



THE CITY OF SAN DIEGO

DATE: January 19, 2012

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

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

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

- December 5, 2011 – Presented to the Audit Committee our Performance Audit of the San Diego City Employees' Retirement System. The presentation can be found online via the Audit Committee's electronic agenda at: http://docs.sandiego.gov/councilcomm_agendas_attach/2011/Audit_111205_3ppt.pdf
- December 5, 2011 – Presented to the Audit Committee our Fraud Hotline Update report for the First Quarter, Fiscal Year 2012. The presentation can be found online via the Audit Committee's electronic agenda at: http://docs.sandiego.gov/councilcomm_agendas_attach/2011/Audit_111205_4ppt.pdf
- December 15, 2011 – Issued a Hotline Investigation Report regarding allegations that the Pacific Beach Community Development Corporation (PB-CDC) was in violation of certain terms of its City contract. We determined that the allegations were substantiated. The complainant alleged that the PB-CDC was in violation of its contract by not securing multiple bids for vendors that exceed \$5,000 and by committing Brown Act violations. The PB-CDC agreed to issue a Request for Proposal for services provided by a vendor that was not competitively bid, and to be more diligent in complying with the Brown Act requirements. The complaint also alleged that specific businesses in the Pacific Beach Business Improvement District were underpaying their BID assessment and City Business Taxes by underreporting to the City the number of employees in the business. Each business identified in the complaint was contacted, and, as a result, approximately \$3,000 in additional BID assessments and business taxes were collected. The report can be found on our website at: http://www.sandiego.gov/auditor/reports/fy11_pdf/hotline/111215hotline.pdf

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- December 20, 2011 – Issued a supplemental memorandum requested by the Audit Committee regarding our Performance Audit of the Public Utilities Capital Improvement Program. On October 3, 2011, the Audit Committee requested that we: (1) Specifically highlight the audit report’s recommendations to be responded to in the context of any future rate case that IROC may examine; and (2) Request from the Office of the City Auditor a recommended set of performance audits in the area of water and wastewater public utilities. To address item 1 above, we highlighted six Public Utilities CIP audit recommendations that we believe are the most pertinent in the context of a future rate case that IROC may examine. To address Item 2 above, we have recommended to Public Utilities management and IROC that we conduct an Audit of Valve Maintenance and an Audit of Chemical Purchases and Usage. The memorandum can be found on our website at: http://www.sandiego.gov/auditor/reports/fy12_pdf/memo/111220pucip.pdf

Current Audits and Activities:

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
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. A draft report was provided to management on November 18, 2011 for review.	January 2012	333	120
Development Services Department Audit	The objective of this audit is to conduct a performance audit of DSD systems. Audit report writing is in progress.	February 2012	2,366	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.	February 2012	1,811	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 report writing is in progress for objective 1, and fieldwork is in progress for objective 2.	February 2012	1,904	3,400
Real Estate Assets Department Audit	The objective of this audit is to determine the efficiency and effectiveness of the Real Estate Assets Department’s administration of City leases. Audit preliminary survey is in progress.	March 2012	540	1,600

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
City Planning and Community Investments – Economic Development	The objective of this audit is to determine the efficiency and effectiveness of the City’s economic development process. Audit preliminary survey is in progress.	March 2012	551	1,400
Close-out Audits	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 currently conducting close-outs for William Anderson, former City Planning and Community Investment Director, and Hildred Pepper Jr., Former Director of Purchasing & Contracting. We plan to issue these reports by March 2012.	March 2012	72	200
General Services – Facilities Audit	The objective of this audit is to determine the efficiency and effectiveness of the General Services’ Facilities Division. Audit preliminary survey is in progress.	TBD	479	1,400

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
City Comptroller / Personnel Department Audits	We plan to conduct two audits. The objectives of these audits are: 1) to review the City's payroll process in order to determine if payroll payments are being properly made and if adequate controls are in place, and 2) to determine if there are adequate controls over the City's use of overtime. Audit preliminary survey is in progress for the audit of overtime.	TBD	171	2,300
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	624 (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	278 (Fiscal Year 2012 Hours)	775 (Fiscal Year 2012 Hours)

Planned FY12 Audits Not Yet Started:

Planned Audit	Estimated Audit Hours
Transportation and Storm Water – Pollution Prevention Audit	1,400
Public Utilities – Water Department and Metropolitan Wastewater Audits	2,200
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 Chief Operating Officer
Mary Lewis, Chief Financial Officer
Ken Whitfield, City Comptroller
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst