



## THE CITY OF SAN DIEGO

DATE: September 11, 2009

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – August 2009**

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This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of August 2009. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

### **Audit Reports and Accomplishments:**

- August 21, 2009 – Issued the Review of the Hiring Process of the Director of Purchasing and Contracting conducted by Sjoberg Evashenk Consulting Inc. The report contains 5 recommendations for improving the City's hiring process for unclassified upper-level officials. The report can be found on our website at: [http://www.sandiego.gov/auditor/pdf/hiring\\_review.pdf](http://www.sandiego.gov/auditor/pdf/hiring_review.pdf)
- August 31, 2009 – Presented to the Audit Committee a Fraud Hotline Update for the period July 2008 to June 2009. The presentation can be found on our website at: [http://www.sandiego.gov/auditor/pdf/hotline\\_update\\_fy09\\_q4.pdf](http://www.sandiego.gov/auditor/pdf/hotline_update_fy09_q4.pdf)
- By the end of August 2009, all of the open vacancies within the City Auditor's budget were filled. We will have three additional budgeted positions available to fill mid-year. The following staff have been hired:
  - **Farhat Popal** – Farhat joined our Office in June 2009 as a Principal Auditor to fill the vacancy created by the retirement of another staff member. Farhat has a Master of Public Policy degree from the University of California, Berkeley, and a B.A. degree in Political Science/International Relations from the University of California, San Diego. Her experience includes internships with our Office and with the City of Oakland's Office of the City Auditor.

**Audit Reports and Accomplishments (Continued):**

- **Toufic Tabshouri** – Toufic joined our Office in August 2009 as a Principal Auditor. Toufic is a former auditor with the California Bureau of State Audits (2004-2007) and UC Davis Medical Center (2007-2008). Toufic also served as a Petty Officer in the U.S. Navy (1994-1998). More recently, he was self-employed as an auditor in Brighton, MA. Toufic has a B.S. degree in Business and an MBA in Information Systems from California State University, Sacramento. He also holds a Certified Fraud Examiner (CFE) certification.
  
- **Erin Noel** – Erin joined our Office in August 2009 as a Principal Auditor. Erin was a Senior Analyst with the U.S. GAO in Washington, D.C. (1990-1998, 2006-2009). At the GAO, Erin worked on numerous defense-related engagements. She holds a B.S. degree in Political Science from Frostburg State University, and a Master of Public Management from the University of Maryland at College Park.
  
- **Justin McDaid** – Justin joined our Office in August 2009 as our new Fraud Investigator dedicated to investigating fraud-related complaints. Justin worked as a Fraud Investigator and Auditor with the California Bureau of State Audits (2004-2009). Prior to the Bureau of State Audits, he worked as a tour manager/tour accountant with the musical group Oleander. Justin has a B.S. degree in Business Administration from California State University, Sacramento and he holds a Certified Fraud Examiner (CFE) certification.

**Current Audits and Activities:**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Annual Central Stores Inventory Audit FY09</b>	The San Diego Municipal Code Section §22.0501 requires an annual count of inventory in the City storerooms and warehouses. The objective of this audit is to confirm the valuation of Central Stores inventory. We have used approximately 88 audit hours, and the audit report was issued on September 8, 2009.	September 2009
<b>Proposition 64 Funds Audit</b>	The objective of this requested audit is to determine if Proposition 64 funds are being properly budgeted and used solely for the enforcement of consumer protection laws. We have used approximately 543 audit hours, and the draft audit report is under review by the City Attorney's Office.	September 2009
<b>General Services - Streets Division Roadways Audit (Part I, II, &amp; III)</b>	The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. Audit fieldwork is in progress. We have used approximately 698 audit hours. We plan to issue three separate reports during this audit.	September 2009 Part I  TBD Part II and III
<b>San Diego Data Processing Corporation (SDDPC) Follow-up Audit</b>	The objective of this audit is to determine if the recommendations made to SDDPC in an audit report issued in 2004 were implemented. In addition, we are reviewing compensation, budgeting and governance issues. We have used approximately 1,259 audit hours. One report has already been issued during this audit.	October 2009

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Purchasing and Contracting – Requisition, Purchase Order and Contract Management</b>	The objective of this audit is to determine if Purchasing and Contracting has sound procurement procedures in place and to evaluate the efficiency and effectiveness of the Department’s procedures. We completed an audit of the contracts associated with the debris removal program to clear homes destroyed in the 2007 wildfires within the scope of this audit. We are now auditing Citywide purchasing and contracting procedures. We have used approximately 1,732 audit hours.	TBD
<b>City Treasurer - Investment Activities Audit</b>	The objective of this audit is to determine if investments are being properly handled, accounted for and accurately reported in the City's financial statements. Audit fieldwork is in progress. We have used approximately 226 audit hours.	TBD
<b>Enterprise Resource Planning (ERP) System Implementation Review</b>	The objectives of this audit are: (a) determine if the City’s key financial activities were adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system (b) determine if the system was adequately tested prior to implementation and (c) review high risk interfaced and impacted systems post SAP go-live. Approximately 1,872 audit hours have been used. One report has already been issued during this audit.	TBD

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>City Treasurer - Delinquent Account Collections Audit</b>	The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements. Audit fieldwork is in progress. We have used approximately 149 audit hours.	TBD
<b>Purchasing and Contracting - Equal Opportunity Contracting and Labor Compliance Audit</b>	The objective of this audit is to determine the efficiency and effectiveness of the City's equal opportunity contracting and labor compliance. Audit fieldwork is in progress. We have used approximately 494 audit hours.	TBD
<b>Audit of Development Services' Process for the Collection of Public Utilities Fees</b>	The objective of this audit is to determine if Development Services has adequate procedures in place to ensure the proper collection of Public Utilities fees. Audit fieldwork is in progress. We have used approximately 162 audit hours.	TBD
<b>Citywide Revenue Audit</b>	The objective of this audit is to assess the risk associated with the various revenues collected by the City, identify revenue categories that have not been audited by the City, and recommend a strategy for auditing revenues based on risk to the City. Furthermore, this audit will review the activities of the Treasurer's Revenue Audit and Appeals Division. Audit fieldwork is in progress. We have used approximately 243 audit hours.	TBD

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Public Utilities - Bid-To-Goal Program Audit</b>	The objectives of this audit are to determine the efficiency and effectiveness of the Public Utilities Department's Bid to Goal Program, including reviewing the processes for (1) developing the Private Market Proposal and employee bids, (2) establishing performance goals and evaluating how they are achieved, (3) calculating cost savings and efficiencies, and (4) implementing recommendations from external audits of the Department's processes. This audit will be paid for by Public Utilities under our Service Level Agreement. This audit is in the planning stage. We have used approximately 83 audit hours.	TBD
<b>Disclosure Practices Working Group (DPWG)</b>	City Auditor staff participates in DPWG meetings as an ex officio member. We spent approximately 7 hours participating in various DPWG meetings during the month of August.	On-going
<b>Fraud, Waste and Abuse Hotline</b>	We review and administer the City's Hotline calls that are received. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on any fraud related allegations that are substantiated. During the months of August there were approximately 6 new hotline calls received, and we spent approximately 112 hours conducting investigations.	On-going


**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Follow-up on All Audit Reports Issued in FY08 Through the First Quarter of FY09</b>	We have created a database to track all of our audit recommendations made since FY08. We will be sending memos to City Departments that were audited to determine their status of implementing the audit recommendations made.	On-going

**Planned FY10 Audits Not Yet Started:**

<b>Planned Audit</b>	<b>Estimated Audit Hours</b>
<b>City Treasurer - Parking Administration Audit</b>	640
<b>Risk Management - Public Liability and Loss Recovery Audit</b>	880
<b>Police Department – Fiscal Services (Animal Services Contract) Audit</b>	600
<b>City Comptroller / Personnel Department -Payroll Audit</b>	1,280
<b>Risk Management – Workers’ Compensation Audit</b>	1,200
<b>Fire Rescue – Fire Prevention Audit</b>	920
<b>Engineering and Capital Projects - CIP Audit</b>	1,880
<b>Close-out Audits</b>	240
<b>Annual Central Stores Inventory Audit FY10</b>	45

Respectfully Submitted,



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Eduardo Luna  
City Auditor

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst  
Stanley Keller, Independent Oversight Monitor