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# Report to the Audit Committee

## **ACTIVITIES AND ACCOMPLISHMENTS OF THE OFFICE OF THE CITY AUDITOR JANUARY 2015 THROUGH DECEMBER 2015**

**Office of the City  
Auditor**

**City of San Diego**



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

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

Below is a summary of accomplishments and highlights from some of our significant reports for calendar year 2015:

- **We completed 14 performance audits, one agreed-upon procedures review, and two hotline investigations. These reports contained 69 recommendations to improve the economy, efficiency, and effectiveness of City operations.** The Administration agreed with **100 percent** of our recommendations. We also issued three recommendation follow-up reports to track and validate implementation. A complete listing of all the reports we issued during this period, with the number of recommendations made, can be found in **Appendix I**.
- ***Performance Audit of the Utilities Undergrounding Program (UUP)*** – We found the UUP's progress is contingent upon improving the quality of cost and scheduling information and analysis. First, we found that the project tracking invoice should be more comprehensive and detailed to improve oversight of project costs. Second, the project scheduling timelines should be more up-to-date, complete, and consistent. Third, project oversight and monitoring should be improved with periodic reporting and utilization of a project management system. We also found the UUP should comply with Council Policy requiring twice yearly utility undergrounding reports to City Council.
- ***Performance Audit of the City's Right-of-Way Maintenance Activities*** – The City's right-of-way (ROW) includes thousands of miles of streets, sidewalks, alleys, and many other assets. The City relies heavily on its residents to identify and report maintenance needs. As such, maximizing the City's accessibility to residents is essential to the City's ability to adequately maintain the ROW. We found that the City can increase ease of reporting needs and improve customer satisfaction by centralizing customer service operations. Most large municipalities and jurisdictions have centralized customer service with a single phone number, website, and mobile app that are branded with 3-1-1. We recommended implementing a centralized 3-1-1 customer service model to improve department accountability including response times and quality of work. It would provide management with better information regarding the true demand for City services and enable the City to more effectively allocate and deploy limited resources.

- **Performance Audit of Citywide Contract Oversight** – We found that the City does not provide sufficiently accurate and reliable contract award data and supporting documentation through its Citywide financial system. As a result, the City cannot determine the level of compliance with contractual terms or the full value and the corresponding commitments of contracts. We also found that the City's contract modification and closeout processes require improvement to reduce lengthy processing times and ensure contractor evaluations are performed and utilized for future contracting decisions. Finally, we found that although the City's Municipal Code allows for the debarment of poor performing vendors, the City has not defined and developed a debarment process. A vendor debarment process is essential to safeguard the City from vendors who pose a risk to the City.
- **Performance Audit of the Real Estate Assets Department, Airports Division** – While the City's general aviation airports have significant potential for development, we found that the City has not maximized opportunities to generate additional revenue, improve facilities, and articulate a long-term plan for the City's general aviation airports. Over time, insufficient planning and oversight by Real Estate Assets Department and its Airports Division management teams resulted in missed opportunities for development and revenue generation at Brown Field and Montgomery Field airports. Insufficient planning and oversight have also had an adverse effect on the Airports Division's ability to clearly and consistently communicate its vision and maximize the development opportunities that current and potential leaseholders have proposed.
- **Performance Audit of City's Financial Condition** – To objectively assess the City's financial condition, we used a 10-point test comprised of financial ratios designed to assess performance in four areas: financial position, revenues, debt, and capital assets. The test includes both short-term and long-term aspects of financial well-being and relies on audited financial data published in comparable cities' Comprehensive Annual Financial Reports. We found that San Diego's financial condition has improved significantly and has been among the best when compared to the six other cities with comparable populations for eight of the last 10 years. The City's financial condition should be continually monitored and regularly evaluated to help ensure the City's decisions are fully informed and financially responsible.
- **Performance Audit of the Code Enforcement Division (CED)** – Code enforcement is essential for safe and healthy living and the protection of property values. Responding to and resolving code violations in a timely manner is imperative to enhancing the quality of life in our communities. We found that improvements in procedures, system capabilities and performance measurement will increase program effectiveness and reduce response times for high-priority cases. Specifically, we found CED only achieves its response time goal of two business days for Priority 1 violations 29 percent of the time, and only meets its response time goal of five business days for Priority 2 violations 59 percent of the time. We also found that CED can be more effective and improve consistency in the issuance of fines and penalties by adopting a more systematic enforcement framework.

- ***Fraud Hotline Investigations*** – We issued two fraud hotline reports. One fraud investigation uncovered two salaried employees who were under-recording leave time. We confirmed 55 days of absences without leave recorded in the payroll system which had a cash value over \$25,000. Another fraud investigation uncovered control weaknesses and contract issues with the City's scrap metal recycling process. We found no valid contract was in place with the recycling vendor that paid the City approximately \$117,000 in a 12 month period, no defined pricing to be received, a lack of insurance, and non-compliance with City policy.

### **Leadership, Professional Development and Other Accomplishments**

- In March 2015, the Association of Local Government Auditors recognized the Performance Audit of the Environmental Services Department's Waste Reduction and Recycling Programs with a Knighton Award for best performance audit report by a local government in the United States and Canada. This award is the fifth consecutive award for the office.
- The Association of Local Government Auditors held its 2015 Annual Conference in San Diego on May 4 - 6, 2015. The Office of the City Auditor served as host office, and staff were involved in planning and presenting at the conference.
- The office created a new Fraud Hotline poster that is now displayed in all major City worksites to encourage employees to report any suspected fraud, waste or abuse.
- Restructured the office by creating an executive management team comprised of the Assistant City Auditor and two Deputy City Auditors; and established the Supervising Senior Performance Auditor position to provide career growth opportunities for auditors.
- The City Auditor served as a Local Representative to U.S. Comptroller General's Domestic Working Group and Local Government Representative to the Executive Board of the Western Intergovernmental Audit Forum.
- The Office is a member of the Association of Local Government Auditors and the Institute of Internal Auditors.

**Conclusion**

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

Respectfully submitted,

A handwritten signature in black ink that reads "Eduardo Luna". The signature is written in a cursive, flowing style.

Eduardo Luna  
City Auditor

## Appendix I: Summary of Work Performed – January 2015 through December 2015

Report No.	Date	Description	Recommendations to Improve the Economy, Efficiency, Operations or Program Effectiveness	Number of Recommendations Auditee Concurred With
15-011	1/15/2015	<a href="#">Performance Audit of the Utilities Undergrounding Program</a>	6	6
15-012	1/16/2015	<a href="#">The City Needs to Address the Lack of Contract Administration and Monitoring on Citywide Goods and Services Contracts</a>	2	2
15-013	2/5/2015	<a href="#">Performance Audit of the Park and Recreation Department's Golf Division</a>	5	5
15-014	2/5/2015	Confidential Report - Security Issues at City of San Diego Municipal Golf Courses	2	2
15-015	3/5/2015	<a href="#">Performance Audit of the City's Right-of-Way Maintenance Activities</a>	2	2
15-016	4/24/2015	<a href="#">Performance Audit of Citywide Contract Oversight</a>	9	9
15-017	5/26/2015	<a href="#">Performance Audit of the Real Estate Assets Department, Airports Division</a>	3	3
15-018	5/27/2015	<a href="#">Performance Audit of the Fire-Rescue Department, Lifeguard Services Division</a>	3	3
15-019	6/24/2015	<a href="#">Hotline Investigation of Under-recorded Leave Time</a>	4	4
15-020	5/28/2015	Confidential Report - Cash Handling Issues at Montgomery Field and Brown Field Airports	1	1
15-021	6/30/2015	<a href="#">Performance Audit of the Mission Bay Improvement Fund - FY14</a>	0	0
16-001	7/1/2015	<a href="#">Performance Audit of Citywide Other/Special Funds</a>	4	4
16-002	8/6/2015	<a href="#">Performance Audit of City's Financial Condition</a>	0	0

City Auditor's Activities and Accomplishments Report for January 2015 - December 2015

Report No.	Date	Description	Recommendations to Improve the Economy, Efficiency, Operations or Program Effectiveness	Number of Recommendations Auditee Concurred With
16-003	8/14/2015	<a href="#">Audit of Accounts of Public Officials Terminating Office in Fiscal Year 2015</a>	0	0
16-004	9/8/2015	<a href="#">Agreed-Upon Procedures Related to the Central Stores</a>	0	0
16-005	9/9/2015	<a href="#">Performance Audit of the City's Business Improvement District Program</a>	3	3
16-006	10/15/2015	<a href="#">Performance Audit of the Code Enforcement Division</a>	12	12
16-007	12/2/2015	CONFIDENTIAL MEMO: Internal Control Issues - San Diego Public Libraries	9	9
16-008	12/2/2015	<a href="#">Internal Control Issues - San Diego Public Libraries</a>	1	1
16-009	12/2/2015	<a href="#">Hotline Investigation of Misuse of Scrap Metal and Contract Deficiencies</a>	3	3
		Total	69	69