

**City Auditor**



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## Office Description

The Office of the City Auditor is an independent office that reports, and is accountable to, the Audit Committee and City Council. The City Auditor conducts performance audits of City departments, offices, and agencies in accordance with government auditing standards.

The audits may assess internal controls over financial reporting and evaluate how well the City complies with applicable laws, rules, and regulations; achieves stated goals and objectives; reports financial and performance information (reliability); efficiently and effectively uses resources; and safeguards and protects assets.

The Office of the City Auditor also administers the City's Fraud Hotline program and performs investigations for all material complaints received related to fraud, waste, and abuse.

The Office's mission is:

*To advance open and accountable government through accurate, independent, and objective audits and investigations that seek to improve the economy, efficiency, and effectiveness of City government*

## Goals and Objectives

The following goals and objectives represent the action plan for the Office:

***Goal 1: Increase the economy, efficiency, and effectiveness of City government through audits and their recommendations***

To fulfill its mission, the Office reports its independent and impartial reviews, conclusions, and recommendations based on performance audits and attestation engagements conducted. Some audit reports recommend ways to reduce costs or increase revenues. Other audit reports identify opportunities to increase effectiveness, use resources more efficiently, and improve internal controls. An annual audit workplan is prepared and presented to the Audit Committee each fiscal year. The audit workplan targets business processes and programs identified in the annual

# City Auditor

citywide risk assessment model. The Office will move towards accomplishing this goal by focusing on the following objectives:

- Improve performance of government programs and operations
- Utilize audits to identify opportunities for improved efficiency and the effective use of City resources
- Regularly report the status and encourage implementation of open recommendations

***Goal 2: Provide independent, reliable, accurate, and timely information to the Mayor, Audit Committee, City Council, and other stakeholders***

The City Auditor intends to provide results of all non-confidential audits to its stakeholders. To this end, the Office intends to provide regular updates to the Audit Committee, as well as copies of all issued audit reports to the Mayor and appropriate City management, members of the City Council and their staff, Audit Committee members, and the residents of San Diego via the City Auditor website. The Office will move towards accomplishing this goal by focusing on the following objective:

- Provide audit results, including findings and recommendations, to relevant stakeholders

***Goal 3: Provide independent, confidential, and reliable investigations of all material allegations of fraud, waste, or abuse that are reported via the City's Fraud Hotline***

The Office of the City Auditor will investigate all material complaints received related to fraud, waste, and abuse. The City Auditor will provide a means for City of San Diego employees, vendors, and residents to confidentially report any activity or conduct in which they suspect any instances of fraud, waste, abuse, or violations of laws and regulations that should be investigated. The Office will move towards accomplishing this goal by focusing on the following objective:

- Provide investigation results, including recommendations for necessary actions to be taken, for all allegations of fraud, waste, abuse, or violations of law and regulations that are found to be substantiated

## Key Performance Indicators

Performance Measure	Actual FY2013	Actual FY2014	Target FY2015
1. Percent of audit recommendations management agrees to implement	98%	100%	90%
2. Ratio of City's monetary benefits from audit activities to operational audit costs <sup>1</sup>	2:1	7:1	4:1
3. Amount of City's measurable monetary benefits from audit activities <sup>2</sup>	\$5.6M	\$22.3M <sup>3</sup>	\$15.0M <sup>4</sup>
4. Percent of audit workplan completed during the fiscal year	96%	73%	90%
5. Percent of hotline investigation recommendations management agrees to implement	100%	100%	90%

1. The ratio of the monetary benefits is calculated by considering the potential estimated cost savings, enhanced revenues, and/or monetized efficiencies over a 5-year period that will occur if audit recommendations are implemented compared to the City's annual operational costs.
2. Measurable monetary benefits are calculated by considering the potential estimated cost savings, enhanced revenues, and/or monetized efficiencies over a 5-year period that will occur if audit recommendations are implemented.
3. Figure based on audit findings. In Fiscal Year 2014, the City Auditor had a series of reports that yielded potential savings totaling \$22.3 million.
4. Audits results are unknown until completed. The Fiscal Year 2015 target is based on the 4:1 ratio using the Fiscal Year 2014 budget.

## Service Efforts and Accomplishments

The City Auditor will propose an annual audit workplan that will identify the planned audits to be undertaken during the fiscal year. The annual workplan will be based on the results of the comprehensive citywide risk assessment and identify required audits such as the annual inventory audit, close-out audits, and hotline investigations. The goal will be to complete the required audit workplan and increase the economy, efficiency, and effectiveness of City operations through these audits and their recommendations.

Additionally, the City Auditor will conduct testing of internal controls during each performance audit that is conducted, report on control weaknesses that are identified, and make recommendations for corrective action that should be taken. The City Auditor will perform follow-up work on all audit recommendations that are made to determine if proper actions have been taken by management.

The City Auditor will provide regular updates to the Audit Committee regarding the activities and accomplishments of the Office, including producing an annual report and information on management's implementation of audit recommendations.

The Office of the City Auditor has established a national reputation, earning four Knighton Awards for best performance audit in the Large Audit Shop category. The audit reports were judged on several key elements, such as the potential for significant impact, persuasiveness of the conclusions, focus on improving government efficiency and effectiveness, and its clarity, conciseness, and innovation.

Government Auditing Standards require that an audit organization's internal quality control system is evaluated at least every three years. In October 2013, an independent peer review team found the City's Office of the City Auditor has conducted work in full compliance with Government Auditing Standards for the period of July 1, 2010, through June 30, 2013. To reach full compliance reflects the Office of the City Auditor staff's dedication to audit excellence and the City Auditor's own desire to be the best audit organization possible.



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## Department Summary

	FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014–2015 Change
FTE Positions (Budgeted)	20.00	21.00	21.00	0.00
Personnel Expenditures	\$ 2,378,508	\$ 2,692,295	\$ 2,735,557	\$ 43,262
Non-Personnel Expenditures	784,836	1,196,490	839,645	(356,845)
<b>Total Department Expenditures</b>	<b>\$ 3,163,344</b>	<b>\$ 3,888,785</b>	<b>\$ 3,575,202</b>	<b>\$ (313,583)</b>
<b>Total Department Revenue</b>	<b>\$ 30,498</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## General Fund

### Department Expenditures

	FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014–2015 Change
City Auditor	\$ 3,163,344	\$ 3,888,785	\$ 3,575,202	\$ (313,583)
<b>Total</b>	<b>\$ 3,163,344</b>	<b>\$ 3,888,785</b>	<b>\$ 3,575,202</b>	<b>\$ (313,583)</b>

### Department Personnel

	FY2013 Budget	FY2014 Budget	FY2015 Adopted	FY2014–2015 Change
City Auditor	20.00	21.00	21.00	0.00
<b>Total</b>	<b>20.00</b>	<b>21.00</b>	<b>21.00</b>	<b>0.00</b>

### Significant Budget Adjustments

	FTE	Expenditures	Revenue
<b>Salary and Benefit Adjustments</b> Adjustments to reflect the annualization of the Fiscal Year 2014 negotiated salary compensation schedule, changes to savings resulting from positions to be vacant for any period of the fiscal year, retirement contributions, retiree health contributions, and labor negotiation adjustments.	0.00	\$ 43,262	\$ -
<b>Non-Discretionary Adjustment</b> Adjustment to expenditure allocations that are determined outside of the department's direct control. These allocations are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.	0.00	1,842	-
<b>Equipment/Support for Information Technology</b> Adjustment to expenditure allocations according to a zero-based annual review of information technology funding requirements and priority analyses.	0.00	(21,571)	-
<b>Internal Controls Audit Report</b> Adjustment to reflect the reduction of non-personnel expenditures related to the Internal Controls Audit Report.	0.00	(150,000)	-
<b>CAFR Contract Reduction</b> Adjustment to reflect the reduction of non-personnel expenditures related to the new Comprehensive Annual Financial Report (CAFR) contract.	0.00	(187,116)	-
<b>Total</b>	<b>0.00</b>	<b>\$ (313,583)</b>	<b>\$ -</b>

# City Auditor

## Expenditures by Category

	FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014–2015 Change
<b>PERSONNEL</b>				
Personnel Cost	\$ 1,645,569	\$ 1,774,967	\$ 1,857,934	\$ 82,967
Fringe Benefits	732,939	917,328	877,623	(39,705)
<b>PERSONNEL SUBTOTAL</b>	<b>2,378,508</b>	<b>2,692,295</b>	<b>2,735,557</b>	<b>43,262</b>
<b>NON-PERSONNEL</b>				
Supplies	\$ 11,020	\$ 23,272	\$ 23,437	\$ 165
Contracts	587,611	1,027,230	690,114	(337,116)
Information Technology	138,020	96,533	74,962	(21,571)
Energy and Utilities	134	-	-	-
Other	6,826	8,220	8,220	-
Transfers Out	41,225	41,235	42,912	1,677
<b>NON-PERSONNEL SUBTOTAL</b>	<b>784,836</b>	<b>1,196,490</b>	<b>839,645</b>	<b>(356,845)</b>
<b>Total</b>	<b>\$ 3,163,344</b>	<b>\$ 3,888,785</b>	<b>\$ 3,575,202</b>	<b>\$ (313,583)</b>

## Revenues by Category

	FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014–2015 Change
Charges for Services	\$ 13,071	\$ -	\$ -	\$ -
Rev from Other Agencies	17,426	-	-	-
<b>Total</b>	<b>\$ 30,498</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Personnel Expenditures

Job Number	Job Title / Wages	FY2013 Budget	FY2014 Budget	FY2015 Adopted	Salary Range	Total
<b>FTE, Salaries, and Wages</b>						
21000000	Assistant City Auditor	2.00	1.00	1.00	\$34,694 - \$207,210	\$ 154,500
20001233	Assistant to the Director	1.00	2.00	2.00	46,966 - 172,744	106,706
20001252	City Auditor	1.00	1.00	1.00	59,155 - 224,099	168,000
21000001	Performance Audit Manager	0.00	0.00	3.00	46,966 - 172,744	312,738
20001135	Principal Auditor	16.00	17.00	14.00	19,323 - 151,840	1,115,990
<b>FTE, Salaries, and Wages Subtotal</b>		<b>20.00</b>	<b>21.00</b>	<b>21.00</b>		<b>\$ 1,857,934</b>

	FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014–2015 Change
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## Fringe Benefits

Employee Offset Savings	\$ 14,773	\$ 53,835	\$ 20,382	\$ (33,453)
Flexible Benefits	162,174	184,591	187,364	2,773
Insurance	323	-	-	-
Long-Term Disability	9,465	9,603	6,390	(3,213)
Medicare	24,470	26,022	26,941	919
Other Post-Employment Benefits	125,993	131,061	127,386	(3,675)
Retiree Medical Trust	2,710	2,745	2,800	55
Retirement 401 Plan	10,104	10,972	9,225	(1,747)
Retirement ADC	312,653	409,083	415,680	6,597
Risk Management Administration	20,188	19,887	19,887	-
Supplemental Pension Savings Plan	30,072	28,542	53,314	24,772
Unemployment Insurance	4,824	5,096	3,659	(1,437)



# City Auditor

	FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014-2015 Change
Workers' Compensation	15,190	35,891	4,595	(31,296)
<b>Fringe Benefits Subtotal</b>	<b>\$ 732,939</b>	<b>\$ 917,328</b>	<b>\$ 877,623</b>	<b>\$ (39,705)</b>
<b>Total Personnel Expenditures</b>			<b>\$ 2,735,557</b>	



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