



## THE CITY OF SAN DIEGO

DATE: Monday, October 05, 2009

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

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

---

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

- September 2, 2009 – Presented to the Land Use and Housing Committee the results of our performance audit of the San Diego Housing Commission. The presentation focused on the portion of the audit related to the Affordable Housing Fund. The presentation can be found on our website at:  
[http://www.sandiego.gov/auditor/pdf/land\\_use\\_housing\\_presentation.pdf](http://www.sandiego.gov/auditor/pdf/land_use_housing_presentation.pdf)
- September 8, 2009 – Issued our Central Stores agreed-upon procedures inventory count for fiscal year 2009. This inventory count is required by San Diego Municipal Code §22.0501. The review consisted of comparing the City's physical inventory in its five storerooms to the inventory stock record. We found that the City storerooms were short 35 items with a total value of \$16,577.33. As a percentage of the sample inventory value, this amounts to approximately 5.3 percent. The Purchasing Department advised that some of the inventory items that could not be located by Central Stores personnel during the count were later found. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/pdf/cs\\_inventory\\_audit.pdf](http://www.sandiego.gov/auditor/pdf/cs_inventory_audit.pdf)
- September 14, 2009 – Presented to the Audit Committee our Annual Audit Plan for fiscal year 2010. The Audit Committee received our plan and made recommendations for the City Auditor to consider. The presentation can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/fy10workplanpresentation.pdf>

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

- September 23, 2009 – Presented to the Budget and Finance Committee our audit objectives and scope for our on-going Citywide Revenue Audit. The presentation can be found on our website at:  
[http://www.sandiego.gov/auditor/pdf/revenue\\_audit\\_09\\_presentation.pdf](http://www.sandiego.gov/auditor/pdf/revenue_audit_09_presentation.pdf)
- September 30, 2009 – Issued our Office of the City Attorney Proposition 64 Audit report. The purpose of our audit was to determine if the Prop 64 funds received by the City were properly recorded and utilized by the former City Attorney’s Office administration, and to ascertain if the receipt and expenditure of Prop 64 funds were consistent with City policy, including the proper budgeting for these funds. Our review of the former City Attorney’s handling of Prop 64 funds found that the expenditures appeared to be reasonable and within state law parameters. However, we made 7 recommendations to address issues and control weaknesses indentified during the audit, to help improve the handling of Prop 64 funds, and to increase the consumer protection information provided to the public. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/pdf/proposition\\_64\\_report.pdf](http://www.sandiego.gov/auditor/pdf/proposition_64_report.pdf)
- September 30, 2009 – The City Auditor met with the City Comptroller to coordinate efforts on the follow-up procedures used to determine if our audit recommendations have been implemented by City management.

**Current Audits and Activities:**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<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 818 audit hours. We plan to issue three separate reports during this audit.	October 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 1,407 audit hours. One report has already been issued during this audit.	October 2009
<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 1,774 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 344 audit hours.	TBD

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

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<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. Audit fieldwork is in progress. Approximately 1,995 audit hours have been used. One report has already been issued during this audit.	TBD
<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 253 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 620 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 239 audit hours.	TBD

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

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<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 383 audit hours.	TBD
<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. Audit fieldwork is in progress. We have used approximately 416 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 4 hours participating in various DPWG meetings during the month of September.	On-going

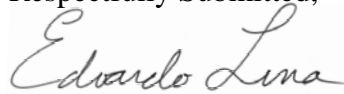
**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<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 September there were approximately 5 new hotline calls received, and we spent approximately 175 hours conducting investigations.	On-going
<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 are providing the Comptroller with a list of our recommendations to send to City Departments that were audited in order to determine their status of implementation. Once the Comptroller has determined that a recommendation has been implemented, the City Auditor’s Office will review evidence to verify that implementation has occurred.	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,



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