
Report to the Audit Committee

ACTIVITIES AND ACCOMPLISHMENTS OF THE OFFICE OF THE CITY AUDITOR JANUARY 2016 THROUGH DECEMBER 2016

Office of the City
Auditor

City of San Diego



This Page Intentionally Left Blank

The Office of the City Auditor is an independent office that reports and is accountable to the Audit Committee and City Council. Our 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 San Diego City government. In many instances, implementation of our recommendations results in significant financial benefits to the City. In other cases, our recommendations aim to improve policies and procedures, increase transparency and oversight, and enhance the City's accountability to those it serves.

The City Auditor conducts performance audits of City departments, offices, and agencies in accordance with government auditing standards. We also administer the Fraud, Waste and Abuse Hotline and perform fraud investigations. For all of the issues identified during our audits and investigations, we have made recommendations for City management to implement to mitigate the problems found.

Below is a summary of accomplishments and highlights from some of our significant reports for calendar year 2016:

- **We completed 13 performance audits, one agreed-upon procedures review, and six hotline investigations. These reports contained 109 recommendations to improve the economy, efficiency, and effectiveness of City operations.** The Administration agreed with **100 percent** of our recommendations. We also issued two recommendation follow-up reports to track and validate implementation. A complete listing of all the reports we issued during this period, with the number of recommendations made, can be found in **Appendix I**.
- ***Performance Audit of the Affordable / In-Fill Housing and Sustainable Buildings Expedite Program*** – The Expedite Program was created to incentivize certain development activity that helps the City combat its affordable housing crisis and achieve its environmental sustainability goals. The Expedite Program advertises that permits for expedited projects will be processed twice as quickly. We found that improved performance management is needed to ensure that the advertised permitting timelines are met. In addition, the Expedite Program's success depends upon ensuring that projects allowed into the program provide appropriate benefits to the City in return. We found that the program is largely attracting projects classified as "sustainable," but that provide questionable environmental benefits. Also, many expedited projects should not have been admitted into the program based on eligibility criteria. We made eight recommendations including: 1) DSD should develop additional performance management tools and revise its existing performance metrics to better monitor and report on the Expedite Program's performance; 2) Stop allowing single-family homes and other small residential projects of less than four units into the Expedite Program because they do not meet the eligibility criteria; and 3) Re-evaluate and update the Expedite Program's sustainability requirements to align them with the City's Climate Action Plan and other rigorous sustainability goals.

- ***Performance Audit of Street Light Repair*** – Street lights have been shown to improve traffic safety and pedestrian safety by allowing pedestrians and motorists to better see one another. We found that Street Division's street light repair service does not operate efficiently due to a lack of operational street light repair vehicles, no documented street light repair policies or procedures, a lack of inventory controls and records for street light replacement parts, and inaccurate and incomplete street light asset data. We also found that the City has not developed a comprehensive plan addressing street light infrastructure challenges and department responsibilities. We made seven recommendations including: 1) The Street Division should utilize additional metrics to help identify and correct inefficient operations, and take action to increase the availability of operational repair vehicles; 2) Create inventory system controls to account for street light repair parts and materials; 3) Establish operational guidelines for managing and updating street light asset information to maintain an accurate inventory of street lights; and 4) Develop and document a street light management plan or memorandum of understanding that includes an overall vision for the long term management of street lights with clear responsibilities for future planning related to street light installation.
- ***Performance Audit of The City's Programs Responsible For Improving Pedestrian Safety*** – Between 2001 and 2015, more than 8,000 pedestrians were injured in the City of San Diego, and 270 pedestrians were killed. In recent years, the number of pedestrians who were killed in collisions on City streets increased significantly. In response, the Mayor and City Council adopted Vision Zero, which includes a goal of eliminating all pedestrian fatalities and serious injuries by 2025. We found the City can improve pedestrian safety by using available data to focus engineering, enforcement, and educational resources on locations and behaviors that place pedestrians at the greatest risk. In order to ensure that the City's efforts to improve pedestrian safety through the Vision Zero initiative are as effective, we made 18 recommendations including: 1) Utilize available data and establish measurable goals to target pedestrian safety infrastructure and enforcement efforts at the locations at which infrastructure improvements and enforcement are most needed and on the behaviors that place pedestrians at the greatest risk; 2) Incorporate an educational aspect into enforcement efforts; 3) Develop a Citywide pedestrian safety educational campaign; 4) Develop financing plans and performance evaluation strategies for Vision Zero initiatives; and 5) Create a Vision Zero website to communicate current initiatives and results to the public.
- ***Performance Audit of the San Diego Housing Commission*** – The need for affordable housing in the City of San Diego far exceeds the money available for its development. Therefore, it is imperative that the most cost-effective affordable housing is funded to keep cost reasonable while maximizing the number of housing units produced. We found that additional performance measures and benchmarks are needed for SDHC's housing production goals and housing development cost as well as a better monitoring process to improve loan collections. SDHC has numerous goals, objectives, and outputs reported at the federal and local level. However, a more robust set of indicators that are compared to affordable housing benchmarks would demonstrate the results of SDHC's housing objectives and provide SDHA with relevant information to strengthen its monitoring and evaluation activities. We made five recommendations for the San Diego Housing Commission to establish performance measures that demonstrate affordable housing results and provide the San Diego Housing Authority with ongoing monitoring information to evaluate program results.

- ***Performance Audit of the San Diego Public Library System*** – San Diego's public libraries (SDPL) are community anchors that address economic, education, and health disparities in the community. Libraries are important because they improve the quality of life in a community, promote literacy and reading, and provide many people with a chance to succeed. Our audit compared the resources provided to each branch library by the population of the service areas, and we found disparities in how resources are allocated throughout SDPL's branch library system. We also found a disproportionately low program attendance at some branch libraries, and that management was not fully incorporating and analyzing data when making staffing decisions. We made five recommendations including: 1) SDPL management should make better use of data to help ensure an equitable distribution of resources; 2) Consider revising the policies that guide donation matching funds to help alleviate disparities in relatively under-resourced branch libraries; 3) Establish measurable goals and objectives for programming, and develop an outcome-based evaluation model; and 4) Update, expand, and formalize current efforts to stress a more data-driven approach to staffing.
- ***Audit of Selected Contracts*** – The Audit Committee asked us to review a selection of City contracts to identify potential impacts of contract oversight deficiencies or loss to the City due to the weaknesses identified in our 2015 audit of Citywide contract oversight. We found the internal control environment for purchasing and contracting needs to be strengthened. We found administrative and oversight issues in the limited number of contracts we reviewed. Many of the issues identified were similar to findings in prior audit and hotline reports over the past several years. We determined that the ongoing nature of the contract administration deficiencies require that tone be set at the top of the organizational structure to ensure improvements are implemented. We made 10 recommendations including: 1) The Purchasing & Contracting Department should ensure that its new purchase requisition procedures include a requirement for review by senior procurement specialist to try to reduce errors in purchase requisitions and purchase orders; 2) The Office of the City Comptroller should modify its process narrative for invoice payments to clearly assign the responsibility to ensure contract pricing is billed; 3) The Park and Recreation Director, in consultation with the Office of the City Attorney, should review invoices submitted by landscape vendors pertaining to "Contractor's cost of handling" or related "Markup" to determine whether the charges were allowable and consider recouping any unallowable charges; and 4) The City's executive management should take a lead role in systematically addressing contract administration and oversight problems.
- ***Fraud Hotline Investigations*** – We issued six fraud hotline reports and four status reports. One fraud investigation identified that the City's job applicant selection process in one department was being abused, resulting in a system that unfairly favored individuals with influence and connections. Another fraud investigation found that City employees were enrolling their children and grandchildren in City park and recreation activities without paying the required fees. We learned that the practice may have been in place for several decades. Also, one investigation found that City employees were using City vehicles for personal purposes. Specifically, we found that a total of six employees, including two managers, used City vehicles for personal purposes for a combined total of 1,151 hours and 56 minutes between October 1, 2015, and June 30, 2016. The majority of the time was associated with overnight take-home use of City vehicles by one employee.

Leadership, Professional Development and Other Accomplishments

- The Office implemented a new web portal to help facilitate the Recommendation Follow up process and provide a means for the departments to update recommendation implementation status real time.
- The Office created audit protocols and a values statement.
- The City Auditor served as a Local Representative to U.S. Comptroller General's Domestic Working Group and Local Government Representative to the Executive Board of the Western Intergovernmental Audit Forum.
- The Office is a member of the Association of Local Government Auditors and the Institute of Internal Auditors.
- In March 2016, the Association of Local Government Auditors recognized our Performance Audit of the Code Enforcement Division with a Knighton Award for best performance audit report by a local government in the United States and Canada. This award is the sixth consecutive ALGA award for the office.
- The Office audit staff members were provided 876 hours of professional continuing education training to ensure professional competency.

Conclusion

The year covered by this report has been productive, challenging, and rewarding. I am very grateful to the Audit Committee and City Council for the support given to this Office. I am also very appreciative of Mayor Kevin Faulconer and his Administration's wonderful cooperation during this period. For the third year in a row, the Administration has agreed to implement 100 percent of all audit recommendations. I believe the Mayor and his staff should be commended for their continuous efforts to utilize the audit process to improve City operations.

Respectfully submitted,



Eduardo Luna
City Auditor

Appendix I: Summary of Work Performed – January 2016 through December 2016

Report No.	Date	Description	Recommendations to Improve the Economy, Efficiency, Operations or Program Effectiveness	Number of Recommendations Auditee Concurred With
16-010	2/4/2016	Performance Audit of the City's Overhead Rate Calculation Process	4	4
16-011	3/3/2016	Performance Audit of the City's Street Preservation Ordinance	8	8
16-012	3/30/2016	Hotline Investigation of Vendor Fraud	1	1
16-013	4/18/2016	Hotline Investigation of Landscape Contracts	8	8
16-014	4/20/2016	CONFIDENTIAL MEMO: Treasurer's Rtax and Btax	1	1
16-015	4/20/2016	Audit of the City Treasurer's Business and Rental Tax Online Payment Collection Systems	0	0
16-016	4/21/2016	Performance Audit of Selected Contracts	10	10
16-017	5/26/2016	Performance Audit of the San Diego Public Library System	5	5
16-018	5/26/2016	Audit of Mission Bay and San Diego Regional Parks Improvement Funds FY 2015	1	1
17-001	7/20/2016	Audit of Accounts of Public Officials Terminating Office in Fiscal Year 2016	0	0
17-002	7/20/2016	Audit of the City's Implementation of San Diego County Grand Jury Recommendations Related to Property and Evidence Management	8	8

City Auditor's Activities and Accomplishments Report for January 2016 - December 2016

Report No.	Date	Description	Recommendations to Improve the Economy, Efficiency, Operations or Program Effectiveness	Number of Recommendations Auditee Concurred With
17-003	7/21/2016	Performance Audit of the San Diego Housing Commission – Affordable Housing Fund	8	8
17-008	8/4/2016	Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process	8	8
17-004	8/18/2016	Hotline Investigation of Park and Recreation Department Activity Fee Collection Abuse	2	2
17-005	9/13/2016	Performance Audit of the San Diego Housing Commission	5	5
17-006	9/15/2016	Performance Audit of The City's Programs Responsible For Improving Pedestrian Safety	18	18
17-007	10/3/2016	Agreed-Upon Procedures Related to the Central Stores Physical Inventory - FY16	2	2
17-009	12/1/2016	Performance Audit of Street Light Repair	7	7
17-010	12/2/2016	Performance Audit of the Affordable / In-Fill Housing and Sustainable Buildings Expedite Program	8	8
17-011	12/14/2016	Hotline Investigation of Personal Use of City Vehicles at the Public Utilities Department	3	3
17-012	12/14/2016	Hotline Investigation of Improper Use of Discretionary Leave	2	2
		Total	109	109