



## THE CITY OF SAN DIEGO

DATE: September 2, 2011

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **Activities and Accomplishments of the Office of the City Auditor  
Update for the period January 2011 through June 2011**

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At the request of the Audit Committee, we are providing an update on the Activities and Accomplishments of the Office of the City Auditor since our last report period ending December 31, 2010. This report provides the activities and accomplishments for the period January 1, 2011 through June 30, 2011 and summarizes the information from previous reports. We also provide the results of our key performance measures for Fiscal Year 2011 and other accomplishments.

### **Cost Savings and Increased Revenues**

Our principal goal is to increase the economy, efficiency, and effectiveness of the City through audits and investigations and their recommendations. For the six month period from January 1, 2011 through June 30, 2011, we completed 14 performance audits, 1 agreed-upon procedures review, and 2 hotline investigations, which produced 17 total audit reports. These reports contained 83 recommendations to improve economy, efficiency, and effectiveness within City government. As shown in the Summary of Work Performed (**Attachment I**), our Office identified \$20.2 million in potential monetary recoveries and cost saving for the City during the six month period ending June 30, 2011.

At the conclusion of each audit, we determine if there are any quantifiable monetary benefits derived from our audit findings and recommendations. If the monetary benefits reoccur in future years, we calculate the benefit for up to a five year period. These monetary benefits are an estimate and are contingent on our recommendations being successfully implemented by City Management. We are working with the Administration to follow up on recommendations and ensure they are implemented as intended.

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Since the establishment of our Office in July 2008, we have identified a cumulative \$33.6 million in potential savings, which equals to \$6 in potential savings for every \$1 in audit costs. The following table summarizes the work performed as reported in previous Activities and Accomplishments Reports. We should note that we do not include the potential monetary cost savings from some recommendations, where the effort to identify a specific monetary value would not be easily calculated and would consume valuable audit resources. As a result, overall savings do not reflect the impact of these recommendations.

<b>Period</b>	<b>Number of Reports Issued</b>	<b>Identified Opportunities To Increase Revenues Or Reduce Costs</b>	<b>Recommendations To Improve Economy, Efficiency, Operations or Program Effectiveness</b>	<b>Number of Recommendations Auditee Concurred With</b>
July 2008 to December 2009	40	\$7,425,271	274	255
January 2010 to December 2010	19	\$5,963,823	139	127
January 2011 to June 2011	17	\$20,234,356	83	75
<b>Total</b>	<b>76</b>	<b>\$33,623,450</b>	<b>496</b>	<b>457</b>

The details of our previous Actives and Accomplishments Reports as well as all of our audit reports can be found on our website at: <http://www.sandiego.gov/auditor/reports/>.

### **Goals and Performance Measures**

The Office of the City Auditor has three primary goals and objectives and eight key measures to evaluate performance. Our three goals are:

- Goal 1: Increase the economy, efficiency, and effectiveness of City government through audits and their recommendations.
- Goal 2: Provide independent, reliable, accurate, and timely information to the Mayor, Audit Committee, City Council, and other stakeholders.
- Goal 3: Provide independent, confidential, and reliable investigations of all material allegations of fraud, waste, or abuse that are reported via the City's Fraud Hotline.

The results of our Fiscal Year 2011 key performance measures are:

Key Performance Measures	Actual FY2011
1. Percent of audit recommendations management agrees to implement	90%
2. Percent of recommendations reported as implemented by management and subsequently verified through audit testing	89%
3. Ratio of City's monetary benefits from audit activities to operational audit costs <sup>1</sup>	11 to 1
4. Amount of City's measurable monetary benefits from audit activities <sup>2</sup>	\$24 million
5. Percent of audit workplan completed during the fiscal year	91%
6. Percent of Audited Departments satisfied with timeliness, reliability, and value of audit services <sup>3</sup>	88%
7. Percent of Audit Committee Members, City Councilmembers, and high level City Management satisfied with timeliness, reliability, and value of audit services <sup>3</sup>	100%
8. Percent of hotline investigation recommendations management agrees to implement	91%

### Other Accomplishments

The Association of Local Government Auditors recognized the Office of the City Auditor's Street Maintenance Audit Report with one of its prestigious Knighton Awards. The Knighton Award competition recognizes the best performance audit reports submitted by government audit shops throughout the United States and Canada.

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<sup>1</sup> The ratio of the monetary benefits are calculated by considering the potential estimated cost saving or enhanced revenues over a five year period that will occur if audit recommendations are implemented compared to our annual operational costs.

<sup>2</sup> Measurable monetary benefits are calculated by considering the potential estimated cost saving or enhanced revenues over a five year period that will occur if our audit recommendations are implemented.

<sup>3</sup> The percentage of satisfaction is based on the results of voluntary surveys. Due to low response rates (33% in FY 2011), each individual survey response carries a significant portion of the total performance measure. For example, in FY2011, there was only a single negative response, which skewed the performance data.

Please contact me if you need any further information.

Respectfully Submitted,

A handwritten signature in black ink that reads "Eduardo Luna". The signature is written in a cursive style with a large initial "E".

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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

## Summary of Work Performed – January 2011 through June 2011

Reports Issued	Date	Report No.	Description	Identified Opportunities To Increase Revenues Or Reduce Costs	Recommendations To Improve Economy, Efficiency, Operations or Program Effectiveness	Number of Recommendations Auditee Concurred With
1	01/31/11	11-011	Audit of the Enterprise Resource Planning System Implementation	\$0	6	6
2	01/21/11	11-012	Close Out Audit of James Barrett	\$0	0	0
3	02/28/11	11-013	Follow-up Audit of the Development Services Department's Collection of Water and Sewer Fees	<b>\$28,042</b>	2	2
4	03/03/11	11-014	Hotline Investigation of Misappropriation of City Funds	<b>\$100,998</b>	0	0
5	03/15/11	11-015	Close Out Audit of Patti Boekamp	\$0	0	0
6	04/19/11	11-016	Evaluation of Bid-to-Goal Gainsharing Goals	\$0	0	0
7	04/25/11	11-017	Performance Audit of Fire-Rescue's Emergency Medical Services	<b>\$10,900,000</b>	11	10
8	04/29/11	11-018	Close Out Audit of Donna Frye	\$0	0	0
9	04/29/11	11-019	Close Out Audit of Benjamin Hueso	\$0	0	0
10	05/03/11	11-020	Performance Audit of the Parking Administration Program	<b>\$2,900,000</b>	13	13
11	05/20/11	11-021	Close Out Audit of David Jarrell	\$0	0	0

<b>Reports Issued</b>	<b>Date</b>	<b>Report No.</b>	<b>Description</b>	<b>Identified Opportunities To Increase Revenues Or Reduce Costs</b>	<b>Recommendations To Improve Economy, Efficiency, Operations or Program Effectiveness</b>	<b>Number of Recommendations Auditee Concurred With</b>
12	05/31/11	11-022	Close Out Audit of Naresh Lachmandas	\$0	0	0
13	06/17/11	11-023	Hotline Investigation Report of Employee Malfeasance	\$6,707	2	2
14	06/24/11	11-024	Performance Audit of the Animal Services Agreement	\$3,243,959	10	9
15	06/28/11	11-025	Central Stores Agreed-Upon Procedures Inventory Count FY11	\$0	0	0
16	06/29/11	11-026	Performance Audit of the Take-Home Use of City Vehicles	\$3,054,650	15	15
17	06/29/11	11-027	Capital Improvement Program	\$0	24	18
			<b>Totals</b>	<b>\$20,234,356</b>	<b>83</b>	<b>75</b>