

THE CITY OF SAN DIEGO

DATE: July 2, 2008

TO: Honorable Members of the Audit Committee

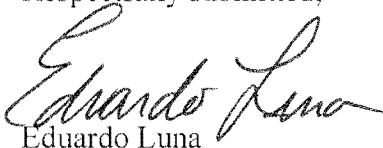
FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Comments Regarding the City Comptroller's Internal Controls Update Presented at the June 23, 2008 Audit Committee Meeting**

At the June 23, 2008 Audit Committee meeting there was a request for the City Auditor to provide comments regarding the City Comptroller's Internal Controls Update Report, dated June 1, 2008. The City Auditor's staff reviewed the Comptroller's Update Report and determined that all prior weaknesses identified by the Kroll report, Internal Auditor reports, and external auditor reports were properly included in the Update Report. The Comptroller's report also included 129 additional items noted as Internal Controls Over Financial Reporting (ICOFR) source items. These items are not internal control weaknesses that were previously identified in prior reports, but instead they are key controls over financial reporting that will be documented through either the OneSD project or through Citywide policies and procedures. The City Auditor's staff will test the internal controls impacted by the OneSD project during the Audit of the Enterprise Resource Planning System Implementation.

We should note that the Comptroller's report did not show the current status of the City Auditor's validation testing of all previously identified internal control recommendations. The Comptroller's report indicated that the City Auditor's staff had tested 88 items when actually 126 items have been tested. When our audit testing reveals that management should implement additional recommendations to fully correct any of the control weaknesses that have been reported as remediated, we will issue a separate audit report. The Cash Count and Bank Reconciliation Audit Report, dated April 28, 2008 is an example of such a report. This report documented the testing results for eight of these items and contained six recommendations to improve internal controls. We will coordinate with the Comptroller's staff prior to future updates so we can provide them with the current status of our audit testing.

Respectfully submitted,



Eduardo Luna
City Auditor

