




THE CITY OF SAN DIEGO

DATE: February 5, 2009

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor 

SUBJECT: **Monthly City Auditor Activity Report – January 2009**

This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of January 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:

- January 7, 2009 – Issued a report on our analysis of SEDC's response to the performance audit recommendations. We found that SEDC generally concurred with the audit report and with 23 of the 27 recommendations directed at the agency. We provided an analysis of the four exceptions. The report can be found on our website at:
http://www.sandiego.gov/auditor/pdf/sedc_response_analysis_memo.pdf
- January 12, 2009 – Presented to the City's Audit Committee an update on SEDC's response to the performance audit recommendations. The presentation can be found on our website at:
http://www.sandiego.gov/auditor/pdf/sedc_update.pdf
- January 13, 2009 – Presented to the City Council our Fraud Hotline Administration Plan. The City Council approved the plan unanimously. The presentation can be found on our website at:
<http://www.sandiego.gov/auditor/pdf/fraudhotlinecouncilplan.pdf>
- January 16, 2009 – Issued a Hotline Report regarding our investigation of an allegation that the City's Junior Lifeguard Program was holding checks received for approximately two months before depositing the funds. The allegation was substantiated and corrective actions have been taken. The Hotline Report can be found on our website at:
<http://www.sandiego.gov/auditor/pdf/hotlinereportjan16.pdf>



Audit Reports and Accomplishments (Continued):

- January 23, 2009 – Issued the City Auditor’s certification of the 2008 Disclosure Practices Working Group Annual Report. The annual certification memo can be found on our website at:
<http://www.sandiego.gov/auditor/pdf/dpwgannualreportcertification.pdf>
- January 23, 2009 – Issued the Second Quarterly Fraud Hotline Report for Fiscal Year 2009. The report provided statistics on the number and nature of hotline calls received, and information on any complaints of fraud, waste or abuse that were substantiated or where corrective actions were taken. This report can be found on our website at:
<http://www.sandiego.gov/auditor/pdf/fraudhotlineq2fy09update.pdf>
- January 26, 2009 – Presented to the City’s Audit Committee an estimated timeline to select the outside auditor that will conduct the City’s financial statement audits for fiscal years 2009 through 2013. The presentation can be found on our website at: <http://www.sandiego.gov/auditor/pdf/outsideauditorselectiontimeline.pdf>
- January 29, 2009 – Issued a Hotline Report on our investigation of allegations regarding the handling of valuable scrap metal. The allegations were found to be unsubstantiated. However, we made recommendations to address control weaknesses identified during the investigation, and corrective actions have been taken. The Hotline Report can found on our website at:
<http://www.sandiego.gov/auditor/pdf/hotlinememo-mwwd.pdf>

Current Audits and Activities:

| Audit Activity | Status | Target Completion Date |
|--|--|-------------------------------|
| <p>Annual Central Stores Inventory Audit FY08</p> | <p>The San Diego Municipal Code Section §22.0501 requires an annual audit of inventory in the City storerooms and warehouses. The objectives of this audit are to confirm the valuation of Central Stores inventory and to evaluate the storerooms' internal controls to safeguard inventory. We have used approximately 376 audit hours, and a draft audit report is under review.</p> | <p>February 13, 2009</p> |
| <p>Proposition 64 Funds Audit</p> | <p>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 455 audit hours, and a draft audit report is under review.</p> | <p>February 13, 2009</p> |
| <p>Close-out Audits</p> | <p>Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are performing close-out audits for the four City Councilmembers and the City Attorney that left office. We are also conducting five close-out audits for other City officials. We have used approximately 99 audit hours, and we estimate an additional 221 hours will be needed.</p> | <p>February 20, 2009</p> |

Current Audits and Activities (Continued):

| Audit Activity | Status | Target Completion Date |
|--|---|-------------------------------|
| <p>Real Estate Assets-Qualcomm Stadium Administration Audit</p> | <p>The objective of this audit is to determine if the revenue generated by Qualcomm Stadium is being properly collected and accurately reported by the City. Fieldwork is nearly completed. We have used approximately 466 audit hours, and we estimate an additional 100 hours will be needed.</p> | <p>February 27, 2009</p> |
| <p>San Diego Housing Commission Audit</p> | <p>The objective of this audit is to determine if the San Diego Housing Commission has sound procurement and executive compensation practices. We will also review their development and asset management program. We have used approximately 629 audit hours, and we estimate an additional 171 hours will be needed.</p> | <p>March 13, 2009</p> |
| <p>Purchasing and Contracting – Requisition, Purchase Order and Contract Management</p> | <p>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 the audit of the contracts associated with the debris removal program to clear homes destroyed in the wildfires within the scope of this audit. We are now auditing the Citywide purchasing and contracting procedures. We have used approximately 1,585 audit hours to date and we estimate an additional 254 audit hours will be needed.</p> | <p>March 20, 2009</p> |

Current Audits and Activities (Continued):

| Audit Activity | Status | Target Completion Date |
|---|--|-------------------------------|
| Park and Recreation - Recreation Facilities Operations Audit | The objective of this audit is to determine if Park and Recreation's recreation facilities are properly collecting and accounting for fees. We have used approximately 155 audit hours, and we estimate an additional 326 hours will be needed. | March 27, 2009 |
| Audit of Internal Control Remediations | The objective of this audit is to test and verify management's remediation efforts to correct weaknesses identified in the Kroll Report, external auditors' reports and the Internal Auditor's reports. We have used approximately 1,806 audit hours, and we estimate an additional 634 hours will be needed to test the remaining 36 items reported remediated as of December 31, 2007. | April 30, 2009 |
| Centre City Economic Development Corporation (CCDC) Audit | Sjoberg Evashenk Consulting, Inc has been awarded the contract to conduct a performance audit of CCDC. Audit fieldwork is in progress. | June 15, 2009 |
| San Diego Convention Center Corporation Audit | Prepared the audit scope for the RFP to hire an audit firm to perform an ethics and accountability review of the San Diego Convention Center Corporation. A firm has been selected by the Technical Evaluation Committee to conduct the audit, and the necessary approvals are being sought to finalize the contract. | TBD |

Current Audits and Activities (Continued):

| Audit Activity | Status | Target Completion Date |
|--|--|-------------------------------|
| Enterprise Resource Planning (ERP) System Implementation Review | <p>The objectives of this audit are to: (a) determine if the City’s key financial activities are being adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system and (b) determine if the system was adequately tested prior to implementation. Approximately 830 audit hours have been used for this review, and we estimate an additional 1,100 hours will be needed.</p> | <p>TBD</p> |
| Disclosure Practices Working Group (DPWG) | <p>City Auditor staff participates in DPWG meetings as an ex officio member. Approximately three hours were spent participating in various DPWG meetings during the month.</p> | <p>On-going</p> |
| Fraud, Waste and Abuse Hotline | <p>We review and administer the City’s Hotline calls that are received. We prepare reports for the calls that are personnel related and they are reviewed at biweekly hotline intake committee meetings by Labor Relations and the Personnel Department. 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 allegations that are substantiated. During the month of January 2009, there were approximately four new hotline calls received. We have spent approximately 656 hours investigating calls this fiscal year.</p> | <p>On-going</p> |

Current Audits and Activities (Continued):

| Audit Activity | Status | Target Completion Date |
|---|--|-------------------------------|
| Follow-up on Previously Issued Audit Reports – San Diego Data Processing Corporation | We are performing a follow-up audit on the recommendations made to the San Diego Data Processing Corporation in an audit report issued in 2004. We have used approximately 153 audit hours and we estimate an additional 127 audit hours will be needed. | On-going |
| Follow-up on All Audit Reports Issued in FY08 Through the First Quarter of FY09 | 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 issued audit reports to determine their status of implementing the audit recommendations made. | On-going |
| Selection Process to Hire an Outside Audit Firm to Conduct the City’s Financial Statement Audits | We are working with the City’s Audit Committee, IBA staff, and Purchasing and Contracting Department to issue a Request For Proposal (RFP) to hire an outside auditor to conduct the City’s financial statement audits for FY2009 through FY2013. | On-going |

Planned Audits Not Yet Started:

| Planned Audit | Description | Estimated Audit Hours |
|--|---|------------------------------|
| City Treasurer - Investment Activities Audit | 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. | 600 |
| City Treasurer - Delinquent Account Collections Audit | 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. | 800 |
| Risk Management - Public Liability and Loss Recovery Audit | The objective of this audit is to determine if public liability and loss recovery is being properly handled, accounted for and accurately reported in the City's financial statements. | 800 |
| City Treasurer - Parking Meter Operations Audit | The objective of this audit is to determine if the collections for parking meters is being properly accounted for and efficiently and effectively handled. | 600 |
| General Services - Streets Division Roadways Audit | The objective of this audit is to determine if the City streets are being efficiently and effectively maintained by the City. | 800 |
| Purchasing and Contracting - Equal Opportunity Contracting and Labor Compliance Audit | The objective of this audit is to determine the efficiency and effectiveness of the City's equal opportunity contracting and labor compliance. | 400 |

Planned Audits Not Yet Started (Continued):

| Planned Audit | Description | Estimated Audit Hours |
|---|--|----------------------------------|
| Annual Central Stores Inventory Audit FY09 | The San Diego Municipal Code Section §22.0501 requires an annual audit of inventory in the City storerooms and warehouses. The objective of this audit is to confirm the valuation of Central Stores inventory and to evaluate the storerooms' internal controls to safeguard inventory. | 80 (FY09) 160 (FY10) |

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