



THE CITY OF SAN DIEGO

DATE: May 4, 2010

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **Independent Rates Oversight Committee (IROC) Audit Budget**

During the review of the City Auditor's proposed FY2011 budget, the Audit Committee made the following recommendation:

A proposal to move \$100,000, which is allocated for an external audit of the Water and Wastewater Departments, from the Independent Rates Oversight Committee (IROC) of the City's Water and Wastewater Departments to the Office of the City Auditor's budget, to be used for the City Auditor to work with IROC as its audit resource in addition to the City Auditor's existing Audit Work Plan, with the following direction to the City Auditor:

- i. Confirm that the source of the \$100,000 is the Water and Wastewater Departments DRES (Dedicated Reserve from Efficiency and Saving) fund*
- ii. Talk with IROC and stakeholders about how to use the \$100,000 and return with a recommendation before the next Audit Committee meeting.*

We determined there is \$100,000 budgeted for audits of Public Utilities to be directed by IROC, but this money is not budgeted within the DRES fund. It is included in the Public Utilities Department's operations budget.

We contacted Mr. Donald Billings, IROC Chair, and Public Utilities staff to discuss this issue, and they are agreeable to having the City Auditor use the \$100,000 to perform an audit in consultation with IROC. This can be discussed and initiated at an upcoming IROC meeting.

In order to move forward with this proposal, a Service Level Agreement (SLA) between the City Auditor's Office and the Public Utilities Department would need to be established to utilize the \$100,000 set aside for an audit. The City Auditor will then conduct a performance audit in consultation with the IROC. This SLA would be in addition to the City Auditor's current SLA with the Public Utilities Department.

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Respectfully Submitted,

A handwritten signature in cursive script that reads "Eduardo Luna". The signature is written in black ink and is positioned above a horizontal line.

Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Donald Billings, IROC Chair
Alex Ruiz, Interim Director of Public Utilities
Andrea Tevlin, Independent Budget Analyst