



THE CITY OF SAN DIEGO

DATE: April 18, 2008
TO: Honorable Members of the Audit Committee
FROM: *E. Luna*
Eduardo Luna, Internal Auditor
SUBJECT: **Protocols for Presenting Internal Audit Reports**

At the request of Councilmember Kevin Faulconer, Audit Committee Chairman, I have developed a list of protocols for presenting audit reports, monthly status reports, recommendation follow-up reports, and other audit products to the Audit Committee for their consideration. Attached is a table that identifies the type of audit product and proposed Audit Committee response for considering the report. The table includes information on the following products:

- Audit reports,
- Annual Accomplishments and Activities Report,
- Fraud, Waste, and Abuse Hotline Report,
- Monthly Report,
- Recommendation Follow-up Report,
- Risk Assessment, and
- Audit Work Plan.

If you and your staff have any questions or would like to discuss the information contained in this memorandum, please do not hesitate to contact me at (619) 533-5214.

Attachments:

Table of Protocols for Presenting Internal Audit Reports

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Andrea Tevlin, Independent Budget Analyst
Stanley Keller, Independent Oversight Monitor



Table of Protocols for Presenting Internal Audit Reports

Audit Document	City Auditor Action	Audit Committee Action
1. Audit Reports	All audit reports will be made public and copies distributed to the Audit Committee members, Mayor, City Council members, City Attorney, and administration officials. All audit reports will be placed on the City Auditor’s public website.	The Audit Committee Chair in consultation with the City Auditor will decide which audit reports are presented to the Committee. Any Audit Committee member may request through the Chair to place an audit report on the Audit Committee agenda. The City Auditor will make a presentation on the audit results including a discussion of audit findings and recommendations.
2. Annual Audit Work Plan	At the beginning of each fiscal year, the City Auditor will propose an annual audit work plan that will identify all proposed audits to be undertaken throughout the year. The work plan will identify 1) all audits in progress; 2) audits not started; 3) required annual audits, such as the Report on Internal Controls, and Inventory Audit; 4) on-going audit assignments, such as close-out audits and Fraud Hotline referrals; 5) newly proposed audits based on the Citywide Risk Assessment model; and 6) input from the Mayor, City Council, and Administration on potential audit subjects. Additional information will include audit type, estimated start and completion date, and estimated audit hours. Audit requests received during the fiscal year will be addressed through the Audit Committee.	The Annual Audit Work Plan will be presented to the Audit Committee on an annual basis together with the results of the risk assessment. Requests to add audits to the work plan midyear will be presented to the Audit Committee with a City Auditor analysis of the impact of adding the proposed audit to the work plan.

	City Auditor Action	Audit Committee Action
3. Annual Activities and Accomplishments Report	<p>Annually, the City Auditor’s Office will make public a record of its activities and accomplishments. Beginning in January 2009, the City Auditor will issue an annual report for the period January 1, 2008 to December 31, 2008, with the following information:</p> <ul style="list-style-type: none"> • Audit authority and responsibility. • Mission statement. • Information on types of audits performed. • Benefits to city, in terms of cost savings and increased revenues, or strengthening internal controls in comparison to audit costs. • Audit recommendations by type—Improve operations or program effectiveness, or improve economy and effectiveness. • Office information, including budget and number of personnel. • Audit work plan and Citywide Risk Assessment process. • Organizational chart. • Staff information including education, certifications, and work experience. • Noteworthy recognition, appointments, and awards. • Website information and statistics. • Summary of audit work performed - executive summary of audit reports. • Most recent peer review report. 	<p>The City Auditor will distribute this report to the Mayor, City Council, and the Audit Committee. If desired, this report will be scheduled for an Audit Committee meeting.</p>
4. Fraud, Waste, and Abuse Hotline Quarterly Report	<p>On a quarterly basis, the City Auditor will provide a summary report to the Audit Committee regarding the number of calls to the hotline, category of calls received, and call disposition.</p>	<p>The Audit Committee will place on the meeting agenda a quarterly update from the City Auditor regarding the hotline. The City Auditor will make a presentation regarding the hotline results.</p>

	City Auditor Action	Audit Committee Action
5. Monthly Reports	Each month, the City Auditor will issue a report to the Audit Committee. The report will contain 1) a listing of issued audit reports and memorandums; 2) a listing of all ongoing audit assignments, including information on audit status, hours, and target issuance date; 3) approved audits not started; and 4) a listing of significant City Auditor and staff activities and accomplishments.	On a quarterly basis, the Audit Committee will place on the meeting agenda a quarterly update from the City Auditor regarding office activities and accomplishments. The City Auditor will present a summary of the information contained in the monthly reports issued for the previous three months.
6. Recommendation Follow-Up Report	In order to ensure recommendations are implemented on a timely basis, the City Auditor will undertake an annual recommendation follow-up process to track the status of all previously issued audit recommendations. In February 2009, the City Auditor will prepare an annual report on the status of all recommendations for the previous 12 month period ending December 31, 2008.	Annually, the Audit Committee will place on the meeting agenda the Recommendation Follow-up Report. The City Auditor will make a presentation on the status of all previously issued recommendations, with estimated timeframes for implementation.
7. Risk Assessment	On an annual basis, the City Auditor's Office will conduct a Citywide Risk Assessment to identify potential audit subjects. The City Auditor's Office will complete a Citywide Risk Assessment as a means to help identify, measure, and prioritize the City's potential audits based on the level of risk to the City. The results of the completed Citywide Risk Assessment will be utilized in preparing the City Auditor's annual work plan. When a City Activity Group is selected to be audited, we will perform a more in depth risk assessment to ensure our audit procedures cover the areas of highest risk for that Activity Group.	Annually, the Audit Committee will place on the meeting agenda the risk assessment report along with the proposed audit work plan.