

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 15.10	Issue 5	Page 1 of 5
AUDIT REPORT REPLIES REQUIRED OF CITY DEPARTMENTS	Effective Date September 28, 2018		

1. PURPOSE

- 1.1. To be consistent with Generally Accepted Government Auditing Standards (GAGAS), which provide that auditors should obtain and report the views of *Responsible Officials* concerning the findings, conclusions, and recommendations included in reports, as well as any planned corrective actions.
- 1.2. To establish responsibility for responding to an Office of the City Auditor (OCA) audit report.
- 1.3. To establish procedures for *Responsible Officials* to respond to audit reports in order to ensure that all audit recommendations are satisfactorily addressed.
- 1.4. To establish procedures on how to report the current status and target implementation dates for all open recommendations post report issuance.

2. SCOPE

- 2.1. This Administrative Regulation applies to City Departments who receive an OCA draft audit report and those assigned to implement the audit recommendations.

3. DEFINITIONS

- 3.1. *City Departments* – Includes all Mayoral Departments.
- 3.2. *Oversight Executive* – City Officer, such as a Deputy Chief Operating Officer, assigned to oversee the draft and final response from the audited City Department to the OCA.
- 3.3. *Response Owner* – Person assigned to manage the implementation of a specific audit recommendation.
- 3.4. *Responsible Officials* – City management, such as the Department Director and/or impacted administrative City Official, charged with oversight of City programs and services.

(Supersedes Administrative Regulation 15.10, Issue 4, effective March 30, 1993)

Authorized

(Signature on File)
CHIEF OPERATING OFFICER

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 15.10	Issue 5	Page 2 of 5
AUDIT REPORT REPLIES REQUIRED OF CITY DEPARTMENTS	Effective Date September 28, 2018		

4. POLICY

4.1. General

- 4.1.1. The City Charter requires the City Auditor to follow GAGAS, which states that government auditing is essential in providing accountability to legislators, oversight bodies, those charged with governance, and the public. Audits are to provide an independent, objective, nonpartisan assessment of the stewardship, performance, and/or cost of government policies, programs, and/or operations.
- 4.1.2. Performance audits are intended to provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Auditor findings, observations and recommendations are communicated in audit reports.
- 4.1.3. GAGAS provides that auditors should obtain and report the views of *Responsible Officials* concerning the findings, conclusions, and recommendations included in reports, as well as any planned corrective actions. These views are included in audit reports as the “Management Response.”

5. RESPONSIBILITY

5.1. City Auditor

- 5.1.1. Upon the initiation of an audit, the OCA will meet with all City departments subject to the audit at an “entrance conference.” At the entrance conference, the OCA shall describe the audit process, the reason(s) for the audit, the proposed scope or potential proposed scope, and allow these City departments to provide input on the audit for consideration by the OCA.
- 5.1.2. At the completion of an audit, the City Auditor will issue a preliminary draft audit report for review by the *Responsible Official(s)*, and initiate an exit conference to discuss findings, conclusions, and recommendations, including the tone, accuracy, and methodology of the report. The City Auditor’s purpose in providing a draft audit report to *Responsible Official(s)* for review and comment is to help the City Auditor develop a report that is fair, complete, and accurate.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 15.10	Issue 5	Page 3 of 5
AUDIT REPORT REPLIES REQUIRED OF CITY DEPARTMENTS	Effective Date September 28, 2018		

- 5.1.3. After the exit conference, the City Auditor will issue a final draft audit report for review by *Responsible Official(s)*. The City Auditor will establish a reasonable timeline for the Management Response. The OCA’s goal is to provide *Responsible Officials* between 10 to 15 business working days to submit the Management Response. Shorter timelines may be required for less complex audits, or to meet City Council or Audit Committee deadlines.
- 5.1.4. The City Auditor will attach the Management Response to the audit report when it is issued.
- 5.1.5. OCA staff will create web portal accounts for the *Response Owners*. The OCA will maintain a web portal for *Response Owners* to provide status updates and target dates for the implementation of their recommendations. OCA will email the web portal link with instructions on how to provide the recommendation status updates and target implementation dates. The instructions will also describe how the *Response Owners* must use the web portal to notify the OCA when a recommendation has been implemented, and to upload supporting documentation.
- 5.1.6. OCA staff will confirm that recommendations reported as “Implemented” by the *Response Owners* have been satisfactorily implemented. If the OCA finds that key elements of the recommendation are not yet implemented, the recommendation’s status will be changed back to “In Process.” The OCA will prepare a write-up indicating what is necessary to achieve full implementation. OCA will notify *Response Owners* to continue to provide status updates until full implementation is achieved.
- 5.1.7. On a bi-annual basis, the OCA will conduct a recommendation follow-up to track, verify, and report the implementation status of audit recommendations, and present the results to the Audit Committee.
- 5.2. *Responsible Official(s)*
 - 5.2.1. The *Responsible Official(s)* or designee(s) receiving an OCA draft audit report shall participate in the exit conference, which shall be set at a mutually convenient date, time, and place, to discuss findings, conclusions, and recommendations, and to discuss any concerns regarding the tone and accuracy of the report. *Responsible Official(s)* should provide supporting documentation for items deemed inaccurate.
 - 5.2.2. The *Responsible Official(s)* shall provide a Management Response to the final draft audit report that answers the audit recommendations within a reasonable timeframe that is mutually agreed upon.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 15.10	Issue 5	Page 4 of 5
AUDIT REPORT REPLIES REQUIRED OF CITY DEPARTMENTS	Effective Date September 28, 2018		

5.2.3. Appropriate responses to each recommendation will commence with one of the following statements:

- a. Management Response: Agree with the recommendation.
- b. Management Response: Disagree with the recommendation.

5.2.4. The response will outline the actions the *Responsible Official(s)* will take to address and satisfy each audit finding and recommendation. A target timeframe (month and year) for the completion of the implementation of the recommendation will also be included for the agreed upon recommendations. If the *Responsible Official(s)* disagree with a recommendation, they should provide a detailed explanation setting forth the reason(s) for the disagreement.

5.2.5. Once the *Responsible Official(s)* has prepared the draft response, the *Responsible Official(s)* should consult with the *Oversight Executive* and discuss each response and target implementation date.

5.2.6. Once the *Oversight Executive* reviews and approves the response, the *Responsible Official(s)* should provide the management response to the OCA within a reasonable timeframe, mutually agreed upon by the OCA and City departments.

5.3. *Oversight Executive*

5.3.1. The *Oversight Executive* will assist the Department Director in responding to the final draft audit report's findings, conclusions, and recommendations.

5.3.2. The *Oversight Executive* will review the response to each recommendation to ensure it is sufficient to fully remediate the related audit findings or provides sufficient justification to support why an audit finding need not be further addressed. The *Oversight Executive* will also approve the target timeframe (month and year) for the completion of the implementation for each action.

5.3.3. The *Oversight Executive* will assign a *Response Owner* to each recommendation and provide the City Auditor with that person's contact information.

5.4. *Response Owner*

5.4.1. The *Response Owner* is responsible for providing status updates and target dates for the implementation of recommendations.

5.4.2. The *Response Owner* is responsible for providing biannual status updates on the progress of the recommendation's implementation, and to provide a current target

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT	Number 15.10	Issue 5	Page 5 of 5
AUDIT REPORT REPLIES REQUIRED OF CITY DEPARTMENTS	Effective Date September 28, 2018		

date. When a target date becomes past due, the *Response Owner* must provide a revised target date until full implementation is achieved.

- 5.4.3. Once an audit recommendation has been implemented by the *Responsible Officials*, the *Response Owner* must change the status of the recommendation in the web portal from “In Process” to “Implemented,” and upload the proper supporting documentation for OCA to review. The *Response Owner* must provide adequate supporting documentation showing that the recommendation has been implemented. For example, if a recommendation was made for the department to develop written policies and procedures for a specific activity, the approved policies and procedures must be uploaded via the web portal for the OCA’s review. The OCA may require additional evidence to show the new procedures are being followed in order to validate that the recommendation has been implemented. The *Response Owner* should contact the OCA to help determine what support is needed to validate implementation.

APPENDIX

Legal Reference

City Charter, Section 39.2: Office of the City Auditor

Forms

Attachment 1 – Example management response memo

Subject Index

Audit Reports; Replies Required of Departments

Administering Department

Office of the City Auditor