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# Report to the Audit Committee

## **ACTIVITIES AND ACCOMPLISHMENTS OF THE OFFICE OF THE CITY AUDITOR - JANUARY 2021 THROUGH DECEMBER 2021**

**Office of the  
City Auditor**

**City of San Diego**



## OFFICE OVERVIEW & MISSION

The Office of the City Auditor (OCA) is an independent office that reports to and is accountable to the Audit Committee and City Council. OCA's mission is to advance open and accountable government through accurate, independent, and objective audits and investigations that seek to improve the efficiency, effectiveness, and equity of San Diego City government. 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 Management to mitigate issues identified in our audits and investigations.

Some major issues our audits found during calendar year (CY) 2021 include:

Serious deficiencies with the City's [major building acquisition process](#);

Problems with the City's efforts to implement the [Climate Action Plan](#);

Potential [overbilling by a City contractor by more than \\$1 million](#) for portable showers to serve people experiencing homelessness in the City;

Significant [inequities in recreation programming](#) remain despite the City's progress in several areas; and

Deficiencies in the City's efforts to [regulate industrial wastewater users](#).

## CY2021 ACCOMPLISHMENTS

OCA persevered through the challenges posed by the COVID-19 public health emergency and had a very productive year. Below is a summary of accomplishments for CY2021:

- We issued **10 reports** containing **58 recommendations** to improve the efficiency, effectiveness, and equity of City operations, including:
  - **8 performance audits;**
  - **1 agreed-upon procedures review;** and
  - **1 hotline investigation.**
- A complete list of all reports issued during this period, with the number of recommendations made and links to the public reports, can be found in the **Summary of Work Performed** table below. Summaries of the most significant reports we issued can be found in **Appendix A**.
- City Management agreed or partially agreed with **98 percent** of our recommendations.
- We issued **2 public Recommendation Follow-Up Reports** to track and validate implementation. During our recommendation follow-up process, we followed up on approximately 200 outstanding audit recommendations. We also issued **1 Confidential Recommendation Follow-Up Report** which cannot be made public due to the sensitive nature of the information contained in them.
- **OCA Fraud Investigators managed 223 reports that were filed with the Fraud, Waste, and Abuse Hotline.** We determined 86 of these reports were not within the purview of the Fraud Hotline since they did not relate to the City and they were referred to other agencies when possible and closed. We assigned 22 of the 137 new reports received during the year to be investigated by the OCA's two Fraud Investigators, and the remaining 115 were referred to City departments for investigation and resolution.
  - **A total of 123 hotline reports were closed during the year:** 16 were substantiated, 16 resulted in corrective action, and 91 were determined to be unsubstantiated or closed with no further action necessary.

In CY2021, OCA made recommendations that, when implemented, will help:

- **Strengthen the City's Climate Action Plan (CAP) implementation** by improving oversight mechanisms for accountability, coordination, and fiscal planning by:
  - Requiring CAP-related City departments to annually provide CAP workplans to the Sustainability Department for review and approval;
  - Strengthening opportunities for collaboration among City departments;
  - Better informing the public and City Council on CAP implementation plans and progress;
  - Developing a rating system of CAP measures to help inform prioritization; and
  - Developing a CAP implementation plan, including an estimate of associated costs, information on funding sources, and identification of funding gaps.
- Improve effectiveness in **protecting the City's environmental quality and wastewater infrastructure** by:
  - Updating the Industrial Wastewater Control Program's (IWCP) policies, procedures, and methods for identifying potential industrial users within the Metropolitan Wastewater Area;
  - Adding IWCP permits to the list of potential permits that a business may need to acquire from the City when starting or expanding operations;
  - Developing procedures for monitoring the effectiveness of methods for identifying new businesses, conducting inspections, and issuing permits;
  - Establishing target service levels for inspections and permit issuances for both federally- and locally-regulated industrial permittees; and
  - Completing a staffing analysis to determine resources necessary to meet target service levels.
- Strengthen the City's **financial management process for CARES Act and other emergency funding** to ensure funding is spent in accordance with requirements, spending fully complies with the City's procurement procedures, and eligibility for resident programs is fully documented.
- Restore confidence in the **City's ability to successfully execute major building acquisitions** by:
  - Establishing a checklist to ensure the City follows best practices when acquiring major buildings, including conducting critical due diligence,

communicating significant legal risks to decision makers, and requiring key consultants to have contracts with the City and complete all required financial disclosures to ensure their duty of loyalty to the City;

- Ensure the City Council and the public are informed of all material facts prior to approving acquisitions by requiring essential due diligence documents such as appraisals and condition assessments be provided, and requiring the Office of the Independent Budget Analyst review the acquisition and due diligence documents and retain a consultant to assist with this review if necessary.
- Improve **recreation programming equity** by:
  - Conducting a community needs assessment to identify recreational needs and access barriers;
  - Developing a strategic plan for addressing recreational equity that includes goals and performance measures and identifies resources needed to address current inequities;
  - Developing a resource allocation model to evaluate funding equity between recreation facilities based on community-specific and site-specific criteria, and directing resources toward specific steps to eliminate identified disparities;
  - Creating a strategic marketing plan and hiring a marketing professional to manage online and physical content, coordinate the department's marketing efforts, and lead strategic marketing initiatives;
  - Revising fee waiver procedures to make them customer-friendly, and consider expanding fee waiver eligibility to additional recreation programs, including contracted programs;
  - Creating a department-wide language access plan that includes policies and procedures for translation services; and
- Implementing internal controls to ensure data from recreation program management software can be used for strategic planning and resource allocation efforts. Ensure City leadership and the public are provided more **comprehensive user fee information** to allow for more effective oversight and policymaking.
- Enable the **Department of IT to identify risks and improvement opportunities** related to IT Service Delivery.

## Summary of Audit and Investigative Reports Issued – January 2021 through December 2021

Report No.	Date	Description	Recommendations to Improve Efficiency, Effectiveness, or Equity	Number of Recommendations Auditee Agreed to Implement
21-009	2/18/2021	<a href="#">Performance Audit of the City's Climate Action Plan</a>	6	6
21-010	3/11/2021	<a href="#">Performance Audit of the Public Utilities Department's Industrial Wastewater Control Program - Part II</a>	7	7
21-011	6/24/2021	<a href="#">Hotline Investigation of Board-Up Services</a>	3	3
21-012	6/29/2021	<a href="#">Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2020</a>	2	2
21-013	6/30/2021	<a href="#">Performance Audit of IT Service Delivery Effectiveness</a>	7	7
22-001	7/21/2021	<a href="#">Performance Audit of The City's Use of Cares Act Funding</a>	4	4
22-002	7/22/2021	<a href="#">Performance Audit of the City's Major Building Acquisition Process</a>	10	9
22-003	9/16/2021	<a href="#">Agreed-Upon Procedures Report Related to Central Stores Physical Inventory - Fiscal Year 2021</a>	0	0
22-004	10/20/2021	<a href="#">Performance Audit of the City's General Fund User Fees</a>	3	3
22-005	11/10/2021	<a href="#">Performance Audit of Equity in Recreation Programming</a>	16	16
		<b>Total</b>	<b>58</b>	<b>57</b>

## LEADERSHIP, PROFESSIONAL DEVELOPMENT, AND OTHER ACCOMPLISHMENTS

- OCA continues to pursue a ballot measure to provide OCA and the Audit Committee with access to **independent legal counsel** when we believe it is needed to ensure the objectivity of the legal advice we receive.
- OCA continued to work **near-total remote** and continued to generate substantive findings and recommendations for both fraud hotline reports and performance audits.
- OCA continues its **active membership** in the Association of Local Government Auditors (ALGA), the Institute of Internal Auditors (IIA), and the Association of Certified Fraud Examiners (ACFE).
  - **OCA's Senior Fraud Investigator serves as President to the ACFE's San Diego Chapter**, which provides continuing professional education (CPE) programs and seminars and network opportunities with professionals in related fields.
  - **OCA staff also made numerous presentations** to the Audit Committee, the City Council, and other stakeholders. OCA staff also **advanced the government performance auditing profession** via presentations at the 2021 ALGA Conference, the 2021 California Society of Municipal Finance Officers Conference, and the City of San Diego Finance Academy.
- Office staff members earned **over 858 hours of CPE credits** via professional development training to ensure professional competency and to meet Government Auditing Standards educational requirements.
- OCA recently launched an [interactive recommendation follow-up dashboard](#) to improve the ability of the Audit Committee, City Council, City Management, and the public to monitor recommendations' implementation status.
- OCA established a new **Recommendation Implementation Work Plan (RIWP)** process to improve transparency and provide management a tool to better facilitate the implementation of recommendations.
- OCA established and worked with the Ad Hoc Subcommittee to review the status of open, confidential recommendations—the first time the Audit Committee created such a subcommittee.

- OCA implemented major elements of our **new report template**, which is intended to more effectively communicate the critical, often-complex issues we identify to a diverse range of stakeholders.

## THE YEAR AHEAD

We are striving to make 2022 yet another successful year for OCA. 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 FY2022 Audit Work Plan. We recently issued an audit of the City's handling of [property leases and lease holdovers](#), and we have audits in progress on topics including SDPD's use of **body worn cameras**; the City's efforts to manage and minimize **Worker's Compensation costs**; the efficiency, effectiveness, and equity of the **Code Enforcement Division's operations**; the City's efforts to engage the public and solicit and manage service requests via the **Get It Done application and other customer service portals**; and the effectiveness and security of the **Fire-Rescue Department's 9-1-1 call system**.

In addition, we have audits planned which will review the City's **contracts with providers for various services to people experiencing homelessness in San Diego**; SDPD's **vehicle towing process**; and the **Capital Improvement Program (CIP) prioritization process**. We will also complete our **recommendation follow-up process** for the approximately 200 audit and investigative recommendations that are awaiting management implementation.

In the coming months, we will conduct our **annual risk assessment** and solicit suggestions for audit topics from a wide range of stakeholders, including the Audit Committee, City Council, and the Mayor and City Management, which we will use to develop our **Proposed FY2023 Audit Work Plan**.

We will also pursue continuous improvement in our own Office operations, to improve the efficiency and effectiveness of our communications with our many stakeholders. Major initiatives for the year are anticipated to include **fully implementing our new report template**, which will make our reports more engaging and easier to read; **updating and modernizing our website** to make it easier for stakeholders to access our reports and other key information; and continuing to **enhance our recently-launched 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. And, to protect and enhance our independence, we continue to pursue a **ballot measure to provide OCA and the Audit Committee access to independent legal counsel**.



## CONCLUSION

2021 was a productive, challenging, and rewarding year for OCA. We issued 10 reports that contained 58 recommendations to improve the efficiency, effectiveness, and equity of City operations. I want to thank our very talented staff for their excellent work and continued dedication to OCA, as well as the City and our residents and taxpayers.

Since the inception of the City Auditor's Office nearly 13 years ago, we have issued 265 public and confidential reports with 1,346 recommendations. As of June 30, 2021, City Management has implemented 1,076 of those recommendations, while 89 recommendations were not implemented because City Management disagreed with the recommendations, or they were deemed no longer applicable. As of December 31, 2021, there were 241 open recommendations that still need to be implemented.

I am very grateful to the Audit Committee and City Council for the support given to this Office. I am also very appreciative of City Management's cooperation and assistance during this period. City Management continued to provide information needed for our audits and investigations despite the challenges posed by the pandemic and agreed or partially agreed to implement 98 percent of all audit recommendations in 2021. I believe City Management and City staff should be commended for their continuous efforts to utilize the audit process to improve City operations.

Respectfully submitted,



Andy Hanau  
City Auditor

cc: Honorable Mayor Todd Gloria  
Honorable Members of the City Council  
Honorable City Attorney Mara Elliott  
Jay Goldstone, Chief Operating Officer  
Matthew Vespi, Chief Financial Officer  
Christiana Gauger, Chief Compliance Officer  
Charles Modica, Deputy Director, Office of the Independent Budget Analyst

## **Appendix A: Summary of the Most Significant Reports Issued in CY2021**

Performance Audit of the City's Climate Action Plan

Performance Audit of the Public Utilities Department's Industrial Wastewater Control Program – Part II

Performance Audit of the City's Use of CARES Act Funding

Performance Audit of the City's Major Building Acquisition Process

Performance Audit of Equity in Recreation Programming

# Performance Audit of the City's Climate Action Plan

The City can strengthen its oversight mechanisms to ensure departments stay on track to implement CAP goals, and can improve its fiscal planning efforts for CAP implementation by developing a prioritization mechanism and estimating costs.

## Why OCA did this study

Cities play a vital role in the global response to climate change by curbing their greenhouse gas (GHG) emissions. The City's Climate Action Plan (CAP) is a flexible plan that contains a comprehensive set of goals, actions, and targets that the City can use to reduce GHG emissions.

## What OCA found

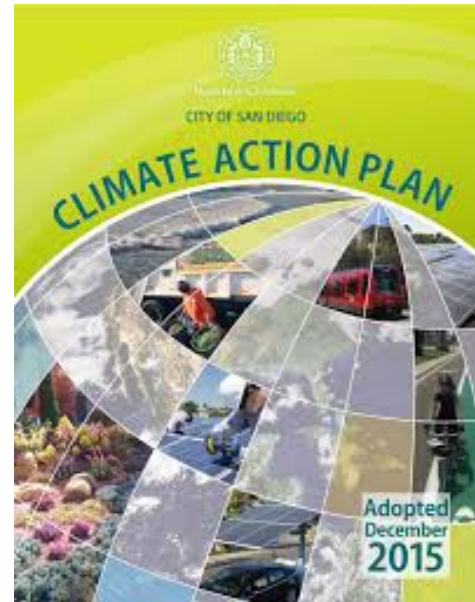
While the City has been nationally and locally recognized for its CAP, plans are only as good as their implementation, and the City has fallen behind on some of its CAP actions. We found that the City can strengthen its CAP implementation by improving oversight mechanisms for accountability, coordination, and fiscal planning.

**Finding 1: The City can strengthen its oversight mechanisms to ensure City departments stay on track to implement CAP actions, and can better inform key decisionmakers of implementation progress.**

- The Sustainability Department does not currently have authority or mechanisms to hold departments accountable for CAP implementation and may require additional staffing to effectively carry out its duties.
- CAP-related City departments are not required to have formally assigned staff for CAP implementation and are not required to proactively plan for CAP implementation.
- The City Council does not have dedicated opportunities for holding departments and Sustainability accountable for CAP implementation.
- Sustainability Roundtable meetings can be used more effectively as a forum for additional coordination and collaboration between departments.

**Finding 2: The City can improve its fiscal planning efforts for CAP implementation by developing a prioritization mechanism and estimating costs.**

- Despite several attempts, the City has not yet developed a fiscal planning document to project the future costs of implementing the actions necessary to meet CAP targets.
- CAP implementation cost estimates would need to be based on implementation plans, but these plans do not currently exist.



Source: [https://www.sandiego.gov/sites/default/files/final\\_july\\_2016\\_cap.pdf](https://www.sandiego.gov/sites/default/files/final_july_2016_cap.pdf)

## What OCA recommends

We make six recommendations to improve the City's CAP implementation. The City Administration and Sustainability Department agreed to implement all six recommendations.

Key recommendation elements include:

- Requiring CAP-related City departments to annually provide CAP workplans to the Sustainability department for review and approval;
- Strengthening opportunities for collaboration among City departments;
- Better informing the public and City Council on CAP implementation plans and progress;
- Developing a rating system of CAP measures to help inform prioritization; and
- Developing a CAP implementation plan, including an estimate of associated costs, information on funding sources, and identification of funding gaps.

For more information, contact Andy Hanau, City Auditor at (619) 533-3108 or [cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov)

# Performance Audit of the Public Utilities Department's Industrial Wastewater Control Program – Part II

*IWCP's Current Methods of Identifying Industrial Users Have Likely Left Many Businesses Unpermitted, and, While IWCP Generally Keeps Up with Inspections and Permits for Certain Businesses, IWCP Should Reassess Its Capacity for Handling Future Workloads*

## Why OCA Did This Study

The Industrial Wastewater Control Program (IWCP) is a key component of the City's environmental management efforts and plays a critical role in complying with wastewater regulations. We conducted this audit to determine (1) whether IWCP maintains a complete and accurate inventory of industrial users within the Metropolitan Wastewater Area; and (2) whether and to what extent IWCP has inspected and issued a permit to regulated industrial users.

## What OCA Found

**Finding 1:** Because IWCP is responsible for regulating certain industrial businesses, being aware of all those businesses is foundational to the program's success. While the program uses several methods to achieve this, we found some of them to be outdated and inefficient. In addition, IWCP management reported not having enough staff to keep up with identifying all potential industrial users. As a result, we found IWCP is unaware of hundreds of businesses that may potentially need to be regulated. This may diminish IWCP's effectiveness and creates an unfair advantage for unregulated businesses.

**Finding 2:** Our review also included timeliness aspects of IWCP's inspection and permitting activities, which are core functions of the program. We found IWCP is generally meeting established requirements for conducting inspections and issuing permits to industrial users that fall under federal regulations. We commend IWCP for this but also recommend monitoring and reporting to help ensure full compliance. In addition, we found IWCP inspects and permits other industrial users—those in the Enhanced Source Control Program (ESCP)—much less frequently, mainly because they fall under local regulations and have historically not been prioritized by the program. PUD management stated that this is changing due to the importance of ESCP for the Pure Water Program; however, IWCP has not established target inspection frequencies or determined what staffing resources will be needed to meet increased workloads.



IWCP staff inspecting a water reclamation tank. Source: OCA.

## What OCA Recommends

We make 7 recommendations to help IWCP better understand its service demands, improve oversight of critical program outputs, and plan its future capacities. Key recommendations include:

- Updating the program's policies, procedures, and methods for identifying potential industrial users within the Metropolitan Wastewater Area;
- Working with the Economic Development Department to update the City's [OpenCounter](#) portal by adding IWCP permits to the list of potential permits that a business may need to acquire from the City when starting or expanding operations;
- Developing procedures for monitoring the effectiveness of methods for identifying new businesses, conducting inspections, and issuing permits;
- Establishing target service levels for inspections and permit issuances for both federally- and locally-regulated industrial permittees; and
- Completing a staffing analysis to determine resources necessary to meet target service levels.

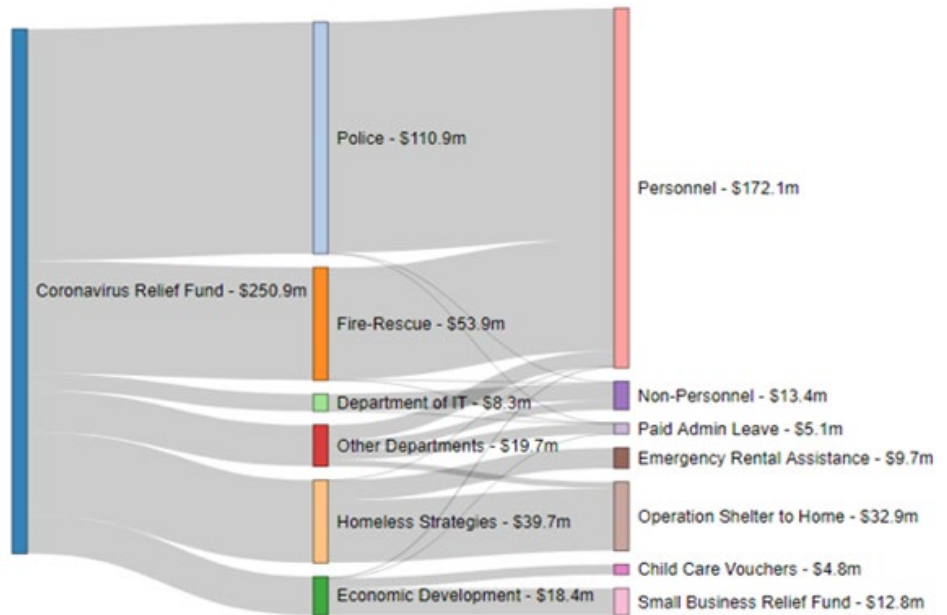
These changes can help the program improve effectiveness in protecting the City's environmental quality and wastewater infrastructure.

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 Use of CARES Act Funding

## What OCA Found

We found that the City developed a sound financial management process to ensure CARES Act funds were spent in accordance with the Act. The City spent over \$250 million from the Coronavirus Relief Fund (CRF) to mitigate pandemic effects by sheltering homeless individuals, providing grants to small businesses and rental relief to landlords and tenants. The CRF also provided funding to public safety departments to continue essential services, as well as other City department staff dedicated to responding to the effects of the pandemic—including personnel staffing Operation Shelter to Home.



We found instances where the need for expediency and the continuation of essential services led to some expenditures that we identified for further scrutiny to determine eligibility under the CARES Act.

**Finding 1:** The City's financial management process generally followed best practice to provide reasonable assurance of compliance with CARES Act funding requirements and should be formalized.

**Finding 2:** For Operation Shelter to Home, the City paid \$1.118 million over its contracted rate for portable showers, and two contracts still need to be approved by City Council.

**Finding 3:** The City's use of paid leave may not have been consistent with CARES Act regulations. In an early communication to management, we identified \$1.74 million in expenditures that may not have met the requirements, and the City took corrective action.

**Finding 4:** The Emergency Rental Assistance Program did not have sufficient documentation by San Diego Housing Commission staff to verify income eligibility for all potential household income.

## Why OCA Did This Study

We conducted this study to determine if CARES Act money was spent in compliance with requirements, if programs were effective, and if the City had internal controls to mitigate waste, fraud, and abuse.

## What OCA Recommends

We make 4 recommendations to retain institutional knowledge, fully comply with the City's procurement procedures, and ensure eligibility for resident programs is fully documented.

Key recommendations include to:

- Formalize the process for documenting, reviewing, and submitting disaster-related costs in a City Standard Operating Procedure or Process Narrative;
- Determine if the City should pursue a refund from the vendor for up to \$1.118 million in payments made by the City above the contracted rate for the portable showers;
- Bring the portable shower and food service contracts to City Council for approval; and
- Update the SDHC procedure manual to require documentation of final determination of household size and income.

For more information, contact Andy Hanau, City Auditor at (619) 533-3165.

# Performance Audit of the City's Major Building Acquisition Process

## Why OCA Did This Study

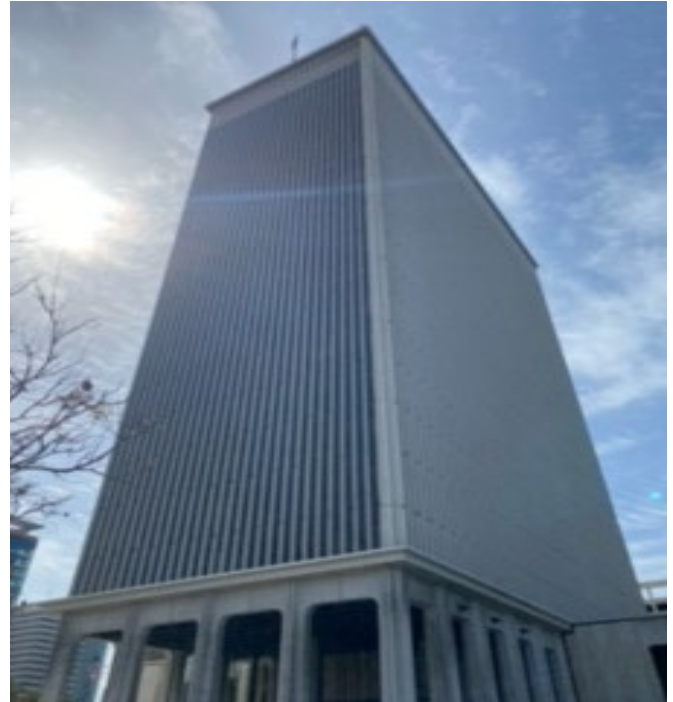
In 2015, the City began a series of building acquisitions totaling more than \$230 million. Many questions have been raised about whether these acquisitions were in the best interest of the City. We conducted this audit to determine (1) if the City followed policies and best practices when acquiring major buildings, and (2) if the City has sufficient governance mechanisms for oversight of major building acquisitions.

## What OCA Found

Overall, we found that a serious lack of policies and oversight caused the City to miss or skip key steps in the acquisition process, and allowed the prior City Administration to leave out or misrepresent key information about building acquisitions when presenting them to the City Council and the public.

**Finding 1:** The prior City Administration failed to follow real estate best practices due to unclear roles and responsibilities, resulting in costs eclipsing estimates presented to City Council, buildings being underutilized, and the City making major investments in buildings that it did not understand the condition of.

- Key elements of due diligence were not completed because the Real Estate Assets Department (READ) believed acquiring departments were responsible for gathering this information. However, acquiring departments believed due diligence was READ's responsibility.
- The City Attorney's Office did not consistently document and present to City Council the legal risks of the contracts to acquire the buildings—for example, the 101 Ash contract placed the responsibility on the City to understand the building's condition and limited the City's options if it discovered issues with 101 Ash later.
- The former Mayor's Office used an uncontracted advisor that had significant influence over the 101 Ash and Civic Center Plaza acquisitions. Without having a contract and obtaining the advisor's economic disclosures, the City did not ensure the advisor's loyalty. We now know the seller paid the City's advisor \$9.4 million on these two transactions.
- The City does not have a clear decisionmaker within the administration for leading acquisition decisions, beyond the Mayor. Without a lead party making decisions at the day-to-day level, responsibilities may fall through the cracks.



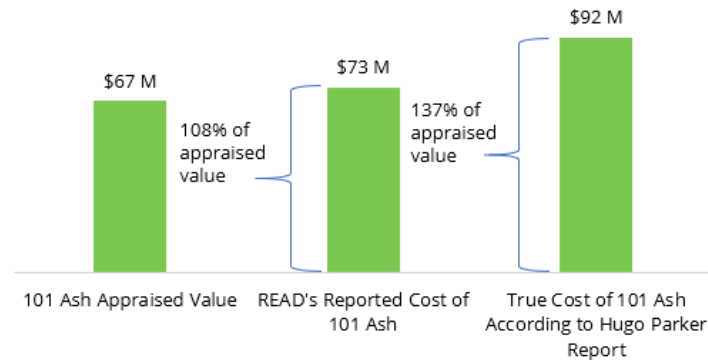
101 Ash Street Building. Source: OCA, 2021

- Economic analyses on the costs and benefits of acquiring the buildings did not include significant information, including the costs of the lease-to-own funding structure or accurate costs of tenant improvements.
- The City addresses real estate needs as situations arise, without a central strategic plan and without requiring the establishment of a clear business case for purchasing a building.

**Finding 2:** The prior City Administration failed to conduct sufficient due diligence on the major building acquisitions in our scope, limiting the City's knowledge of the properties and hindering its ability to negotiate.

- READ often did not obtain independent appraisals of the properties acquired or use the appraised value in negotiations, potentially resulting in the City paying more for the buildings in several cases.
- READ did not consistently gather building condition assessments, which can help negotiations or anticipate improvement costs post acquisition.
- The City did not conduct asbestos inspections on any of the buildings prior to acquisition, as required by City Policy.
- The City does not consistently conduct test fits on buildings prior to acquisition, which can lead to unforeseen and expensive renovation costs after the building is acquired.

## READ Did Not Clearly Report the True Cost to Acquire 101 Ash



Source: OCA generated based on appraisal for 101 Ash, staff reports on 101 Ash, and Hugo Parker report.

**Finding 3:** The prior City Administration did not inform City Council and the public of all material facts on 101 Ash and the Housing Navigation Center, limiting the City Council's ability to perform its oversight role.

- READ misrepresented the condition of 101 Ash—staff told City Council that the building was Class A, in excellent condition, and only in need of \$10,000 of repairs when the building was classified as Class B and the City did not conduct its own assessment to ensure the building did not need more repairs. In 2020, after investing \$26 million in tenant improvements, City contractors estimated 101 Ash needs \$115 million in improvements and repairs.
- READ did not disclose that it did not perform its own due diligence of 101 Ash—it accepted all the seller's documents.
- READ did not clearly state the cost to purchase 101 Ash. The purchase price was \$92 million, not \$72.5 million as reported to City Council.
- The prior City Administration did not clarify the reasons why it was not proposing to purchase 101 Ash directly—which would have reportedly saved the City \$17.2 million.
- For the Housing Navigation Center, READ relied on the seller's appraisal of the building as an indoor skydiving facility—significantly inflating its value to City Council.
- Although City staff did not provide all material facts to City Council as required by the City Charter, the City does not have an enforcement mechanism in the municipal code to take action against employees who mislead City Council.
- The prior City Administration's lack of planning and rushed timelines on several deals minimized the time City Council had to evaluate major building acquisitions.

## What OCA Recommends

We made 10 recommendations to help ensure the City follows best practices when acquiring major buildings and informs the City Council and the public of all material facts. Key recommendations include:

- Requiring a best practices checklist for building acquisitions. The checklist would ensure each acquisition fits into the strategic plan and has a determination of what it will be used for, funding method analysis, more accurate tenant improvement costs estimates, and written analysis flagging significant legal risks.
- Establishing clear roles and responsibilities for City departments involved in the acquisition process.
- Developing and using a strategic real estate plan for future office space usage.
- Requiring all contractors or advisors on real estate transactions have a signed contract with the City.
- Requiring READ to create a due diligence checklist to ensure the City gets independent appraisals, independent building condition assessments, environmental assessments, independent asbestos assessments, and test fits. These reports should be included in the materials that are provided to the City Council and the public prior to acquisition approval.
- Adding a section to the municipal code to provide an enforcement mechanism to ensure City staff accurately represent information to City Council.
- Providing the Office of the Independent Budget Analyst with sufficient time, information, and resources to thoroughly review the Mayor's major building acquisition proposals.

Implementing these recommendations will increase the time it takes the City to execute major building acquisitions and could foreseeably result in the City missing out on a good investment from time to time. However, our review of the City's history in this area clearly indicates that this risk is far outweighed by the alternative—major building acquisition failures that cost taxpayers millions of dollars, disrupt City operations, and seriously damage the City's reputation in the eyes of the public.

The City Administration did not agree to fully implement the majority of our recommendations.

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

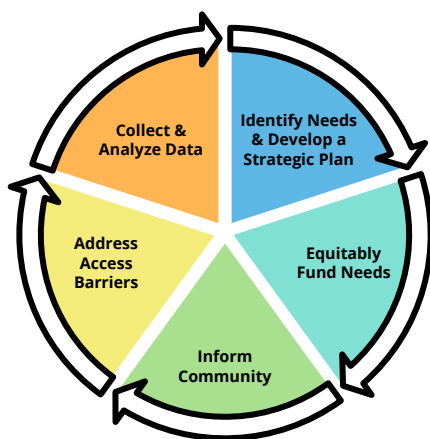
# Performance Audit of Equity in Recreation Programming

## Why OCA Did This Study

Recreation is a core public service that provides numerous health and social benefits to individuals and communities. We conducted this audit to determine whether the Parks and Recreation Department (Parks & Rec) (1) effectively identifies recreation programming equity needs in each community; (2) meets identified programming needs equitably via resource allocations; and (3) provides residents with equitable access to recreation programs.

## What OCA Found

As shown in the graphic below, providing equitable recreation programming requires a comprehensive, strategic approach.



Source: OCA generated based on audit findings.

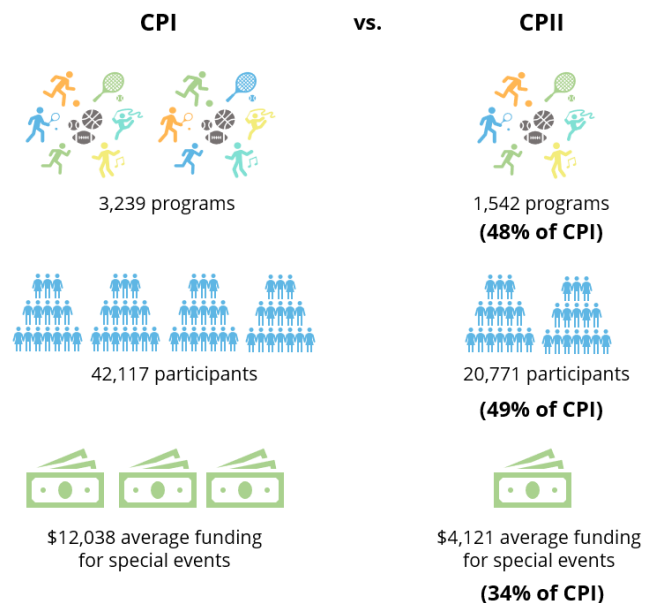
Parks & Rec has made notable progress in several of these areas. However, we found that significant inequities in recreation programming remain, and the City will likely need to invest substantial resources and effort to successfully address them.

**Finding 1:** Understanding community needs is essential to making recreation programming more equitable. Parks & Rec and the City solicit participant and resident feedback about recreation programs, but Parks & Rec’s current feedback mechanism excludes individuals not actively engaged in programs. This means their needs—and any barriers they may face in accessing recreation programs—are

unknown. In addition, we found that Parks & Rec does not have a strategic plan or performance measures that address recreation programming equity.

Finally, Parks & Rec needs to analyze the extent of the resources needed to comprehensively improve equity so that it can support any future funding requests.

**Finding 2:** After identifying each community’s recreation programming needs, efforts to address those needs should be funded equitably. We found large funding disparities between recreation centers in the northern part of the City, Community Parks I Division (CPI), and those in the southern part of the City, Community Parks II Division (CPII). Current program spending per recreation center is 47 percent higher in CPI than in CPII, and recreation centers in CPI offer twice as many programs and have twice as many participants as those in CPII, as shown in the graphic below.



Source: OCA generated based on 2019 Parks and Recreation Equity Report and RCF Budgets.

Funding and programming disparities are even more significant when broken down by Council District and are primarily based on the occurrence of contracted programs, which participants pay for. In 2019, almost all contracted programs took place in CPI. Recreation



centers without a history of contracted programs—such as those in CPII—may find it challenging to establish these programs without additional General Fund investments.

Parks & Rec also lacks a comprehensive process for assessing program quality to ensure quality is comparable across recreation programs Citywide.

**Finding 3:** Informing the community of available programming is another important step toward improving equity in recreation programming. We found that Parks & Rec’s approach to community engagement and marketing is decentralized and inconsistent, which results in diminished awareness of, and access to, programming. For example, 55 percent of City residents indicated they did not attend more Parks & Rec programs because they were not aware of program offerings, which is over twice as high as the national average of 24 percent. Parks & Rec can improve efforts to increase awareness of its recreation programs by analyzing demographic data, standardizing marketing efforts, and centralizing aspects of the marketing process.

**Finding 4:** For recreation programs to be equitable, they should be accessible to all groups. We found that Parks & Rec makes efforts to ensure certain communities can participate in programs, but significant barriers remain for others. We found that Parks & Rec limits fee waiver availability to a small subset of recreation programs and that the fee waiver application process is burdensome for the customer. These issues limit low-income households’ access to recreational programming and result in assisting relatively few participants.

In addition, we found that recreation program information is not equally accessible to people with limited English proficiency. While Parks & Rec employs a variety of tools to make recreation programming inclusive of those who have limited English proficiency, those tools are not consistent across recreation centers. For example, only 17 percent of recreation centers that serve significant populations with limited English proficiency provide program guides in other languages.

**Finding 5:** Taking a more comprehensive approach to improving equity in recreation programming requires collecting and analyzing data to monitor, evaluate, and report on progress. We found that errors and inconsistencies in Parks & Rec’s data limit its ability to pursue a data-driven approach to improving equity through systematic efforts such as strategic planning and resource allocation.

## What OCA Recommends

We made 16 recommendations to improve recreation programming equity, and management agreed to implement all 16. Key recommendations include to:

- Conduct a community needs assessment to identify recreational needs and access barriers;
- Develop a strategic plan for addressing recreational equity that includes goals and performance measures and identifies resources needed to address current inequities;
- Develop a resource allocation model to evaluate funding equity between recreation facilities based on community-specific and site-specific criteria, and direct resources toward specific steps to eliminate identified disparities;
- Create a strategic marketing plan and hire a marketing professional to manage online and physical content, coordinate the department’s marketing efforts, and lead strategic marketing initiatives;
- Revise fee waiver procedures to make them customer-friendly, and consider expanding fee waiver eligibility to additional recreation programs, including contracted programs;
- Create a department-wide language access plan that includes policies and procedures for translation services; and
- Implement internal controls to ensure data from its recreation program management software can be used for strategic planning and resource allocation efforts.

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