



THE CITY OF SAN DIEGO

DATE: January 20, 2010

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – December 2010**

This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of December 2010. 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 30, 2010 – Issued the Managed Competition Cost Comparison Tool Audit Report. The City Administration requested the City Auditor’s Office assistance and expertise in reviewing the mechanism and principals that drive the Managed Competition Cost Comparison Tool (CCT). The City’s Business Office designed the CCT as part of its effort to help outsource City functions. The CCT was submitted to our office as a draft, and it was understood that final changes and tests were being made to update the tool to include SAP-related terminology and resources. The costing tool is an essential part of calculating the cost requirements during each phase of the Managed Competition process. Our review included recommendations on how to make the tool more objective and factual in calculating cost comparisons. The review of the CCT was specifically focused to test for appropriateness, accuracy, and user-friendliness. We thank and commend the City Administration, especially the Business Office, for taking a proactive approach in reviewing this tool. The audit report can be found on our website at:
http://www.sandiego.gov/auditor/reports/fy11_pdf/memo/managedcompmemo.pdf

OFFICE OF THE CITY AUDITOR
1010 SECOND AVENUE, SUITE 1400 • SAN DIEGO, CA 92101
PHONE (619) 533-3165, FAX (619) 533-3036

TO REPORT FRAUD, WASTE, OR ABUSE, CALL OUR FRAUD HOTLINE: (866) 809-3500



New Staff Members

Sunny McLernon, MSW, Performance Auditor

Sunny McLernon joined the San Diego City Auditor’s Office in January 2011 as a Performance Auditor. Prior to working at the City Auditor’s Office, Sunny worked at the California State Auditor’s Office from 2005 through 2010 as an auditor and later as a specialist responsible for tracking legislation, handling public record inquires, and preparing audit analyses of audits requested by the legislature. Sunny has a Master of Social Work degree, with a concentration in Community Outreach, Planning, and Administration from the University of Southern California, and a BA in Sociology with a minor in Public Policy from the University of California, Los Angeles. She also has experience conducting evaluations of non-profit organization programs.

Current Audits and Activities:

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Enterprise Resource Planning (ERP) System Implementation Review	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. A draft audit report has been sent to management for review. One report has already been issued during this audit.	January 2011	3,384	3,407

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Police Department – Fiscal Services (Animal Services Contract) Audit	The objective of this audit is to review the City’s contract for Animal Services and determine if the service provider is in compliance with the terms of the contract. Audit fieldwork is in progress.	February 2011	459	600
Capital Improvement Projects Audit	The objective of this audit is to determine the extent to which the City effectively initiates, prioritizes, and implements CIP projects. Audit fieldwork is in progress.	March 2011	2,939	2,880
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 Jim Barrett, former Public Utilities Director, Patti Boekamp, former Director of Engineering and Capital Projects, and former City Councilmembers Donna Frye and Ben Hueso. We plan to issue all of these reports by March 2011.	March 2011	68	240

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. Audit fieldwork is in progress.	March 2011	181	1,300
City Treasurer – Parking Administration Audit	The objective of this audit is to determine if the collections for parking citations is being properly accounted for and efficiently and effectively handled. Audit fieldwork is in progress.	April 2011	629	1,280
Follow-up on Audit Report Recommendations	The City Auditor tracks all audit recommendations made since FY08. 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 October 6, 2010. On November 3, 2010, we issued a report on the status of audit recommendations for Centre City Development Corporation.	On-going	391 (Fiscal Year 2011 Hours)	600 (Fiscal Year 2011 Hours)

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Fraud, Waste and Abuse Hotline	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 fraud related allegations that are substantiated. During the month of December, there were 6 new Hotline calls received.	On-going	787 (Fiscal Year 2011 Hours)	1,560 (Fiscal Year 2011 Hours)
Public Utilities – Water Department and Metropolitan Wastewater Audits	The City Auditor entered into a Service Level Agreement with Public Utilities and the Independent Rates Oversight Committee (IROC) to conduct audits of the Public Utilities department. We performed a risk assessment and we will be conducting an audit of Public Utilities CIP, and a review of goal measures for the Bid-to-Goal Program.	TBD	372	2,600
Fire Rescue – Emergency Medical Services Audit	The objective of this audit is to determine the efficiency and effectiveness of the City's Emergency Medical Services and related partnership with Rural/Metro of San Diego. Audit fieldwork is in progress.	TBD	1,947	1,800

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Development Services Department Audit	The objective of this audit is to conduct a performance audit of DSD systems. Audit background and preliminary survey are in progress.	TBD	85	1,600
City Retirement System Audit	The objective of this audit is to evaluate the efficiency and effectiveness of the San Diego City Employee Retirement System's administration. Audit background and preliminary survey are in progress.	TBD	80	1,700
General Services – Fleet Services Audit	The objective of this audit is to evaluate the efficiency and effectiveness of the City's fleet vehicle utilization. This audit has been put on hold until audit staff become available.	TBD	8	1,400

Planned FY11 Audits Not Yet Started (as of November 30, 2010):

Planned Audit	Estimated Audit Hours
City Comptroller / Personnel Department – Payroll Audit	1,500
Real Estate Assets Department Audit	1,800
Annual Mission Bay Fund Audit	120
Annual Central Stores Inventory Audit FY11	80

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