



THE CITY OF SAN DIEGO

DATE: October 12, 2011

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – September 2011**

This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of September 2011. 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:

- September 2, 2011 – Issued an update on the Activities and Accomplishments of the Office of the City Auditor for the period January 2011 through June 2011. For this six month period, we completed 14 performance audits, 1 agreed-upon procedures review, and 2 hotline investigations, which produced a total of 17 audit reports. These reports contained 83 recommendations to improve economy, efficiency, and effectiveness within City government, and identified \$20 million in potential monetary recoveries and cost savings for the City. The memo can be found on our website at: http://www.sandiego.gov/auditor/reports/fy12_pdf/pdf/2011_1_accomplishments_report.pdf
- September 6, 2011 – Issued the City Auditor’s Semiannual Recommendation Follow-Up Report. The report provides the status of recommendations as of July 1, 2011. During this reporting cycle, we reviewed 107 recommendations that were reported as implemented by departments and related entities. These submitted recommendations represent 107 of 295 (36 percent) of all open recommendations. The results of our review for this reporting cycle are as follows for the 295 outstanding recommendations: 79 recommendations were implemented; 25 recommendations were partly implemented; 176 recommendations were not implemented; 2 recommendations were not implemented – n/a; and 13 recommendations were not implemented – disagree. The report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy12_pdf/audit/063011_recommendation_cycle.pdf

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- September 27, 2011 – Issued our Performance Audit of Public Utilities Capital Improvement Program. We found that (1) Public Utilities has taken steps to implement asset management, but efforts are not comprehensive; (2) Improvement is needed for Wastewater Master Plan and communicating capital needs to stakeholders; (3) Project delivery costs are higher than statewide average for smaller projects, and project managers are not consistently charging appropriate line items elements of projects; and (4) The City is not charging overhead, which impacts Public Utilities’ and other departments’ forecasts of future project costs. We made 18 recommendations to improve Public Utilities’ asset management program and capital planning. The report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy12_pdf/audit/12-001.pdf
- September 30, 2011 – Issued our Performance Audit of the San Diego City Employees’ Retirement System (SDCERS). We found that (1) While SDCERS’ administrative expenses are higher than peers, this is largely due to the unique environment in which it operates. However, opportunities exist to reduce costs; (2) Opportunities may exist to reduce investment expenses; (3) The City could reduce costs for OPEB health care and disability benefits through policy changes; (4) SDCERS can strengthen certain processes to improve operations; (5) SDCERS could not demonstrate that it fully addressed the findings and recommendations presented in the September 2005 Audit of Corbett Payments. We made 12 recommendations to strengthen operations and reduce costs. Ten recommendations are directed to SDCERS and two are directed to the Department of Risk Management. The report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy12_pdf/audit/110930sdcersaudit.pdf

Current Audits and Activities:

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Police Department – Fiscal Services (License and Permit Fees)	The objective of this audit is to determine if the Police Department is efficiently and effectively collecting license and permit fees owed to the City with adequate internal controls in place. A draft audit report was sent to management for review on August 5, 2011, and a revised draft report was provided on October 7, 2011. Management’s written response is due October 28, 2011.	October 2011	1,564	1,300
Annual Mission Bay Fund Audit FY10	The Annual Mission Bay Fund Audit is required by the City Charter, Article V, Section 55.2 (e). The objective of this audit is to verify that the prior fiscal year collection, allocation, and use of Mission Bay Funds are in compliance with City Charter requirements. Audit report writing is in progress.	October 2011	224	120
Development Services Department Audit	The objective of this audit is to conduct a performance audit of DSD systems. Audit fieldwork is in progress.	November 2011	1,518	1,600

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Public Safety – Police, Fire and Life Guard Audits	We plan to conduct two audits. The objectives of these audits are: 1) to determine the efficiency and effectiveness of the Police, Fire and Lifeguard 9-1-1 emergency call and dispatch system; and 2) to determine the efficiency and effectiveness of the Police Department’s Patrol Operations. Audit fieldwork is in progress for the call and dispatch center audit.	TBD	993	4,800
Purchasing and Contracting Department Audits	We plan to conduct two audits. The objectives of these audits are: 1) to determine the efficiency and effectiveness of the City’s contract process; and 2) to determine the efficiency and effectiveness of the use and controls for procurement cards. Audit fieldwork is in progress.	TBD	723	3,400
Real Estate Assets Department Audit	The objective of this audit is to conduct a performance audit to determine the efficiency and effectiveness of the Real Estate Assets Department’s administration of City leases. Audit preliminary survey is in progress.	TBD	200	1,600

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Fraud, Waste and Abuse Hotline	City Auditor staff reviews all City Hotline calls received and performs investigations for accusations of material fraud, waste or abuse. Hotline reports are issued for fraud related allegations that are substantiated.	On-going	342 (Fiscal Year 2012 Hours)	1,535 (Fiscal Year 2012 Hours)
Follow-up on Audit Report Recommendations	The City Auditor tracks all audit recommendations made since fiscal year 2008. Comptroller staff contacts those responsible for implementing our recommendations and provides regular status data to the City Auditor on all implemented recommendations. We verify if recommendations have actually been implemented and report the implementation status on a semi-annual follow-up report. The last semi-annual follow-up report was issued on September 6, 2011. We plan to issue our next semi-annual follow-up report in February 2012.	On-going	224 (Fiscal Year 2012 Hours)	775 (Fiscal Year 2012 Hours)

Planned FY12 Audits Not Yet Started:

Planned Audit	Estimated Audit Hours
City Planning and Community Investments – Economic Development	3,400
City Comptroller / Personnel Department Audits	2,300
Transportation and Storm Water – Pollution Prevention Audit	1,400
General Services – Facilities Audit	1,400
Annual Mission Bay Fund Audit FY11	240
Annual Central Stores Inventory Audit FY12	120

Respectfully Submitted,



Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant COO
Mary Lewis, Chief Financial Officer
Ken Whitfield, City Comptroller
Jan Goldsmith, City Attorney
Andrea Tevlin, IBA