



## THE CITY OF SAN DIEGO

DATE: November 19, 2010

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

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

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

- October 6, 2010 – Issued the City Auditor’s Semiannual Recommendation Follow-Up Report. The report provides the status of recommendations as of July 2, 2010. The Comptroller’s Office provided a listing of 112 recommendations deemed implemented, and these recommendations represented 112 of 285 (39%) of all open recommendations. Of the 112 recommendations submitted, we found 35 (31%) were implemented, 30 (27%) were partly implemented, and 47 (42%) were not implemented. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/fy11\\_pdf/audit/10-10\\_rec\\_fllwup.pdf](http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/10-10_rec_fllwup.pdf)
- October 6, 2010 – Issued our Performance Audit of the Fire Prevention Activities Within the City of San Diego. Based on our audit, we found significant opportunities exist to mitigate the risk of loss of life and property resulting from fire. We found that the Fire Prevention Bureau does not conduct regularly required inspections, it should strengthen internal controls and data management to improve operational effectiveness and efficiency, and it does not annually inspect all parcels for brush management compliance, as well as other issues. We made 23 recommendations for improvement. The audit report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/fy11\\_pdf/audit/11-006.pdf](http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-006.pdf)

- October 11, 2010 – Presented to the Audit Committee the City Auditor’s Semiannual Recommendation Follow-Up Report. The presentation can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/fy11\\_pdf/memo/pres\\_recom\\_follow-up\\_report.pdf](http://www.sandiego.gov/auditor/reports/fy11_pdf/memo/pres_recom_follow-up_report.pdf)
- October 11, 2010 – Presented to the Audit Committee the City Auditor’s Quarterly Fraud Hotline Report for the Fourth Quarter, Fiscal Year 2010. The presentation can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/memo\\_pdf/qtr4fy10hotline.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/qtr4fy10hotline.pdf)
- October 11, 2010 – Presented to the Audit Committee our Hotline Investigation Report of Abuse from the Sale of Scrap Metal. The presentation can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/memo\\_pdf/rpt11-002presentation.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/rpt11-002presentation.pdf)
- October 21, 2010 – Issued the City Auditor’s Quarterly Fraud Hotline Report for the First Quarter, Fiscal Year 2011. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/hotline\\_pdf/hotline\\_q4\\_fy10\\_update.pdf](http://www.sandiego.gov/auditor/reports/hotline_pdf/hotline_q4_fy10_update.pdf)
- October 25, 2010 – Issued our Performance Audit of the City Treasurer’s Delinquent Accounts Program. Based on our audit, we found that opportunities exist to increase collection of past due receivables. We found that the Program follows many industry best practices, but improvements can be made to increase recovery and strengthen the City’s billing and past due debt referral practices by implementing additional tools to further increase collections, instituting an effective invoicing and referral policy, and centralizing all policies and procedures in a comprehensive operations manual. We made 7 recommendations for improvement. The audit report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/fy11\\_pdf/audit/11-007.pdf](http://www.sandiego.gov/auditor/reports/fy11_pdf/audit/11-007.pdf)
- October 29, 2010 – The Association of Local Government Auditors’ issued their peer review report, and the independent peer review team found the City of San Diego Office of the City Auditor has conducted work in full compliance with Government Auditing Standards for the period reviewed (July 1, 2008 through June 30, 2010). The report can be found on our website at:  
[http://www.sandiego.gov/auditor/pdf/fy11\\_peer\\_review.pdf](http://www.sandiego.gov/auditor/pdf/fy11_peer_review.pdf)

**Current Audits and Activities:**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>General Services - Streets Division Roadways Audit (Part I &amp; II)</b>	The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. We issued a report on Part I, and on August 26, 2010, we provided a second report on Part II to the department for review. Our preliminary testing uncovered risks which required additional audit testing and a Part II audit. As a result, budgeted hours will be exceeded and does not reflect hours for two reports. The Part II draft audit report is under review by management.	Part II November 2010	3,984	1,574
<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. A draft audit report is under management review. One report has already been issued during this audit.	December 2010	3,256	3,407

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>	<b>Audit Hours Used</b>	<b>Budgeted Hours</b>
<b>Close-out Audits</b>	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-out audits for Jim Barrett, former Public Utilities Director, and Patti Boekamp, former Director of Engineering and Capital Projects. We plan to issue both reports by December. We have used approximately 47 audit hours this fiscal year on close-out audits.	December 2010	47	240
<b>Capital Improvement Projects Audit</b>	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.	January 2011	2,195	2,880
<b>Police Department – Fiscal Services (Animal Services Contract) Audit</b>	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.	January 2011	260	600

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<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 fraud related allegations that are substantiated. During the month of October there were 5 new Hotline calls received.	On-going	477  (Fiscal Year 2011 Hours)	1,560  (Fiscal Year 2011 Hours)
<b>Follow-up on Audit Report Recommendations</b>	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-going	923  (Fiscal Year 2011 Hours)	600  (Fiscal Year 2011 Hours)
<b>Public Utilities – Water Department and Metropolitan Wastewater Audits</b>	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	255	2,600

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
<b>Fire Rescue – Emergency Medical Services Audit</b>	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	1,144	1,800
<b>City Treasurer – Parking Administration Audit</b>	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 background and preliminary survey are in progress.	TBD	220	1,280
<b>Police Department – Fiscal Services (License and Permit Fees)</b>	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 background and preliminary survey are in progress.	TBD	10	1,300
<b>General Services – Fleet Services Audit</b>	The objective of this audit is to evaluate efficiency and effectiveness of the City's fleet vehicle utilization. Audit background and preliminary survey are in progress.	TBD	4	1,400

**Planned FY11 Audits Not Yet Started (as of October 31, 2010):**

<b>Planned Audit</b>	<b>Estimated Audit Hours</b>
<b>City Comptroller / Personnel Department – Payroll Audit</b>	1,500
<b>City Retirement System Audit</b>	1,700
<b>Development Services Department Audit</b>	1,600
<b>Real Estate Assets Department Audit</b>	1,800
<b>Annual Mission Bay Fund Audit</b>	120
<b>Annual Central Stores Inventory Audit FY11</b>	80

Respectfully Submitted,



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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