



June 2014

Audit Recommendation Follow-up Report

*Status Update as of
December 31, 2013*



THE CITY OF SAN DIEGO

DATE: June 4, 2014
TO: Honorable Members of the Audit Committee
FROM: Eduardo Luna, City Auditor
SUBJECT: **Recommendation Follow-Up Report**

Attached is the Office of the City Auditor's Recommendation Follow-Up Report, which provides the status of open recommendations as of December 31, 2013. We will continue reporting on open recommendations semiannually for periods ending around June 30th and December 31st.

We have provided a short summary of data, highlighted some recommendations, and attached the status updates for all recommendations. We look forward to presenting this report at the June 2014 Audit Committee meeting.

The intent of this report is to keep the Audit Committee informed about the implementation status of recommendations made by the Office of the City Auditor. We would welcome any suggestions or recommendations for improving upon this report to enhance your ability to monitor the effective implementation of City Auditor recommendations.

cc: Honorable Mayor Kevin Faulconer
Honorable City Councilmembers
Scott Chadwick, Chief Operating Officer
Stacy LoMedico, Assistant Chief Operating Officer
Deputy Chief Operation Officers
Department Directors

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IMPLEMENTATION STATUS OF OPEN RECOMMENDATIONS

This report reflects the status of all open recommendations made by the Office of the City Auditor as of December 31, 2013. During this reporting period, the recommendation follow-up process was changed. The Office of the City Auditor contacted departments directly to gather recommendation implementation status information. In the past, departments reported recommendation status information to the Comptroller's Office, who then provided it to the City Auditor. Going forward, we will establish protocols for departments to provide status information directly to the City Auditor's Office.

The Office of the City Auditor reviewed all outstanding recommendations, and placed the recommendations into the following status categories:

- Implemented** where City staff provided sufficient and appropriate evidence to support all elements of implementing the recommendation;
- In Progress** where some evidence was provided but not all elements of the recommendation were addressed or the department reported it has begun to implement the recommendation but has not completed the implementation;
- Not Implemented** includes new recommendations that were issued in the last three months of the current reporting period that were not expected to be implemented already, and no evidence of implementation was provided yet. It also includes recommendations where no evidence was provided to support any meaningful movement towards implementation, and/or no update information was provided;
- Not Implemented – Disagree** where the administration disagreed with the recommendation, did not intend to implement, and no further action will be reported; and
- Not Implemented – N/A** where circumstances change to make a recommendation not applicable.

During this reporting cycle, we reviewed 196 audit recommendations made as of December 31, 2013. We verified that departments and related entities have implemented 65 recommendations out of 196 (33 percent) since our last report. The results of our review for this reporting cycle are as follows for the 196 recommendations:

Number of Recommendations	Status of Recommendations
65	Implemented
79	In Process
49	Not Implemented
0	Not Implemented – Disagree
3	Not implemented – N/A
196	Total

This report provides information about the recommendations in the following Exhibits:

- **Exhibit 1** - Summarizes the status of the 196 recommendations by audit report in chronological order.
- **Exhibit 2** - Summarizes the distribution of the 65 recommendations **Implemented** by Department/Agency.
- **Exhibit 3** - Summarizes the distribution of the 79 recommendations **In Process** and 49 recommendations **Not Implemented** by Department/Agency.
- **Exhibit 4** - Breaks down the 196 recommendations by their status and the length of time a recommendation remains open from the original audit report date.

This report also provides detailed information about the recommendations in the following Attachments:

Attachment A - Recommendations Highlighted for the Audit Committee's Attention

Generally, these recommendations include: (a) those where the administration **disagreed** with implementing the recommendation, (b) the status update significantly varied from the update provided by the administration, (c) a recommendation may need some type of further action, or (d) a recommendation is determined to be **Not Applicable** (N/A) any longer and should be dropped.

Attachment B – Recommendations Deemed as Implemented or In Process

This schedule includes all recommendations as of December 31, 2013 that have been deemed as **Implemented** by City Auditor staff based on sufficient and appropriate evidence provided by the departments to support all elements of the recommendation. This schedule also includes recommendations that are **In Process** of implementation based on the status information provided.

Attachment C – Open Audit Recommendations Not Implemented

This schedule includes a chronological listing of all open recommendations as of December 31, 2013 including new recommendations that were issued in the last three months of the current reporting period but were not expected to be implemented already, and no evidence of implementation was provided yet. It also includes recommendations where no evidence was provided to support any meaningful movement towards implementation, and/or no update information was provided. These recommendations are listed as **Not Implemented**.

FUTURE RECOMMENDATION FOLLOW-UPS

The Office of the City Auditor will conduct semiannual follow-ups with reporting periods ending June 30th and December 31st of each calendar year. As of January 2014, the Office of the City Comptroller no longer has an administrative role in the recommendation follow up process. The Office of the City Auditor is solely responsible for the administration of the recommendation follow up process. We will continue to evaluate ways to improve the recommendation follow-up process. For our next follow-up report, our goal is to have a current or updated "Target Implementation Date" for all recommendations that have not yet been implemented. Then in the future, we will highlight recommendations that have exceeded the Target Implementation Date.

As part of our continuous improvement efforts for the recommendation follow-up process, we will be implementing an electronic work paper system that contains a recommendation follow-up module that will allow Business Users (auditees) to provide updates to the Office of the City Auditor via a web portal.

Exhibit 1 below summarizes the status of the 196 recommendations by audit report in chronological order.

EXHIBIT 1 Audit Reports and Recommendation Status

Report No.	Report Title	Implemented	In Process	Not Implemented ¹
08-020	AUDIT OF PERMITS ISSUED FOR THE BLACKWATER FACILITY	2		
09-001	AUDIT OF THE INTERNAL CONTROL REMEDIATION RELATED TO THE SAN DIEGO CITY EMPLOYEES RETIREMENT SYSTEM		1	
09-013	THE CITY OF SAN DIEGO FACES UNIQUE OPERATIONAL AND ADMINISTRATIVE CHALLENGES IN MANAGING QUALCOMM STADIUM		4	
09-015	AUDIT OF THE SAN DIEGO PUBLIC LIBRARY CASH HANDLING (CONFIDENTIAL)	1		
09-016	AUDIT OF ACCOUNTS OF WENDI BRICK, FORMER CUSTOMER SERVICES DIRECTOR, ELMER HEAP, FORMER DEPUTY CHIEF OPERATING OFFICER, JILLANNE (JILL) OLEN, FORMER DEPUTY CHIEF OPERATING OFFICER, AND JOANNE SAWYERKNOLL, FORMER DEPUTY CHIEF OPERATING OFFICER	1		
10-002	PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART I		2	1
10-003	PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART II	3	2	
10-008	HOTLINE INVESTIGATION OF A CITY COMPTROLLER EMPLOYEE			1
10-009	SAN DIEGO DATA PROCESSING CORPORATION FOLLOW-UP AUDIT		3	
10-010	PERFORMANCE AUDIT OF THE CITY TREASURER’S DELINQUENT ACCOUNTS PROGRAM - DEVELOPMENT SERVICES DEPARTMENT	5		4
10-016	CITYWIDE REVENUE	2		
10-018	PERFORMANCE AUDIT OF THE PURCHASING AND CONTRACTING DEPARTMENT - CITYWIDE OPEN PURCHASE ORDER PROGRAM		1	

¹ This column includes any recommendations deemed Not Implemented – N/A.

Report No.	Report Title	Implemented	In Process	Not Implemented ²
10-020	PERFORMANCE AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT'S COLLECTION OF WATER AND SEWER FEES		2	
11-001	PERFORMANCE AUDIT OF RISK MANAGEMENT'S PUBLIC LIABILITY AND LOSS RECOVERY DIVISION		10	
11-006	PERFORMANCE AUDIT OF THE FIRE PREVENTION ACTIVITIES WITHIN THE CITY OF SAN DIEGO			1
11-009	STREET MAINTENANCE: CITY NEEDS TO IMPROVE PLANNING, COORDINATION, AND OVERSIGHT TO EFFECTIVELY MANAGE TRANSPORTATION ASSETS	1		
11-011	AUDIT OF THE ENTERPRISE RESOURCE PLANNING SYSTEM IMPLEMENTATION	1		
11-013	FOLLOW-UP AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT'S COLLECTION OF WATER AND SEWER FEES		1	
11-017	PERFORMANCE AUDIT OF FIRE-RESCUE'S EMERGENCY MEDICAL SERVICES		1	
11-020	PERFORMANCE AUDIT OF THE PARKING ADMINISTRATION PROGRAM	1	1	
11-024	PERFORMANCE AUDIT OF THE ANIMAL SERVICES AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND THE COUNTY OF SAN DIEGO	1		1
11-026	PERFORMANCE AUDIT OF THE TAKE-HOME USE OF CITY VEHICLES		6	
11-027	PERFORMANCE AUDIT OF THE CAPITAL IMPROVEMENT PROGRAM	5	1	1
12-002	PERFORMANCE AUDIT OF THE SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM		2	
12-003	HOTLINE INVESTIGATION REPORT OF FALSE REQUEST FOR REIMBURSEMENT	1		
12-004	PERFORMANCE AUDIT OF THE SAN DIEGO POLICE DEPARTMENT'S PERMITS AND LICENSING UNIT		2	2

² This column includes any recommendations deemed Not Implemented – N/A.

Report No.	Report Title	Implemented	In Process	Not Implemented ³
12-007	PERFORMANCE AUDIT OF THE FIRE-RESCUE DEPARTMENT'S EMERGENCY MEDICAL DISPATCH PROCESS	1		
12-008	PERFORMANCE AUDIT OF THE PURCHASING AND CONTRACTING DEPARTMENT	2	2	
12-009	PERFORMANCE AUDIT OF THE MISSION BAY IMPROVEMENT FUND - FY10	2	1	
12-010	HOTLINE INVESTIGATION REPORT OF EMPLOYEE INTERNET ABUSE	1		
12-011	PERFORMANCE AUDIT OF FACILITIES' PURCHASES UNDER THE MRO AGREEMENTS		1	
12-013	HOTLINE INVESTIGATION REPORT OF EMPLOYEE CONFLICT OF INTEREST WITH RECREATION CENTER CONTRACTUAL PROGRAMS	1		
12-015	PERFORMANCE AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT'S PROJECT TRACKING SYSTEM	4	5	4
13-003	PERFORMANCE AUDIT OF THE PROCUREMENT CARD PROGRAM	2	5	4
13-004	HOTLINE INVESTIGATION REPORT OF SAN DIEGO CONVENTION CENTER STATISTIC REPORTING	2		
13-005	HOTLINE INVESTIGATION REPORT OF CASH HANDLING AT RECREATION CENTERS	4	3	4
13-006	PERFORMANCE AUDIT OF THE ECONOMIC DEVELOPMENT PROGRAM	3	1	
13-007	PERFORMANCE AUDIT OF THE PUBLIC UTILITIES DEPARTMENT'S CHEMICAL PURCHASES	1	2	
13-008	PERFORMANCE AUDIT OF THE GENERAL SERVICES DEPARTMENT - FACILITIES MAINTENANCE DIVISION	4	1	
13-009	PERFORMANCE AUDIT OF THE REAL ESTATE ASSETS DEPARTMENT			4
13-010	PERFORMANCE AUDIT OF THE CITY'S OVERTIME CONTROLS	1	2	
13-011	PERFORMANCE AUDIT OF THE PUBLIC UTILITIES DEPARTMENT'S VALVE MAINTENANCE PROGRAM	9	3	12

³ This column includes any recommendations deemed Not Implemented – N/A.

Report No.	Report Title	Implemented	In Process	Not Implemented ⁴
13-012	PERFORMANCE AUDIT OF THE STREETS DIVISION'S POTHOLE REPAIR OPERATIONS	2	1	1
13-013	PERFORMANCE AUDIT OF THE ZOOLOGICAL EXHIBITS FUND	2		
14-001	PERFORMANCE AUDIT OF THE PARK AND RECREATION DEPARTMENT'S PLAYGROUND MAINTENANCE PROGRAM		2	1
14-002	PERFORMANCE AUDIT OF THE PUBLIC UTILITIES DEPARTMENT'S INDUSTRIAL WASTEWATER CONTROL PROGRAM		6	2
14-003	PERFORMANCE AUDIT OF THE UTILITIES UNDERGROUNDING PROGRAM	2	2	
14-004	PERFORMANCE AUDIT OF MISSION BAY AND SAN DIEGO REGIONAL PARKS IMPROVEMENT FUNDS, FISCAL YEAR 2012	1	1	
14-005	PERFORMANCE AUDIT OF PUBLISHING SERVICES			4
14-006	PERFORMANCE AUDIT OF THE POLICE PATROL OPERATIONS		1	2
14-009	PERFORMANCE AUDIT OF THE PUBLIC UTILITIES DEPARTMENT'S CUSTOMER SUPPORT DIVISION			3
14-010	PERFORMANCE AUDIT OF THE PERSONNEL DEPARTMENT			6
14-011	PERFORMANCE AUDIT OF IT WEB SERVICES	1		3
GRAND TOTAL		65 (33%)	79 (40%)	52 (27%)

⁴ This column includes any recommendations deemed Not Implemented – N/A.

Exhibit 2 summarizes the distribution of the 65 recommendations **Implemented** by Department/Agency as of December 31, 2013.

EXHIBIT 2: Number of Recommendations Implemented by Department/Agency

Number of Recommendations Implemented	Department/Agency
2	City Attorney
6	City Comptroller
11	Development Services Department (DSD)
4	Economic Development
2	Financial Management
1	Fire – Rescue Department
1	Human Resources
1	Information Technology
1	Library
6	Park & Recreation

Number of Recommendations Implemented	Department/Agency
1	Personnel Department
2	Public Utilities
8	Public Utilities - Water Operations
1	Public Utilities - WWTD
5	Public Works
2	San Diego Convention Center
3	San Diego Housing Commission
1	San Diego Police Department
6	Transportation & Storm Water
1	Zoological Society of San Diego

Exhibit 3 summarizes the distribution of the 79 recommendations **In Process** and 49 recommendations **Not Implemented** by Department/Agency as of December 31, 2013. This exhibit does not include the 3 recommendations determined to be no longer applicable - **Not Implemented – N/A**.

EXHIBIT 3: Number of Recommendations In Process or Not Implemented by Department/Agency

Number of Recommendations Outstanding	Department/Agency	Number of Recommendations Outstanding	Department/Agency
1	City Attorney	2	Public Utilities - Water Operations
7	City Comptroller	1	Public Utilities - WWTD
7	City Personnel	12	Public Works
1	City Treasurer	10	Purchasing and Contracting
14	Development Services Department (DSD)	4	Real Estate Assets
1	DSD & Public Utilities	11	Risk Management
1	Economic Development	4	San Diego Housing Commission
1	Emergency Medical Services	1	San Diego Police and Fire-Rescue Departments
4	Engineering and Capital Projects	9	San Diego Police Department
1	Information Technology	2	San Diego City Employee Retirement System (SDCERS)
4	Office of the COO	4	Stadium
11	Park & Recreation	4	Transportation & Storm Water
11	Public Utilities		

Exhibit 4 breaks down the 196 recommendations by their status and the length of time a recommendation remains open from the original audit report date.⁵

EXHIBIT 4: Audit Recommendation Implementation Aging

Timeframe	Implemented	In Process	Not Implemented	Not Implemented-N/A	Total
0 - 3 Months	1	1	18	0	20
4 - 6 Months	3	11	3	0	17
6- 12 Months	14	4	3	0	21
1 to 2 Years	23	24	16	1	64
Over 2 Years	24	39	9	2	74
Total	65	79	49	3	196

⁵ Timing is rounded to the month.

June 2014

ATTACHMENT A

Recommendations For The Audit Committee's Attention

Attachment A includes recommendations highlighted for the Audit Committee's attention. Generally, these recommendations include: (a) those where the administration **disagreed** with implementing the recommendation, (b) the status update significantly varied from the update provided by the administration, (c) a recommendation may need some type of further action, or (d) a recommendation is determined to be **Not Applicable** (N/A) any longer and should be dropped.

ATTACHMENT A
RECOMMENDATIONS FOR THE AUDIT COMMITTEE'S ATTENTION

Requested Action by the Audit Committee:

We request the Audit Committee consider whether to forward the following recommendation to the appropriate City Council Committee to determine if this recommendation can be fully implemented.

12-008 PERFORMANCE AUDIT OF THE PURCHASING AND CONTRACTING DEPARTMENT

(SM)

#2

Based on the written legal opinion provided by the Office of the City Attorney, if the City Council believes the San Diego Municipal Code needs modification, it should instruct the City Administration to take immediate steps to: (1) establish clear and specific San Diego Municipal Code language, which prescribes thresholds for nonprofit and agency service contracts, (2) specifically state when and whether purchase orders can be used to extend nonprofit and agency service contracts beyond the maximum allowable duration of five years without City Council review, (3) describe when and whether a purchase order can be considered a new contract, and (4) redress any current practices that do not comply with that understanding.

In Process

This recommendation is In process pending further direction from City Council. With consideration to the amendments to Article 2 of the Municipal Code that raised the dollar threshold for contracts with non-profit organizations that need City Council approval, we consider parts (1) and (2) of this recommendation implemented. However, parts (3) and (4) have not been implemented. We request that the Audit Committee consider forwarding parts (3) and (4) to the appropriate City Council Committee for consideration, which pertain to clarification of the allowance of the use of purchase orders to create new contracts, and redressing any current practices that do not comply with current understanding.

This audit report can be found on the City Auditor's website at:
<http://www.sandiego.gov/auditor/pdf/report/audit/2012/120301pandcaudit.pdf>. The City Attorney's legal opinion for this recommendation can be found as Attachment D of this report.

Requested Action by the Audit Committee:

We request the Audit Committee consider dropping the following three recommendations because they are no longer applicable.

10-002 PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART I

(MH)

#7 City Administration should actively assess the status of the De Anza Harbor Resort funding and whether repayment should be expected, engage San Diego Housing Commission in the process as feasible, and take action as appropriate. This assessment would include a review of the status of the De Anza project and the funds utilized since being appropriated from San Diego Housing Commission. Furthermore, City public websites and any other referential material should be updated to accurately reflect current contact and project status information.

Not Implemented – N/A This recommendation is no longer applicable. The relocation costs were part of the recent superior court decision.

11-006 PERFORMANCE AUDIT OF THE FIRE PREVENTION ACTIVITIES WITHIN THE CITY OF SAN DIEGO

(MG)

#16 The Fire Prevention Bureau should bring before City Council a recommended policy and protocol for future fee deferral that determines when the Mayor has the discretion to grant approval for discontinuing billing for services rendered.

Not Implemented – N/A This recommendation is no longer applicable. Any City Council adopted fees can only be waived by City Council. The Administration states a policy is not required since there is no intent to waive fees in the future without prior City Council approval.

12-015

PERFORMANCE AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT'S PROJECT TRACKING SYSTEM

(SG)

#9

The Development Services Department (DSD) should strengthen Project Tracking System (PTS) controls over assessing fees by implementing:

a) Logic checks to ensure that fees are entered accurately and alert reviewers when apparent errors have been made in charging fees. For example, logic checks should alert reviewers if the square footage used to charge the Building Permit and the Construction and Demolition Debris Deposit fees does not match; if separate fees are charged for different project components when they should be combined; or if the type of construction used to charge different fees does not match.

b) Auto-populating features to reduce the necessity for repetitive data entry by staff. For example, if the project is being charged a Building Permit fee for 4,000 square feet of new single-family construction, the Project Tracking System should automatically add the Construction and Demolition Debris Recycling Deposit fee for a new 4,000 square foot single-family home.

c) Predictive controls to reduce staff fee choices based on prior data input, making accurate fee selection easier and quicker and reducing customer waiting times. For example, if the reviewer indicates that the project is for new single-family construction, the list of available fees should be limited to only those fees that may apply to a new single-family construction project.

Not Implemented – N/A

Since the system will be replaced in a reasonable time frame, the Auditor's Office agreed that DSD would not benefit from focusing on these improvements. The Auditor's Office will review the implementation of these logic checks, and given the time frame for a new system's implementation, accept it as resolving the issue.

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ATTACHMENT B

Recommendations Deemed As Implemented or In Process

This schedule includes all recommendations as of December 31, 2013 that have been deemed as **Implemented** by City Auditor staff based on sufficient and appropriate evidence provided by the departments to support all elements of the recommendation. This schedule also includes recommendations that are **In Process** of implementation based on the status information provided.

**ATTACHMENT B
RECOMMENDATIONS DEEMED AS IMPLEMENTED OR IN PROCESS**

08-020	AUDIT OF PERMITS ISSUED FOR THE BLACKWATER FACILITY
	(SP)
#8a	Development Services Department (DSD) should take additional steps to locate missing records.
Implemented	DSD has found the records previously noted as missing, has a records checkout and logging process implemented, and has a retention schedule that requires DSD to keep records for the life of the structure.
#8b	Development Services Department (DSD) should review controls over records retention to ensure they are adequate.
Implemented	DSD has found the records previously noted as missing, has a records checkout and logging process implemented, and has a retention schedule that requires DSD to keep records for the life of the structure.
09-001	AUDIT OF THE INTERNAL CONTROL REMEDIATION RELATED TO THE SAN DIEGO CITY EMPLOYEES RETIREMENT SYSTEM
	(CK)
#6	The Office of Appointments to Boards and Commissions should incorporate into their Board selection policies/procedures, language requiring that all applications for final candidates to serve on the San Diego City Employee Retirement System' Board be forwarded to the San Diego City Employee Retirement System Business and Governance Committee.
In Process	The current administration for the Office of Appointments to Boards and Commissions was not aware of this recommendation and indicated any formal action would be done under the purview of the incoming administration.

Target Date: TBD

09-013

THE CITY OF SAN DIEGO FACES UNIQUE OPERATIONAL AND ADMINISTRATIVE CHALLENGES IN MANAGING QUALCOMM STADIUM

(SM)

#2

In order to avoid significant legal settlements in the future, the City should continue to ensure that it meet its obligation to provide the Stadium to the Chargers per the terms of its current agreement. To minimize the legal and financial risks involved with managing the Stadium, the Stadium should perform a comprehensive analysis of its compliance with the key terms of the City's agreement with the Chargers and with the 2000 American Disabilities Act (ADA) compliance settlement. If the results of the analysis are unfavorable for the City, the City should take steps to aggressively abate the risks of non-compliance with ADA requirements and Chargers agreement terms.

In Process

No change in status from previous reporting cycle. Qualcomm's Management, the City Administration, City Attorney's Office, and City Auditor discussed the issues that arose out of the Beverly Walker case. Our office is continuing to work with the City Administration and City Attorney to resolve any outstanding issues.

Target Date: TBD

#4

Stadium management should create a comprehensive business and marketing plan for the Stadium that addresses the following issues: a. Strengths, opportunities, weaknesses, and threats that face the Stadium in both the short and long-term, as well as provide benchmarks for the financial and operational performance of the Stadium over the next three to five years. b. An analysis of major agreements and responsibilities that the Stadium is required to provide. c. A strategic plan for the amounts and types of events the Stadium will be hosting in the future including estimates of the revenues and expenses attributable to each event. d. A capital projects prioritization schedule that the Stadium can follow while determining the use of the Stadium's annual capital improvement budget. The schedule should be reviewed by the Stadium Advisory Board, approved by the Mayor, and presented to the City Council on an annual basis. If Stadium management wishes to significantly deviate from strategies approved within the plan, then the plan should be updated by Stadium management and vetted through a similar review and approval process.

In Process

No change in status from previous reporting cycle . As previously reported, the department has developed a satisfactory business plan and preformed a 10-year CIP forecast along with the forecast methodology. And although, the Stadium has made progress in implementing this recommendation, we were not able to obtain documentation that the forecast reviewed by the Mayor and City Council was presented to the Stadium Advisory Board. Until the Stadium can provide documentation that the forecast was presented to the Advisory Board, the recommendation will remain partly implemented.

Target Date: TBD

#5 To help alleviate the effects of administrative staff turnover at the Stadium, Stadium management should create a policy and procedure manual specific to Stadium operations. At a minimum, the Stadium should ensure that written policies and procedures are established for the following administrative functions: a. Policies for the creation, content, retention, and approval of Stadium event files. b. Procedures that ensure accurate and timely billings for stadium events and periodic reconciliations of all accounts within the Stadium Fund.

In Process No change in status from previous reporting cycle. The Stadium provided evidence for its retention policy, which is on file with the City Clerk's Office; however, the Stadium is still missing relevant policies and procedures:

- for the creation, content and approval of Stadium event files;
- for accurate and timely billings for stadium events; and
- for periodic reconciliations of all accounts within the Stadium Fund.

We will continue to follow up on the recommendation during the next reporting cycle.

Target Date: TBD

#7 Stadium management should review the accounts receivable balance within the Stadium Fund and work with the City Treasurer's Office to ensure that all overdue accounts are being actively collected.

In Process There is no change to this recommendation status since our last report. In the last report we indicated that during our verification of recommendation implementation (period end December 31, 2012), we discovered that the Stadium's single use permit language is not compatible with the way business is conducted regarding the issuance of invoices. We would like to modify the recommendation as follows: Consider revising the single use permit agreements to outline the current process and allow time to properly process an invoice to the event holders.

Target Date: TBD

09-015	AUDIT OF THE SAN DIEGO PUBLIC LIBRARY CASH HANDLING
	(MG)
#15	Send notification, at least weekly, to branch Librarians confirming that the deposit amount received by Central match cash transferred from the branch. If branches do not receive a confirmation or receive a confirmation with discrepant amounts, reports should be made to the supervisor of the Business Office and appropriate steps taken to investigate and document the circumstances.
Implemented	The Library's updated policy adequately addresses our recommendation in two ways 1) Requires weekly notification to be sent to library managers and supervising librarians confirming the receipt and reconciliation of all deposits received by the Business Office; and 2) Requires the Business Office to notify library managers and supervisors of any discrepancies in deposit amounts, missing deposits, or of any non-sequential "Z" tape numbers within the next business day. The department provided sufficient evidence to show that this process is being followed.
09-016	AUDIT OF ACCOUNTS OF WENDI BRICK, FORMER CUSTOMER SERVICES DIRECTOR, ELMER HEAP, FORMER DEPUTY CHIEF OPERATING OFFICER, JILLANNE (JILL) OLEN, FORMER DEPUTY CHIEF OPERATING OFFICER, AND JOANNE SAWYERKNOLL, FORMER DEPUTY CHIEF OPERATING OFFICER
	(SP)
#1	The City Administration should ensure that the policies and procedures governing terminating employees are followed specifically pertaining to the return of City identification cards and the stopping of auto allowances on employees last day of work.
Implemented	The recommendation is fully implemented with the codification of AR 96.00
10-002	PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART I
	(MH)
#4	City Administration should either follow or facilitate the updating of the City Charter and San Diego Municipal Code (SDMC) to more accurately reflect the actual process. Any updates should include reference to the role of relevant City departments that are responsible for completing background investigations as part of the Board applicant vetting process.
In Process	No change in status from previous reporting cycle. The revised deadline for completion of this recommendation is January 31, 2011. No additional documentation has been provided.

Target Date: TBD

#6 San Diego Housing Commission management should facilitate the modification of San Diego Municipal Code (SDMC) §98.0301(f)(1) to indicate "... commissioners appointed pursuant to this section shall be tenants of housing commission units or Section 8 rental assistance program voucher recipients. "

In Process Facilitation is complete. San Diego Housing Commission (SDHC) legal counsel recently conferred with the City Attorney's Office regarding this matter. Revisions to the ordinance are currently in process.

Target Date: TBD

10-003 PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART II

(MH)

#1 San Diego Housing Commission (SDHC), in collaboration with City Administration, should perform a review of the Housing Impact Fee schedule, and assess reasonableness and consistency with San Diego Municipal Code (SDMC) §98.0618. The fees should be updated through 2009 to be consistent with the SDMC. If the updates are not practical or feasible, the communication of the current intent to request updates through City Council should be clearly documented and retained by both the City Administration and San Diego Housing Commission.

In Process The San Diego Housing Commission (SDHC) staff recommended an update to the City of San Diego's (City) Housing Impact Fee Ordinance on August 9, 2013. The City Council adopted an update to the fee levels, and the Municipal Code on December 10, 2013. However, a coalition of business groups submitted petitions to subject the ordinance to referendum, which suspended the updated Housing Impact Fee Ordinance. On March 4, 2014, the City Council rescinded the updated Housing Impact Fee Ordinance. The City Council directed SDHC to continue the dialogue about funding options for affordable housing and report back to the City Council by the end of June with an update and proposed actions to take. SDHC is currently in discussions with the coalition of business groups regarding a potential proposal.

Target Date: TBD

#2 San Diego Housing Commission (SDHC), in collaboration with City Administration, should develop and implement procedures so that Housing Impact Fee updates are recalculated March 1 of each year by the appropriate percentage increase or decrease as indicated in the San Diego Municipal Code (SDMC) and prepare a recommendation to the City Council for such revision on an annual basis. If the updates are not accepted or processed by the City Council, the annual communication of the requested updates through City Council should be clearly documented and retained. If the SDMC will not be followed, then it should be amended to reflect the current fee expectations in relation to the Housing Trust Fund, a change that would require City Council action to amend the SDMC.

In Process	<p>The San Diego Housing Commission (SDHC) staff recommended an update to the City of San Diego's (City) Housing Impact Fee Ordinance on August 9, 2013. The City Council adopted an update to the fee levels, and the Municipal Code on December 10, 2013. However, a coalition of business groups submitted petitions to subject the ordinance to referendum, which suspended the updated Housing Impact Fee Ordinance. On March 4, 2014, the City Council rescinded the updated Housing Impact Fee Ordinance. The City Council directed SDHC to continue the dialogue about funding options for affordable housing and report back to the City Council by the end of June with an update and proposed actions to take. SDHC is currently in discussions with the coalition of business groups regarding a potential proposal.</p>	Target Date: TBD
#3	<p>City Administration should facilitate the update of the San Diego Municipal Code (SDMC) to accurately reflect the current process for the collection and maintenance of the Housing Trust Fund fees by the Comptroller in a specific subaccount after collection by the City.</p>	
Implemented	<p>The San Diego Housing Commission (SDHC) prepared and recommended policy revisions to both the Housing Commission and Housing Authority (Report Numbers HCR11-144 and HAR 12-003). Both entities approved the updates with the Housing Authority adopting Resolution Number HA-1538 January 23, 2012.</p>	
#11	<p>San Diego Housing Commission (SDHC) and City Administration should review San Diego Municipal Code (SDMC) §142.1310(e) and have the applicable SDMC sections updated to reflect the current fees or make reference to the source document or department for the updated fees, a change that would require City Council action.</p>	
Implemented	<p>The San Diego Municipal Code was reviewed, renumbered and amended November 21, 2011 by 0-20107 and was effective December 21, 2011. The President and CEO of SDHC provides an annual determination of inclusionary affordable housing fees memo to the Mayor and City Council. The determination memo for 2013-2014 was prepared and submitted June 11, 2013.</p>	
#12	<p>City Administration should draft, approve, and implement departmental guidelines (across multiple departments as needed) to accurately identify and document the process roles and responsibilities for City departments, including the Treasurer, Comptroller, Facilities Financing and Development Services Department (DSD) in Affordable Housing Fund-related processes. These processes should include the reporting of quarterly and annual Housing Trust Fund and Inclusionary Housing Fund activity by Facilities Financing and DSD to SDHC and the Comptroller. The Comptroller should reconcile fund levels and make disbursements based upon mutually agreed upon amounts from that reporting on a consistent and timely basis.</p>	
Implemented	<p>The San Diego Housing Commission (SDHC) prepared and recommended policy revisions to both the Housing Commission and Housing Authority (Report Numbers HCR11-144 and HAR 12-003). Both approved entities approved the updates with the Housing Authority adopting Resolution Number HA-1538 January 23, 2012. SDHC Policy Numbers PO-BEF-301.08 and PO-BEF-301.09 address the specific processes included in this recommendation.</p>	

10-009 SAN DIEGO DATA PROCESSING CORPORATION FOLLOW UP AUDIT

(SG)

#8 City management should consider establishing policies and regulations specific to procurement of long-term system maintenance contracts.

In Process No change in status from previous reporting period. The Purchasing and Contracting Department stated that they had completed the recommendations but documentation could not be provided for verification.

Target Date: TBD

#9 The City and San Diego Data Processing Corporation should develop policies and procedures to ensure compliance with competitive standards applicable to federally funded technology projects.

In Process No change in status from previous reporting period. In January 2012, the responsibility for IT procurement was transferred to the Purchasing and Contracting (P&C) Department. The Department stated that they had completed the recommendations; however, the department did not provide any evidence to demonstrate the implementation of this recommendation.

Target Date: TBD

#12 The City should establish encumbrances for Information Technology Business Leadership Group (ITBLG) approved new project costs procured through San Diego Data Processing Corporation to ensure actual costs do not exceed approved budgeted costs.

In Process No change in status from previous reporting period. In January 2012, the responsibility for IT procurement was transferred to the Purchasing and Contracting (P&C) Department. The Department stated that they had completed the recommendations; however, the department did not provide any evidence to demonstrate the implementation of this recommendation.

Target Date: TBD

10-010 PERFORMANCE AUDIT OF THE CITY TREASURER'S DELINQUENT ACCOUNTS PROGRAM - DEVELOPMENT SERVICES DEPARTMENT

(SG)

#2 Establish appropriate criteria and timelines that will trigger Development Services Department (DSD) Financial Services generate an Accounts Receivable Information System (ARIS) invoice with automatic referral to the Treasurer's Delinquent Accounts Program of unpaid invoices after the invoice due date. If the timeline for referral exceeds 30 days past due, request approval for a more appropriate time frame from the City Treasurer per City regulations. Centralize the deficit account invoicing process in Development Services Department (DSD)'s Financial Services and eliminate courtesy and collection letters as well as Project Tracking System (PTS) invoices.

Implemented The Development Services Department has establish appropriate criteria, timeliness and process to standardize an automatic referral to the Treasurer's Delinquent Accounts Program of unpaid invoices after the invoice due date in a timely manner as required by this recommendation.

#3 Establish procedures for Development Services Department (DSD) cashiers to coordinate with financial services to ensure payments received on Accounts Receivable Information System (ARIS) invoices are properly applied to the invoice so paid accounts are not referred to the Treasurer's Delinquent Accounts Program in error.

Implemented The Development Services Department has establish procedures for DSD cashiers to coordinate with Financial Services to ensure payments received on SAP invoices are properly applied to the invoice to ensure paid accounts are not referred to the Treasurer's Delinquent Accounts Program in error.

#4 Establish procedures and strengthen controls in Project Tracking System (PTS) that prevent Development Services Department (DSD) cashiers from accepting payment on past due ARIS invoices (those referred to Treasurer's Delinquent Accounts Program). Instruct applicants with referred accounts to make payment at Treasurer's Delinquent Accounts Program.

Implemented The Development Services Department has implemented additional controls around payments on past due accounts in PTS to ensure delinquent customer payments go through the Treasurer's Delinquent Accounts Program.

#5 Reinstate monthly statements, for all applicants, which contain enough detail regarding charges (staff person name, description of work performed, hours spent and amount, etc.), as well as language stating that applicants have a limited amount of time to dispute any charges. Monthly statements for accounts in deficit should also contain a remittance advice, the deficit amount, the minimum positive balance required, a due date and language that clearly states that unpaid amounts will be referred to Treasurer's Delinquent Accounts Program (based on the established criterion and timeline from #2 above).

Implemented	The Development Services Department has implemented an updated monthly account statement. These statements contain enough detail regarding charges (staff person name, description of work performed, hours spent and amount, etc.), as well as language stating that applicants have a limited amount of time to dispute any charges. Additionally, monthly statements for accounts in deficit now contains a remittance advice, the deficit amount, the minimum positive balance required, a due date and language that clearly states that unpaid amounts will be referred to the Treasurer's Delinquent Accounts Program to ensure customers are aware of their account status.
#10	Implement system interfaces between Project Tracking System (PTS) and the current and future SAP modules to increase the automation of manual billing and collection tasks.
Implemented	The Development Services Department has implemented system interfaces between DSD's Project Tracking System and SAP to increase the automation of manual billing and collection tasks.
10-016	CITYWIDE REVENUE (MG)
#9	The City Comptroller's Office should continue identifying the necessary sub processes and prepare written policies/procedures for verifying the accuracy of TransNet revenues.
Implemented	The Comptroller's office provided a process narrative that sufficiently addresses our recommendation regarding verifying the accuracy of TransNet revenues. Additionally, we analyzed data in SAP that clearly demonstrates that the steps in the process narrative are being followed.
#11	The Office of the City Comptroller should develop written policies/procedures for verifications of gas tax revenues performed by the City.
Implemented	A Process Narrative for Verification of Gas Tax revenues has been completed and published. This was published on 12/20/13.
10-018	PERFORMANCE AUDIT OF THE PURCHASING AND CONTRACTING DEPARTMENT - CITYWIDE OPEN PURCHASE ORDER PROGRAM (MH)
#3	Modify Administrative Regulation 35.15 to adequately reflect the new policies as a result of the actions taken from Recommendations one and two above. Additionally, the Administrative Regulation should include a requirement for departments to document and retain a reconciliation of the requisition forms, similar to the form 2610, on a quarterly basis.

In Process According to Purchasing & Contracting (P&C) this recommendation is partly implemented. The department reports that “efforts are underway” to update and modify Administrative Regulation (AR) 35.15 to correctly reflect purchasing policies. P&C reported that it is coordinating with various stakeholders to complete the needed AR modifications and that AR 35.15 has been drafted to reflect the discontinuance of Citywide Open Purchasing Orders. The revised draft of AR 35.15 is on hold pending the proposed changes to the San Diego Municipal Code. The department’s target date for implementation is May 2014.

Target Date: TBD

10-020 PERFORMANCE AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT’S COLLECTION OF WATER AND SEWER FEES

(SG)

#5 Development Services Department management, in conjunction with the Public Utilities’ Installation Order System (IOS) Section, should create a common repository that is updated as rules or procedures for the assessment of IOS permit fees are created or changed.

In Process The Development Services Department has implemented an MOU between DSD and PUD that requires periodic review of plans in Supervisory Clusters that regularly assess fees and yearly training sessions in conjunction with Public Utilities. However, the MOU appears to have only been effective for the 2012 Calendar Year with no evidence of renewal.

Target Date: TBD

#6 Development Services Department should implement a periodic review of plans in Supervisory Clusters that regularly assess Installation Order System (IOS) fees and yearly training sessions in conjunction with Public Utilities.

In Process The Development Services Department has implemented an MOU between DSD and PUD that requires periodic review of plans in Supervisory Clusters that regularly assess fees and yearly training sessions in conjunction with Public Utilities. However, the MOU appears to have only been effective for the 2012 Calendar Year with no evidence of renewal.

Target Date: TBD

11-001	PERFORMANCE AUDIT OF RISK MANAGEMENT'S PUBLIC LIABILITY AND LOSS RECOVERY DIVISION
	(TT)
#1	Risk Management should adopt public sector practices for collection, analysis, and reporting of risk information, and prepare and distribute an annual Risk Management Report.
In Process	Management states that issuing an annual report is resource driven. Risk Management has provided an implementation target date of July 2015.
	Target Date: 07/2015
#3	Risk Management, with the assistance of an actuarial consultant, should develop and implement cost allocation methodology for City departments to assess the costs of general liability claims.
In Process	Risk Management states that the cost allocation methodology should be in place by July 2015.
	Target Date: 07/2015
#4	The City Administration should consider actions taken by other cities to limit sidewalk repair responsibility and to take appropriate action to limit the City's liability related to sidewalks.
In Process	No change in status from previous reporting cycle. While Risk Management remains a key participant in determining how to limit the City's liability related to sidewalk repair, according to Risk Management, action to address the City's responsibilities for sidewalk repair and limit the City's liability require the coordination of several departments.
	Target Date: TBD
#7	Risk Management and the City Attorney should solicit feedback from the City Council on the adequacy and completeness of current public liability claims-related reporting and, as appropriate, facilitate the updating of Council Policy 000-009 to be consistent with agreed-upon reporting.
In Process	Risk Management has provided an implementation target date of April 30, 2014.
	Target Date: 4/30/2014

- #11 Risk Management should prepare formalized annual reviews of historical premiums, actual losses and reimbursements. These reviews would include the self-insured retention limit, excess liability limits, and related premiums on an annual basis to assess the best limits to maintain and validate the reasonableness of insurance costs. This is typically done in conjunction with the preparation of the City's annual budget and the city's annual renewal of its insurance. Risk Management will continue its practice of annual insurance reviews and in conjunction with the FY2012 budget development will document this process by the fourth quarter of FY2012.
- In Process** Risk Management states that it is working on formalizing Annual Reviews of historical premiums. The department estimates that it will have a completed process narrative as of March 31, 2014.
- Target Date: 3/31/2014
- #12 Risk Management should develop additional policy, procedure and departmental guidance to detail the process and expectations related to the periodic internal and external reviews of insurance coverage's and premiums, and the documentation thereof.
- In Process** Risk Management estimates that it will have a completed process narrative as of March 31, 2014.
- Target Date: 3/31/2014
- #13 Risk Management should review documented and undocumented processes for current reporting, practices, roles and responsibilities to ensure that Risk Management has a strong documented loss recovery function in compliance with Administrative Regulation 45.80 and best practices. These processes should incorporate formalized communication about and advertisement of the loss recovery function, including on the internal and external Risk Management websites.
- In Process** Risk Management expects to finalize revision of Administrative Regulation 45.80 by March 31, 2014.
- Target Date: 3/31/2014

- #14 Risk Management should seek additional actuarial analysis or reviews for risk control, cost allocations, and claims reviews to assist with loss management processes and the implementation of loss prevention programs. Any newly created and existing actuarial analysis should be incorporated into the proposed annual reporting that we separately recommended Risk Management prepare.
- In Process** Risk Management states that it is currently consulting with an actuary. The department expects to have feedback incorporated into the actuarial analysis that is due in October 2014.
- Target Date: 10/2014
- #16 Risk Management should review and update claim-related City Council Policies, Administrative Regulations and forms to ensure consistency with current processes, organizational structure and overall expectations, and periodically perform ongoing reviews of those documents for accuracy.
- In Process** Risk Management states that it expects to complete reviewing and updating of City Council Policies and AR's by April 2014.
- Target Date: 4/2014
- #21 Risk Management should review and where appropriate request and update of the authorization limits indicated in section IV of Council Policy 000-009 as appropriate to allow greater efficiency in claims handling as well as consistency with the jurisdiction of the small claims court (claims up to \$7,500) and the organizational structure of the Public Liability & Loss Recovery Division.
- In Process** Risk management expects to complete this recommendation by April 30, 2014.
- Target Date: 4/30/2014
- 11-009** **STREET MAINTENANCE: CITY NEEDS TO IMPROVE PLANNING, COORDINATION, AND OVERSIGHT TO EFFECTIVELY MANAGE TRANSPORTATION ASSETS**
- (SM)
- #5 Develop and implement a documented process for ensuring that City departments and private entities comply with trench cut requirements and identify conflicts in a more timely manner, including establishing policies and procedures and internal controls.
- Implemented** The department has fully implemented this recommendation through the finalization of Administrative Regulation (AR) 1.40, effective February 1, 2013. This AR documents the City's policies related to the use and maintenance of the Interactive Mapping Action Coordination Tool (IMCAT). IMCAT was implemented to coordinate various construction projects or events that take place in the right-of way. The AR delineates responsibilities among departments and provides conflict resolution process.

11-011 AUDIT OF THE ENTERPRISE RESOURCE PLANNING SYSTEM IMPLEMENTATION

(SG)

5 To mitigate the control weaknesses related to the vendor database, we have made the following recommendations:

- A. Create and run a periodic report across non PO invoices looking for duplicate payments similar to the previous mitigating controls report that was in place prior to the implementation of SAP.
- B. Analyze the City’s vendor database and remove all duplicate vendor data.
- C. Implement a required “unique identifier” for a vendor/business, such as the tax ID, for new vendors and create a process for adding the unique identifier to existing vendors.

Implemented The comptrollers department has sufficiently implemented all three componens (a-c) of this recommendation. Specifically, they have implemented a process narrative to prevent the creation of duplicate vendors and have completed audits of duplicate vendors and payments within SAP.

11-013 FOLLOW-UP AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT’S COLLECTION OF WATER AND SEWER FEES

(SM)

2 The Public Utilities Department in conjunction with the Development Services Department should examine and document the controls over the assessment, recording, collection and monitoring of water and sewer capacity fees, including credits issued in lieu of capacity fees. Design processes in SAP to automate and facilitate the assessment, tracking and monitoring of capacity credits.

In Process As part of Public Utilities Department’s (PUD) Customer Care Solutions specifications, the controls and process for calculating water and sewer fees have been reviewed and a new process which would calculate fee by using the SAP Sales Order document has been proposed. PUD reported that it has completed its portion of the recommendation through approving this new process and it is waiting for Development Services Department (DSD) to test/approve the process before it can be implemented. At this time, the Office of the City Auditor has not been provided with any information from DSD that shows that they have reviewed or approved this change.

Target Date: TBD

11-017 PERFORMANCE AUDIT OF FIRE-RESCUE'S EMERGENCY MEDICAL SERVICES

(CK)

8 The City should review, analyze and update its current definition of "unusual system overload". The Emergency Medical Services (EMS) Program Manager should review all dispatches submitted for exemption to determine the appropriateness of exempting them and ensure penalties for non-compliance are assessed when applicable.

In Process The provision for System Busy or System Overload exceptions is not "exempted" from the current contract. The current contract is still in effect and a Request for Proposals for a new contract is under development.

Target Date: TBD

11-020 PERFORMANCE AUDIT OF THE PARKING ADMINISTRATION PROGRAM

(SA)

9 We recommend that the Storm Water Division of the Transportation Department, and the San Diego Police Department draft process narratives regarding the issuance, voidance, record keeping and referrals of parking citations. This could provide a standardized model for the issuance, record keeping, voiding, and referrals of citations for every department and agency.

Implemented The Parking Administration Program audit recommended the development of process narratives to standardize parking citations and voidance across City departments. The audit suggested that the Transportation and Storm Water Department and the Police Department lead the development of the processes. The Police Department updated and expanded procedure 7.06: Voiding or Dismissal of Citations and 7.07: Parking Enforcement Procedures.

#12 We recommend that the City Administration develop an effective and appropriate replacement schedule for the City's parking meters. In addition, the City Administration should ensure that an appropriate portion of the parking meter revenue is set aside to fund this program.

In Process The City Treasurer issued Smart Parking Meter Solutions RFP that included parking meter replacement. However, that specific process was recently cancelled. The City Treasurer is currently reviewing procurement options and expects to be able to develop a replacement schedule in the near future. We will continue to follow up on the recommendation.

Target Date: TBD

11-024 PERFORMANCE AUDIT OF THE ANIMAL SERVICES AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND THE COUNTY OF SAN DIEGO

(SA)

7 If clinics are permissible on City recreation lands, the Police Department should communicate the availability of that public space to County Animal Services.

Implemented According to the City Attorney’s memo, vaccination clinics can be held on non-dedicated parkland. The Police Department, in conjunction with Park and Recreation, identified one non-dedicated park where the clinics can be held, and it communicated that to County Animal Services. Low cost clinics are available throughout the City and can be found at the following website: <http://www.sddac.com/docs/onestopvet.pdf>.

11-026 PERFORMANCE AUDIT OF THE TAKE-HOME USE OF CITY VEHICLES

(AH)

1 To reduce the commuting costs the City incurs for vehicles assigned on a permanent basis to City employees, we recommend that the San Diego Police Department and the San Diego Fire-Rescue Department develop policies and procedures establishing guidelines for a maximum one-way commute distance and develop a process to recover the costs associated with commutes that exceed the guidelines.

In Process We previously determined that Fire-Rescue has complied with this recommendation. However, although SDPD agreed that a maximum commute distance should be established for officers who do not routinely respond to call-backs, a maximum commute distance has not been set. In addition, SDPD continues to assign take-home vehicles to approximately 42 motorcycle officers and 26 canine officers at a total commute cost of \$581,000 per year. These Officers are not required to respond to callbacks under SDPD guidelines, and many of these officers commute a significant distance to and from their work location. For example, at the time of the audit, one motorcycle officer had a daily round-trip commute of 138 miles, costing the City approximately \$30,000 per year. Resources saved by reducing excessive commute costs could be redirected to other police needs. For example, \$581,000 is roughly equal to salary and benefits costs for three to four police officers.

Target Date: TBD

5 To ensure that the City establishes a uniform and effective process to review the public safety needs and justification of take-home vehicle assignments, we recommend that the City Administration work in consultation with the San Diego Police Department and the San Diego Fire-Rescue Department to revise Council Policy 200-19 regarding the use of City vehicles by City employees. The revised policy should require that a complete listing of take-home vehicles be provided by each City department yearly with a justification for those assignments. In addition, the revised policy should clearly define the purpose of take-home vehicles and restrict their assignment to the greatest extent possible.

In Process Fleet Services developed a draft take-home vehicle policy that included the Audit Report's recommendations. The Police and Fire Departments did not concur with the proposed policy and responded individually to the Audit Recommendations. Under current policy, Fleet Services has limited authority to impose policy on the Police and Fire Departments. We will redirect this recommendation to the Assistant Chief Operating Officer and continue to follow up.

Target Date: TBD

6 To increase oversight of the costs associated with take-home vehicles, we recommend the San Diego Police Department and the San Diego Fire-Rescue Department work with the Fleet Services Division to calculate the cost of commuting in department vehicles. These costs should be calculated and reported to the City Administration on an annual basis by the Fleet Services Division.

In Process We previously determined that this recommendation no longer applies to Fire-Rescue because Fire-Rescue now restricts take-home vehicle assignments to staff who regularly respond to call-backs. However, SDPD continues to assign a significant number of vehicles to staff who do not normally respond to call-backs, and should report the annual cost of commuting in these vehicles on an annual basis. SDPD has worked with the Fleet Division to calculate mileage costs, but has not provided evidence that commute costs have been reported to the Administration. Because multiple departments are involved in the implementation of this recommendation, we will redirect the recommendation to the Assistant Chief Operating Officer to facilitate coordination between departments.

Target Date: TBD

11 In addition, to ensure that adequate data is available to enable the City to track, and where applicable, seek reimbursement for vehicle-related costs, we recommend that the Public Works Department's Fleet Services Division maintain backup files of all data on vehicle maintenance and fuel costs according to Internal Revenue Service records retention regulations.

In Process According to Fleet Services, fuel and maintenance records are now maintained for the life of the vehicle or longer. However, we did not receive any documentation that this is occurring. We will continue to follow up on the recommendation.

Target Date: TBD

12 To strengthen the internal controls over the use of the City's fuel cards, we recommend that the Public Works Department's Fleet Services Division modify its Service Level Agreements with customer departments specifically requiring that all fuel card transactions be reviewed by customer departments on a monthly basis. The Service Level Agreements should also describe situations in which use of fuel card is acceptable, such as emergencies or in cases where personnel are conducting official City business outside of San Diego.

In Process	<p>According to Fleet Services, updates to Service Level Agreements that address this recommendation have been delayed due to the implementation of the Most Efficient Government Organization proposal that was part of the 2011 Managed Competition process for Fleet Maintenance. In addition, fuel purchases are no longer made using Voyager cards that were managed by Fleet Services, and are now made through the Citywide P-Card program. We will continue to follow up to insure that the intent of the recommendation is addressed.</p>	Target Date: TBD
# 13	<p>In addition, to ensure that all information pertaining to the use of the City's fuel cards is maintained and that effective oversight is possible, we recommend that the Public Works Department's Fleet Services Division collect identification information on all fuel purchases.</p>	
In Process	<p>According to Fleet Services, identification information is being collected for all fuel purchases through the Citywide P-Card program. However, Fleet Services did not review any data to verify this. We will continue to follow up on this recommendation.</p>	Target Date: TBD
11-027	<p>PERFORMANCE AUDIT OF CAPITAL IMPROVEMENT PROGRAM</p> <p>(MG) (SA)</p>	
#1	<p>Develop an effective methodology for identifying the City's deferred maintenance and capital needs.</p>	
Implemented	<p>The City has taken definitive action in assessing capital improvement needs by approving a deferred capital funding plan which provides for bond funding totaling \$419.3 million over a five-year period from Fiscal Years 2013 through 2017. Additionally, the City Council recently approved a \$120 million infrastructure bond to repair streets, storm drains, and aging facilities. We determined that the City's continued efforts to address capital improvement needs are sufficient to address our recommendation.</p>	
#7	<p>Establish a policy for implementing a Citywide asset management program to include a schedule and significant milestones, and potentially linking the Enterprise Asset Management program with the capital planning office.</p>	
Implemented	<p>The recommendation was to establish a policy for implementing a Citywide asset management program to include a schedule and significant milestones. City Council approved Council Policy 800-16: Asset Management Guidelines and Plan Steps on November 20, 2013. The policy establishes guidelines for every City department to use for asset management.</p>	
#8	<p>Complete the development of standard criteria and processes for collecting asset information and assessing the condition of assets, including moving toward the use of a standard database for a Citywide inventory.</p>	

- Implemented** We determined that Council Policy 800-16, updated on November 20, 2013, satisfies the intent of our recommendation based on its establishment of criteria for all asset owning departments to follow in order to ensure consistency in asset management and by moving toward the use of a common database to manage City assets.
- #12 Assess the current priority scoring process, including obtaining input from service and client departments and other stakeholders, and develop suggested changes, if needed, to City Council Policy 800-14. Require that officials with relevant experience, such as planning and redevelopment staff, be consulted as appropriate when client departments develop priority scores for projects.
- Implemented** We determined that Council Policy 800-14, updated on November 20, 2013, satisfies the intent of our recommendation by revising the project scoring priority process.
- #14 Develop updated agreements with all client departments to establish project implementation expectations and requirements.
- Implemented** The addition of a Project Charter has been established for each Capital Improvement Project. The schedule, scope and cost estimate are all evaluated when the project is first transferred to Public Works to establish baseline expectations going forward. The Management Team from each department involved accepts and signs the Project Charter and these baselines cannot be changed without written approval from both the Client Department and Public Works Department. In addition MOU's continue to be used to establish basic services and program expectations. Currently the Department has or is updating MOU's with Public Utilities, Park and Recreation, Transportation and Storm Water, Airports, Fire, and Police.
- #20 Conduct project-level post-construction reviews to identify lessons learned and develop recommendations on how to improve future performance. Include the frequency of reviews for non-repetitive projects in existing policy on conducting post-construction reviews.
- In Process** Both monthly meetings between PW-ECP & Clients and between Design & Construction staff occur. During those meetings "Post Construction Reviews" are conducted. The Standard Operating Procedure has been submitted to the Benchmarking Committee for final approval in March 2014.

Target Date: 3/31/2014

12-002 PERFORMANCE AUDIT OF THE SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM

(CK)

#4 San Diego City Employee Retirement Systems should reassess its staffing level once the new pension administration system is implemented and eliminate unnecessary positions to reduce personnel costs.

In Process A review of the duties and responsibilities of existing positions is currently in progress. Additional research and analysis of position duties, responsibilities and staffing levels will be conducted after the implementation of the new pension system (IRIS). IRIS is expected to be implemented in June 2014 and will contain several efficiencies including development and testing of member account management, benefits calculation processing and retiree payroll processing. Due to the new system implementation, changes in duties and responsibilities may occur during post-implementation which would provide a more accurate depiction of staffing levels needed.

Target Date: 12/31/2014

#12 San Diego City Employee Retirement Systems (SDCERS) should demonstrate that it corrected the Corbett and monthly benefit calculations for the retirees identified in the 2005 audit. In addition, SDCERS should work with its legal counsel to determine the feasibility of collecting overpayments and reimbursing members who were underpaid, if applicable.

In Process SDCERS has reviewed the records of the Corbett and monthly benefit calculations for individuals identified in the 2005 audit and conducted a review of members who may have had a similar error in their benefit calculations. Any members found with an error in the Corbett calculations or a related error were corrected by recalculating the benefits. In addition, any legal opinions that were recommended by the 2005 audit that the SDCERS legal division found to be applicable have been completed. All payments from SDCERS and all adjustments to monthly benefits have been made. Some of the payments due to SDCERS have been received to date and SDCERS staff is working with members to set up payment plans or handle their appeals.

Target Date: 6/30/2014

12-003 HOTLINE INVESTIGATION REPORT OF FALSE REQUEST FOR REIMBURSEMENT

(AA) (AH)

#1 We recommend the Economic Development Division issue a demand letter for return of the CDBG funds that were paid to the non-profit organization for work that appears to have been completed before the reimbursement agreement was authorized.

Implemented Retrieved letter from Economic Development to vendor demanding the return of funds and a copy of the response from the vendor indicating that the funds demanded were paid.

12-004 PERFORMANCE AUDIT OF THE SAN DIEGO POLICE DEPARTMENT'S PERMITS AND LICENSING UNIT

(MH)

#10 The City Administration proceed with its plans to integrate and align the administrative components of police permits within the Office of the City Treasurer. Establish clear regulatory language, policies, and procedures to divide administrative, enforcement, and regulatory roles and duties between the Office of the City Treasurer and the San Diego Police Department.

In Process The City Treasurer is taking the lead with the assistance of the PD's Vice Permits & Licensing staff. Treasury is currently developing a high level process to streamline the process of applying for permits for police-regulated businesses. The goal is to go live with a "one-stop" process by January 1, 2015. Treasury will be responsible for the intake of all data and collection of all related fees. They will also issue the Business Tax Certificate and respective permit to the applicant. Vice Permits & Licensing will still be responsible for the administrative clearance review process and conducting permitting enforcement.

Target Date: 1/1/2015

#15 The San Diego Police Department automate the reporting of pawn shop sales records and create policies and procedures to ensure processes are in compliance with State laws.

In Process Since October 2011, the Police Department has funded and utilized Leads Online, an automated, voluntary pawn transaction and tracking system. This system allows the PD to manage data entry and has facilitated the recovery of missing/stolen personal property. The PD is currently waiting for the Department of Justice to implement Assembly Bill 391, a mandated, uniform, electronic state-wide reporting system, as required by Business and Professions code 21625. The PD continues to use Leads Online and maintains compliance with state laws.

Target Date: 1/1/2015

12-007 PERFORMANCE AUDIT OF THE FIRE-RESCUE DEPARTMENT'S EMERGENCY MEDICAL DISPATCH PROCESS

(MG)

#1 The Fire-Rescue Department should implement the pre-notification and deployment order option (option two) to reduce the overall response time for medical calls.

Implemented On April 25, 2012, SDFR issued a department directive stating that first responders are to be alerted to a medical call at the same time the ambulance is dispatched. This directive is effective at 0800 on May 1, 2012. These changes affect all SDFR First Responders as well as any automatic aid First Responders who are dispatched into the City of San Diego on medical aid incidents. The Department will analyze response time data on a monthly basis.

12-008 PERFORMANCE AUDIT OF THE PURCHASING AND CONTRACTING DEPARTMENT

(SM)

#1 The Office of the City Attorney should issue a written legal opinion to the City Council and the City Administration to clarify the current San Diego Municipal Code as it relates to the maximum allowable amount that the City can expend on the same vendor for the same or very similar services within the same fiscal year without City Council review. Additionally, the written legal opinion should address whether the City can use purchase orders to continue services on contracts that exceeded the maximum allowable duration of five years. See Appendix C for a detailed list of questions that the written legal opinion should address.

Implemented In May 2012, the Office of the City Attorney provided a report to the Audit Committee that addressed the questions raised in the Performance Audit of the Purchasing & Contracting Department audit report. The memorandum addresses both questions related to the maximum allowable amount that the City can expend on the same vendor for the same or very similar services within the same fiscal year without City Council review, and whether the City can use purchase orders to continue services on contracts that exceeded the maximum allowable duration of five years. This report by the City Attorney fully implements this recommendation.

#3 The Office of the City Attorney should review the 11 nonprofit and agency contracts and all purchase orders we identified in this report to determine whether purchasing practices complied with all City, State, and Federal laws and regulations. Additionally, in the case their review identifies any issues or opportunities for improving purchasing practices, they should submit a written report to the City Council for their review.

Implemented In July of 2012, the City Attorney issued a memorandum to the Audit Committee that provided comment on the eleven contracts that were identified by our office as needing legal review due to potential violations of the City charter and the San Diego Municipal code. Among other things, the City Attorney recommended that the Mayor and City Council consider ratifying the contracts due to potential violations of municipal code or City Charter.

#4 The City Administration should conduct a full review of purchasing practices and design a purchasing process with appropriate internal controls to ensure full compliance with any changes the City Council makes to the San Diego Municipal Code provisions and with the written legal opinion issued by the Office of the City Attorney.

In Process

According to Purchasing & Contracting (P&C), "efforts are underway" to implement this recommendation. It reports that several efforts are taking place to ensure this recommendation is fully implemented. The actions that P&C reports that it is currently undertaking to implement this recommendation include :

- Working with various stakeholders, including City Attorney, IT, and the Comptroller's Office Internal Controls section to implement appropriate internal control procedures, including City Attorney review for all contracts, and are, also, currently working on updating additional purchasing procedures and to ensure full compliance with changes in the SDMC provisions;
- Huron Consulting is conducting an outside review of P&C procedures and will provide recommendations to allow the department to further increase effectiveness and efficiency;
- Working with various stakeholders, including IT and the Comptroller's Office Internal Controls section to launch an extensive 'procure-to-pay' deep dive effort of the City's OneSD system; and
- Working with various stakeholders, including the Comptroller's Office Internal Controls section and City Attorney to draft amendments to the San Diego Municipal Code that will help streamline the purchasing process.

The department's target date for implementation is May 2014.

Target Date: 5/2014

12-009

PERFORMANCE AUDIT OF THE MISSION BAY IMPROVEMENT FUND FY10

(JZ)

#1

In conjunction with the Park and Recreation Department and Development Services Facilities Financing Division, the Financial Management Department should continue to deappropriate the unfunded and abandoned projects in the Mission Bay Improvement Fund and San Diego Regional Parks Fund to eliminate the negative balances. The appropriate Oversight Committee should approve any projects using funding received subsequent to fiscal year 2010.

Implemented

Audit tests concluded the budgeted funds do not exceed the available funds. Also, Oversight Committee approval was obtained for budgeted projects.

#2

The City Comptroller should establish a methodology to separately account for the financial transactions within the Mission Bay Improvement Fund and San Diego Regional Parks Fund that are required by the City Charter effective July 1, 2009.

Implemented

The City Comptroller has as process in place to separately report financial transactions within the funds and process narratives have been created to document this process.

#3 The City Comptroller should establish comprehensive process narrative procedures, process flow diagrams and departmental guidance to properly document the processes specific to the unique nature of Mission Bay Park lease revenues. These procedures should include but are not limited to: • How the requirements outlined in the City Charter will be administered • Procedures to reconcile SAP and REportfolio records • The methodology used for year-end accruals, which should be based on an analysis of actual payment received after year end • The methodology used for budgeting revenue • The methodology used by the Oversight Committees for budgeting specific projects based on prior year's distributions

In Process The City Comptroller has created process narratives describing the Comptroller's processes and they cover many of the requirements specified in this recommendation. However, the process narratives reviewed did not cover the following issues:

- How the requirements outlined in the City Charter will be administered.
- The methodology used for budgeting revenue.
- The methodology used by the Oversight Committees for budgeting specific projects based on prior year's distributions.

This recommendation will be implemented when a process narrative is completed to address these issues.

Target Date: TBD

12-010 HOTLINE INVESTIGATION REPORT OF EMPLOYEE INTERNET ABUSE

(AA) (AH)

#1 Public Utilities Department conduct a Fact-Finding or other appropriate administrative inquiry to determine if the Internet usage on the work computers identified violated City Administrative Regulations and/or the City Code of Conduct. Take appropriate action based on the outcome of the review.

Implemented Retrieved the Fact-Finding reports prepared in June 2012 for five GUF employees that were the subjects of Fact-Finding investigations. The Fact Finding panel found that each of the five employees excessively, improperly, and inappropriately used the internet for personal and/or non-City use. A Fact Finding investigation was not completed on a sixth employee due to his retirement.

12-011 PERFORMANCE AUDIT OF FACILITIES' PURCHASES UNDER THE MRO AGREEMENTS

(SM)

#1 We recommend that the Purchasing & Contracting Department work with the City Attorney's Office to immediately review the terms of the Maintenance, Repair, and Operation (MRO) Cooperative Agreements and identify a solution to ensure the City purchases its MRO supplies at the most economical price and does not continue to pay high mark-ups over the remaining four years of the agreements.

In Process The Purchasing and Contracted Department (P&C) reported that this recommendation has been implemented through a contractor accountability program which would eliminate high mark-ups under the MRO. However, they were not able to provide any evidence of the implementation in time for this status report.

Target Date: TBD

12-013 HOTLINE INVESTIGATION REPORT OF EMPLOYEE CONFLICT OF INTEREST WITH RECREATION CENTER CONTRACTUAL PROGRAMS

(AA) (AH)

#2 We recommend that the annual outside employment memo be expanded to prohibit the situation in which a City employee who works under an ICA or for an entity that rents field or gym space from doing so at the employee's work location.

Implemented The Park and Recreation Department issued a memorandum in March 2010 specifically on this issue and the perceived conflict of interest that might occur with such employment. In addition, in 2011 the language was added to the annual Outside Employment memorandum. A 'stand alone' memorandum similar to that issued in 2010 was re-issued again this year. We made an onsite visit and reviewed a sample of 13 out of the total of 130 outside employment requests and found none were for employment at the recreation center which the employee was assigned.

12-015 PERFORMANCE AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT'S PROJECT TRACKING SYSTEM

(SG)

#1 The Development Services Department (DSD) must immediately implement controls in the Project Tracking System (PTS) Production Environment to prevent inappropriate modifications to PTS. Specifically, DSD should instruct the Database Administrator to:

- a) Remove the IT Program Manager position's programmer account and ability to directly log into the system's database.
- b) Remove programmer access to the Production Environment.
- c) Remove programmer access to privileged accounts, except those used by the database administrators and for emergency fixes, by locking the accounts and changing the passwords. Where privileged accounts are required for emergency fixes, DSD should limit programmer access through a restricted number of highly monitored accounts. In addition, the permissible use of these accounts should be governed through formal policies.
- d) Ensure that programmers do not have access to modify or disable system triggers in the Production Environment.
- e) Ensure PTS records a detailed audit trail of key information, including the prior data entries, the username of the person who changed the data and the timestamp noting when the change Occurred.

DSD should also direct the System Administrator to comprehensively document the Software Change Management processes, and associated risks and controls for each environment.

In Process DSD already logs adds, modifications, and deletes to application security roles for all staff. DSD will work with the Auditor to identify further changes needed.

Target Date: 8/1/2014

- #2 In order to reduce the risk of inappropriate system use by an employee, DSD should perform a Separation of Duties (SOD) assessment to ensure that employees only have the access they need to perform their functions, complying with the principle of least privilege. Specifically, DSD should:
- a) Review all PTS user roles and limit the capabilities for roles that provide broad access to PTS' functions.
 - b) Review current user access to PTS' roles and restrict access to only those roles necessary and appropriate for each user's function. This includes restricting the DSD Director's access to a more appropriate level, such as "read-only."
 - c) Review current role combinations to ensure that no combination grants excessive or inappropriate access, and immediately remove any conflicting combinations.
 - d) Create a comprehensive policy that identifies all prohibited role combinations and documents compensating controls to mitigate any risk when a segregation of duty conflict must exist for business purposes.
- In Process** DSD has already removed the ability to change fees from many department managers. DSD is also working toward replacing PTS and will continue to evaluate SOD issues as part of that eventually.
- Target Date: 3/31/2015
- #3 DSD should restructure its organizational arrangement so that the DSD IT Program Manager position no longer oversees both the IT function and the individuals who collect and reconcile fees and transmit that information to the City Treasurer and Comptroller's Office.
- In Process** Jim Myers user account "Jmyers" is configured to have the same rights as a non-updating City user (cannot change data). Occasionally, to diagnose problems, rights are added and removed through DSD normal security authorizations. A request has also been sent to reduce rights on Jim Myers database account to only allow SELECT table rights on PTS production schemas. Other Oracle objects are not allowed. We consider this complete.
- Target Date: 5/1/2015
- #5 The Development Services Department should:
- a) Review its current staffing model for the Submittal and Issuance Groups;
 - b) Determine if the "generalist" approach is the most effective option to meet operational needs and accommodate staff skills; and if not,
 - c) Identify and implement an alternative staffing structure.
- Implemented** The Development Services Department has analyzed their approach for the submittal and issuance portions of the permitting process, and modified their generalist review approach to improve the overall efficiency and quality of their reviews.

- #6 The Development Services Department should consider available options to reduce workloads in the submittal and issuance groups, including re-allocating staff resources to this function.
- Implemented** The Development Services Department has analyzed their approach for the submittal and issuance portions of the permitting process, and modified review approach and structure to improve the overall efficiency and quality of their review workflow.
- #7 The Development Services Department should continue to conduct and document regular audits of fees at project submittal and resume conducting and documenting audits of fees during structural engineering review and at permit issuance. DSD should develop a written policy that establishes a minimum level of projects to be audited each month.
- In Process** The department is working on the policy document to define how audits are conducted and selected.
- Target Date: TBD
- #8 DSD's IT staff should work with supervisors over the Submittal Group and Structural Engineering to identify and create reports that would help them review fees charged by staff.
- Implemented** The Development Services Department has methods to review the accuracy of the fees charged to customers as required by this recommendation.
- #10 The Development Services Department (DSD) should ensure that the Project Tracking System (PTS) caps the Construction and Demolition Debris Recycling Deposit at the maximum level established by the City Council. DSD should also ensure that PTS limits all fees to the correct maximum amounts to prevent overcharging customers.
- Implemented** The Development Services Department (DSD) has implemented upper limits within the Project Tracking System (PTS) which caps the Construction and Demolition Debris Recycling Deposit at the maximum levels established by the City Council.
- #11 The Development Services Department should work with all departments that require custom reports to identify their reporting requirements and the most cost-effective way to generate all necessary reports. This recommendation pertains to the reporting requirements of the Transportation and Storm Water Department, the Environmental Services Department, and the Public Works Department, as well as any other City departments that require custom reports to increase productivity and efficiency.
- In Process** As DSD gets any new request they will evaluate it and work with the stakeholder department.
- Target Date: 7/1/2015

13-003 PERFORMANCE AUDIT OF THE PROCUREMENT CARD PROGRAM

(DK) (SM)

#1 The Purchasing & Contracting Department should establish guidance and criteria for departments to use in determining whether employees have a true operational need for a P-card.

Implemented Since this audit was published, the Procurement Card Program (P-Card) has been moved out of the Purchasing & Contracting Department and now is administered by the Comptroller's Office. For this Recommendation Follow-Up Report, we contacted the Comptroller's Office to verify that the recommendations had indeed been implemented; however the Comptroller's Office did not provide us with any information to show that this recommendation has been implemented. Despite the lack of evidence provided by the department, we were able to review a copy of the P-Card manual. The manual indicates that the Comptroller's Office is responsible for setting credit limits, and it provides a general outline of the steps it uses to determine credit limits; therefore we are considering this recommendation implemented.

#2 The Purchasing & Contracting Department should periodically evaluate cardholders' actual spending and monthly credit limits. The Purchasing & Contracting Department should either adjust cardholder limits as appropriate or recommend that departments make the adjustment.

In Process Since this audit was published, the Procurement Card Program (P-Card) has been moved out of the Purchasing & Contracting Department and now is administered by the Comptroller's Office. For this Recommendation Follow-Up Report, we contacted the Comptroller's Office to verify that the recommendations had indeed been implemented; however the Comptroller's Office did not provide us with any information to show that this recommendation has been implemented. We reviewed a copy of the P-Card manual and found that the manual indicates that the Comptroller's Office is responsible for setting credit limits, and indicated the Comptroller's Office will review spending on all accounts quarterly to assess if P-card spending limits should be adjusted. In order for this recommendation to be considered fully implemented, the Comptroller's Office will need to provide a policy or some directive indicating that it is indeed reviewing card limits and making needed adjustments at set intervals.

Target Date: TBD

#4 Once established, the Purchasing & Contracting Department should utilize the information to ensure departments comply with City regulations and use the most appropriate method, i.e., P-cards versus purchase orders, to purchase items from vendors.

In Process Since this audit was published, the Procurement Card Program (P-Card) has been moved out of the Purchasing & Contracting Department and now is administered by the Comptroller's Office. For this Recommendation Follow-Up Report, we contacted the Comptroller's Office to verify that the recommendations had indeed been implemented; however the Comptroller's Office did not provide us with any information to show that this recommendation has been implemented. We were able to review a copy of the P-Card manual. The manual indicates to P-Card holders that they should both be aware and follow purchasing rules, however we have no indication what steps the Comptroller's Office has take to ensure that card holders use the most appropriate purchasing methods.

Target Date: TBD

#8 The Comptroller's Office along with Purchasing & Contracting should evaluate and consider changing the P-card payment process from a "confirm and pay" method to "pay and confirm" to maximize prompt-payment cash rebates.

Implemented Since this audit was published, the Procurement Card Program (P-Card) has been moved out of the Purchasing & Contracting Department and now is administered by the Comptroller's Office. For this Recommendation Follow-Up Report, we contacted the Comptroller's office for supporting documentation that this recommendation has been implemented. We received no information, but we were able to verify that payment to the City's Credit card vendor is made promptly thus meeting the intent of the recommendation.

#9 The Purchasing & Contracting Department should seek opinion determination from the City Attorney's Office on whether the current cooperative procurement agreement between the General Services Department-Fleet Services and the identified tire vendor is valid.

In Process Our Procurement Card report questioned the validity of a cooperative agreement the General Services Department-Fleet Services Division (Fleet Services) is using for tire purchases. Our audit report indicated that in some instances cooperative agreements are allowable procurement methods; however there are multiple criteria the cooperative agreement must meet in order to be valid. The audit report acknowledged that the cooperative agreement that Fleet Services is using meets many of those criteria— however—because the total annual dollar expenditure under the agreement was in excess of \$1,000,000, we believed this agreement needed City Council approval to be valid. On February 17, 2014 Purchasing & Contracting (P&C) requested from the City Attorney's Office a legal opinion regarding the validity of the current cooperative procurement agreement being used by Fleet Services to purchase tires. On March 11, 2014 the City Attorney provided that legal memo to P&C evaluating the cooperative agreement. The memo generally agreed that the cooperative agreement met the criteria of a valid cooperative agreement, however, the memo also stated, "Council approval was required if the amount to be spent under the Agreement exceeded \$1,000,000. See SDMC 22.3206(c). This Office was not provided with any documents that show the amount of money spent on this Agreement, and therefore lacks the information necessary to answer this question." We will work with Purchase and Contracting to provide the City Attorney's Office with the necessary information needed to answer the question.

Target Date: TBD

#10 The Purchasing & Contracting Department should ensure that departments obtain appropriate approvals for contracts.

In Process The Purchasing and Contracting Department (P&C) reported that this recommendation has been implemented and that staff review each contract for appropriate approvals prior to the City Attorney’s final signature. However, the department did not provide any evidence of the implementation of this practice in time for this status report. Because our office has no assurance that this recommendation has been implemented, we will keep this recommendation as “In Process” until supporting documentation is provided to demonstrate full implementation.

Target Date: TBD

#11 The General Services Department—Fleet Services should ensure employees regularly update Fleet Focus to ensure the status of purchases is current.

In Process The Most Efficient Government Organization (MEGO) proposal presented by the Fleet Service’s employee team as a result of the City’s managed competition program is currently being implemented after several delays. The MEGO proposal acknowledged the importance of maintaining accurate records in Fleet Focus as well as presented a number of steps to improve this issue. The implementation of the MEGO related to Fleet Focus will involve the following actions; 1) moving Fleet Focus to a hosted platform, 2) stabilizing the database including updating the software to the current version, 3) standardizing the use of the database by Fleet Service’s staff as well as customer departments, 4) acquiring and implementing bar coding technology in the capture of labor and parts information, 5) providing extensive training for Fleet Focus, 6) implementing several new software modules, and 7) implementing automated pool vehicle dispatching equipment.

Target Date: TBD

13-004 HOTLINE INVESTIGATION REPORT OF SAN DIEGO CONVENTION CENTER STATISTIC REPORTING

(AA) (AH)

#1 We recommend that any post-event attendance or hotel room-night figure that does not have a source document from the client verifying the statistic published be marked as an estimated figure.

Implemented San Diego Convention Center added explanatory footnotes to their reports (e.g. Attendance projections) which are provided by the event planner or show manager. These results are based on information and research provided by Destination Marketing Association International and by San Diego based CIC Research, Inc.

#2 We recommend that sections be added to forecasts and annual reports that describe the calculations for direct attendee spending, hotel tax and total tax revenues, and economic impact. It should be made clear that these totals are calculated from direct attendee spending and all assumptions and formulas be disclosed.

Implemented The San Diego Convention Center 2013 Forecast, 2014 Forecast, FY 2012 Annual Report and FY 2013 Annual Report include summaries of the methodology of the calculations for the economic impact and the economic impact is clearly marked as an estimate. Includes footnotes that state economic impact is calculated using an industry standard factor multiplied by direct attendee spending, etc.

13-005 HOTLINE INVESTIGATION REPORT OF CASH HANDLING AT RECREATION CENTERS

(AA) (AH)

#1 We recommend that Park and Recreation Department provide additional staff during high volume registration periods to ensure proper segregation of duties with respect to cash handling and cash reporting.

Implemented We completed site visits and determined that the procedure to provide additional staff during high-volume registration periods and/or scheduling registrations during hours when adequate staff are scheduled for duty has been implemented.

#2 We recommend that Park and Recreation continue to aggressively implement online functionality at recreation centers that cannot adequately segregate the cashiering function. The online registration and permitting will provide tighter controls of registration and permitting forms, participant rosters, attendance sheets, and fee waivers.

In Process The Department is actively implementing an on-line registration interface via Active Net. The implementation is being phased as follows: (1) pilot project at Tierrasanta and Carmel Valley Recreation Centers [complete], (2) implementation at all aquatic centers and the developed regional parks permit center [complete], (3) implementation for permits and classes at remaining recreation centers [underway with goal for full implementation in April 2015; centers will be converted to on-line registration in clusters during 2014], and (4) Citywide Dance Program [planned for 2015]. Staff is in the process of filling a second Information Systems Analyst position to manage the implementation process, and resources have been allocated to CGI to assist with technical aspects of the conversion. Other staff have been reallocated from other duties to support this effort.

Target Date: 4/1/2015

#4 We recommend that Park and Recreation enforce their policy that staff should provide a cash register receipt to each patron that pays a permit or registration form fee.

In Process Based on site visits, we determined that the evidence does not satisfy the intent of our original recommendation. We found that one recreation center Director did not issue cash register receipts for a field trip to Disneyland. He cited it was a special program and not a registration or permit fee.

Target Date: TBD

- #7 We recommend that Park and Recreation enforce their policy that the Area Manager or recreation council reconciles cash advances and document this review appropriately.
- Implemented** Based on site visits, email correspondence, and a review of the documents provided, we determined that the evidence satisfies the intent of our original recommendation.
- #8 We recommend that Park and Recreation amend their procedures to require the logging by an independent staff of beginning and ending pre-numbered ticket numbers when tickets are utilized for patron receipts and revenue accounting.
- Implemented** We completed site visits and determined that the procedure to record beginning and ending ticket numbers has been implemented.
- #9 We recommend that Park and Recreation implement online registrations for registrations and permits in order to reduce consistency errors in recordkeeping required of the Recreation Center Directors.
- In Process** The Department is actively implementing an on-line registration interface via ActiveNet. The implementation is being phased as follows: (1) pilot project at Tierrasanta and Carmel Valley Recreation Centers [complete], (2) implementation at all aquatic centers and the developed regional parks permit center [complete], (3) implementation for permits and classes at remaining recreation centers [underway with goal for full implementation in April 2015; centers will be converted to on-line registration in clusters during 2014], and (4) Citywide Dance Program [planned for 2015]. Staff is in the process of filling a second Information Systems Analyst position to manage the implementation process, and resources have been allocated to CGI to assist with technical aspects of the conversion. Other staff have been reallocated from other duties to support this effort.
- Target Date: 4/1/2015
- #10 We recommend that Park and Recreation administer basic QuickBooks training to Recreation Center Directors who are transitioning from Quicken or a manual system to QuickBooks. Included in the training should be a standard chart of accounts with the basic accounts appropriate for a recreation center/council.
- Implemented** We received a copy of the October 2012 training materials regarding internal controls and cash handling. QuickBooks training was discussed at the Supervisors meeting and discussed with staff on where the training was available and how it would be provided.

13-006

PERFORMANCE AUDIT OF THE ECONOMIC DEVELOPMENT PROGRAM

(MH)

#1

The City Council's Economic Development and Strategies Committee should review existing City Council policies to 1) clarify when and how frequently the City should submit the Economic Development Strategic Plan to the City Council and the timing for any interim reviews; and 2) establish guidelines for the content of the Economic Development Strategic Plan that requires inclusion of the elements necessary for a robust and comprehensive economic development effort.

Implemented

City Council Policy 900-01 ("Economic Development") was amended, approved by City Council, and became effective on November 28, 2012. The revised policy sets forth timelines and guidelines for the content of a focused Economic Development Strategy.

#2

The City should immediately undertake an effort to engage in an internal and external coordination process to develop a clear and comprehensive statement of economic development mission and associated goals, objectives, actions, and measures. The City should ensure that the revised strategy addresses the elements set forth in City Council policies, and General Plan guidance, including those elements described in this report. This effort can and should build upon the department-level goals and measures that the City included in its Fiscal Year 2013 Proposed Budget but should be expanded to encompass other City efforts related to economic development. This effort should include regular reporting to City Council's Economic Development and Strategies Committee.

Implemented

On December 11, 2013, the Planning, Neighborhoods, and Economic Development Department presented a draft document entitled *City of San Diego Economic Development Strategy 2014-2016* to the Rules and Economic Development Committee. At that meeting, the Committee requested a number of revisions to the strategy and requested that staff conduct additional public outreach with stakeholder groups to obtain input regarding the strategy. Subsequently, City staff conducted two public workshops and solicited written comments from various business and other stakeholder groups for inclusion in the strategy. On April 9, 2014, the Department presented the revised draft to the Economic Development and Intergovernmental Relations Committee. The Committee provided additional direction to staff, but moved to accept the draft strategy and forward the document to City Council for approval. Although the draft has yet to be docketed for the full Council, the outreach effort and the content of the draft strategy are generally responsive to the intent of the audit recommendation.

#3

As part of an ongoing strategic planning process, the City should determine necessary points of alignment with the General Plan and other relevant comprehensive city plans to determine how and to what extent those efforts should be formulated in the next version of the economic development strategic plan.

Implemented

The revised draft Economic Development Strategy includes broad points of alignment with the General Plan and other City plans. Although the alignment between the strategy and other key City plans could be enhanced and made more explicit in future iterations of the strategy, the content of the current document is responsive to the intent of the audit recommendation.

#4 The City should establish and further develop formal and ongoing internal and external coordinating mechanisms specifically related to the City's economic development strategy. This effort should occur in consultation with City Council's Economic Development and Strategies Committee to take advantage of the Committee's oversight and coordinating role with regard to economic development.

In Process The *City of San Diego Economic Development Strategy 2014-2016* proposes the creation of a citywide, director-level economic development cabinet to coordinate inter-departmental efforts related to key industries and projects. Additionally, the strategy calls for establishing several sector-specific roundtable groups and other mechanisms to obtain input from external stakeholders. Establishing these proposed coordinating bodies is contingent upon City Council's approval of the Economic Development Strategy.

Target Date: TBD

13-007 PERFORMANCE AUDIT OF THE PUBLIC UTILITIES DEPARTMENT'S CHEMICAL PURCHASES

(AH)

#1 The Purchasing and Contracting Department evaluate all market strategies presented above and identify which, if any, would allow the City to achieve further savings for chemical purchases. Additionally, if any of the market strategies require a change in the San Diego Municipal Code, the Purchasing and Contracting Department should work closely with the Office of the City Attorney to present those revisions to City Council for approval in order to ensure that the City can take advantage of these additional processes.

In Process The Purchasing & Contracting Department will further evaluate the identified purchasing strategies, some of which are already in use, to determine if they can achieve further savings for chemical purchases. Purchasing is working with the City Attorney's office on amendments to the Municipal Code which will enable the use of the reverse auction as a purchasing strategy. Further evaluation of the purchasing strategies and the Municipal Code amendments to allow reverse auctions should be completed by July 1, 2013.

Target Date: 7/1/2013

#2 The Public Utilities Department in conjunction with the Purchasing and Contracting Department should develop policies and procedures that establish a systematic tracking system of information on chemical prices and availability over time and a system to periodically share this information.

In Process The Public Utilities Department and the Purchasing and Contracting Department have scheduled biannual meetings to share information on chemical pricing. In addition, P&C has a practice of periodically reviewing chemical prices to notify PUD of any significant changes. For example, in FY 2013 P&C notified PUD of a drop in liquid oxygen prices that allowed PUD to save \$200,000 on a purchase. However, the Departments have not developed any policies and procedures to ensure that this collaboration occurs on a systematic basis.

#3 The Purchasing and Contracting Department should work in conjunction with the Office of the City Attorney to formulate legal contracts for the purchases of chemicals that include all the required signatures and the necessary legal language and to ensure that the City can have better control over its prices.

Implemented The Purchasing and Contracting Department and the Office of the City Attorney have developed a revised contract template that requires all signatures mandated by the City Charter, including the contractor, the Mayor (or designee), and the City Attorney (or designee). Purchasing and Contracting provided a recently completed contract which uses the revised Memorandum of Agreement and contains all required signatures.

13-008 PERFORMANCE AUDIT OF THE GENERAL SERVICES DEPARTMENT – FACILITIES MAINTENANCE DIVISION

(SA)

#4 Facilities Maintenance should work with City departments to identify the most effective and efficient operating model and funding structure for facilities maintenance Citywide.

In Process In conjunction with PW-Engineering & Capital Projects staff, Facilities is meeting with various general fund departments on an ongoing basis to determine funding levels prioritization. A list has already been prepared for the allocation of Deferred Capital 3 bonds for facility upgrades for various general fund departments. Another condition assessment is currently on schedule to take place this month and additional funding has been requested for the next 5 years for the condition assessment. Public Works also requested the addition of 1.00 Program Manager and 1.00 Project Officer II to manage the assets and oversee the implementation of the recommendations of the condition assessment.

Target Date: TBD

#5 Facilities should improve the RIME system as necessary to include all relevant criteria and use the objective system to prioritize maintenance requests.

In Process The Department reported that they are in the process of redefining how RIME prioritizes facilities maintenance requests. In addition, they revised the Facilities Maintenance Division organizational structure, grouping teams by trade such as electrician, plumber, painter, and etcetera. Supervisors of each team will be more involved in determining the priority of each work request than under the prior structure. The Department has also successfully attained funding for the first year of a five-year planned condition assessment Citywide. Having accurate and comprehensive information on the condition of City assets will help Facilities Maintenance make more informed decisions when prioritizing work requests.

Target Date: TBD

#6 Facilities should develop general controls within iMaint to ensure data reliability.

In Process Facilities continues to better the use of the I-Maint system utilization by determining ways of better accounting for material expense and the evaluation of time recorded in the I-Maint system. Additionally, implementation of the integration of I-Maint and SAP Payroll system is scheduled for March 4th. The department is currently in the testing phase.

Target Date: TBD

#7 Facilities should work with the City's OneSD team to determine the best method of integrating the data in Facilities' computerized maintenance management system with other City IT systems, including SAP.

In Process Implementation of the integration of I-Maint and SAP Payroll system is scheduled for March 4th. The department is currently in the testing phase.

Target Date: TBD

13-010 PERFORMANCE AUDIT OF THE CITY'S OVERTIME CONTROLS

(SP) (ML)

#1 The Personnel Department should work in consultation with the City Administration, the Comptroller's Office and the City Attorney's Office to review and revise, as needed, Personnel Regulation, Index Code H-4 to ensure that the regulations are clearly communicated and are not subject to various interpretations.

Implemented The Personnel Manual H-4 section has been updated as of June 6, 2013. The updated version includes language that overtime is based on the FSLA calculations (See sections (III)(A)(1)(e) and (III)(B)(1)(e)).

13-011 PERFORMANCE AUDIT OF THE PUBLIC UTILITIES DEPARTMENT'S VALVE MAINTENANCE PROGRAM

(AH) (MG)

#1 Public Utilities Department management should prioritize oversight and training of the valve preventive maintenance scheduler program to ensure that the program is executed effectively. Policies and procedures should be revised to designate responsibility for management-level review of completed work orders on a regular basis to ensure compliance with policy. In addition, the Public Utilities Department should revise existing policies and procedures to ensure that:

- a) Appurtenances are not scheduled for unnecessary preventive maintenance;
- b) All appurtenances requiring preventive maintenance in each grid/area receive it before crews move to another area of the City; and
- c) Preventive maintenance activities are cycled through all areas of the City.

Implemented The Public Utilities Department has established responsibility for review of completed work orders to ensure that these policies and procedures are adhered to. Additionally, the department has developed a procedure to ensure that appurtenances are not scheduled for unnecessary preventative maintenance, crews perform preventative maintenance within an entire area before moving to another area, and preventative maintenance activities are cycled through all areas of the City. Data is not yet available to analyze the efficiency gains from these recent process improvements; we will review available data during our next follow-up cycle to report on efficiency gains and associated monetary benefits.

#2 The Public Utilities Department should develop performance measurement reports to facilitate effective oversight of and accountability of the valve maintenance program and ensure compliance with the five year maintenance policy. Performance measures to be included in these reports should include:

- a) The number of unique valves and hydrants that have received preventive maintenance during the current maintenance cycle.
- b) The number and percentage of unique valves and hydrants that have been maintained in each geographic area (for example, each Field Book Page) during the reporting period.

Implemented The Public Utilities Department has developed detailed performance reports to monitor maintenance activities. Because maintenance is currently conducted on a five-year cycle, available data does not yet reflect these recent process improvements; however, we judge that the steps taken are adequate to achieve the intent of the recommendation.

#3 The Public Utilities Department should develop a procedure to record in the Sewer/Water Infrastructure Management (SWIM) system when crews in the field discover that preventive maintenance could not be performed on an appurtenance. This procedure should ensure that work orders are not recorded as 'complete' in the SWIM system when maintenance work is not actually performed.

Implemented	The Public Utilities Department provided sufficient evidence in the form of a procedure and a training module to document appurtenances where preventative maintenance cannot be performed.
#4	<p>The Public Utilities Department should implement a risk-based approach to valve and hydrant maintenance. This implementation should entail:</p> <ul style="list-style-type: none"> • The development of criteria to determine which valves and hydrants are the most critical. Criteria to be considered should include type of area served, potential for the associated main to break, potential for damage and injury resulting from appurtenance failure, and the water shut-off area if the valve fails to operate. • The recording of this information in the Sewer and Water Infrastructure Management (SWIM) and System Planning and Locator Application for Sewer and Hydrographics (SPLASH) systems so it is easily accessible to PUD's valve maintenance group when scheduling maintenance activities. • The development of policies and procedures to schedule maintenance according to the criticality tiers developed. These policies and procedures should be developed in conjunction with other audit recommendations. • An analysis to determine if the valve maintenance section is properly staffed to meet requirements of the risk based approach.
In Process	<p>The Public Utilities Department provided a procedure for risk-based preventative maintenance and a study regarding how they developed criteria to determine which appurtenances are most critical. The department is currently updating SPLASH and SWIM with the new valve risk score information. We will continue to follow up on this recommendation and report on progress toward implementation.</p> <p style="text-align: right;">Target Date: TBD</p>
#5	<p>Upon implementation of a risk-based approach to valve and hydrant maintenance, the Public Utilities Department should work with the City's Information Technology provider to produce reports for each maintenance priority cycle. For example, one report should identify maintenance progress made for valves and hydrants on a one-year high priority maintenance cycle, while another report would identify progress made for valves and hydrants on a ten-year low priority maintenance cycle.</p> <p>These reports should include the number of unique valves and hydrants maintained during the reporting period and should detail maintenance progress made by geographic area, consistent with Recommendation #2, above.</p>
In Process	<p>The Public Utilities Department has provided an estimated completion time of three years in which to implement the risk-based approach. Additionally, the department states that it will hold off on creating a reporting process due to the impending transition from SWIM to SAP Enterprise Asset Management system. We will continue to follow up on this recommendation and report on progress toward implementation.</p> <p style="text-align: right;">Target Date: TBD</p>

#6 The Public Utilities Department should conduct a formal study to determine the most efficient organizational structure and deployment of valve and hydrant maintenance crews. This study should consider whether operational efficiency would be increased by reducing the number of three-person crews. The study should also consider the total number of crews needed to complete all maintenance tasks within the timeframe established by the department. The results of this study should be documented in formal policies and procedures to provide guidelines for appropriate crew size and to ensure that appurtenance maintenance activities are completed in the most efficient and effective manner.

Implemented The Public Utilities Department conducted a formal crew study and concluded that all valve preventative maintenance is to be performed by two-person crews with supervisory discretion to determine when a three-person crew is needed. The results of the study are captured in the department's new procedures.

#7 Upon completion of the study in Recommendation #6, the Public Utilities Department should work with the Labor Relations Office to present a formal proposal for the restructuring of valve and hydrant maintenance activities to the affected labor unions should reductions in FTE occur as a result.

Implemented The Public Utilities Department, in collaboration with the City's Labor Relations' Office, has determined that the changes to crew structure are not subject to meet and confer. The Human Resources Department drafted and sent a formal letter to AFSCME Local 127 to inform them of the new crew structure.

#8 The Public Utilities Department should develop a procedure for crews to note when they encounter a covered valve, and to use the SWIM database to maintain information on valves found covered so that appropriate action can be taken.

Implemented The Public Utilities Department has developed a procedure for crews to follow when they encounter a covered valve, added "covered" and "uncovered" codes to SWIM, and trained staff on how to use the new codes.

#9 To prevent future valves from being covered, the Public Utilities Department should provide an up-to-date copy of the Water Field Book to inspectors and to contractors. The Field Engineering Division of Engineering and Capital Projects should ensure that inspectors have access to the Water Field Books and use them effectively when conducting inspections of contractor work to ensure that gate caps remain uncovered.

Implemented Water Field Books are up-to-date and readily available on the Asset Management Website for inspectors and contractors to access. The Public Works' Engineering and Capital Projects Division was also provided with updated copies of the Water Field Books.

#10 The Field Engineering Division of Engineering and Capital Projects should formalize the current guidelines for the inspection of capital improvement projects for asphalt overlay by transforming the guidelines into a Standard Operating Procedure.

In Process The Standard Operating Procedure has been submitted to the Benchmarking Committee for final approval in March 2014.

- #11 The Public Utilities Department develop a procedure to track water loss time and calculate the amount of water loss from hydrant knock overs on a case by case basis.
- Implemented** The Public Utilities Department has developed a procedure for water systems technician supervisors to compile and input all required information into the electronic cost scheduled worksheet.
- #12 The Public Utilities Department should work with the Risk Management Department to develop policies and procedures that ensure water loss cost recovery is based on the current cost of water and the actual amount of water lost.
- Implemented** The Public Utilities Department provided a cost worksheet to help calculate the cost of damaged fire hydrants and water loss. Additionally, PUD's procedure for completing an electronic cost scheduled worksheet requires a senior analyst to update the electronic cost scheduled worksheet annually to reflect the current cost of water, labor and equipment rates.
- 13-012 PERFORMANCE AUDIT OF THE STREETS DIVISION'S POTHOLE REPAIR OPERATIONS**
- (SG) (SC)
- #1 In order to improve the quality of data, the Streets Division of the Transportation & Storm Water Department should standardize its data collection tool. Specifically, the Streets Division should:
- Specify the types of data that should be collected by repair crews (e.g. number of potholes filled and square footage),and revise the data collection form so that each required data type has its own field and standardized way of recording.
 - Establish a process to ensure supervisory review and approval prior to data entry with confirmation of review such as a signature.
- Implemented** The Street Division of the Transportation and Storm Water Department standardized its data collection tool by creating a standard Daily Work Report that will be used by every team. The department has combined the two different activity logs into one standard form that includes a supervisory signature line. The new form has separate fields for each team to record the notification number, whether or not the notification was self-generated, the exact location, the number of potholes patched, the square footage of each pothole, start and end times, and if additional work is necessary. The form also includes space for each employee to sign and print their names.
- #2 The Streets Division of the Transportation & Storm Water Department should improve controls over data entry. Specifically, the Streets Division should:
- Modify the date field to a blank, yet required field to help ensure the date field is entered correctly into the system.
 - Evaluate potential data entry controls available in SAP for data recorded in the system to strengthen edit checks and controls.

In Process The Street Division of the Transportation and Storm Water Department partially improved controls over data entry by mandating date and time activity entries in SAP-EAM. Data cannot be saved in the system unless the user has entered all of the required information. However, the department should determine if any other data entry controls are available in SAP to strengthen the reliability of their data.

Target Date: TBD

#3 The Transportation & Storm Water Department, Streets Division's pothole repair group should implement a regional deployment strategy in order to reduce redundant trips to the same areas and systematically address pothole repair.

Implemented The Street Division of the Transportation and Storm Water Department has adopted a regional deployment strategy to systematically address potholes.

13-013 PERFORMANCE AUDIT OF THE ZOOLOGICAL EXHIBITS FUND

(MH)

#1 The Financial Management Department should reevaluate and consider simplifying the current budgeting methodology for the Zoological Exhibits Fund. Additionally, the Financial Management Department should, in consultation with the Office of the City Comptroller, establish guidance related to management of the Zoological Exhibits Fund. The written guidance should address budget methodology, departmental roles and responsibilities, and general timeframes.

Implemented Financial Management took steps to simplify the budgeting methodology, and developed a guidance document referred to as "Zoological Exhibits Maintenance Fund Projection Manual." The manual outlines the background of the program, roles and responsibilities, step-by-step methodology, timelines, and other technical information.

#2 In order to improve transparency and oversight of taxpayer funds, the City Administration should request that the Zoological Society establish an accounting structure to specifically account for San Diego Charter Section 77a funds. The revised accounting structure should include a clearly defined set of expenditures related specifically to the maintenance of zoological exhibits.

Implemented San Diego Zoological Society has revised its accounting structure to specifically account for San Diego Charter Section 77a funds. Additionally, the San Diego Zoological Society now includes a management attestation statement on invoices to the City indicating that Section 77a funds are used exclusively for the maintenance of zoological exhibits within Balboa Park.

14-001 PERFORMANCE AUDIT OF THE PARK AND RECREATION DEPARTMENT'S PLAYGROUND MAINTENANCE PROGRAM

(SP) (LB)

#1 In order to improve oversight of its playground inspection processes, including the accurate completion of inspection forms and a consistent supervisory review process for inspection results, the Park and Recreation Department (PRD) should: (1) Re-train staff on the policies and procedures for correctly completing the Weekly Playground Safety Inspection Form; (2) Standardize a playground inspection review process by requiring supervisors to visit playground sites and complete a written safety inspection form at least bi-weekly.

In Process The Department is creating a group of playground inspectors within the Citywide Park Maintenance unit. These inspectors will take Certified Playground Inspector training offered by the California Park and Recreation Society (CPRS). Once training is complete by mid-2014, playground inspectors will begin to inspect all playgrounds within the department and will develop a protocol for correctly completing (high frequency) weekly playground inspections by on-site staff and (low frequency) quarterly detailed inspections by supervisory staff. Playground inspection staff will also provide more detailed inspections upon request.

Target Date: FY 2015

#2 In order to improve assessment of its playground maintenance program, the Park and Recreation Department (PRD) should: Clarify performance indicators in its Park Maintenance Standards related to playground inspection and repair. Specifically, PRD should: (1) Clearly define "response" and which division staff (on-site or Citywide Park Maintenance Services staff) is responsible for meeting the designated timelines. (2) Clearly define playground equipment categories for repair (i.e. "small/minor" and other categories established by the Department). (3) Develop a rubric for the types of repairs considered "emergency," "non-emergency," and "non-safety," and use the rating system on all inspection forms and service requests. Additionally, communicate the rubric with staff involved in playground maintenance operations. Annually evaluate Park Maintenance Standards related to playground response and repair, and report outcomes to the San Diego Park and Recreation Board.

In Process As noted in Recommendation #1, Citywide Maintenance staff will take courses to become Certified Playground Inspectors in 2014. These inspectors, along with Asset Management staff, will develop performance measures for responding to various playground maintenance issues by 2015. Additionally, the Department is implementing Manager Plus, a service request module that will track park maintenance requests including response times. Implementation for this program is scheduled for 2015. A report to the Park and Recreation Board would follow successful performance measure development and Manager Plus implementation.

Target Date: FY 2015

14-002 PERFORMANCE AUDIT OF THE INDUSTRIAL WASTEWATER CONTROL PROGRAM

(SM) (AH)

#1 The Public Utilities Department establish policies and procedures to track all billable IWCP related costs so that fee levels and appropriate cost recovery rates can be determined effectively.

In Process The Public Utilities Department has retained a consultant to study Industrial Wastewater Control Program costs and develop proposals for revised fee schedules. This review is still in progress and is anticipated to be completed in Spring 2014. We will continue to follow up on the recommendation.

Target Date: TBD

#2 The Public Utilities Department establish policies and procedures to periodically review fee levels and present fee proposals to the City Council. These reviews and fee studies should include calculation of the rate of cost recovery achieved by current fees. Reviews should be conducted on an annual basis, and detailed fee studies should be conducted not less than every three years, in accordance with Council Policy 100-05 and Administrative Regulation 95.25.

In Process PUD plans to use the results of the fee study to guide policy recommendations to be made to the Mayor and City Council. Once the fee study is completed, PUD plans to develop a standard procedure for the periodic review and updating of IWCP fees. We will continue to follow up on the recommendation.

Target Date: TBD

#3 The Public Utilities Department perform a fee study to determine fee levels that achieve full cost recovery for all IWCP activities, including all labor and materials required for application review and permitting, inspections, monitoring, and sample analysis, as well as overhead and on-personnel expenses. The Public Utilities Department should work with the Office of the City Attorney to ensure that methodologies used to calculate fees are adequately documented and meet all applicable legal requirements, including those established by Proposition 26.

In Process As noted above, the fee study is scheduled to be completed in Spring 2014. PUD indicates that they are working with the Office of the City Attorney to ensure that fees meet all applicable legal requirements. We will continue to follow up on the recommendation.

Target Date: TBD

#6 The Public Utilities Department work with the Office of the City Attorney to seek recovery, to the greatest extent possible allowed by law, of all unbilled costs related to Industrial Wastewater Control Program application review, permitting, inspection, and monitoring.

In Process

The Department has sent invoices for some previously unbilled charges, and plans to send remaining invoices by March 31, 2014. We will continue to follow up on the recommendation.

Target Date: TBD

#7

The Public Utilities Department should establish a centralized billing process and standardized billing policies and procedures for all IWCP fees and charges. These policies and procedures should be documented in a process narrative, and should:

- a. Establish responsibilities and timelines for generating and sending invoices for all IWCP fees and charge;
- b. Establish responsibilities and timelines for performing a periodic reconciliation of all IWCP revenue accounts;
- c. Establish guidelines and procedures for recording labor time, if necessary to determine invoice amounts;
- d. Establish guidelines and procedures for calculating invoice amounts; and
- e. Ensure that appropriate Separation of Duties controls are enforced.

In Process

This recommendation cannot be fully implemented until the fee study is completed and revised fees are approved. However, PUD has thoroughly documented interim policies and procedures to be utilized until a new fee structure is finalized and approved by the City Council. We will follow up on this recommendation once the new fee structure is implemented.

Target Date: TBD

#8

The Public Utilities Department should perform a comprehensive review of all PIMS settings and invoice calculating features to ensure that accurate invoices are automatically generated by PIMS and sent in a timely manner.

In Process

As noted above, PUD has thoroughly documented interim policies and procedures to help ensure that accurate invoices are generated in a timely manner. However, modifications are required to automate some of these functions in PIMS. The department plans to pursue these modifications once a new fee structure has been finalized and approved. We will continue to follow up on the recommendation.

Target Date: TBD

14-003 PERFORMANCE AUDIT OF THE UTILITIES UNDERGROUNDING PROGRAM

(SA) (AH)

#1 The Utilities Undergrounding Program should obtain a copy of the yearly report that SDG&E submits to the California Public Utilities Commission on Rule 20A compliance and reconcile it to the report that SDG&E submits to the Utilities Undergrounding Program. Any discrepancies found should be investigated and resolved.

Implemented The Utilities Undergrounding Program (UUP) provided documentation of SDG&E's report to the California Public Utilities Commission (CPUC) and the report SDG&E sent to the UUP for the calendar year 2013 Rule 20A undergrounding expenditure obligation. The amount was the same on both documents: \$13,372,586. The UUP also provided an email showing evidence of the request to SDG&E for the calendar year 2014 expenditure obligation, which has not been prepared at the time of this recommendation follow-up.

#2 The Utilities Undergrounding Program should create a policy that defines an appropriate target amount for the fund cash balance reserve.

In Process The UUP was working with FM to include the cash reserve language in the City's cash reserve policy. However, FM just notified us that they will not be including that in their policy. The T&SW Department will create its own policy which will be completed by mid March.

Target Date: 4/30/2014

#3 The Utilities Undergrounding Program should spend any cash balance above the targeted amount identified in Recommendation #2.

In Process The UUP has conducted two-day process improvement workshops with the utilities on Jan 15 and Jan 30. Another design process improvement workshop is scheduled for March 6, 2014. The purpose of these workshops was to discuss and provide solutions concerning obstacles and issues impeding progress of the undergrounding projects. Currently, there are 8 surcharge projects going to public hearing in March 2014, 20 projects totaling \$143M in construction, and 14 projects totaling \$86M in design.

Target Date: TBD

#4 The Utilities Undergrounding Program should establish a standard operating procedure to review the labor detail reports periodically for allowable charges to the underground surcharge fund.

Implemented The Transportation and Storm Water Department's Utilities Undergrounding Program (UUP) provided a standard operating procedure that describes the process for reviewing labor detail reports for appropriate charges to the UUP's internal order numbers. Furthermore, the UUP reported having hired staff to do the work described in the procedure.

**14-004 AUDIT OF MISSION BAY AND SAN DIEGO REGIONAL PARKS IMPROVEMENT FUNDS,
FISCAL YEAR 2012**

(DK) (JZ)

- #1 The Park and Recreation Director and City Comptroller should create a process for reporting expenditures to the Oversight Committee to include:
- a. Following the end of the fiscal year, the Comptroller provides a report of charter fund expenditures to the Park and Recreation, Public Works and Facilities Financing Departments.
 - b. Park and Recreation agenda a meeting prior to March 1 each fiscal year in which the departments who are managing a CIP charter funded project can provide an expenditure report to the Committee to obtain their views on the expenditures.

Implemented The Comptroller provided an update to the Mission Bay lease revenues on October 17, 2013, and a similar presentation would be made in October 2014. The Department presented a five-year forecast for Regional Park Improvement Funds to the Oversight Committee on January 16, 2014. Department staff plans to bring the Oversight Committee recommendations forward to the City Council for approval in July 2014. Public Works Department provided a project update and expenditure summary for RPIF projects on February 20, 2014.

- #2 The Park and Recreation Director should request clarification from the City Attorney's office to determine if the Council's authorization of general annual allocations in the CIP budget is sufficiently detailed to meet the Charter requirement that Council should approve the SDRPIF Capital Improvements priority. If not, appropriate steps should be taken to obtain the necessary approval.

In Process The City Attorney's office responded that the Charter requirements for Council approval of project priorities was not met by the current budget process. The recommendation will be complete when the department presents the project priority to council for approval which is expected by July 2014.

Target Date: 7/2014

14-006 PERFORMANCE AUDIT OF THE POLICE PATROL OPERATIONS

(ML)

- #3 The San Diego Police Department should survey residents regularly to solicit input on community priorities, and it should engage stakeholders by reporting on performance standards.

In Process The Police Department is currently participating in a joint initiative with local police departments, sheriff offices, the National Police Research Platform, and the National Institute of Justice on the Police-Community Interaction (PCI) Survey. The PCI Survey gives local residents the opportunity to evaluate the quality of services provided in recent interactions with local police officers and sheriff deputies. This survey provides standardized data for cities across the nation and has been validated as part of the National Police Research Platform.

Target Date: 09/30/2014

14-011 PERFORMANCE AUDIT OF IT WEB SERVICES

(SA) (AH)

#4 The Department of Information Technology should work with the Office of the Chief Operating Officer to design a webpage that groups online services by type of service and make it readily accessible from the homepage.

Implemented The Department of Information Technology has created a webpage that groups online services by type of service. This page is accessible from the City homepage via the link, Access Online Services.

June 2014

ATTACHMENT C

Open Audit Recommendations – Not Implemented

This schedule includes a chronological listing of all open recommendations as of December 31, 2013 including new recommendations that were issued in the last three months of the current reporting period but were not expected to be implemented already, and no evidence of implementation was provided yet. It also includes recommendations where no evidence was provided to support any meaningful movement towards implementation, and/or no update information was provided. These recommendations are listed as **Not Implemented**.

**ATTACHMENT C
OPEN AUDIT RECOMMENDATIONS – NOT IMPLEMENTED**

10-002 PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART I

(MH)

#6 San Diego Housing Commission management should facilitate the modification of San Diego Municipal Code (SDMC) §98.0301(f)(1) to indicate "... commissioners appointed pursuant to this section shall be tenants of housing commission units or Section 8 rental assistance program voucher recipients. "

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendations.

Target Date: TBD

10-008 HOTLINE INVESTIGATION OF A CITY COMPTROLLER EMPLOYEE

(AA)

#2 With respect to internal controls, we recommend the Risk Management Department implement a new process to verify spousal and dependant eligibility before City insurance benefits are provided to reduce the risk of the City incurring additional costs for ineligibly claimed benefits.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendations.

Target Date: TBD

10-010 PERFORMANCE AUDIT OF THE CITY TREASURER’S DELINQUENT ACCOUNTS PROGRAM - DEVELOPMENT SERVICES DEPARTMENT

(SG)

#1 Review current deficit account balances and immediately refer existing past due accounts to the Treasurer’s Delinquent Accounts Program.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendations.

Target Date: TBD

- #6 Implement a late penalty fee to ensure more timely payments on deficit accounts.
- Not Implemented** No documentation or status update was provided by the department. We will continue to follow up on the recommendations.
- Target Date: TBD
- #7 Require Development Project Managers (DPMs), as well as any other City staff person acting as lead on deposit account projects, to review labor charges on all relevant projects at least biweekly to help identify and correct potentially erroneous charges prior to the issuance of monthly statements.
- Not Implemented** No documentation or status update was provided by the department. We will continue to follow up on the recommendations.
- Target Date: TBD
- #8 Evaluate the adequacy of Deposit Account initial deposit amounts as well as minimum required balance amounts to help minimize the frequency and speed at which Deposit Accounts fall into deficit.
- Not Implemented** No documentation or status update was provided by the department. We will continue to follow up on the recommendations.
- Target Date: TBD

11-024 **PERFORMANCE AUDIT OF THE ANIMAL SERVICES AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND THE COUNTY OF SAN DIEGO**

(SA)

9 The Police Department should instruct contract management staff to conduct more in-depth analysis related to Animal Services' performance, including: conducting testing to verify the County is accurately reconciling the City's revenue account on the second quarter bill, working with the County to verify the annual license and shelter revenue figures, requesting reports on the number and value of fee waivers/adjustments granted by Animal Services staff, and requesting reports on the number and value of accounts sent to the County Auditor and Controller for discharge.

Not Implemented

1) The Animal Services Contract Administrator will develop and implement testing to verify reconciliation of City revenue for FY 2013 by June 1, 2014. 2) The PD Contract Administrator requested the County Department of Animal Services (DAS) provide a report on the number and value of fee waivers/adjustments granted by DAS staff. DAS has responded that fee waivers/adjustments are not tracked by jurisdiction, therefore, a report cannot be provided. DAS has assured the City that the practice of fee waivers/adjustments is appropriately and consistently applied to each situation managed by DAS, regardless of the source (County, City of San Diego, or other client cities). The Police Department is satisfied with that response. 3) The PD Contract Administrator requested DAS provide a report on the number and value of accounts discharged by the County Office of Revenue and Recovery (ORR). The DAS has responded that collections are not tracked by jurisdiction, therefore a report cannot be provided. DAS has assured the City that the practice of account discharge is appropriately and consistently applied to each situation managed by ORR, regardless of the source. The Police Department is satisfied with that response.

Target Date: 6/1/2014

11-027 **PERFORMANCE AUDIT OF CAPITAL IMPROVEMENT PROGRAM**

(SA)

#9 Require that all client departments evaluate alternatives to appropriate projects based on desired outcomes, such as including conducting risk/criticality assessments and lifecycle cost analysis and assessing maintenance/ rehabilitation and non-construction options.

Not Implemented

No documentation or status update was provided by the department. We will continue to follow up on the recommendations.

Target Date: TBD

12-004 **PERFORMANCE AUDIT OF THE SAN DIEGO POLICE DEPARTMENT'S PERMITS AND LICENSING UNIT**

(MH)

#11 In light of Recommendation 10, the Office of the City Treasurer ensure that the expiration of all new police permits and corresponding business tax certificates occur on the same date and develop appropriate procedures to follow-up on expired permits and collect on businesses or individuals found to be operating without a permit.

Not Implemented Per the Police Department, the City Treasurer is taking the lead on this item. We will continue to follow up on this recommendation.

Target Date: 1/1/2015

#13 The San Diego Police Department or Office of the City Treasurer establish an automated system to process permit applications and ensure that it automatically assigns permit expiration dates and notifies staff to collect penalties and background check fees from the applicant.

Not Implemented Per the Police Department, the City Treasurer is taking the lead on this item. We will continue to follow up on this recommendation.

Target Date: 1/1/2015

12-015 **PERFORMANCE AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT'S PROJECT TRACKING SYSTEM**

(SG)

#4 The Development Services Department (DSD) should immediately begin comprehensively documenting PTS and facilitate the transition of Application Development and Maintenance (ADM) functions to the ADM vendor as soon as feasible. Further, DSD must ensure that the vendor takes over management and monitoring of all privileged accounts in the production environment.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: 12/31/2014

#12 The Development Services Department should establish formal agreements, such as Service Level Agreements, with each of its client departments that require custom reports, including the Transportation and Stormwater Department, the Environmental Services Department, and the Public Works Department, as well as any other City departments that require custom reports to increase productivity and efficiency. These agreements should establish clear responsibilities for report generation, including:

- a) Specific procedures for client departments to request custom reports from the Project Tracking System, including the information required in the report and the format of the report (electronic or hard-copy);
- b) Timelines for the Development Services Department to respond to report requests with an estimated cost and completion date;
- c) Funding sources that will be used to pay for the creation of the report; and
- d) Procedures that allow client departments to generate reports on demand from the Project Tracking System.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: 7/1/2016

#13 The Development Services Department should develop a formal, written five-year information technology strategic plan. This plan should include, but not be limited to, an analysis and identification of:

- a) Current and anticipated business needs;
- b) Internal and external customer requirements;
- c) Current trends in system functionalities and security, including services that can be offered via the internet;
- d) Options to meet business and customer requirements cost-effectively, including a cost benefit analysis of retaining PTS over the long term or replacing it with a new system—either developed in-house or a customized commercial software system; and
- e) Anticipated funding needs and source of funds.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

13-003 PERFORMANCE AUDIT OF THE PROCUREMENT CARD PROGRAM

(DK) (SM)

#3 The Purchasing & Contracting Department should develop a system to track or monitor how much departments purchase from vendors that do not have contracts with the City.

Not Implemented No documentation was provided to illustrate implementation of the recommendation.

Target Date: TBD

#6 The Purchasing & Contracting Department should:

a) Develop a tracking system to ensure all participants complete annual training, as required.

b) Ensure internal training policies and Administrative Regulation 95.55 reflect the same training requirements for the program.

Not Implemented The program has not completed an annual cycle. This recommendation will remain open and OCA will follow up to ensure full implementation.

Target Date: TBD

#7 The Purchasing & Contracting Department should establish guidelines on the number of cardholders and transactional volume that can be reviewed by the Approver to ensure adequate time is devoted to reviewing cardholder transactions.

Not Implemented No documentation was provided to illustrate implementation of the recommendation.

Target Date: TBD

13-005 HOTLINE INVESTIGATION REPORT OF CASH HANDLING AT RECREATION CENTERS

(AA) (AH)

#3 We recommend that Park and Recreation enforce their policy that checks are restrictively endorsed upon receipt to ensure that checks can only be deposited in the recreation center's bank.

Not Implemented Based on site visits, we determined that the evidence does not satisfy the intent of our original recommendation. Recreation Center Directors cited that the stamps are locked up when the Director is not present and/or confusion as to what stamp to use by staff for the Directors to continue to endorse checks when the deposit is being prepared.

Target Date: TBD

#5 We recommend that Park and Recreation revise their procedures to require recreation councils to receive copies of cancelled checks that cleared the bank and require the Parks and Recreation area manager to review copies of cancelled checks in the verification of the monthly bank statement reconciliation process.

Not Implemented Based on site visits, we determined that the evidence does not satisfy the intent of our original recommendation. Recreation Center Directors cited that the stamps are locked up when the Director is not present and/or confusion as to what stamp to use by staff for the Directors to continue to endorse checks when the deposit is being prepared.

Target Date: TBD

#6 We recommend that Park and Recreation:

- adopt one format for permit logs that lists all permits in numerical order instead of by location.
- adopt one format for registration form logs that lists all registration forms in numerical order.

Not Implemented The Department disagrees with the first recommendation, as it would be nearly impossible to track and account for permits that are numbered by permit and distributed to more than 55 locations. By having each of the five divisions with its own set of tracking numbers, it is easy for Division administrative staff to account for missing permits. The Department has not yet begun using a standard tracking form.

Target Date: TBD

#11 We recommend that Park and Recreation revise their procedures to require the Area Manager to ensure that the reconciled balance for the monthly bank statement is reconciled with the total asset balance on the monthly financial statement.

Not Implemented Recreation centers remain under the purview of one Recreation Center Director, without an Assistant Recreation Center Director. Absent the assistant center director position, implementing this recommendation will not occur. The department continues to review ways to increase oversight of the recreation council funds.

Target Date: TBD

13-008 PERFORMANCE AUDIT OF THE GENERAL SERVICES DEPARTMENT – FACILITIES MAINTENANCE DIVISION

(SA)

#1 The Department of Public Works should determine the desired level of facilities maintenance for City assets based on the replacement value of those assets, and Facilities' budget requests should reflect that desired level.

Not Implemented Desired level of maintenance service, tied to replacement value, will be developed through MOUs/SLAs with clients. Unfortunately, the Fleet Service's MOUs/SLAs have not been updated since 2011 due to delays in the implementation of Fleet Service's MEGO.

Target Date: TBD

13-009 PERFORMANCE AUDIT OF THE REAL ESTATE ASSETS DEPARTMENT

(SA)

#1 The Real Estate Assets Department should update its Portfolio Management Plan to insure that it meets the City's changing needs.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#2 The Real Estate Assets Department should prepare a market and financial analysis for the City Administration and City Council to reduce leased office space and move a portion of the City's workforce out of downtown to less expensive office space.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#3 The Real Estate Assets Department (READ) should improve its performance goals by establishing measures, targets, outcomes and outputs for each goal. READ should also annually report its performance and achievements to the City Administration and City Council.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#4 The Real Estate Assets Department should work with the City Administration and the City Council to draft a policy on rent subsidies to nonprofit organizations that establishes eligibility criteria for recipients, recovers the City's facilities maintenance and upkeep costs for the subsidized space, and fee to recover the costs of preparing, processing, and monitoring leases.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

13-010 PERFORMANCE AUDIT OF THE CITY'S OVERTIME CONTROLS

(SP) (ML)

#2 The City Administration should train city employees on the provisions of H-4 and the entry of allowable overtime hours into the City's payroll system.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#3 The City Administration should ensure City Departments revise overtime approval forms to provide guidance for employees and the supervisors approving overtime.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

13-012 PERFORMANCE AUDIT OF THE STREETS DIVISION'S POTHOLE REPAIR OPERATIONS

(SG) (SC)

#4 The Transportation & Storm Water Department, Streets Division should change its primary performance metrics to include a measure of production efficiency. Specifically, the department should utilize the cost-per-pothole as their primary performance measure to capture the efficiency of its operations.

Not Implemented The division did not provide any evidence to show that they have adopted the cost-per-pothole performance measure. However, the division should fully implement Recommendation 2 regarding its data entry controls before accurately calculating and utilizing the cost-per-pothole as its primary performance measure to capture operational efficiency.

Target Date: FY 2015

14-001 PERFORMANCE AUDIT OF THE PARK AND RECREATION DEPARTMENT'S PLAYGROUND MAINTENANCE PROGRAM

(SP) (LB)

#3 In order to improve efforts to assess playground equipment, the Park and Recreation Department (PRD) should: Inventory playground equipment and surfacing at City playgrounds every three years. At minimum, the inventory should include: (1) The type of playground equipment and surfacing; (2) The condition of the playground equipment and surfacing; and (3) The equipment/surfacing manufacturer or substitute vendors. The inventory should be updated with new equipment as equipment is replaced. Develop or adopt a template for assessing the condition of playground equipment and surfacing. Comprehensively assess the condition of at least 20 percent of all playground assets and surfacing each year, with 100 percent of playground assets and surfacing being inspected at least once every 5 years. Continue efforts with the Enterprise Asset Management System (EAM) and, when EAM becomes live, expand assessments to include calculating the useful life and value of playground inventory.

Not Implemented Beyond funding allocated in the Fiscal Year 2014 budget to initiate a pilot assessment of park assets, The Department has been unable to continue condition assessments. If funding becomes available, The Department will continue with the effort.

Target Date: FY 2015

14-002 PERFORMANCE AUDIT OF THE INDUSTRIAL WASTEWATER CONTROL PROGRAM

(SM) (AH)

#4 Upon completion of the fee study, the Public Utilities Department should work with the Office of the City Attorney and the Participating Agencies to review and revise, as appropriate, Interjurisdictional Agreements to include fees for service that achieve appropriate cost recovery under the guidelines of Council Policy 100-05 and Administrative Regulation 95.25. The revised agreements should include mechanisms to adjust fees in response to changes in the cost of service.

Not Implemented The fee study is scheduled to be completed in Spring 2014. We will continue to follow up on the recommendation.

Target Date: Spring 2014

#5 Upon completion of the fee study, we recommend the Public Utilities Department, in consultation with the City Attorney's Office, should develop a proposal for consideration by the City Council to update fees for Industrial Users within the City of San Diego. This proposal should include fees that achieve appropriate cost recovery under the guidelines of Council Policy 100-05 and Administrative Regulation 95.25. The revised fee schedules should include mechanisms to adjust fees in response to changes in the cost of service.

Not Implemented The fee study is scheduled to be completed in Spring 2014. We will continue to follow up on the recommendation.

Target Date: Spring 2014

14-005 PERFORMANCE AUDIT OF PUBLISHING SERVICES

(ADLG) (KC)

#1 In order to ensure an accurate balance between Publishing Services' actual workloads and resource needs, we recommend that the Business Office in conjunction with Publishing Services perform an analysis that includes an assessment of 1) current and projected demand for print shop services; 2) current and projected workloads; and 3) staffing and other resource requirements necessary to meet current and projected workload demands.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#2 In order to ensure the most accurate workload data is included in the Preliminary Statements of Work, Statements of Work, and Requests for Proposals in any future Managed Competitions, we recommend the Business Office take additional steps to ensure that workload levels are adequately vetted. For example, the Business Office should consider providing outside consultant support to the Preliminary Statement of Work and Statement of Work teams, as provided for in the Managed Competition Guide.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#3 In order to provide the City Council with information necessary to make informed budgetary decisions pertaining to Publishing Services, we recommend that the following completion of the assessment of workloads and resource needs outlined in Recommendation 1, the Business Office report the assessment to the Mayor and the City Council so that through their Charter mandated budget authority, the Mayor and the City Council may consider making the requisite adjustments to Publishing Services' workloads and resource needs.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#4 In order to ensure that City programs and services that are placed through the Managed Competition process are operating in the most economical, efficient, effective, and transparent manner, we recommend that the Business Management Reports that are produced by the Business Office and the department management, respectively, be made public and presented to the City Council and/or the Budget and Finance Committee on a regular basis.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

14-006 PERFORMANCE AUDIT OF THE POLICE PATROL OPERATIONS

(ML)

#1 The San Diego Police Department should analyze dispatch data to identify potential improvements to operations. It should use the results of these analyses to refine its staffing model and to evaluate patrol response to various types of incidents.

Not Implemented The PD anticipates the opportunity to enhance operations with the implementation of the new Computer Aided Dispatch (CAD) system. At that time, the PD will have an improved ability to analyze dispatch data to refine the current sworn staffing model and further evaluate service levels.

Target Date: Spring 2016

#2 The San Diego Police Department should establish a comprehensive performance measurement system. Goals should include output targets such as timeliness of service or clearance rates for specific types of incidents and crimes, respectively.

Not Implemented The PD anticipates expanding its performance measures with the implementation of the new CAD system, which is when the Department will have an enhanced ability to better record and analyze output targets, such as response times, out-of-service time, proactive time, clearance rates, etc.

Target Date: Spring 2016

14-009 **PERFORMANCE AUDIT OF THE PUBLIC UTILITIES DEPARTMENT’S CUSTOMER SUPPORT DIVISION**

(SG) (SC)

#1 The Customer Support Division should analyze its system to determine the appropriate upper limit setting, while ensuring that it will not negatively impact the workload on its staff and will increase the effectiveness of their initial meter reading controls. Specifically, the Division should: Perform an analysis to determine the most appropriate setting for the upper limit, and adjust the limit, as appropriate, within a reasonable timeframe. The analysis should take into account control effectiveness as well as the maximum number of exceptions the support staff can effectively manage.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: 11/1/2014

#2 The Customer Support Division should analyze their review of meter reading “implausible review” exception resolutions to increase the efficiency of the reviews and focus staff workload on higher value reviews. Specifically, the Division should:

- a) Analyze the Division’s implausible water usage reviews over a period of time to identify the potential for automating the most common reviews.
- b) In cases where the Division experiences exception review backlogs, the Division should define a prioritization model based on impact to the customer.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: 11/1/2014

#3 The Customer Support Division should update their process to capture investigation performance metrics to increase the efficiency of the operations and allow prioritization of investigations. Specifically:

- a) The Investigation Process should include a step to enter the reportable completion date into SAP utilizing the appropriate SAP Service Notification field to reduce redundant workload and increase reporting potential.
- b) The Division’s investigation process should complete or modify, as appropriate, the update of their investigation prioritization schedule based on impact to the customer and business where they experience a backlog of investigations.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

14-010 PERFORMANCE AUDIT OF THE PERSONNEL DEPARTMENT

(SP) (ADLG)

#1 Refine applicant screening process, Personnel should: Create additional screening filters to increase the number of qualified applicants while simultaneously decreasing the number of less qualified candidates for review.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#2 Decrease timelines in various phases of hiring process. Personnel should: Establish overall target timeframes based on the individual phases of the hiring process, differentiated as needed for specific classifications. Target timeframes should include: (1) The length of time job announcements should remain open; (2) Assessment schedules that outline target timeframes for completion and reoccurring assessments, when applicable; and (3) The length of time for Personnel to refer candidates after applicants successfully pass all screening requirements.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#3 Continuously monitor performance, Personnel should: Periodically evaluate and review its performance in meeting target timeframes to determine if opportunities for improvement exist.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#4 Decrease timelines within the hiring department's portion of the hiring process, Personnel in collaboration with the Chief Operating Officer should: (1) Require that hiring departments not submit Requests for Certification forms until departments are ready to actively fill positions; and (2) Establish target timeframes for extending offers of employment upon receipt of referred candidates.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#5 To provide input to the City's workforce planning, the Chief Operating Officer should: Direct all applicable hiring departments to assess current and future workforce needs. The results of these assessments should be communicated to Personnel for inclusion in a workforce development plan.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#6 To tailor predictive recruiting efforts towards high-need, hard-to-fill, and ready-to-fill positions, Personnel should: Develop a workforce development plan, based on input from the hiring departments that tailors predictive recruiting efforts toward high-need, hard-to-fill, and ready-to-fill positions.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

14-011 PERFORMANCE AUDIT OF IT WEB SERVICES

(SA) (AH)

#1 That the Chief Operating Officer, in conjunction with the Mayor's Office, develop a strategic vision for online services. This should include developing specific goals and objectives for increasing online services offered, with clear roles and responsibilities for City departments, and milestones that are incorporated into the City's strategic planning documents.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#2 The Office of the Chief Operating Officer (COO) should direct City departments to identify services that lend themselves to online delivery, and the COO should generate a citywide report of prioritized potential services. Then, the COO should work with departments to conduct internal efforts to evaluate and adapt the potential services for online delivery.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

#3 The Department of Information Technology (DoIT), in conjunction with City departments, should define which online services to include on the homepage drop-down list of online services called Access Online Services. DoIT should update the online services list and develop a procedure to periodically check with departments to determine that the list is accurate and complete.

Not Implemented No documentation or status update was provided by the department. We will continue to follow up on the recommendation.

Target Date: TBD

June 2014

ATTACHMENT D

City Attorney's Legal Opinion

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May 23, 2012

REPORT TO THE AUDIT COMMITTEE

**LEGAL INTERPRETATION OF CITY CHARTER AND MUNICIPAL CODE PROVISIONS
REGARDING SERVICE CONTRACTS AWARDED TO AGENCIES AND NON-PROFITS**

INTRODUCTION

In March of this year, the City Auditor released an audit report entitled “The City Needs to Clarify Purchasing Laws to Ensure City Council Oversight and Encourage Competition,” as part of a performance audit of the Purchasing and Contracting Department. The audit report recommends the Office of the City Attorney provide a legal interpretation of certain provisions of the City Charter and Municipal Code regarding the award of contracts to agencies and non-profit corporations. This report provides the requested legal analysis.¹

DISCUSSION

**I. MUNICIPAL CODE REQUIREMENTS FOR AGENCY AND NON-PROFIT
SERVICE CONTRACTS**

The City Auditor identified approximately \$7.4 million in brush management, graffiti removal, and weed abatement contracts awarded to agencies and non-profits without City Council approval or competitive bids. While the individual contract awards appear to be \$500,000 or less, cumulatively the contract awards to each of these firms² exceed \$500,000 per year. The City Auditor is concerned about the level of oversight of the award of these contracts, and has asked whether this practice is consistent with the San Diego Municipal Code (SDMC).

¹ Legal review of the individual contracts identified in the City Auditor’s report will be done by separate memorandum.

² The agencies and non-profits are Alpha Project, Urban Corps, California Conservation Corps, and the County of San Diego Probation Department.

A. Cumulative Contract Awards.

Chapter 2, Article 2, Division 32 of the SDMC establishes competitive bidding requirements for goods and services contracts.³ Division 32 also identifies exceptions to the competitive bidding requirements, including “Contracts for Services with Agencies and Non-Profit Organizations which comply with Section 22.3222.” SDMC § 22.3212(h). Section 22.3222 provides:

§22.3222 City Manager’s Authority to Enter Contracts for Services with Agencies or Non-Profit Organizations

The City Manager may enter *contracts* for Services with any Agency or with any non-profit organization qualified under Section 501(c)(3) of the Internal Revenue Code without Council action, provided that all of the following conditions are met:

- (a) The City Manager has certified in writing that the *contract* furthers a specific public policy; and
- (b) The City Manager has certified in writing that the contract is in the public interest; and
- (c) The *contract* does not exceed \$500,000 per year; and
- (d) The City Manager has considered all of the following:
 - (1) whether the Agency or non-profit organization agrees to direct supervision of the workers; and
 - (2) whether the Agency or non-profit organization agrees to provide workers’ compensation insurance for the workers; and
 - (3) whether the Agency or non-profit organization agrees to indemnify, protect, defend, and hold the City harmless against any and all claims alleged to be caused or caused by any act or omission of the worker or Agency employee.

SDMC § 22.3222

To determine whether the City’s practice of awarding agency and non-profit contracts is consistent with the SDMC, we first turn to the rules of statutory interpretation. The rules of

³ This Division of the Municipal Code was recently amended by Ordinance No. O-20148 (Apr. 23, 2012). This ordinance renumbers and clarifies some of the provisions referenced in this report, but the substance of the provisions regarding agency and non-profit service contracts is still the same.

statutory construction and interpretation apply to local ordinances. *County of Madera v. Superior Court*, 39 Cal. App. 3d 665, 668 (1974). “When statutory language is clear and unambiguous, we need not construe its meaning.” *Howard Jarvis Taxpayers Ass’n v. County of Orange*, 110 Cal. App. 4th 1375, 1381 (2003). Otherwise the rules of statutory interpretation should be used to ascertain the intent of the legislature. *Palos Verdes Faculty Ass’n v. Palos Verdes Peninsula Unified School District*, 21 Cal. 3d 650, 658 (1978). Words used in a statute are given their usual meaning. *Hamilton v. State Board of Education*, 117 Cal. App. 3d 132, 141 (1981). If a statute is ambiguous, the public agency’s interpretation is accorded great weight. *Gay Law Students Ass’n v. Pacific Telephone & Telegraph*, 24 Cal. 3d 458, 491 (1979); *Mason v. Retirement Board of the City and County of San Francisco*, 111 Cal. App. 4th 1221, 1228 (2003).

Section 22.3222 does not preclude the award of contracts to an agency or non-profit cumulatively exceeding \$500,000 per year, provided each contract is less than \$500,000 per year. The restriction in SDMC 22.3222(c) that “[t]he contract” not exceed \$500,000 per year is singular, thereby expressing that the \$500,000 annual limit applies individually to each contract. If the intent of the ordinance was a cumulative limit, we would expect the ordinance to restrict the plural of “the contracts” to \$500,000 per year. The other restrictions in SDMC 22.3222(a) and (b) also reference “the contract,” further supporting a contract-by-contract review applies to agency and non-profit service contracts.

Even assuming Section 22.3222 is ambiguous, applying the rules of statutory interpretation lead to the same conclusion. In determining the intent of the legislature, we can look to other provisions of the statutory scheme for guidance. *See People v. Drake*, 19 Cal. 3d 749, 755 (1977). “Where a statute, with reference to one subject contains a given provision, the omission of such provision from a similar statute concerning a related subject is significant to show that a different intention existed.” *Allis-Chalmers Corp. v. City of Oxnard*, 126 Cal. App. 3d 814, 821 (1981) (citations omitted). The City Council has established a cumulative annual limit for contract awards for consultant contracts in the same Division of the SDMC that addresses contracts with agencies and non-profits:

§22.3223 Consultant Contracts

Except as otherwise provided by Charter or ordinance, the City Manager may enter a *contract* with a *Consultant* to perform work or give advice without first seeking Council approval provided that both of the following conditions exist:

- (a) the *contract* and any subsequent amendments do not exceed \$250,000 in any given fiscal year; and
- (b) the total amount of *contract* awards to the *Consultant*, including the current *award*, in any given fiscal year does not exceed \$250,000.

Section 22.3223 clearly establishes both an individual contract limit and a cumulative annual limit for “the total amount of contract awards” to consultants, after which City Council approval is required. It is evident that the City Council can establish a cumulative annual limit when it intends to do so. The absence of such language in Section 22.3222 for agency and non-profit contracts demonstrates the City Council’s intent not to impose a cumulative limit on contract awards. The City’s practice has been to apply the \$500,000 annual restriction on a contract-by-contract basis, which is consistent with this interpretation.

B. Subdividing Contracts.

Some of the contracts awarded to agencies and non-profits, particularly for brush management and weed abatement, involve similar work. The City Auditor asks whether this work can be awarded as separate contracts, or whether the work should have been awarded as a single contract for each agency or non-profit which in some cases would have triggered competitive bidding and City Council approval by exceeding the \$500,000 limit. As the City Auditor indicates, the City is prohibited from subdividing purchases for the purpose of avoiding competitive bidding requirements:

§22.3204 Subdividing Purchase Prohibited

The Purchasing Agent is prohibited from subdividing into two or more purchases any purchase of Goods or Services for an expenditure of \$50,000 or more that logically should be made as a single transaction *if the purpose of the subdividing is to avoid the bidding requirements* of the San Diego Municipal Code and the City Charter.

SDMC § 22.3204 (emphasis added).

There are many reasons why similar work may be awarded to the same firm through separate contracts. The need for the work may arise at different times, in different City departments, with different funding sources and managed by different City employees. These appear to be logical reasons for awarding separate contracts to the same agency or non-profit, which are not for the purpose of avoiding competitive bidding. However, the City Auditor raises a good point. It is difficult to determine whether separate contracts are being awarded for one of these reasons, or whether avoiding competitive bidding is also a reason behind awarding separate contracts.

If the City Council is concerned about the amount or the manner in which contracts are being awarded to agencies and non-profits, we recommend amending the SDMC to better define the limits of the City’s authority to award these contracts. The City Council could impose a cumulative annual limit, like it has for consultant contracts, for competitive bidding, City Council approval, or both. Alternatively, the City Council could impose limits for specific departments, or for particular types of work. There may be other alternatives too. This Office can draft the appropriate amendments to the SDMC once we receive guidance from the City Council.

II. CITY CHARTER REQUIREMENTS FOR CONTRACTS OVER FIVE YEARS

The City Auditor has raised concerns that some of the contracts with agencies and non-profits may have been extended beyond a five year term without City Council approval. The City Charter provides:

No contract, agreement or obligation extending for a period of more than five years may be authorized except by ordinance adopted by a two-thirds' majority vote of the members elected to the Council after holding a public hearing which has been duly noticed in the official City newspaper at least ten days in advance.

San Diego Charter § 99.

This Office has indicated that month-to-month extensions of contracts resulting in a total contract term of more than five years must be approved by ordinance of the City Council. City Att'y MOL No. 2009-20 (Dec. 18, 2009). Such extensions that have not been approved by the City Council are void or at least unenforceable against the City, leaving the firms at risk that they may not be paid for their services. *Id.*

Charter Section 99, however, does not apply to separate contracts that cumulatively exceed five years if each contract is less than five years. City Att'y MOL No. 2010-11 (June 8, 2010). But intentionally breaking up what would logically be a single contract into smaller transactions to avoid City Council review will render the transactions void. *Id.* Whether the City has extended an existing contract or awarded a new contract is a factual question that should be analyzed on a case-by-case basis. If the City followed the SDMC process for the award of new contracts, it is strong evidence the contracts are separate. For example, if the City advertised for bids and the incumbent firm won the competition, they are separate contracts. In the case of agency and non-profit service contracts, if the City made the sole source certifications required by Section 22.3222 between consecutive awards, they are probably separate contracts absent any evidence of intent to avoid City Council review. If a later contract amends or incorporates a prior contract, it is likely an extension of an existing contract requiring City Council approval if cumulatively longer than five years. But we emphasize that each situation must be individually reviewed to determine whether City Council approval is required under Charter Section 99.

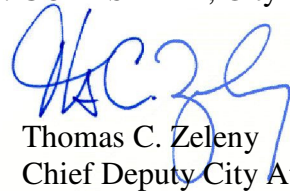
CONCLUSION

The SDMC does not prohibit the award of contracts to agencies or non-profits that cumulatively exceed \$500,000 per year, as long as each individual contract is less than \$500,000 per year. The City Charter does not prohibit the award of contracts to one firm that cumulatively exceeds five years, but whether a contract has been extended or a new contract awarded is a review that should be done on a case-by-case basis. The SDMC prohibits dividing transactions into contracts of less than \$500,000 per year for the purpose of avoiding competitive

bidding, but it may be difficult to ascertain why work was awarded to one firm through multiple contracts instead of a single contract. If the City Council is concerned about the amount or manner in which contracts are being awarded to agencies or non-profits, this Office can draft appropriate amendments to the SDMC with guidance from the City Council.

JAN I. GOLDSMITH, City Attorney

By



Thomas C. Zeleny
Chief Deputy City Attorney

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RC-2012-12