2022 Accomplishments Report

JANUARY 2023

Activites and Accomplishments of the Office of the City Auditor from January 2022 through December 2022

Andy Hanau, City Auditor
Matt Helm, Assistant City Auditor
Danielle Knighten, Deputy City Auditor

CITY OF SAN DIEGO
OCA
OFFICE *of the* CITY AUDITOR

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) 2022 include:

- Problems with the City's management of its **more than $80 million per year lease portfolio**, such as allowing nearly 1 in 4 leases to fall into holdover status;
- Up to **40 percent of police officers dispatched did not record body camera video of enforcement encounters** as required;
- Changes are necessary to the City's workplace safety efforts to further protect employees and reduce the **up to $220 million per year that workplace injuries may cost the City**;
- The City has **ongoing problems in responding quickly and effectively to code enforcement violations** that threaten public health, safety, and welfare;
- The **Get It Done app frequently provides customers with inaccurate or incomplete information** about how their service request was addressed, and unlike almost all of the largest U.S. cities, San Diego lacks a 3-1-1 phone customer service option to ensure accessibility for our many residents who contact the City by phone.
- The **Mayor, the City Council, and the public lack information on the impact of the City's towing policies**, which currently result in the City losing money and approximately 5,000 San Diegans losing their vehicles to lien sales each year.

Reports

We issue several types of reports to keep the Mayor, City Council, 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, our **recommendation follow-up reports** provide the implementation status of the audit and investigative recommendations we have made. We issued a total of 15 reports in 2022, as shown below.

15 total reports issued in CY2022

9 audit reports issued
- **8** performance audits
- **1** agreed-upon procedures review

4 quarterly hotline reports

2 public Recommendation Follow-Up Reports

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 audit reports we issued can be found in **Appendix A**.

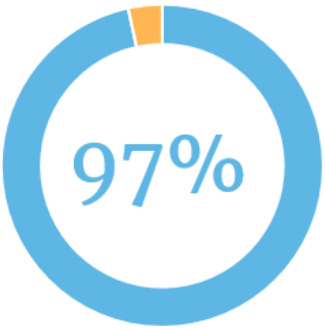
Recommendations

We don't just point out problems. We identify and recommend solutions. In 2022, we made 59 recommendations to improve the efficiency, effectiveness, and equity of City operations. Management agreed to implement 97 percent of the recommendations we made.

59 recommendations to improve efficiency, effectiveness, and equity of City operations

City Management agreed with **97%** of our recommendations

Recommendation Agreement



In calendar year 2022, OCA made recommendations that, when implemented, will help:

- **Ensure the City receives market rate rent** from City leaseholds, and establishes more effective management of the City's lease portfolio;
- Simplify SDPD's body camera policy to help **ensure police officers record enforcement encounters as required**, which will increase accountability, transparency, and trust;
- Improve the consistency and **quality of the City's workplace safety programs** and **reduce the City's financial and legal liabilities** related to work-related injuries and illnesses;
- Provide for a more **consistent, efficient, and cost-effective delivery of Code Enforcement services;**
- **Enhance the City's accessibility and responsiveness to resident requests** for services and information; and
- Provide the Mayor, the City Council, and the public the information needed to monitor the impacts of the towing program and **ensure that towing policies effectively balance the City's enforcement, equity, and financial goals**.

The following table lists the audit reports we issued in calendar year 2022, along with the number of recommendations made and agreed to.

Summary of Audit and Investigative Reports Issued January 2022 through December 2022

Report No.	Date	Description	Recommendations to Improve Efficiency, Effectiveness, or Equity	Number of Recommendations Management Agreed to Implement
22-006	1/14/2022	Performance Audit of the City's Financial Condition	0	0
22-007	2/9/2022	Performance Audit of the City's Lease Management and Renewal Process	14	14
22-008	5/9/2022	Performance Audit of Workplace Safety and Workers' Compensation	10	10
22-009	6/9/2022	Performance Audit of the Development Services Department's Code Enforcement Division	10	10
23-001	7/20/2022	Performance Audit of SDPD's Use and Management of Body Cameras	7	7
23-002	7/28/2022	Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2021	8	8
23-003	10/6/2022	Agreed-Upon Procedures Report Related on Central Stores Physical Inventory - Fiscal Year 2022	0	0
23-004	10/6/2022	Performance Audit of the City's Get It Done Application and Service Requests Management	6	5
23-005	11/14/2022[1]	Performance Audit of the City's Towing Program	4	3
		Total	**59**	**57**

[1] This report was reissued on December 20, 2022.

Recommendation Follow-Up

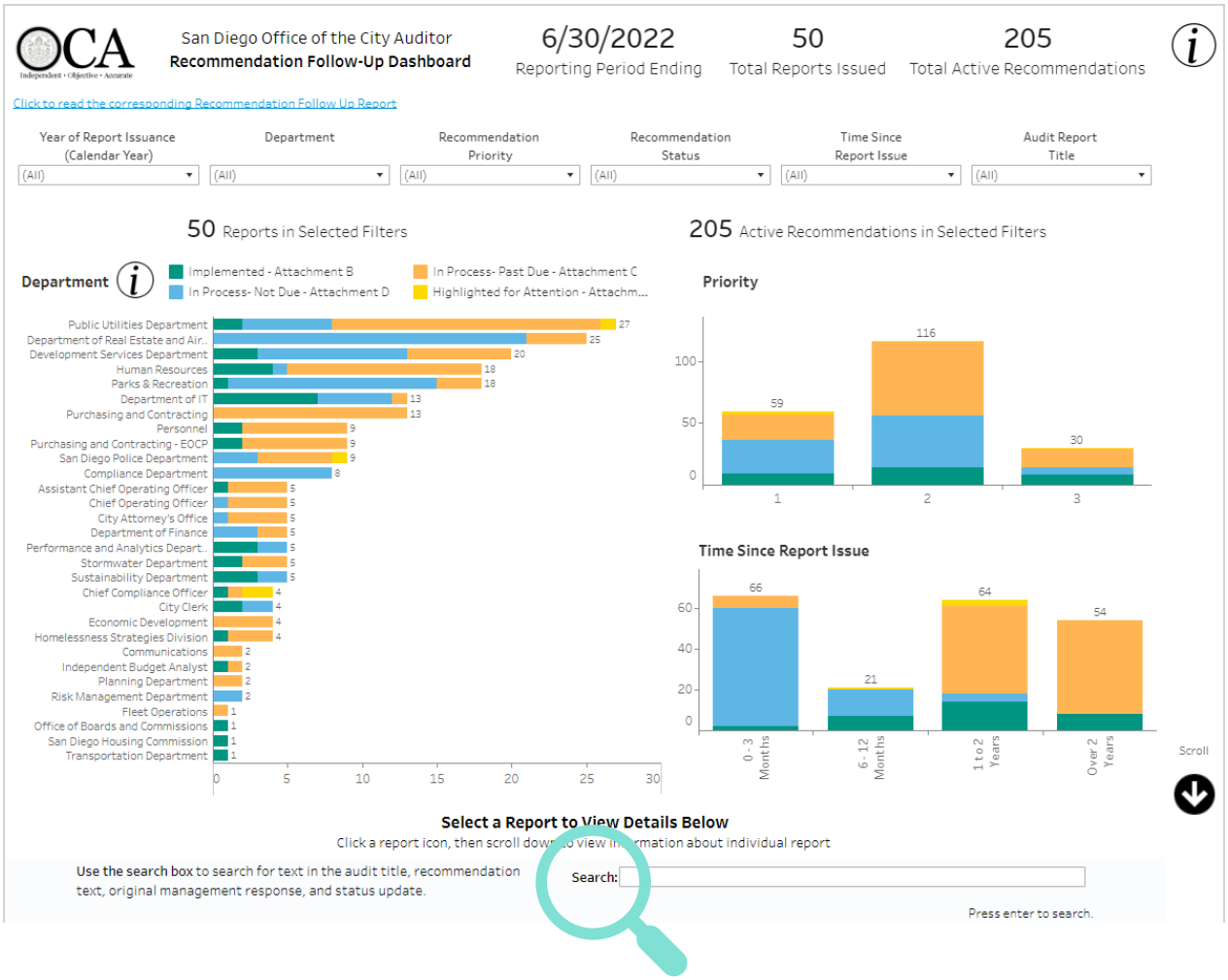
We follow up on every recommendation that management agrees to implement, and we issue 2 public reports each year with the status of each recommendation. Our reviews found that management implemented 55 recommendations in 2022.

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

200+ outstanding recommendations:
- **55** recommendations implemented
- **172** recommendations remain in process
- **4** recommendations will not be implemented

Interactive Recommendation Follow-Up Dashboard

OCA continued to improve the [interactive recommendation follow-up dashboard by adding functionality to search reports and their corresponding recommendations by topic, department, or other key words. This enhancement to the dashboard will help] to improve the ability of the Audit Committee, City Council, City Management, and the public to monitor recommendations' implementation status.



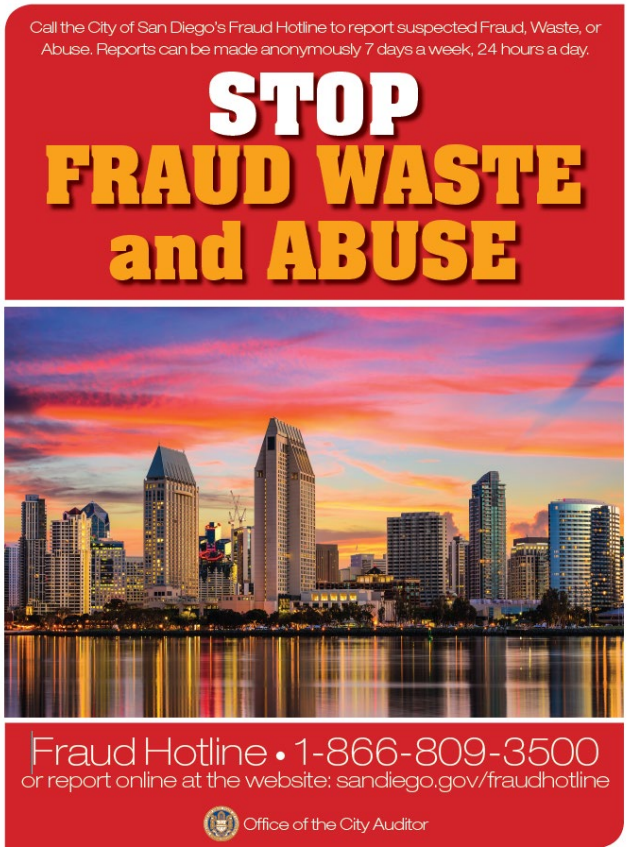
Fraud, Waste, and Abuse Hotline

OCA Fraud Investigators managed **233** reports filed with the Fraud, Waste, and Abuse Hotline

104 reports not in purview of OCA Fraud Hotline
129 new reports received in 2022:
- **31** reports investigated by OCA
- **98** reports referred to City departments

136 hotline reports closed
- **22** substantiated
- **25** corrective action
- **89** unsubstantiated or no action

The Fraud, Waste and Abuse Hotline is a key element of efforts to detect and deter improper activity within City government. As one example, a substantiated Fraud Hotline investigation closed during the year involved approximately **$200,000 worth of usable equipment, tools, and materials that were intentionally discarded** during a relocation process. The department took the appropriate corrective action with respect to the identified employees who were responsible for the wasteful disposal.



In December of 2022, we successfully transitioned to a new third-party Fraud Hotline provider that will offer **improved call intake services, online and text-based reporting, and enhanced case management features.** The phone number will remain the same and reports filed under the prior system will continue to be investigated seamlessly.

Report Fraud, Waste, or Abuse Online

Awards & Recognition

ALGA

Knighton Award – Distinguished

Andy Hanau, City Auditor, and Carissa Nash, Principal Performance Auditor, accepted the award at the 2022 ALGA Conference on behalf of the team, which also included Megan Jaffery, Senior Performance Auditor, and Kyle Elser, former Assistant City Auditor.

Our Performance Audit of the City's Major Building Acquisition Process won a Distinguished Knighton Award from the Association of Local Government Auditors (ALGA) for being one of the best performance audits in North America for 2021. The judges found the audit to be thorough, well documented, and supported by evidence. The judges also stated that the audit topic was highly responsive to the needs and concerns of decision-makers and the public, and that the report was impactful with specific, feasible, and clearly communicated recommendations.

This is the 8th time OCA has won a Knighton Award.

Professional Leadership & Peer Review

OCA maintains active membership in **3** professional organizations

ALGA

ACFE Association of Certified Fraud Examiners

The Institute of Internal Auditors

OCA staff **advanced the government auditing profession** in several ways. In addition to the office's professional memberships, in 2022, Andy Hanau, City Auditor, served on the ALGA Advocacy Committee and OCA's Communications and Quality Control Specialist served as an ALGA Knighton Award judge for the large audit shop size category (OCA competes in the extra large audit shop size category).

Andy Hanau, City Auditor, Danielle Knighten, Deputy City Auditor, and Niki Kalmus, Performance Auditor led a session at the 2022 ALGA Conference on utilizing dashboards for recommendation follow-up.

As part of OCA's membership in ALGA, the office underwent a peer review in December 2022 that found the office to be in full compliance with government auditing standards. The office received the **highest peer review rating**, along with praise and recognition. The assessment highlighted some of the many areas in which OCA excels. Specifically, 1) our comprehensive Annual Citywide Risk Assessment, which identifies the most critical City programs and activities for audit; 2) our Audit Standards Plan checklist tool that helps ensure adherence to auditing standards on every audit; and 3) the outstanding quality and positive impact of our audits.

Presentations

OCA staff made **42** presentations

- **9** Audit Committee meetings
- **9** City Council meetings
- **7** other events and stakeholder meetings

OCA Staff Experience & Expertise

943 hours of CPE obtained by staff

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

1

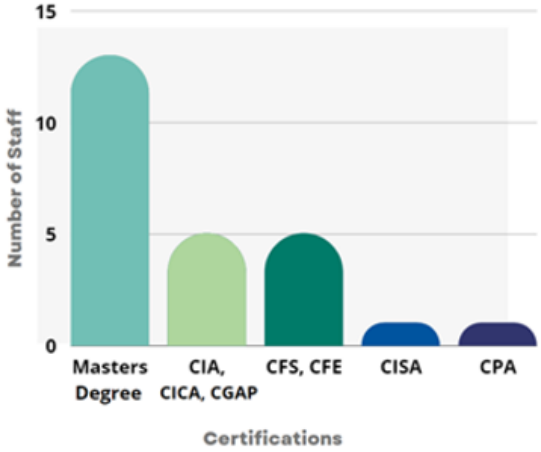
Staff member obtained a certification

Certified Internal Auditor (CIA)

1

Staff member obtained a Master's Degree

Master of Public Administration (MPA)



% of Staff with 10+ Years of Auditing Experience

204 cumulative years of auditor/investigator experience

2

Senior staff members retired

Assistant City Auditor, Kyle Elser, retired on February 1, 2022, after nearly 27 years in various audit roles with the City.

Principal Performance Auditor, Chris Kime, retired on April 22, 2022, after 10 years with the City and nearly 41 years in the auditing profession.

OCA appointed former Deputy City Auditor, Matt Helm, as the new Assistant City Auditor and promoted existing staff to the Principal Performance Auditor position.

Seal, Logo, & Report Template Redesign

We completed a redesign of our seal, logo, and report template to more effectively communicate the results of our work to a diverse range of stakeholders and cohesively brand all OCA work products to align with our mission. Our new seal and logo are displayed below, and a variant of our new report cover page is used on this report. Our full new report template will debut in our 2023 publications.

OCA Flexwork Policy

After two years of working almost entirely remotely, OCA implemented a new flexwork policy that facilitates collaboration while ensuring employee flexibility and work-life balance.

We are striving to make 2023 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 FY2023 Audit Work Plan. We have audits in progress on topics including the Fire-Rescue Department's Emergency Response Management **(9-1-1) System** (confidential IT audit); review of the City's **contracts with providers of homelessness services**; the efficiency and effectiveness of the City's **Capital Improvement Program (CIP) funding process** and the City's **hiring process** for classified employees; the efficiency, effectiveness, and equity of **street maintenance** and **brush management and fire prevention** efforts; and the **IT security** of the City's body worn camera systems.

In addition, we have audits planned which will include re-evaluation of two past audit topics, which we will present to the Audit Committee after a scoping phase. Examples of past audit topics to be considered include pothole repair, tree trimming, graffiti control and abatement, streetlight maintenance, and pedestrian safety. 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, the Mayor and City Management, and the general public, which we will use to develop our **Proposed FY2024 Audit Work Plan**.

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 **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; adding a link to our website and Twitter to **solicit audit ideas from the public**; **enhancing our Quarterly Fraud Hotline report** format and analytics; and 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. 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**. Furthermore, to ensure that OCA **attracts and retains the most qualified staff** and is able to **provide sufficient audit coverage**, we are pursuing an increase in our FY2024 budget to include funds to adjust OCA staff salaries to levels to be competitive with peer offices and to expand the office by three additional FTEs.

2022 was a productive, challenging, and rewarding year for OCA. We issued 9 reports that contained 59 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 14 years ago, we have issued 274 public and confidential reports with 1,409 recommendations. As of June 30, 2022, City Management has implemented 1,131 of those recommendations, while 95 recommendations were not implemented because City Management disagreed with the recommendations, or they were deemed no longer applicable. As of December 31, 2022, there were 227 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 has continued to provide information needed for our audits and investigations and agreed or partially agreed to implement 97 percent of all audit recommendations in 2022. 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
Eric Dargan, Chief Operating Officer
Matthew Vespi, Chief Financial Officer
Christiana Gauger, Chief Compliance Officer
Charles Modica, Director, Office of the Independent Analyst

We summarize our audit results for our readers in a 1–2 page Report Highlights section. The following pages display the Report Highlights for each audit report issued in calendar year 2022:

- Performance Audit of the City's Fiscal Condition
- Performance Audit of the City's Lease Management and Renewal Process
- Performance Audit of Workplace Safety and Workers' Compensation
- Performance Audit of the Development Services Department's Code Enforcement Division
- Performance Audit of SDPD's Use and Management of Body Cameras
- Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2021
- Performance Audit of the City's Get It Done Application and Service Requests Management
- Performance Audit of the City's Towing Program

Performance Audit of the City's Financial Condition as of Fiscal Year 2020

Why OCA Did This Study

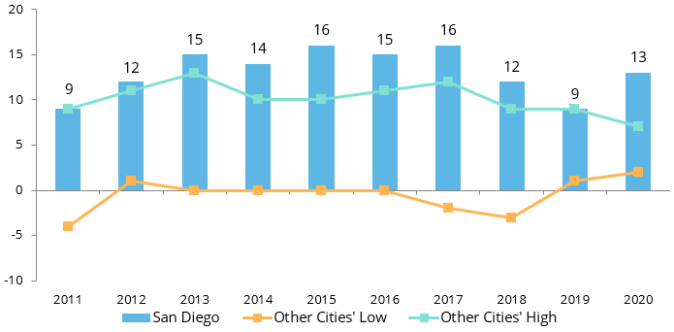
Financial condition refers to a government's ability to maintain existing service levels, withstand local and regional economic disruptions, and meet the demands of natural growth, decline, and change. Financial condition must be continually monitored and regularly evaluated to help ensure the City's decisions are fully informed and financially responsible.

To objectively assess and report the City of San Diego's financial condition, we used a well-regarded modified 10-point test that includes both short- and long-term aspects of financial well-being and relies on audited financial data published in cities' Annual Comprehensive Financial Reports. For context, the ratios are tracked for multiple years and compared to other cities similar in population and government type. In our test, we compared San Diego with Los Angeles, CA; Phoenix, AZ; San Antonio, TX; Seattle, WA; San Jose, CA; and Austin, TX.

What OCA Found

The City of San Diego's financial ratios show positive financial health from Fiscal Year (FY) 2011 through FY2020 compared to benchmark cities. The City's financial condition has been top of class for the last ten years when compared to the six other cities in our test.

San Diego's 10-Point Test Score Compared to Other Cities

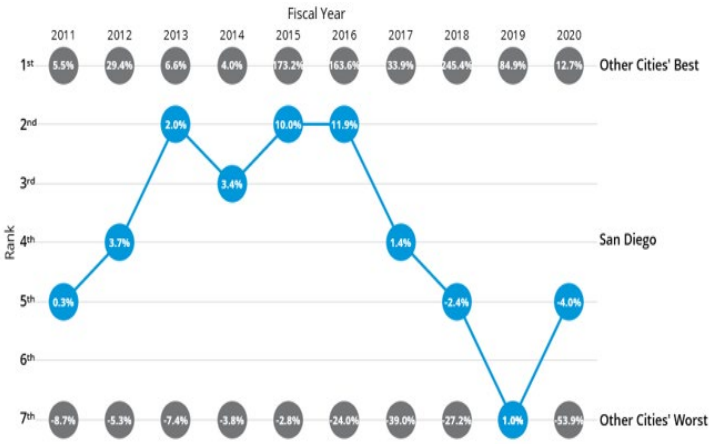


While the ten-year trend from FY2011 to FY2020 is positive for all of the City's financial ratios, especially in Liquidity, Solvency, and all three debt ratios, we are seeing average results in the areas of Financial Performance and Net Change in Capital Assets Value.

In addition, when we looked at each ratio over a 16 year period from FY2005 to FY2020 we noticed some negative trends for San Diego. The ratios we would like to bring to City Management's attention are:

Ratio 3 – The Financial Performance Ratio measures the rate at which City resources are growing or declining. This ratio demonstrates how well the City was able to pay expenses with revenues from that year. A negative percentage demonstrates diminished financial performance, which indicates the City is in a worse position to face future financial challenges. In FY2020, the City's ratio fell to a negative 4%. This indicates City Management should focus on both controlling annual expenses as well as monitoring annual revenues. There were financial impacts due to COVID-19 as tourism revenue, charges for services, and developer contributions and fees declined, but these losses were somewhat offset by operating grant and property tax increases.

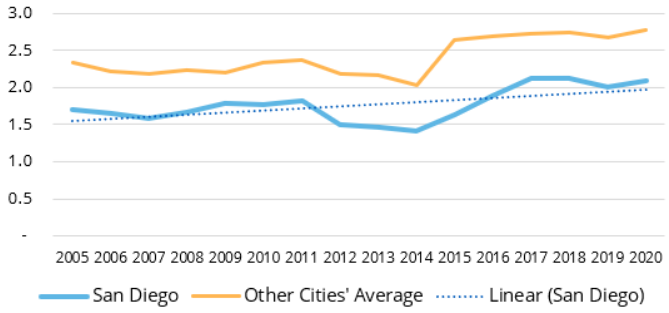
San Diego Ratio 3 Ranking Compared to Benchmark Cities



Ratio 4 – The Solvency Ratio is an indicator of the City's overall capacity for repaying or otherwise satisfying all its outstanding obligations based on annual revenue. San Diego and the other benchmark cities on average have experienced similar negative trends over the course of the sixteen-year period. San Diego seems to have stabilized since FY2017 but is still in a negative trend.

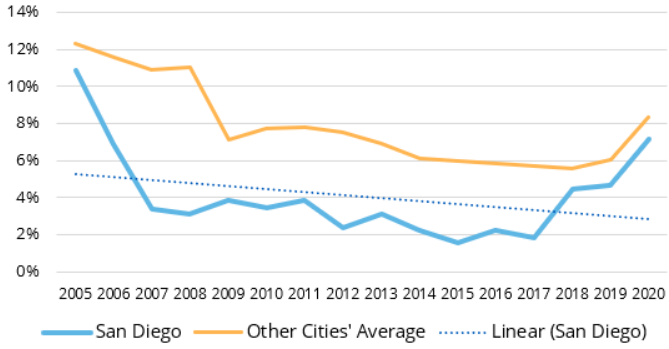
Solvency Long-Term Trend (FY2005–FY2020)

(Lower is better)



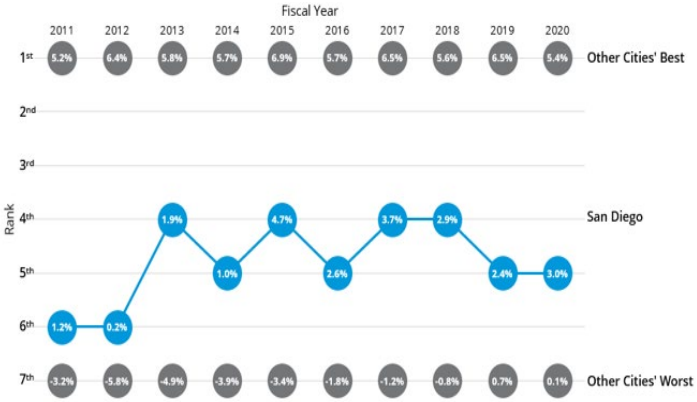
Ratio 5 – The Primary Government Revenues Ratio measures the flexibility of the City's revenues. Intergovernmental aid is revenue generated from other government entities and includes grants. San Diego's reliance on intergovernmental aid significantly decreased in the first two years of the sixteen-year period and continued to decrease until FY2017. However, after FY2017, the City saw a trend reversal in its reliance on intergovernmental aid as more grants and other governmental funds were received, including CARES Act funds. Due to COVID-19, all cities are experiencing a similar trend.

Primary Government Revenues Long-Term Trend (FY2005-FY2020) (Lower is Better)



Ratio 10 – This ratio measures the change of the net value of capital assets. A high ratio suggests a government is keeping pace, on average, with the aging of its capital assets and replenishing them. A positive percentage change suggests the capital assets are being replenished; a negative number suggests they are being depleted. Net Change in Capital Assets Value is trending in a positive direction over the ten-year review period, but it remains one of the City's lowest ranking metrics along with Financial Performance. One-time spikes due to the addition of large capital projects can be anticipated, but long-term under-performance in this metric can be an indication that the City is under investing in its infrastructure when compared with other cities.

San Diego Ratio 10 Ranking Compared to Benchmark Cities



City of San Diego Chief Financial Officer Remarks Related to the City's Scores

The City Auditor's performance audit highlights continued and sustained strength in the City's financial condition, even after considering the effects of the COVID-19 pandemic on the City's finances. The City's financial indicators continue to outperform comparative cities, with San Diego being the highest overall ranked among the six cities included in this report. (Further CFO remarks on page 15 of report and the management response)

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

Performance Audit of the City's Lease Management and Renewal Process

Why OCA did this study

The Department of Real Estate and Airport Management (DREAM)—formerly known as the Real Estate Assets Department (READ)—manages the City of San Diego's (City) real estate portfolio for City departments, including the administration of more than 800 properties owned by the City that are leased to third parties. These properties generate more than $80 million in income for the City per year and provide opportunities for the City to leverage properties and lease them to tenants who provide cultural and community-based services. Therefore, effectively managing the leasing out of City-owned property is essential to maximize the City's revenues and ensure the best use of the City's assets.

What OCA found

Finding 1: The City allows a much higher share of leases to remain in holdover than other jurisdictions, which may be leading to foregone revenue for the City and potential or perceived favoritism.

Best practices generally discourage lease holdovers. By allowing leases to fall into and remain in holdover, the City may be losing out on potential revenue that could be generated from appraising a property and renewing or entering into a new lease with the current tenant at current market value, or by entering into new tenancies using a competitive bidding process. Additionally, the City may potentially be conferring an unfair benefit to the current tenant, creating unnecessary uncertainty for both the City and lessees, and limiting the City's ability to enact and enforce updated contract provisions.

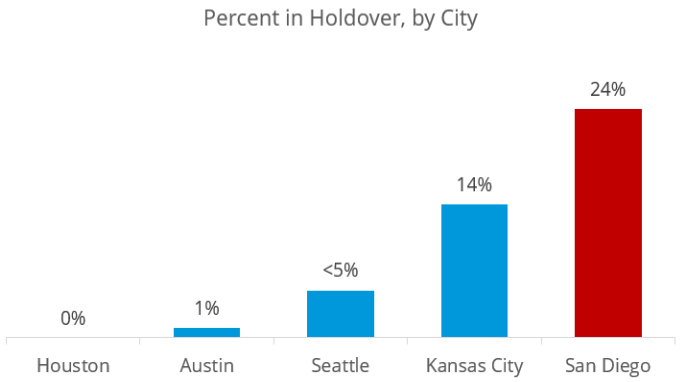
We found the City has made little progress on addressing the prevalence of lease holdovers since a Grand Jury report from 2017. Relevant Council Policies have not been updated, and the proportion of holdovers appears to be little changed—101 of 421 (24 percent) of active leases as of July 15, 2021 were in holdover, including many for over a decade.

In FY2016, DREAM established a key performance indicator (KPI) with a target of keeping holdovers under 20 percent of total lease agreements. In the FY2022 Adopted Budget, the target was increased to 25 percent.

Many of the real estate department managers from the cities we benchmarked against believe that in most cases, it is best to avoid leases falling into holdover. As shown in Exhibit 3 above, these cities' proportions of leases in holdover appear to be significantly below 20–25 percent.

Exhibit 3

The City of San Diego Has a Much Larger Percentage of Active Lease Agreements in Holdover Than Cities We Benchmarked Against



Note: Jurisdictions may have different portfolio sizes and staffing levels, and may not calculate holdover percentage with the same methodology; figures were compiled using auditors' best professional judgment and shown for the purpose of providing material comparison and context regarding the percentage of San Diego's leases in holdover.

Source: OCA generated based on interviews with real estate department's in cities identified for benchmarking.

We found several factors that are contributing to a high percentage of City leases falling into holdover, including:

- DREAM does not have a formal process for selecting which leases will be prioritized for renewal;
- DREAM is not proactively using its lease management system to initiate the lease renewal process far enough in advance;
- DREAM is not exercising or consistently including in contracts rent-based financial disincentives for holdover, reducing the incentive lessees have to renegotiate leases that are expiring; and
- DREAM appears to be significantly understaffed, limiting its ability to effectively oversee lease management and renewal.

DREAM did not have an estimate of how much revenue the City is foregoing by having so many holdovers. However, with more than 100 properties in holdover and DREAM's property portfolio collecting approximately $80 million in lease revenue annually, even a small percentage of undercharging due to holdover could result in potentially millions of dollars in foregone revenue for the City each year.

Finding 2: **DREAM should improve its lease management practices, particularly to protect the City from liability, verify that lessees are utilizing leased property appropriately, and ensure that rent levels align with market conditions.**

In addition to reducing holdovers, DREAM should ensure that leases throughout its portfolio are managed effectively. Consistent performance and documentation of key practices may mitigate risk of litigation for the City, reduce expensive problems with properties, reduce the risk of lost revenue, and prevent lost institutional knowledge as the City manages its vast property portfolio. However, as shown in Exhibit 6 below, we found that DREAM has not been consistently performing or documenting several important lease negotiation and management practices.

For example, only 23 percent of leases we reviewed had up-to-date insurance documented, increasing the City's legal liability risk. In addition, while there is no clear-cut standard for the frequency of property inspections, we found that most of the City's lease-outs we reviewed had gone years since their last documented inspection. DREAM should establish and enforce standards for more frequent inspections to help ensure compliance with lease terms and ensure that City properties are being maintained.

Exhibit 6

DREAM Should Improve Its Performance and Documentation of Key Lease Management Practices — See Each Key Lease Management Practice Below for More Information

Testing Metric	# of Leases that Met Testing Metric	Total Leases in Sample	% of Leases Reviewed that Met Testing Metric
Insurance up-to-date in information systems	7	31*	23%
Inspection(s) conducted from January 2019 – July 2021	10	32	31%
Rent adjustments according to terms	19	26**	73%
Appraisal or Statement of Value documented in information systems for leases renewed within past 5 years	11	14***	79%
Key dates entered into REPortfolio	29	32	91%
Any type of job manually entered in REPortfolio	30	32	94%

*One of the leases, a federal agency, is self-insured; thus DREAM does not track their insurance.

**Six of the leases in the judgmental sample are non-revenue leases, bringing the sample size down from 32 to 26.

***We supplemented our original sample by testing an additional 29 recently renewed leases to obtain these results; 14 were eligible for an appraisal under the San Diego Municipal Code.

Source: OCA generated based on information in DREAM's REPortfolio and EDRS information management systems from July 15, 2021. For a list of all results see **Appendix C**.

Finding 3: **DREAM should work with the City Attorney's Office to develop a lease template to streamline the lease renewal process and ensure that the appropriate provisions and clauses are included in leases.**

We also tested 31 leases from six different categories to identify if several key provisions were included within these contracts. Provisions tested included commencement and termination dates, rental amounts and increases, and others.

Overall, we found that most key provisions were included in all or nearly all of the leases we reviewed. One exception was that financial disincentives for holdover were included in only 61 percent of the leases we reviewed, which we identified as a possible contributing factor to the high number of holdovers discussed in Finding 1.

While DREAM generally includes fundamental contract provisions, not consistently utilizing standard templates creates the risk of other updated clauses being left out or becoming outdated, which may cause legal liability for the City according to the City Attorney's Office. Incorporating the use of lease templates and an up-to-date database of lease clauses can mitigate potential legal liability concerns and save DREAM and the City Attorney's Office time during the renewal process.

What OCA recommends

We make 14 recommendations to address the issues outlined throughout the report.

Key recommendation elements include:

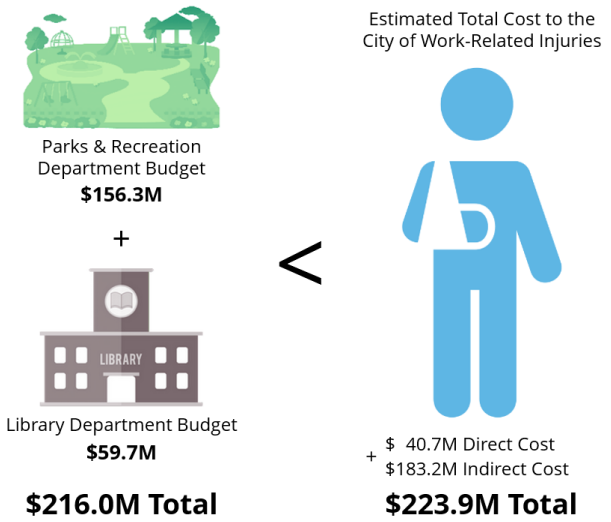
- Documenting and executing a strategy for addressing the number of lease holdovers in the City's portfolio;
- Utilizing financial disincentives or market-rate adjustments where appropriate and including these clauses in new leases;
- Leveraging process improvements, such as automated reminders and increased notice time to tenants that may soon be entering holdover status;
- Re-evaluating staffing levels needed for addressing the high number of holdovers and performing other lease management and renewal functions;
- Establishing, communicating, and enforcing productivity standards or goals for lease management practices such as property inspections, appraisals, and ensuring up-to-date insurance;
- Documenting and publicly-presenting a listing of all City lease outs, their estimated market value, and their actual rent paid to the City; and
- DREAM working with the City Attorney's Office to create a master lease template(s) and lease clause database.

DREAM agreed to all 14 recommendations. For more information, contact Andy Hanau, City Auditor at (619) 533-3165 or CityAuditor@sandiego.gov

Performance Audit of Workplace Safety and Workers' Compensation

Why OCA Did This Study

City employees expect and deserve a safe workplace, and work-related injuries and illnesses harm employees and their families. In addition, in FY2021, the City incurred $40.7 million in direct workers' compensation costs, such as employee medical expenses and industrial leave. When including indirect costs, such as lost productivity, the estimated total costs may be much higher—up to $224 million in FY2021 alone. As shown in the graphic below, this is more than the operating budgets of the Parks & Recreation and Library departments combined and reduces the City's ability to provide critical services to City residents.



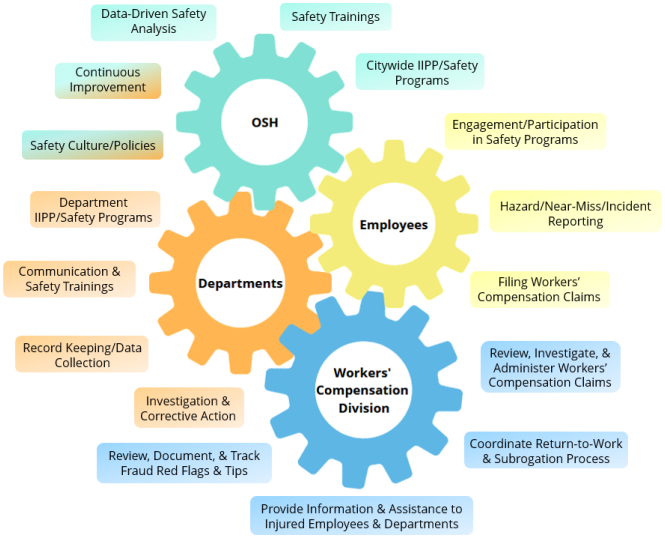
Note: Estimated indirect costs, such as lost productivity, can be up to 4.5 times the direct costs of workers' compensation claims.

Source: OCA generated from City FY2021 budget documents and OSHA estimate of indirect costs.

Effectively administering safety and health programs, in addition to a workers' compensation program, is essential to reduce workplace injuries and minimize the City's workers' compensation related costs. We conducted this audit to determine: (1) whether the City effectively mitigates workplace safety hazards and prevents injuries and illnesses; and (2) whether the City has adequate internal controls to mitigate the risk of fraud, waste, and abuse in workers' compensation claims.

What OCA Found

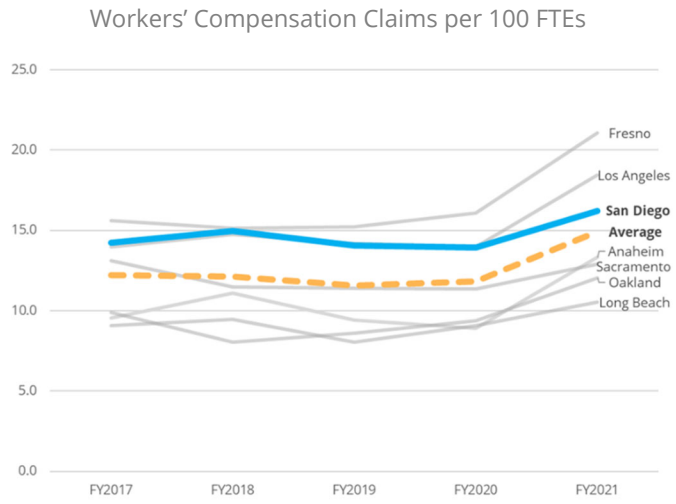
As shown in the graphic below, improving workplace safety and minimizing workers' compensation costs requires a multi-pronged approach.



Source: OCA generated based on Citywide Injury and Illness Prevention Program, audit findings, and best practices.

Finding 1: According to the City's Injury and Illness Prevention Program (IIPP), individual departments are responsible for developing and implementing their own safety programs. While departments have different safety needs based on the type of work conducted, we found that some departments' safety programs do not address core elements of the Citywide IIPP. In addition, we found that the City's Occupational Safety and Health program (OSH) had not, until recently, started reviewing and verifying whether departments have implemented and continue to maintain their required safety programs. Finally, interviews with City staff indicated that some departments may not have enough resources dedicated to developing, managing, and promoting an effective safety program. These issues have likely contributed to the City having workers' compensation claims rates that are 17 percent higher than similar agencies, as shown in the following graphic, as well as increased workers' compensation costs and work days lost. Further, many employees we surveyed

indicated a lack of confidence in the City's safety programs.



Source: OCA generated from the California Department of Industrial Relations Office of Self-Insurance Plans' annual report data.

Finding 2: We found the City's costs related to workplace safety incidents have grown. Therefore, it is imperative for the City to leverage data analytics to take a closer look at its existing safety programs and develop effective incident prevention strategies. We found a lack of Citywide requirements on root cause analysis and corrective actions, coupled with insufficient incident investigation trainings provided to supervisors, has contributed to inconsistent and ineffective incident investigation practices. In addition, we found that, while the City performs some analyses with workers' compensation claims data, it does not systematically collect and track injury, illness, and near-miss data to identify and prioritize safety issues. Furthermore, the City does not have a holistic data-driven approach, including using both leading and lagging indicators, to evaluate and improve the effectiveness of its injury and illness prevention strategies.

Finding 3: The Workers' Compensation Division's Claims Adjusters are trained to identify red flags for potential fraud in workers' compensation claims. Additionally, fraud tips can come to Workers' Compensation through either the City's Fraud Hotline or directly to Workers' Compensation. Although Workers' Compensation has a process for reviewing and documenting investigations into red flags and tips, it does not centrally track all allegations of fraud or red flags and the outcome of investigations into the red flags or tips. As a result, Workers' Compensation is missing potential information on the pervasiveness of workers' compensation claims fraud or potential trends across the City. Additionally, without centrally tracking all fraud red flags and tips, there is a risk that some red flags or tips are not fully investigated.

What OCA Recommends

We made 10 recommendations to improve Citywide safety management and the monitoring of controls over potential workers' compensation fraud, and management agreed to implement all 10. Key recommendations include to:

- Establish roles and responsibilities for both operating departments and OSH in the process of implementing, maintaining, and monitoring department-specific Injury and Illness Prevention Programs (IIPP).
- Provide annual notifications to all City employees on how to report safety concerns.
- Establish safety goals and performance indicators for operating departments that include both leading and lagging safety indicators.
- Implement a process for the collection and analysis of safety data and outline the roles and responsibilities of OSH and operational departments in this process.
- Develop, document, and implement a Citywide safety incident investigation program that includes trainings for supervisors and other relevant personnel.
- Update the Workers' Compensation Division's procedures for monitoring all fraud red flags and tips in a central document and analyzing and reporting results.

For more information, contact Andy Hanau, City Auditor at (619) 533-3165 or CityAuditor@sandiego.gov.

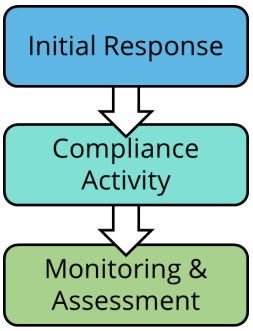
Performance Audit of the Code Enforcement Division

Why OCA Did This Study

The City of San Diego conducts code enforcement activities to ensure, improve, and maintain safe and desirable San Diego neighborhoods. We conducted this audit to determine whether the Code Enforcement Division ("Code Enforcement") (1) Obtains and uses accurate and reliable data to inform operational decisions; (2) Optimizes compliance timeframes; and (3) Enforces policies and practices equitably and consistently across the City.

What OCA Found

As shown below, conducting code enforcement activities effectively requires three key components.



Source: OCA generated based on audit findings.

Code Enforcement has made notable progress since our last audit in 2015, including implementation of the Accela case management system. However, we found significant problems including high workloads, underuse of case management tools, and data inaccuracies. Combined, these problems lead to several performance issues, including slow response times, delayed resolution of some violations, and a large and growing case backlog. In addition, the Mayor, City Council, and the public do not have accurate information about Code Enforcement's true performance.

Finding 1**:** A timely response to higher-priority cases is critical to assess the nature and severity of any violations and protect health and safety. We found Code Enforcement has consistently fallen short of their goal to inspect 90 percent of cases within its established target number of business days. Specifically, Code Enforcement only responded to 64 percent of possible violations on-time in FY2019, which declined to 56 percent in FY2021, as shown below.

Priority 1

Target:
Inspected within 1 business day

Actuals (OCA):
FY2019 77%
FY2020 61%
FY2021 55%

Average (All 3 Priority Levels)
Target: 90%

Actuals (OCA):
FY2019 64%
FY2020 56%
FY2021 56%

Source: OCA generated based on data from Code Enforcement's Accela database, Fiscal Year 2019 through Fiscal Year 2021.

Priority 1 cases pose imminent health and safety hazards and include complaint types like leaking sewage and live, exposed electrical wires. Because such violations pose imminent health and safety hazards, Code Enforcement 's goal is to inspect such complaints within 1 business day . While only between 55 and 77 percent of Priority 1 cases were inspected on-time in FY2019 through FY2021, late inspections were typically conducted within 3 business days. However, 36 cases were not initially inspected for more than 20 days or were missing an inspection at the time of our audit. This indicates that cases can fall through the cracks and violations that potentially threaten health and safety are not always assessed quickly.

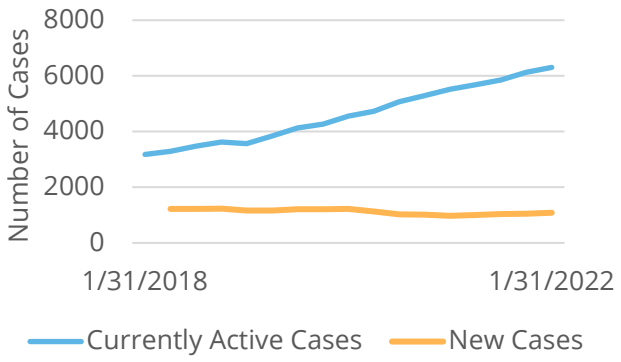
While supervisors are supposed to identify patterns of missing or late inspections, we found they lack the necessary report from the case management system to do so. We also found that San Diego Code Enforcement has fewer staff and a smaller budget per capita than other California agencies, which contributes to high caseloads.

Finding 2**:** Once investigators identify a violation, they can use the extensive options in Code Enforcement's Procedures Manual to gain compliance, including notices, follow-up inspections, and fines or penalties. We found that investigators do not consistently follow

steps described in the Procedures Manual at different stages in the enforcement process. Specifically:

- Some cases have been active for over 600 days without a written notice issued to the property owner;
- A significant percentage of active cases with Civil Penalty Notices and Orders have not received follow-up inspections;
- Investigators have not updated many active cases for over 365 days; and
- The City missed opportunities to recover over half a million dollars for follow-up inspections by not issuing required re-inspection fees.

Furthermore, we found that a staffing imbalance between zoning and building investigators likely results in delays in achieving compliance, and that vacancies and declining staff experience contribute to high caseloads. The combination of these staffing issues and longer compliance time frames result in a perpetually growing backlog of cases, shown below.



Source: OCA generated based on data from Code Enforcement's Accela database obtained February 15, 2022.

Investigators and management could limit these persistent violations by better utilizing case management tools. Currently, supervisory review of long-term and difficult cases happens on an ad hoc basis. Accessible tools—like reports to identify the last update on a case and fields to record issuance of a re-inspection fee—could lead to more effective supervision and better adherence to procedures.

Finding 3: Maintaining reliable and accurate data is necessary so that City decision-makers can align resources and manage performance. We found that the Development Services Department's methodology to calculate Code Enforcement's response time goal metrics is incomplete and overstates actual performance by 13 to 28 percentage points. Additionally, we found that several Accela fields have significant errors and that Code Enforcement's supervisory review does not sufficiently ensure the accuracy of entered data.

Other Pertinent Information: We also analyzed Code Enforcement activities to determine if inequitable treatment of certain populations is occurring. However, we did not find any significant relationships between demographic information and fines or response time.

What OCA Recommends

We made 10 recommendations to improve code enforcement operations, and management agreed to implement all 10. Key recommendations include to:

- Re-Implement a Voluntary Compliance Program to reduce the number of low-priority cases that investigators need to inspect;
- Establish a Key Performance Indicator (KPI) for optimal average caseload for building and zoning investigators to better demonstrate resource needs;
- Improve investigator efficiency by creating new Accela fields and requiring investigators to enter upcoming tasks into Accela;
- Update Code Enforcement's Procedures Manual, develop and use Accela tools like reports or online dashboards, and require regular, systemic supervisory review to help management monitor case status;
- Create and use a report that accurately measures Code Enforcement's progress on its KPI for initial response times; and
- Create a checklist for online case files and require Code Enforcement management to conduct periodic audits of investigator cases.

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

Performance Audit of SDPD's Use and Management of Body Cameras

Why OCA Did This Study

SDPD officers can face dangerous situations while on duty, and public interactions with officers can result in the injury or even death of a member of the public or an officer. As a result, body cameras are used to improve officer and public safety, providing additional documentation of police encounters with the public and functioning as important evidence collection and accountability tools. We conducted a performance audit with two objectives:

(1) Determine if SDPD's policies and procedures regarding body worn camera usage, management, and video release are in line with best practices and local, state, and federal regulations.

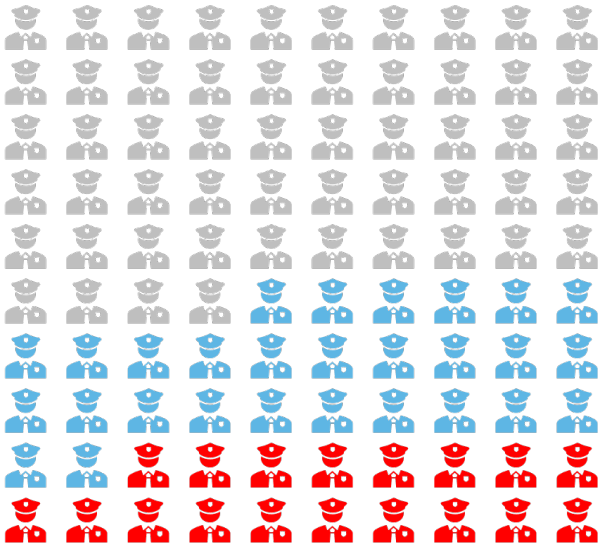
(2) Determine if internal controls are in place to ensure policies and procedures are followed and body worn camera footage is properly collected, maintained, monitored, and released by appropriate personnel.

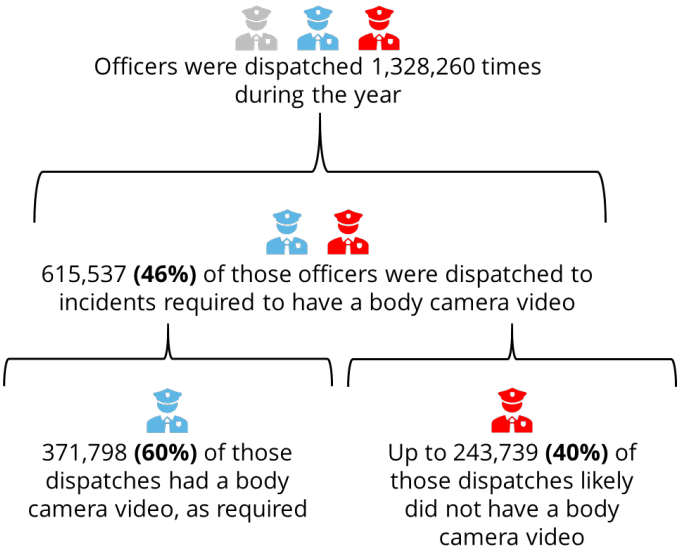
Source: OCA photograph taken at SDPD facility.

What OCA Found

Finding 1: Officers likely did not record many enforcement encounters, as required.

- SDPD procedure requires officers to record incidents that have "the potential to involve an enforcement contact."
- 15 to 40 percent of officers dispatched to potential enforcement encounters from October 2020 through September 2021 did not record a video as required.
- For example, 29 percent of officers dispatched to incidents that ended in arrest did not have record of a body camera video.
- 42 percent of officers dispatched to calls relating to an assault with a deadly weapon did not have a record of a video.
- 41 percent of officers dispatched to calls of battery did not have a record of a video.





Source: OCA generated based on dispatch data and body camera video data provided by SDPD.

Finding 1 (continued):

- 4 percent of enforcement encounters likely had no body camera video recorded by any officer dispatched.
- Many other major cities simply require officers to begin recording while on the way to all calls for service, making it easier for officers to comply and ensure videos are captured when required.

Finding 2: In many cases, officers did not appear to record the entire incident, as required.

- Officers did not begin recording on the way to an incident, as required, in 30 percent of the body camera videos we reviewed.
- Officers stopped recording before the incident appeared to conclude in 38 percent of the videos we reviewed.
- SDPD procedure does not clarify when officers can stop recording.

✓ 91% of videos reviewed included the full 2 minutes of buffering

✗ 30% of videos reviewed started recording after the officer was already on scene

✗ 38% of videos reviewed stopped recording before the incident appeared to conclude

✓ Only 4% of videos reviewed were categorized incorrectly

✓ 0% of videos reviewed had officers who appeared to intentionally cover the camera or angled away from the scene

Source: OCA generated based on our review of body camera videos and video data provided by SDPD.

Finding 3: Officers generally categorized videos correctly.

- Just 4 percent of the videos we reviewed were categorized incorrectly.
- 98 percent of videos were kept as long as required and not deleted too soon.
- SDPD procedure keeps videos categorized as accidentally recorded for just one week but should keep them for a minimum of 60 days and should have supervisors review them to ensure they are accurately categorized as accidental.

Finding 4: SDPD does not have a detailed, public-facing policy on when it releases body camera video, creating confusion amongst stakeholders such as the City Council and the public.

- For the officer involved shootings in our scope, SDPD released the critical incident videos within 10 days and the videos included the most pertinent body camera video footage.
- We did not find any additional video footage in the underlying body camera video footage that would have substantially changed the impact or conclusions of the critical incident videos we reviewed.
- We did find that the underlying body camera footage in some situations held additional context that was not included in the critical incident video, such as the events that led up to the officer involved shooting or additional angles of the incident.
- For the California law that requires SDPD release body camera videos for officer involved shootings and uses of force that result in great bodily injury or death, we found SDPD releases the videos it determines are the most relevant.

What OCA Recommends

We made seven recommendations and SDPD agreed to all seven. Key recommendations include:

- Requiring officers to record all dispatched calls and calls for service, rather than just enforcement encounters.
- Clarifying in procedure when officers can stop recording because an incident has finished.
- Requiring existing supervisor reviews of body camera videos to ensure officers recorded a video for all dispatched calls and ensure officers turned the camera on and off in line with procedure.
- Requiring SDPD to keep accidentally recorded videos for 60 days and requiring supervisors to review them to ensure the videos are accidental recordings.
- Detailing in policy what body camera videos SDPD releases and when, including critical incident videos, and making the policy public to reduce stakeholder confusion.

For more information, contact Andy Hanau, City Auditor at (619) 533-3165 or CityAuditor@sandiego.gov

Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2021

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 2022 Annual Audit Work Plan, we have performed an audit of the Mission Bay and the Regional Parks Improvement Funds' financial activity in fiscal year 2021.

What OCA Found

We found the City of San Diego is in substantial compliance with the requirements of Charter Section 55.2, but should enhance information reporting to oversight committees and continue to address issues with committee appointments.

Finding 1: More detailed capital project information would help the Improvement Fund Oversight Committees carry out their responsibilities.

Finding 2: The City should consider the appropriateness of replenishing Improvement Funds in light of the impact of lost revenue on Improvement Funds due to the COVID shutdown.

Finding 3: The City does not have documentation to show routine site visits of leased properties are occurring.

Finding 4: Municipal Code Section 26.30 should be amended to ensure proper representation of Council Districts on the Mission Bay Park Committee.

Finding 5: The majority of both Improvement Fund Oversight Committee members are currently serving under expired terms.

Finding 6: Some projects are missing reconciliation documentation in the City's financial system of records (SAP).

Mission Bay Park. Source: https://www.thelog.com/local/14-cameras-installed-around-mission-bay/.

What OCA Recommends

We make 8 recommendations to help the City better manage the oversight of lease properties on Mission Bay consistent with Charter Section 55.2 and Municipal Code Section 26.30:

Key recommendations include:

- The Engineering & Capital Projects and the Parks and Recreation Departments should enhance the detail of capital project information provided to the Improvement Fund Oversight Committees.
- The Department of Finance should present an option to compensate the Improvement Funds for lost revenue to the Mayor for consideration as part of the mid-year budget update.
- The Department of Real Estate and Airport Management should conduct and document routine site visits of leased property on Mission Bay Lands at a minimum frequency of once every 3 years to ensure properties are being well maintained and are being operated in accordance with the lease terms.

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

Performance Audit of the City's Get It Done Application and Service Requests Management

Why OCA did this study

To bridge the gap between the City and residents, the City has various customer service portals and intake channels for residents to report problems to the City pertaining to its assets or to request information about City services. In 2021, the City's various customer service portals fielded nearly one million telephone calls and approximately 296,000 service requests submitted through the Get It Done mobile app and web portal. This works out to an average of approximately 3,300 inquiries and service requests daily, seven days a week.

The development of Get It Done is one of the City's efforts to improve customer service and has streamlined intake for a variety of service requests. In addition to Get It Done, the City has many other decentralized customer service portals and intake channels for residents to report problems or request information about City services.

Prior reports have recommended that the City move toward establishing a centralized customer service center.

Our audit included the following objectives:

1) Determine how efforts to strengthen customer communications may be used to improve overall satisfaction; and
2) Determine whether consolidating customer service portals could improve the City's customer service experience.

What OCA found

Finding 1: While Get It Done has greatly expanded customers' access to request services, many customers receive limited, confusing, or inaccurate information about their service requests.

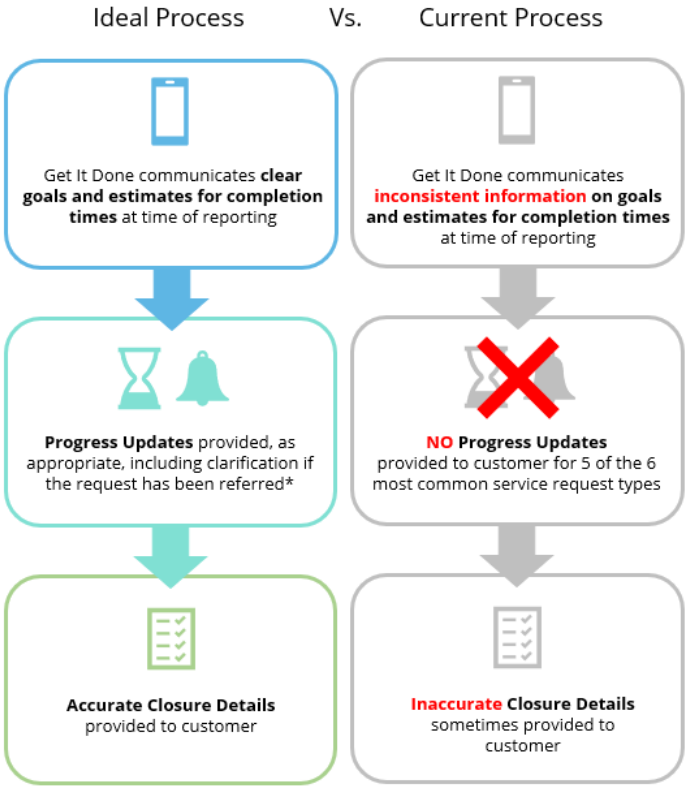
Get It Done is a useful tool that many customers use to access or request City services. However, we found that Get It Done sometimes provides customers with limited confusing, inaccurate, misleading, or information about their service requests, which likely impacts customer satisfaction.

We found that the City can improve the completeness, accuracy, and clarity of the information provided to customers by:

- Setting and communicating clear goals and estimates for service request completion times. For example, we found that Get It Done does not consistently inform customers of target completion times and estimated completion times for the six most common service requests.
- Providing progress updates on service requests where appropriate, and clarifying communications to customers when a request is outside the jurisdiction of the City.
- Providing accurate closure detail to customers. For example, Get It Done provided accurate case closure details to customers in approximately 81 percent of the cases and inaccurate or misleading closure details in 19 percent—or nearly 1 in 5 customers—of the cases we reviewed.

We found that customers are not satisfied with the report closure details provided in Get It Done, and this is also an issue that elected officials are particularly concerned about. Thus, the City should continue to improve Get It Done as a key tool for providing high-quality customer service to the public.

Exhibit 5: The current process for service requests submitted through the Get It Done mobile app and web portal does not communicate target and estimated completion times, does not provide progress updates, and provides inaccurate closure details to some customers



*The Progress Update language should reflect that referred cases have been referred and not closed. For these cases, no additional Progress Updates are provided.

Source: Auditor generated based on review of the City's Fiscal Year 2023 Adopted Budget; Get It Done mobile app and web portal; and interviews with City departments.

Finding 2: A centralized, 3-1-1 phone-based intake option could improve the customer service experience, increase equity and access to City services, and decrease SDPD's call volume and wait times.

Get It Done provides a single point of contact opportunity for the public to communicate issues to the City. However, it is not the City's sole customer service portal, as some departments have their own customer service center or portal for customers to report problems. In 2021, the City received nearly one million calls through various decentralized customer service portals, and the San Diego Police Department (SDPD) non-emergency line had the highest number of calls received. In addition to these department-managed customer service centers and portals, residents also use various other decentralized methods to report problems to the City, including by emailing the City and by contacting City Council Offices.

Centralized, phone-based customer service portals can improve customers' experience, and the vast majority of the most populous cities in the United States and California have a 3-1-1 phone contact option. However, although previous reports have recommended that the City centralize customer service using the 3-1-1 phone number, San Diego remains the largest city in California and the second-largest city in the United States that does not provide a 3-1-1 phone option for residents.

The continued lack of a centralized, phone-based intake option likely makes it more difficult for some residents to contact the City, such as residents with technical barriers or those with limited English proficiency. In addition to increasing equity and access for these residents, a 3-1-1 phone intake option could also divert calls from SDPD's non-emergency line, which would help decrease SDPD's call volume and wait times.

Exhibit 16: Most of the largest cities in the United States and California have a 3-1-1 style contact option

Most Populous Cities in the United States		Most Populous Cities in California	
Municipality	**3-1-1 Contact Option?**	**Municipality**	**3-1-1 Contact Option?**
1. New York	✓	1. Los Angeles	✓
2. Los Angeles	✓	2. San Diego	✗
3. Chicago	✓	3. San Jose	✓
4. Houston	✓	4. San Francisco	✓
5. Phoenix	✗	5. Fresno	✓
6. Philadelphia	✓	6. Sacramento	✓
7. San Antonio	✓	7. Long Beach	✗
8. San Diego	✗	8. Oakland	✓
9. Dallas	✓	9. Bakersfield	✗
10. San Jose	✓	10. Anaheim	✓

Source: Auditor generated using municipal website data.

Other Pertinent Information: The City is not meeting current demand for many types of service requests; continued process improvements and additional resources are likely needed to address service requests submitted through Get It Done and a future 3-1-1 contact option.

As discussed in Finding 1, enhancements to Get It Done may help improve customer satisfaction. In addition, as discussed in Finding 2, the City should establish a 3-1-1 contact option to improve its customer service, expand access, and likely decrease call volume to SDPD. While these improvements are necessary, continued improvements in efficiencies, along with additional resources, are likely needed to address service requests submitted through the existing Get It Done platform and a future 3-1-1 contact option.

According to PandA and City officials we spoke with, an increase in service requests is partially responsible for the lowered customer satisfaction scores, as resource deficiencies to address these service requests in a timely manner impact customers' satisfaction.

While total operational capacity was not the subject of the audit, from 2018 through 2021, the number of service requests submitted through the Get It Done web portal and mobile app approximately doubled—increasing from 148,946 to 296,209 respectively; during the same period, customers' satisfaction with Get It Done decreased from 3.4 to 3.1 on a scale from 0 (very dissatisfied) to 5 (very satisfied).

What OCA recommends

We make 6 recommendations to address the issues outlined throughout the report. Key recommendation elements are to:

- Include estimated and target completion times in the Get It Done report submission screen;
- Review, identify, and prioritize which services could feasibly include progress updates, and articulate a plan and timeline for providing progress updates to customers for these service requests
- Revise the response language to customer to not use the term "Closed" if a case has merely been referred;
- Provide updated training to staff that includes using the appropriate communication code for communicating case resolution to customers;
- Develop policies and procedures for supervisory review of service requests and communication codes; and
- Establish a centralized 3-1-1 contact option for residents.

City management agreed with 5 of the 6 recommendations. Management disagreed with the recommendation to establish a 3-1-1 contact option for residents. We included comments on the response at the end of the report.

For more information, contact Andy Hanau, City Auditor at (619) 533-3165 or CityAuditor@sandiego.gov

Performance Audit of the City's Towing Program

Why OCA did this study

Vehicle towing provides public benefits, such as ensuring streets are clear for street sweeping, parking is available for all, parking rules and laws are followed, and vehicles are registered. However, towing can also have disproportionate impacts on vulnerable populations, such as people who are low-income or are experiencing homelessness. For some people, a vehicle tow may result in the permanent loss of their vehicle, loss of employment, loss of access to education and medical care, and other consequences.

California State law gives cities the ability to tow vehicles and permits them to adopt additional laws and policies regulating the towing of vehicles in their own jurisdiction. Consequently, a local government's policies may impact how various types of infractions are enforced.

Our audit included the following objectives:

1. Evaluate the financial, equity, and public benefit effects of the City's vehicle towing program, and how those effects may vary under alternative vehicle towing policy and fee models; and

2. Determine the extent to which the City monitors and evaluates contractor performance, in accordance with the City's Contract Compliance Guide, Council Policy 500-03, and the contract.

What OCA found

Finding 1: The City should strengthen the public oversight and transparency of the vehicle towing program by publicly reporting on the program's outcomes, impacts to residents, and potential revisions to towing policies and practices.

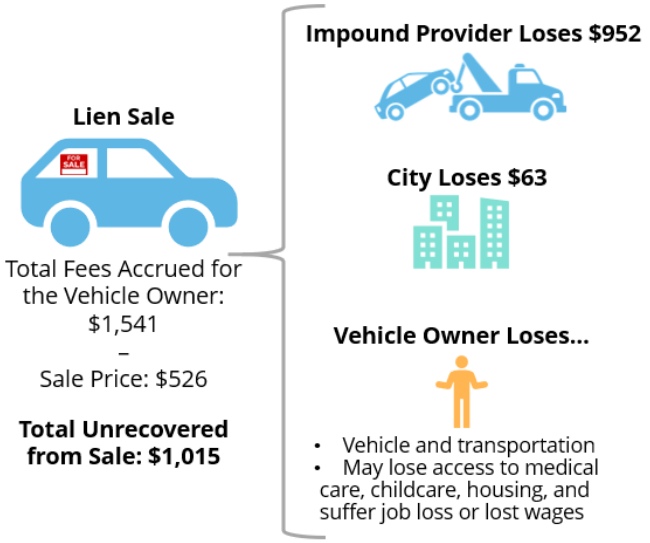
The San Diego Police Department (SDPD) is primarily responsible for overseeing the City's towing program. Per City Council Policy 500-03, SDPD should provide annual updates regarding the City's towing program to City Council and the public; however, **SDPD has not provided a comprehensive update since 2013.**

Council Policy 500-03 does not specify what information on the program and towing trends should be included in a report. However, we found several important trends and takeaways from recent towing practices that highlight program changes and potential effects to the City and residents. For example, we found:

- From FY2017 to FY2021, towing declined by 39 percent in the City;
- While the number of tows has been decreasing, the number of parking complaints has been increasing; and
- SDPD regularly benchmarks its towing and storage rates with other local jurisdictions and the City's rates are the lowest compared to four other jurisdictions.

In addition, Councilmembers have expressed concern over the impacts the towing program has on vulnerable residents. We found that "**Disproportionate Impact Tows**"—expired registration over six months, 72-hour parking violations, and five or more unpaid parking citations—lead to increased likelihood of people losing their vehicles via lien sales, which can mean unrecovered costs for the City, the impound provider, and potentially severe impacts on some vehicle owners, as shown in **Exhibit 13.**

Exhibit 13: Lien Sales May Result in Costly Impacts to Multiple Parties



Source: Auditor generated based on review of SDPD's towing manual, SDPD's towing data, and *Towed into Debt*.

In early 2022, the City Council decided to postpone increases to the towing program's administrative fees. According to figures provided by SDPD, we estimate this has resulted in a program subsidization of approximately $1 million in foregone administrative revenue for FY2023.

We also found that SDPD has not historically calculated and reported the towing program's full costs and revenues. This information should be included in future reports to City Council. We estimate that the City's overall subsidy of the program is closer to approximately $1.5 million. This is partly because approximately **27 percent of tows result in lien sales, which limit the City's and impound providers' ability to recover accrued costs.** We also found that the City's top two towing reasons—expired registration over six months and 72-hour parking violations—are types of Disproportionate Impact Tows. These reasons are approximately **3 to 5 times more likely to result in a lien sale, and are another reason why the City's towing program is not currently cost recoverable.**

Finding 1, continued

Given the City Council's concern over the impacts of the program and the significant financial, equity, and quality of life implications we found exist, City leadership should evaluate its options and articulate a policy direction on enforcement and fees for the towing program going forward. We found **other agencies have employed alternative towing models and practices that City policymakers could consider to balance the City's competing goals**—for example, a "text before tow" option, updating or restructuring of fees, alternative enforcement efforts such as "booting," or community service instead of fees.

To inform the City's decision making, **SDPD should periodically and publicly report on numerous aspects of the program's financial, equity, and quality of life implications for the City and its residents**. In addition to providing general information on the towing program and overall trends, SDPD should inform City leadership on how the towing program disproportionately affects vulnerable residents.

Finding 2: Internal oversight of the towing program is strong and SDPD should continue to conduct performance evaluations in compliance with the City's contract guide.

We found that SDPD has implemented strong internal controls over the towing program. The City's third-party vendor for data management and dispatching, AutoReturn, allows for timely monitoring of the contracted tow and impound providers. We found that AutoReturn accurately tracks and calculates towing fees. This provides **reasonable assurance that tow and impound providers are following policies and procedures set by the City.**

One area for improvement is contractor performance evaluations. The City's contract compliance guide states that SDPD should conduct contractor evaluations on a quarterly basis and provide the evaluations to the Purchasing and Contracting Department and to the contractors. The guide states that contractors should be evaluated on the service they are responsible for providing, how they are supposed to provide it, and if they met the City's requirements. The evaluations may be considered in evaluating future proposals and bids for contract award.

However, from FY2019 to FY2022, we found that SDPD had not been conducting contractor evaluations as required by the contract guide. During the course of this audit, in late FY2022, SDPD began conducting the evaluations, which met the contract guide's requirements. Specifically, SDPD evaluated its contractors based on the performance standards within the towing manual, such as impound response times, tow truck driver requirements, customer service to citizens, and data entry.

Monitoring and tracking performance is key to assessing program outcomes and ensuring contract compliance. Performance evaluations can help improve vendor performance and may minimize the City's risk of contracting with previously poor-performing vendors in future contract solicitations.

Exhibit 16: SDPD Adheres to Best Practices for Contract Monitoring in Its New Vendor Performance Monitoring Forms but had Not Yet Shared Vendor Performance Forms with P&C Until FY2023

Source: Auditor generated based on the OCA's 2015 Performance Audit of Citywide Contract Oversight and SDPD's Quarter 1 FY2023 Compliance Evaluations.

What OCA recommends

We make 4 recommendations to address the issues outlined throughout the report. Key recommendation elements include:

- **SDPD should present a comprehensive report on the towing program's operations** to the Public Safety and Livable Neighborhoods Committee and/or City Council prior to each of the City's comprehensive user fee studies, as well as prior to issuing or renewing an RFP for relevant towing and/or impound contracts.
- Prior to presentation of the next towing program update, SDPD should work with City leadership to present a new or updated Council Policy 500-03 for City Council's approval. This **policy should outline specific information that should be included in the report.**
- **SDPD should solicit, compile, and report information to City Council on potential policy options for the towing program**, with input from other City departments such as City Treasurer's, Homelessness Strategies, and others.
- SDPD should **continue to conduct quarterly performance evaluations** for its licensed towing and impound contractors and submit these forms to the Purchasing and Contracting Department for monitoring.

City Management agreed with 3 of the 4 recommendations. SDPD did not agree to compile and report information on alternative policy options.

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