that is estimated at over \$1.2 billion.

This audit covers similar areas to a June 2023 report from the San Diego County Grand Jury, and also reviewed how the Street Maintenance Program manages unimproved streets as well as the overall capacity of the program to complete the repair mileage it is funded for. Specifically, **we conducted this performance audit to determine whether the Transportation Department adequately plans for street maintenance to ensure that repairs are efficient, effective, equitable, and sufficiently funded.**

## What OCA Found

**Finding 1: The Transportation Department uses many best practices for prioritizing street maintenance; however, these practices should be reflected in a public and comprehensive 5-year pavement management plan to increase public transparency and accountability.**

Concurrently with this audit, the Transportation Department developed and published its first-ever Pavement Management Plan (PMP) in January 2024. **We found the new PMP includes most essential elements**, including a 5-year listing of planned projects; maintenance mileage and budget needed to achieve the Pavement Condition Index (PCI) goal of 70; trends in street repair mileage and budget; and PCI scores over time by Council District.

While the new PMP is a major step forward, we found that it does not include equity goals and trends. In addition, while [streets.sandiego.gov](https://streets.sandiego.gov) now includes general information on why a street repair project may be cancelled or delayed, the website does not provide contact information for residents to inquire about the status of specific projects.

In addition, Transportation has not yet developed a Standard Operating Procedure to **ensure that the PMP is updated on an annual basis and includes all essential elements.**

### Exhibit 3: Overlay and Slurry Seal are Two Types of Maintenance Activities



Source: City of San Diego Facebook and photo from OCA field visit.

**Finding 2: The Pavement Management Plan should also capture Transportation's efforts to address unimproved streets and alleys.**

The City currently has 38 miles of unimproved streets and 24 miles of unimproved alleys. These streets represent an important area of inequity that the City has recently begun to address.

The PMP includes discussion of selection factors, such as the number of residents served and safety concerns such as flooding, that will be used to prioritize which unimproved streets will be brought up to standard. However, while the PMP discusses several possible strategies for addressing unimproved streets, we found it **does not establish a strategy to be pursued**. Further, **Transportation indicates that it will pursue a dedicated funding source in FY2025 for the improvement of unimproved roads.**

**Finding 3: To ensure an optimal and cost-effective pavement management plan, the City should conduct regular pavement condition assessments.**

Best practices dictate cities to regularly conduct pavement conditions assessments to ensure the City is selecting the most optimal streets for maintenance. Transportation requested \$500,000 for a condition assessment in FY2020, but it was not provided until FY2023. As a result, the City did not complete a condition assessment for more than 7 years, and **Transportation potentially used unreliable data to plan approximately \$180 million in street maintenance** from FY2021–FY2023.

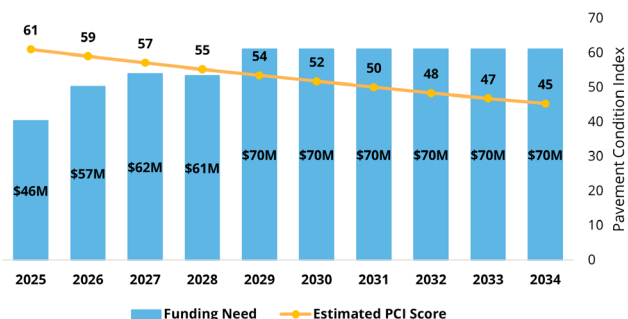
The new assessment found City streets had an average PCI of 63, while Transportation had estimated a PCI of 50. This means that Transportation was using significantly inaccurate data to plan street maintenance work, likely for several years. For example, **we found that for one quarter of street segments, Transportation’s estimates were off by 26 points or more.**

**Finding 4: A long-term funding strategy is essential to ensure that the City has sufficient funding to achieve its street condition goals.**

We found that the Street Maintenance Program has insufficient and unpredictable funding, and that even recent efforts to increase funding are not enough to address the approximately \$1.9 billion need over the next 10 years. In fact, **the most realistic funding scenarios show that the condition of the City’s streets are likely to get worse.** The City has only identified \$645 million in funding, and increased reliance on the General Fund and special revenue funds is not feasible or sustainable and would not close the remaining \$1.2 billion gap.

While the new PMP briefly describes possible avenues to increase funding, **it does not establish a specific funding strategy.** Continuing to underinvest in street maintenance will lead to more and more streets falling into disrepair. It will then cost more—likely hundreds of millions more—to bring streets up to a PCI of 70 in the long run.

**Exhibit 28: If Annual Funding Levels Stay the Same, the Estimated Average PCI of the City’s Street Network Would Continue to Decrease from an Estimated PCI of 61 in FY2025 to a PCI of 45 in FY2034**



Notes: This scenario was created from Transportation’s pavement management system, Cartegraph. This scenario is based on historical funding levels for street maintenance and does not assume debt financing. While the current network PCI is 63, it is estimated to decline to 61 by FY 2025, where the chart timeline begins.  
Source: OCA generated based on data received from Transportation.

**Finding 5: The Street Maintenance Program has not been able to expend all available resources and should continue to develop strategies to increase capacity.**

In addition to a funding strategy, the City also needs to continue to develop operational strategies to increase the capacity of the Street Maintenance Program. We found that over the last 6 years, **the program only spent 79 percent of the funds it was allocated**, even though resources are far less than what is needed to achieve and maintain a PCI of 70. We also found that in each of the last 5 years, **the program only completed 71 percent or less of the street repair mileage goals it expected to achieve** with available funding, meaning even fewer streets have been maintained than the program’s limited resources allow for.

**What OCA Recommends**

We made **7 recommendations** to help ensure the Street Maintenance Program is transparent, efficient, equitable, and sufficiently funded. As described above, the new PMP and related efforts address many elements of our recommendations. Major remaining elements include:

- Implementing a **Standard Operating Procedure** to ensure that the PMP is updated on an annual basis and includes all essential elements;
- Establishing and pursuing a **strategy to address unimproved streets**;
- Establishing and pursuing a **funding strategy** to ensure that resources are stable and sufficient to support an efficient and effective Street Maintenance Program
- Continuing to develop and implement **strategies to increase the program’s capacity**, and publishing these strategies and results in the PMP.

Transportation agreed with all 7 recommendations.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or [cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov).

# Performance Audit of SDPD Overtime

## Why OCA Did This Study

The City of San Diego (City) spent more than \$50 million on police overtime last year and has spent more than was budgeted on overtime for 10 of the last 11 fiscal years. The San Diego Police Department (SDPD) faces tension between the cost of overtime and the struggle to hire and retain more officers. Limiting officers' overtime hours might reduce costs, but could mean fewer officers are available to address public safety needs.

Therefore, we conducted a performance audit with four objectives:

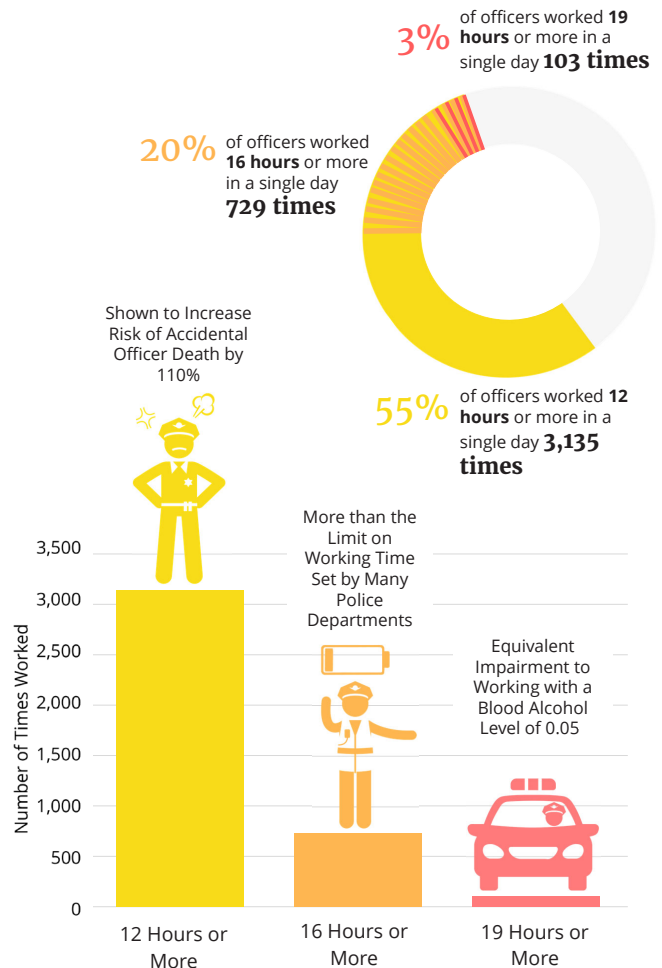
1. Determine if SDPD's overtime policies are in line with best practices.
2. Determine if SDPD's overtime policies are followed.
3. Determine if SDPD's overtime costs are in line with comparable police agencies.
4. Determine what factors contribute most to SDPD overtime costs and if there are opportunities to reduce costs.

## What OCA Found

**Finding 1:** To ensure officers are available to respond to the public, SDPD does not limit overtime, risking fatigued officers.

- Officer fatigue can lead to accidents, injuries, and reduced cognitive performance and communication abilities. **Many police departments limit total hours worked** per day or per week to reduce officer fatigue.
- In contrast, **SDPD does not limit excessive overtime.** SDPD encourages officers to take an 8-hour break between shifts, but it is **an informal policy that is not enforced.**
- Despite SDPD's lack of overtime limits, most SDPD officers do not work excessive overtime. However, 50 officers each worked more than 1,000 hours of overtime last fiscal year. In addition, **a few officers worked more than 2,000 hours of overtime, averaging nearly 90 hours of total work per week, every week of the year** in FY2023.
- We also found **960 officers worked 12 or more hours in a single day at least once** in April 2023.

**Exhibit 4: In April 2023, a Significant Portion of SDPD Officers Worked More Hours in a Single Day Than Best Practices Recommend**



Source: OCA generated based on payroll data from SAP, research in the National Institute of Justice Journal and FBI Law Enforcement Bulletin, and policies from comparable cities.

- Although rare, we found examples of officers working **16-hour or longer days with fewer than 8 hours off between shifts** for multiple days in a row.
- We found **daily or weekly limits on overtime would likely reduce total overtime hours by less than 3 percent in a year.** This would reduce the risks of officer fatigue while having relatively minimal operational impacts.
- **SDPD does not prioritize overtime shifts based on need,** creating the risk that more critical assignments go unfilled while officers sign up for less critical shifts.

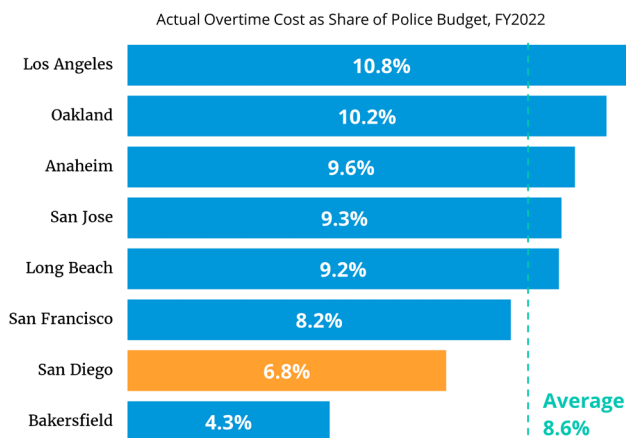
**Finding 2:** While SDPD overtime spending is in line with other police departments, more civilian positions could help reduce overtime costs and improve response times.

- SDPD overtime costs are primarily driven by staffing needs. As SDPD struggles to hire and retain officers, **it uses overtime meet the City’s public safety needs.**
- SDPD response times have largely increased since FY2019, **even with increased overtime, meaning overtime alone is unlikely to fully address SDPD’s needs.**
- Hiring more civilian employees who do administrative work and respond to lower-risk calls may reduce overtime, improve response times, and decrease department expenditures.
- **SDPD can strengthen its analysis on how many civilian positions would be necessary to maximize resources.** Our analysis shows that one type of civilian position could respond to about 13 percent of SDPD’s calls.
- SDPD overtime spending is regularly overbudget, but SDPD and the Department of Finance say they are working to budget more accurately. **SDPD overtime costs were below average for large cities in California in FY2022.**

**Finding 3:** Overall, SDPD overtime tracking and authorization is accurate.

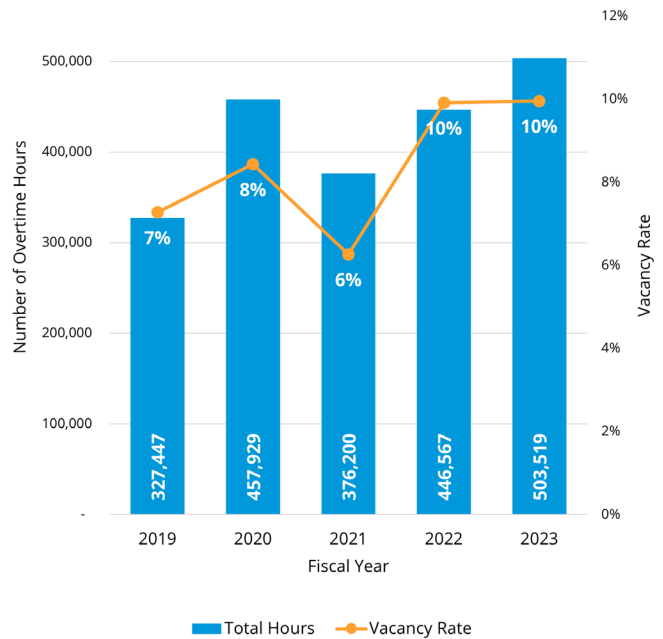
- In a random sample of overtime shifts from May 2023, we found that **100 percent of sampled shifts had the required overtime authorization form submitted and the forms contained accurate, required information.**

**Exhibit 15: SDPD Overtime Spending Was Below the Average for Large Cities in California in FY2022**



Source: OCA generated based on publicly accessible city budgets and budget proposals.

**Exhibit 11: The Officer Vacancy Rate at SDPD Has Generally Increased, While the Overtime Increased by More Than 50 Percent**



Source: OCA generated based on payroll, personnel, and budget data from SAP.

## What OCA Recommends

We made 4 recommendations to SDPD. Key recommendations include:

- SDPD should require that officers **take an 8-hour break between shifts.**
- SDPD should **prioritize its overtime allocation**, potentially through a central overtime function, then determine if it should **set a limit on the maximum number of hours officers can work in a day or a rolling week** using available research on officer fatigue.
- Once SDPD has set a work hours limit, it should enable notifications to ensure the total number of hours officers work in a day or rolling week **do not exceed any limits** set by SDPD policy.
- SDPD should analyze how many Police Investigative Service Officers or similar civilian positions would be necessary to **maximize resources.**

SDPD agreed to all 4 recommendations.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or [cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov).

# Performance Audit of the San Diego Housing Commission’s Property Acquisition Process

## Why OCA Did This Study

The City of San Diego (City) has struggled to supply sufficient affordable housing options, which has, in part, perpetuated the rise in the population of individuals experiencing homelessness. The City’s housing agency, the San Diego Housing Commission (Housing Commission) is responsible for helping create affordable housing for lower-income households and permanent supportive housing for individuals experiencing homelessness throughout the city. Due to City leadership’s prioritization of affordable housing and homelessness prevention efforts, and because building acquisitions can be areas of high risk, we conducted a performance audit of the San Diego Housing Commission’s property acquisition process with the following objectives:

**Determine whether the Housing Commission follows best practices when acquiring properties to increase affordable housing in the City.**

**Determine whether the Housing Commission has a property acquisition strategy and a funding strategy for property acquisitions based on best practices.**

## What OCA Found

**Finding 1: The Housing Commission largely follows property acquisition best practices, but the agency used an appraisal that potentially overvalued a hotel property by \$6.7 million.**

- We found the Housing Commission did not follow the best practice of using an appraisal with a valuation date that corresponded to the appraisal inspection date for its \$67 million acquisition of the Residence Inn Hotel Circle property in November 2020.
- We estimate that the agency might have overpaid by approximately \$6.7 million for this acquisition had the appraisal’s valuation accounted for the roughly 10 percent decrease in hotel property values at the time of the appraisal site inspection.
- We found the Housing Commission’s staff report to its oversight bodies for the Residence Inn Hotel Circle acquisition did not disclose that the appraisal used a pre-COVID valuation, and the appraisal report was not attached for review.

**The Housing Commission Largely Followed Best Practices for All Property Acquisitions, Costing \$158.6 Million for 642 Units, From FY2014 through FY2023, Except for One**

The Housing Commission acquired six properties, from FY2014 through FY2023, **creating 642** affordable and permanent supportive housing units



We found that the Housing Commission **followed best practices** when acquiring **five out of six** properties



While acquiring one property, the Housing Commission did not follow best practices, and used an appraisal that may have overvalued the property, potentially causing the Housing Commission to **overpay by roughly \$6.7 million**



Source: OCA generated based on information provided by the Housing Commission.

**Finding 2:** The Housing Commission should establish a documented acquisition strategy and an annual acquisition goal to improve transparency and to support both the agency and the City's priority of expanding affordable and permanent supportive housing.

The Housing Commission lacks a formal property acquisition strategy and does not commit to an annual acquisition goal.

- Having a formal acquisition strategy and annual goal would help ensure the Housing Commission is communicating to stakeholders how it intends to use its limited resources and track its progress in helping the City reach its goal of creating 2,802 units of permanent supportive housing by 2029.
- Even though the Housing Commission does not have a dedicated funding source for acquisitions, the agency could provide more transparency to stakeholders into how the agency's property acquisitions, which on average cost \$31.7 million per acquisition over the last 10 years, fit into to the agency's overall strategy to increase affordable and permanent supportive housing in the City.

**Housing Commission Property Acquisitions Made Up Roughly 35 Percent of All Permanent Supportive Housing the Agency Was Involved in Creating During the FY2020 through FY2023 Period**

Method of PSH Creation	Number of PSH Properties Created (FY2020–FY2023)	Number of PSH Units Created (FY2020–FY2023)	Percent of Total PSH Units Created (FY2020–FY2023)
Property Acquisition	4	435	35%
Financing Developers	14	802	65%
<b>Total</b>	<b>18</b>	<b>1,237</b>	<b>100%</b>

Source: OCA generated based on the Housing Commission's FY2022 and FY2023 Annual Reports.

**What OCA Recommends**

We made four recommendations, and the Housing Commission agreed to three. Recommendations include:

- The Housing Commission should update its policies and procedures to include the following requirements:
  - Appraisal valuation dates must correspond to appraisal site inspections date.
  - Copies of appraisal reports must be included as attachments in Housing Commission staff reports to its oversight bodies.
  - The Housing Commission should follow up with contracted vendors if requested services were not provided in full prior to moving forward with any major property purchase.
- The Housing Commission should complete a vendor performance evaluation for CBRE documenting its performance in providing appraisals for Residence Inn Hotel Circle and Residence In Kearny Mesa.
- The Housing Commission should update its Strategic Plan to include a property acquisition strategic component.
- The Housing Commission should establish an annual acquisition goal based on available funding for acquisitions in the upcoming fiscal year.

The Housing Commission did not agree to establishing an annual acquisition goal.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or [cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov).

# Re-Review of the 2013 Performance Audit of the City's Pothole Repair Operations

## Why OCA Did This Study

The abundance of potholes throughout the City of San Diego remains a primary concern for the public and City leadership. In 2013, the Office of the City Auditor (OCA) conducted an audit of the City's pothole operations. That audit issued four recommendations covering efficient deployment strategies, improved data management, and efficiency performance metrics. Since potholes are still a primary concern, we conducted a re-review audit of the City's pothole repair operations.

**The objective of this re-review is to determine the extent to which the Transportation Department (Transportation) is still implementing the identified (or similar) recommendations.**

## What OCA Found

The Transportation Department maintained implementation of most of the recommendations from the 2013 audit, but some efforts should be expanded or updated.









## Topic 1: Maximizing Resources

The 2013 audit found that the deployment of pothole crews could operate more efficiently. Our re-review found that while Transportation now aims to send the nine patch trucks to each of the nine Council Districts, **routing efficiency could be further improved.**

Assigning pothole requests in even closer geographic proximity would significantly improve the efficiency of operations. Mapping software could help assign pothole requests in closer proximity to each other, which would increase the number of potholes repaired and reduce the number of miles driven daily. By grouping pothole assignments in closer proximity for one day, we found that **potholes repaired could have increased by 27 percent and miles driven could have decreased by 40 percent.**

Furthermore, by responding to pothole requests more efficiently, Transportation could likely have more time to **proactively repair potholes, including in areas that do not request repairs as frequently as others.**

**Exhibit 7: In the Proximity Model, Crews Could Have Responded to 27% More Pothole Requests and Could Have Driven 40% Less Miles Compared to the Actual Work Completed on July 17, 2023**

	Actual 7/17/2023	Model 7/17/2023	Efficiency Improvement with Proximity Approach
 Potholes and Pothole Requests Responded to	71	90	 27% more potholes
 Average Potholes Per Crew	11.8	15	 27% more potholes
 Total Miles Driven	417	248	 40% less miles
 Average Miles Per Truck	69	41	 40% less miles

Source: OCA generated based on GIS model results, Daily Work Report forms, and BlueWorx pothole data.

Our re-review also found that **Transportation does not have enough patch trucks because they are frequently out for maintenance.** We found that four out of nine patch trucks were each out of service for repairs for more than 20 percent of a 15-month period.

When trucks are unavailable, all nine crews cannot be deployed to repair potholes, reducing the number of potholes that can be repaired with the program's \$3.95 million budget. **The addition of a backup patch truck for a one-time cost of about \$174,000 would substantially increase the number of potholes repaired** and decrease the average cost to repair a pothole.

We also found that a staffing analysis would allow Transportation to assess how to best utilize available staff when patch trucks are out for repairs as well as other staffing efficiencies.

## Topic 2: Data Management

The 2013 audit found issues with data entry and supervisor reviews of data. Our re-review found that the data entry forms now have separate fields for data points, such as potholes repaired and square footage of asphalt, and supervisors conduct a thorough review of the data entered.

We also found that while crews now record the data points on the paper forms as well as into the online platform, BlueWorx, **this process is time intensive and repetitive.** We also found that crews occasionally do not enter data points into BlueWorx, because the system does not require crews to enter all data points. Additionally, the supervisor conducts a daily time-intensive comparison review of paper forms against the data in the system, which limits the amount of time the supervisor can manage pothole operations in the field.

## Topic 3: Monitoring Performance

The 2013 audit found that an efficiency performance measure would help ensure that Transportation utilizes its resources in the most efficient manner. Our re-review found that Transportation implemented an efficiency KPI for one fiscal year, but it no longer uses an efficiency performance metric. **Transportation does not track or monitor efficiency metrics, such as the average number of pothole requests completed by each crew or by the department on a daily, weekly, or monthly basis.** Adding an efficiency metric would allow Transportation to determine if pothole operational resources are being utilized in an efficient manner and would help right-size the current daily goal of pothole requests for each crew.

We also found that **because pothole operations are based on public requests there could be inequity in pothole repairs across the City.** However, assessing the equity of pothole operations across the City is complex, due to the various factors that must be taken into consideration, such as: the frequency of pothole requests in each Council District, the condition of streets, the lane mileage in each Council District, as well as the mileage of heavy traffic streets (which tend to have more potholes).

We also found that crews have not consistently recorded proactively repaired potholes into BlueWorx, resulting in reports that do not include all pothole repairs. Notably Transportation stated it has begun to train staff on including entering proactively repaired potholes into BlueWorx.

## What OCA Recommends

We make 10 recommendations across the three re-review topics as described below:

**Topic 1 – Maximizing Resources:** Four recommendations to increase the efficiency of pothole operations, specifically for Transportation to: try to implement a mapping software for pothole repair assignments, emphasize the budget request for at least one additional patch truck, and conduct a staffing analysis to determine how to best maximize the productivity of available staff.

**Topic 2 – Data Management:** Three recommendations to strengthen the efficiency and accuracy of data collection, specifically for Transportation to: provide crews with guidance on quantifying potholes, include IT controls to ensure all data is recorded, and require crews to only use paper forms in the field when necessary.

**Topic 3 – Monitoring Performance:** Three recommendations to improve Transportation's ability to monitor the performance of pothole operations, specifically for Transportation to: implement an efficiency performance metric, evaluate the equity of pothole repair operations across the City, and enter proactively repaired potholes into BlueWorx.

Transportation agreed to implement all recommendations.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or [cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov).

# Performance Audit of Facility Maintenance

## Why OCA Did This Study

The City of San Diego (City) owns more than 1,600 buildings and structures that cost tens of millions of dollars to maintain annually. Collectively, as of 2023, these libraries, recreation centers, museums, piers, lifeguard towers, and other facilities are worth more than \$7 billion. Failure to maintain these facilities can lead to greater costs in the long run and can have negative impacts on City services, worker morale, and visitors' and residents' overall impression of the City.

Therefore, we conducted a performance audit with three objectives:

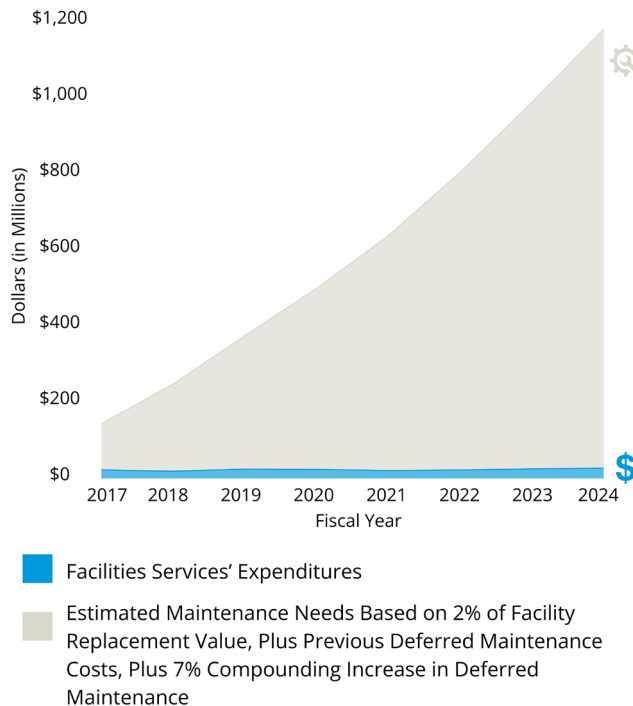
- (1) Determine whether the City efficiently funded maintenance needs of facilities;
- (2) Determine whether the City tracks and assesses the condition of facilities; and
- (3) Determine whether the City plans and conducts maintenance efficiently and effectively for facilities.

## What OCA Found

**Finding 1:** The City has not been able to prioritize sufficient funding to maintain its facilities, which will cost the City more in the long term.

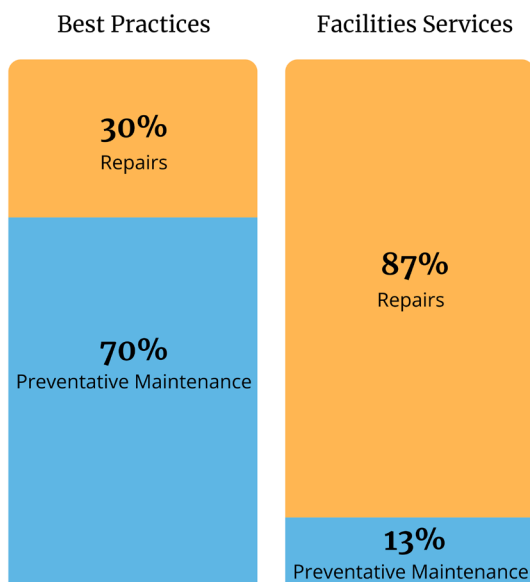
- The City budgeted about \$26 million for facility maintenance in FY2023, **far less than the \$143 million to \$287 million best practices recommend** budgeting annually for routine maintenance and repairs.
- With many urgent priorities competing for limited City funds, the City has deferred maintenance needs and underfunded facility maintenance for many years.
- Although deferring maintenance can save money in the short term, **deferring maintenance results in higher future costs** and can impact City services, worker morale, and the overall reputation of the City.
- Continuously underfunding facility maintenance has likely resulted in a significant backlog of maintenance needs. Combined, **annual maintenance and deferred maintenance needs exceeded \$1 billion in FY2024**, estimating conservatively.

**Exhibit 9: The City Budgeted About \$27 Million for Facility Maintenance Needs in FY2024, But Due to Continued Deferred Maintenance, We Estimate Needs Exceeded \$1 Billion**



Source: OCA generated based on City facility condition assessments, National Research Council, OpenGov, City budget documents, and the Consumer Price Index.

**Exhibit 13: Just 13% of Facilities Services' Maintenance Activities Were Preventative Maintenance, Compared to 70% Recommended by Best Practices**

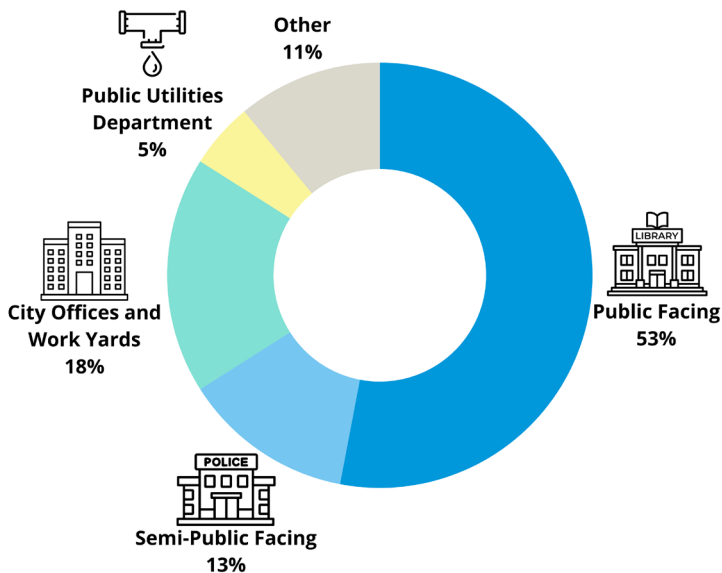


Source: OCA generated based on FY2023 key performance indicators and best practices.

**Finding 2:** With or without increased funding, the City needs a facility management plan to ensure it spends its limited maintenance funds efficiently.

- The City does not know the condition of its facilities or their maintenance needs.
- The City **does not have an asset management plan to maintain the condition of its \$7.2 billion facility portfolio.**
- Without an asset management plan, Facilities Services **does not clearly communicate facility maintenance needs** or the plan to address those needs to City Council.
- Facilities Services does not report how it spends its funding, but **we found most maintenance goes to facilities that are used by the public**, meaning maintenance benefits facilities commonly relied on by the public for City services.

**Exhibit 17: We Estimate Most Facility Maintenance Funding Went to Public and Semi-Public Facing Facilities (FY2018–FY2023)**

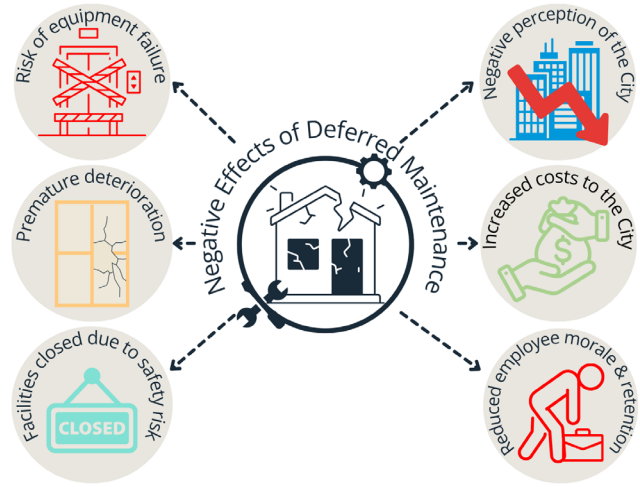


Source: OCA generated based data in EAM, from Facilities services, and the City’s facility condition assessments.

**Finding 3:** Departments have limited insight into the status of their repairs, resulting in unnecessary delays and unclear expectations.

- Facilities Services has not given department staff access to see the status of their maintenance request.
- Departments may believe they are still waiting on Facilities Services to address an issue when Facilities Services has already completed or canceled the request.

**Exhibit 10: Inadequate Facility Maintenance Costs the City More and Negatively Impacts City Services, Worker Morale, and Residents’ and Visitors’ Overall Impression of the City**



Source: OCA generated based on interviews with City staff and criteria from the Government Accountability Office and National Research Council.

## What OCA Recommends

Key recommendations include:

- **Set a goal** for the percent of the facility replacement value the City intends to spend on facility maintenance;
- **Develop a long-term funding strategy** to address both annual maintenance needs and deferred maintenance;
- **Develop a facility management plan** to track and report prioritized facility maintenance needs, the plan to address those needs, the funding required, and the funding spent;
- **Update facility condition assessments** at least every 5 years;
- Include estimated cost of annual maintenance for existing and new facilities in City budget and planning documents; and
- Provide as self-service mechanism for departments to see the status of their maintenance requests.

City Management agreed with all 10 recommendations. However, Management indicated additional resources and staff would be needed for some recommendations.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or [cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov).

# Performance Audit of the City’s Contract Management Process

## Why OCA Did This Study

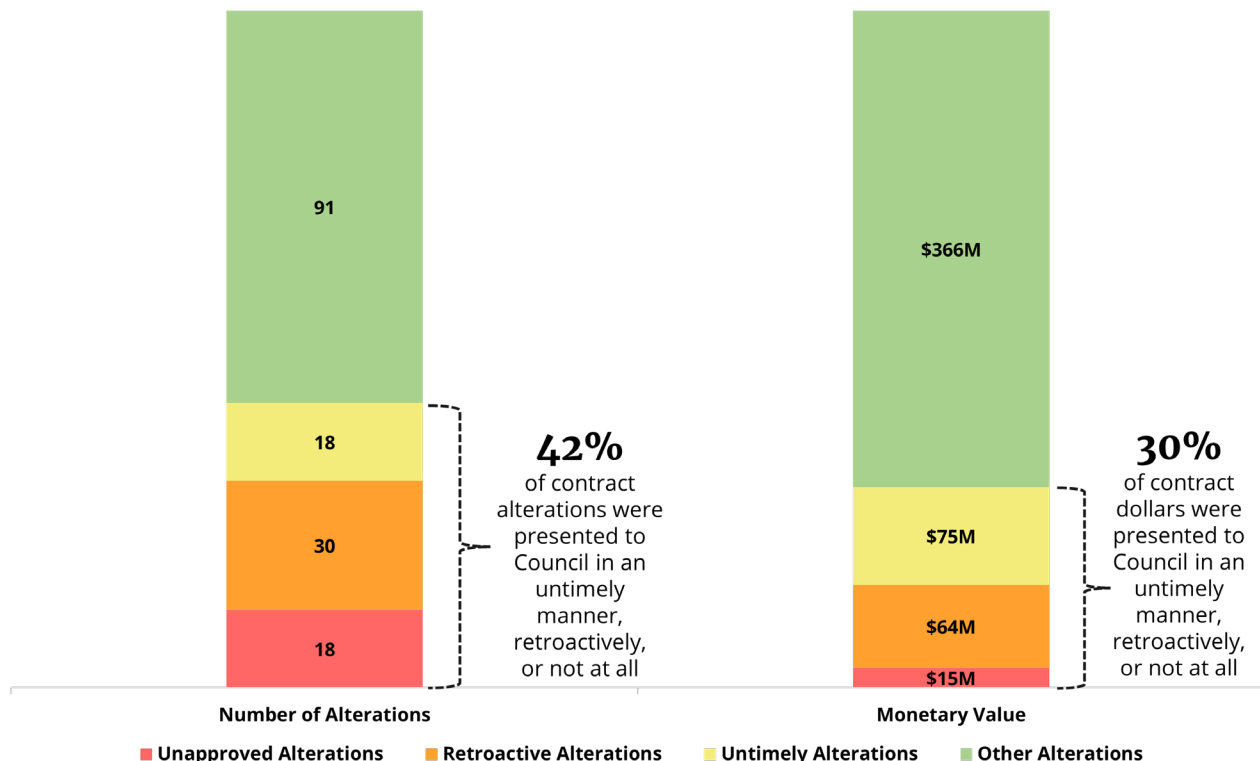
The City of San Diego (City) spends hundreds of millions of dollars annually on goods and services contracts to provide critical City services. The San Diego Municipal Code (SDMC) requires City Council to review and approve some larger value changes to those contracts to ensure public oversight and transparency in the use of taxpayer dollars. Therefore, we conducted a performance audit with the objective:

**Determine whether the City appropriately extended or increased the value of goods and services contracts in accordance with the SDMC and best practices.**

## What OCA Found

**Finding 1:** The City altered contract spending limits by at least \$15 million without required Council approval, diminishing transparency and governance.

**42% of Contract Alterations Totaling Approximately \$155M in Spending Were Presented to Council in an Untimely Manner, Retroactively, or Not at All**



- **13 percent** of contract alterations we reviewed did not receive proper Council approval.
- Most contract alterations that did not receive Council approval as required increased the total value of the contract by more than \$200,000.
- Confusion around approval requirements was the leading reason contract alterations were not presented to Council.

**Finding 2:** Departments brought 19 percent of contract alterations totaling nearly \$64 million to Council for approval retroactively, creating risks for vendors and City services, and further reducing effective oversight.

- Retroactive approval, or “ratification,” is an exception that should be used as little as possible.
- More than one out of four contract alterations we reviewed were brought to Council for approval retroactively or with little time remaining.

Source: OCA generated on information from Ariba and the City Clerk’s Office. Source: OCA generated based on Exhibit 7 and information from Ariba and the City Clerk’s Office.

- Contract administration roles and responsibilities are not well-defined, and the City lacks a formalized contract alteration process.
- Benchmark agencies have stricter requirements for ratifications, including written justification and a plan for corrective action.
- Staff listed a variety of reasons for bringing contracts for retroactive approval, including:
  - COVID-19 and supply chain issues;
  - Staffing shortages and unbalanced work;
  - Active litigation; and
  - Updated legal guidance.

**Finding 3: Incomplete and inaccurate contract information and unwritten policies have led to work inefficiencies and staff errors.**

- We found numerous accuracy issues with contract information in Ariba.
- Many past audit recommendations related to system controls and accuracy remain unimplemented, contributing to persistent issues.
- The absence of formal documentation and comprehensive policies in contract management has led to challenges in ensuring proper procedures are followed as shown in **Exhibit 15**.

**What OCA Recommends**

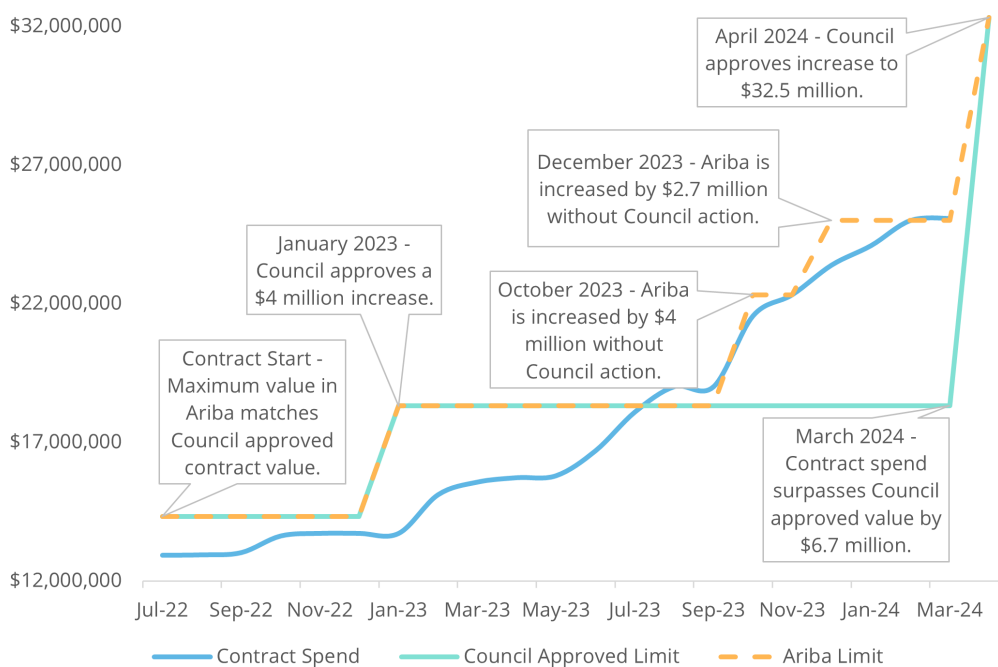
We made 13 recommendations to the Purchasing & Contracting Department. Key recommendations include:

- **Presenting any unapproved active contract alterations** identified in this audit to City Council for retroactive approval;
- Proposing changes to the San Diego Municipal Code **clarifying City Council approval requirements** for contract alterations;
- Developing a procedure and **template for ratification requests**;
- Designing guidelines for City departments to **provide Council with updates** on contract activities;
- Establishing and implementing a formalized **contract alteration process**; and
- Developing a policy outlining where contracts are **electronically stored and managed**.

City Management agreed with all 13 recommendations.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or [cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov).

**Exhibit 15: Staff Increased a Contract Months Before Obtaining Council Approval to Allow Additional Spending**



Note: Contract spend reflects the amount of purchase orders opened but does not reflect the actual funds spent on goods and services. Source: OCA generated based on information from Ariba and the City Clerk.

# Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2023

*This audit is conducted annually in accordance with the requirements of City of San Diego Charter Section 55.2.*

## Why OCA Did This Study

The City Charter requires that the City Auditor report annually the extent and nature of the Mission Bay and the San Diego Regional Parks Improvement Funds' revenues, expenses, and improvements, and compliance with the requirements of Section 55.2. To comply with the Charter, and in accordance with the City Auditor's Fiscal Year 2024 Annual Audit Work Plan, we have performed an audit of the Mission Bay and the Regional Parks Improvement Funds' financial activity in fiscal year 2023.



Source: Image of Mission Bay Park obtained from Microsoft Bing.

## What OCA Found

We found that the City of San Diego is in compliance with the requirements of Charter Section 55.2.

### Fiscal Year 2023 Financial Activity:

We found that \$6,608,581 was transferred from Mission Bay Lease Revenue to the San Diego Regional Parks Improvement Fund (SDRPIF) for capital improvements and \$12,273,079 was transferred to the Mission Bay Improvement Fund (MBIF). Based on these transfers plus interest, the total transfers were \$6,814,165 to the SDRPIF and \$12,801,956 to the MBIF.

There were SDRPIF expenditures of \$1,507,612 and MBIF expenditures of \$7,678,735 in FY2023. We found that all transfers and expenditures complied with the Charter requirements.

### Other Pertinent Information:

The City is completing projects funded by Mission Bay lease revenues as managed by the Parks and Recreation Department and the Engineering & Capital Projects Department.

The Improvement Fund Oversight Committees often have members that are serving on expired terms or have vacant positions.

## What OCA Recommends

Management continues to work towards implementation of two of the four remaining recommendations from the FY2021 Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds report issued August 2, 2022. We did not make any additional recommendations in the current audit.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or [cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov)

# Hotline Report of Boat Storage Permits

## Fraud Allegation

OCA received a Fraud Hotline allegation regarding the mismanagement of permits issued by the City for the long-term storage of small boats on the sand at Mission Bay.



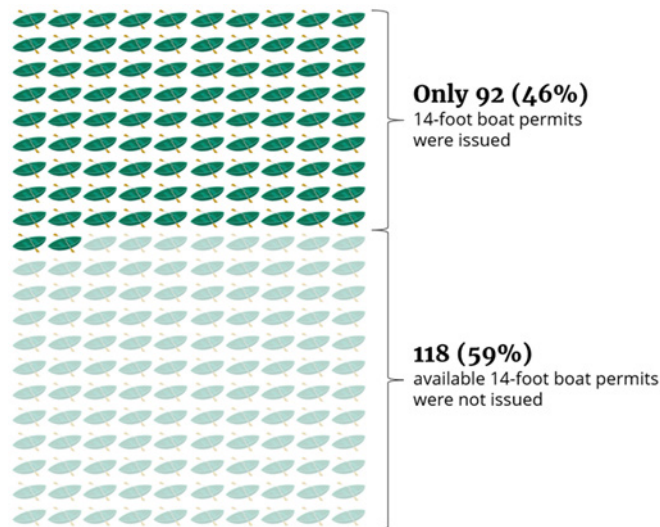
## Investigative Conclusions

Our investigation determined that the allegations of waste and mismanagement were substantiated.

### Conclusion 1:

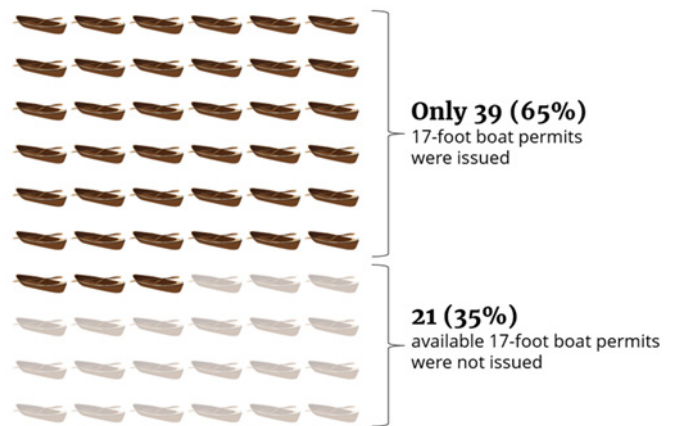
- Over 100 boat storage permits could have been issued, but were not, due to clerical errors.
- Clerical errors could be avoided if Parks and Rec used the existing online system to handle boat storage permits.
- Over 400 people are on waitlists for boat storage permits, with some waiting for over 20 years.
- Boat storage permits are able to be renewed perpetually, which limits the supply of permits available to be sold to other small boat owners.

### Exhibit 4: More Than Half of Available 14-Foot Boat Permits Were Not Issued



Source: OCA generated based on permit data from April 2024.

### Exhibit 5: Over One-Third of Available 17-Foot Boat Permits Were Not Issued



Source: OCA generated based on permit data from April 2024.

### Conclusion 2:

- The City's boat storage program charges lower fees than other jurisdictions.
- These fees only recover part of the estimated staff costs.
- The fees for the City's boat storage permits were based on the estimated staffing costs to administer the program.
- Because the fees are lower than they could be, the City might not receive sufficient revenue to administer the program efficiently and effectively.
- The City's fee consultant concluded that boat storage permit fees could be calculated based on the use of City property and a comparison with fees of other jurisdictions rather than staff cost estimates.

### Conclusion 3:

- Other jurisdictions offer more efficient small boat storage solutions.
- Parks and Rec management determined that the more efficient small boat storage solutions used elsewhere were infeasible in San Diego.
- Due to the limited space available for small boat storage, the City should evaluate the impact of wider boats and consider charging more for catamarans.
- One or more additional boat storage locations could be added to improve access to this resource.
- Some boat storage racks are in need of repair.

**Exhibit 10: Some Boat Storage Racks are Heavily Damaged**



Source: OCA images captured on March 18, 2024 and April 3, 2024.

- The Parks and Recreation Department considered using money from the Mission Bay Park Improvement Fund to construct new boat storage racks but declined to pursue using the proposed funding source.

**Conclusion 4:**

- Lifeguards recently removed 29 abandoned boats and took compliance actions against 44 others, but this appears to be the first enforcement effort in approximately 15 years.

**Exhibit 12: Lifeguards Removed 29 Abandoned Boats and Identified 44 Other That Violated Program Rules in May 2024**



Source: Lifeguards images captured in May 2024, obtained by OCA.

- Parks and Rec and Lifeguards would likely be better able to coordinate routine inspections and enforcement activities if written procedures were in place.
- Program compliance would be improved if the existing program rules were updated and clarified.

**What OCA Recommends**

We make 10 recommendations to improve the City's boat storage permit administration, facilities, fee recovery, and compliance operations.

Key recommendation elements include:

- Implementing reconciliation procedures to ensure all available permits are offered for sale;
- Transitioning to online registration software;
- Revising the permitting process to mitigate current problems of extensive waitlists and permits being renewed in perpetuity;
- Basing permit fees on benchmarking of what other jurisdictions charge;
- Considering more efficient storage options;
- Considering charging more for catamarans or limiting the number of permits available for catamarans;
- Considering replacing damaged racks and/or adding one or more racks;
- Identifying racks that need repairs and prioritizing repairs;
- Developing written policies and procedures for compliance activities; and
- Updating and posting current boat storage applications and permit "Specifications, Rules, and Regulations" sheets online, and ensuring consistency with DMV guidance.

Management agreed with all 10 recommendations.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or [cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov).



[sandiego.gov/auditor](https://sandiego.gov/auditor)