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SUBJECT: BID-TO-GOAL VERIFICATION OF SAVINGS

PERIOD: FISCAL YEAR 2008

PURPOSE:

The purpose of our engagement was to verify the accuracy of the budgetary savings reported by the Water Department Customer Support Division in the Bid-to-Goal FY 2008 Annual Report. In addition, we were to identify practices and procedures that could assist the Division in improving future Bid-to-Goal program reporting.

SCOPE:

We performed a comprehensive review of the Water Department Customer Support Division's budgetary savings calculation. In completing our review, we compared total expenditures and encumbrances presented in the Bid-to-Goal FY 2008 Annual Report to the total expenditures and encumbrances reported in the City of San Diego Simpler reports. We reviewed the expenditures classified in the Annual Report as fixed budget objective and pass-through budget objective. We also analyzed expenditures presented as out-of-scope. In addition, we reviewed the encumbrances at June 30, 2008 and those closed subsequent to the end of the fiscal year.

SUMMARY:

Water Department Customer Support Division (Division) reported fixed objective budgetary savings of \$1,795,524 in the Bid-to-Goal (Bid) FY 2008 Annual Report (Annual Report). Per the Employee Bid agreement, 50% of the savings reported will be placed in an Assurance Fund for employee payouts. Based upon our comprehensive review, \$1,609,952 should be reported as fixed objective budgetary savings and \$804,976 should be eligible to be placed in the Assurance Fund for employee payouts. Adjustments to the budgetary savings are included below in Exhibit A.

EXHIBIT A:

Functional Areas	Savings per Annual Report	Savings per Audit	Decrease in Savings
Administration	(44,280)	(229,852)	(185,572)
Water Resources	223,312	223,312	-
Customer Service	480,652	480,652	-
Field Services and Investigations	71,061	71,061	-
Meter Services	60,282	60,282	-
Divisional Contingency	266,193	266,193	-
Inflation – Adjusted (2.64%)	738,304	738,304	-
TOTAL	1,795,524	1,609,952	(185,572)

FINDING AND RECOMMENDATION:

Finding 1:

Administration Section overstated budgetary savings by \$185,572. The variance was caused by misinformation provided by the Information Technology Section and the Budget Section to the Customer Support Division. There were two charges, one in July 2007 for \$92,786 and one in January 2008 for \$92,786 that were improperly recorded as out-of-scope. In the Water Department, most city-wide allocations are typically allocated and expended in the Information Systems Section. However, this expenditure account was allocated to divisional budgets. This cost allocation was new in Fiscal Year 2008 and was not well understood by staff.

Recommendation:

We recommend verifying that all out-of-scope expenditures have been reviewed by multiple parties, contain adequate documentation verifying the out-of-scope classification, and are complete prior to finalizing budgetary savings.

This report is intended solely for the information and use of the City of San Diego and Water Department Customer Support Division and is not intended to be and should not be used by anyone other than these specified parties.

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