

Office of the City Auditor

City of San Diego

BID TO GOAL:

Option to Review Gainsharing Goals for Public Utilities Department Programs

Audit Committee Meeting, April 12, 2010



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Introduction

- **At the Request of the Audit Committee, we met with Public Utilities Department officials and AKT representatives to discuss the feasibility of auditing gainsharing goals.**
- **The option we are providing for your consideration is based on these discussions and our assessment of this issue.**

***We did not conduct an additional performance audit of the B2G Program.**

Background

- The current Scope of Work for AKT includes sampling and testing the Department's reported (1) savings calculation, (2) gainsharing goal achievement, and (3) payouts.
- During our Bid to Goal (B2G) audit, we evaluated a sample of gainsharing goals for fiscal years 2008 through 2010 and found that 2010 goals were more measurable and auditable and goal summaries contained more robust and detailed information in the "Justification of Challenge Level" and "Relevance" sections.
- * The proposed Water Fund B2G Memorandum of Understanding will be presented to IROC on April 21 and expected to be presented to City Council Rules Committee in May or June.

Suggested Option

To help ensure that goals are reasonable and challenging, we suggest that the Department:

1. Expand the “Justification of Challenge Level” and “Relevance” sections of goal summary sheets to include detailed information on why the goal is challenging, including providing any appropriate benchmarking data and source documentation.
2. Increase the scope of work in its contract with AKT to include evaluating goals before they are approved:
 - Review goals for measurability, reasonability, and Justification of Challenge Level;
 - Determine whether supporting documentation is sufficient;
 - Provide input when appropriate for improving measurability and challenge level.

Conclusion

- We chose this option over hiring an engineering contractor or having our office conduct these audits, because:
 - Department managers will derive a benefit from the research and analysis required to provide additional justification and supporting documentation for goals.
 - AKT's experience and expertise assessing the measurability and auditability of goals will be valuable on the front end of the goalsetting process.
 - Our office is focused on high risk audits.

Key Points

- Department officials and AKT representatives agreed that this is most beneficial option.
- For AKT's testing of goals to have the most immediate benefit, it should begin with fiscal year 2011 goals which have recently been developed by the Department.
- It is the Department's responsibility to identify appropriate percentage of goals to test and finalize terms of AKT's contract.