



Public Utility Department Incentive Program Audit and Payout Process

Audit Committee Meeting
December 1, 2008



Public Utilities Department - Bid to Goal and Pay for Performance Programs

- Concerns regarding lack of synchronization for audits and payouts
- City Auditors Office requested information on the incentive program processes
- A memo was provided explaining the timing of the audits and payouts (attached)
- This presentation is a summary the information gathered



Public Utilities Department - Bid to Goal and Pay for Performance Programs

- MWWWD currently has 1 Department-Wide Bid to Goal program
- Water Department has Bid to Goal and a Pay for Performance incentive program for their Operations and Customer Support Divisions (2 Divisions with 2 programs, 4 total)
- MWWWD has 1 annual audit and Water has 4 annual audits. An audit is conducted for each of the 5 separate incentive programs



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- AKT performs the annual audits for the 5 incentive programs
- An audit is initiated when one of the programs has an information package completed
- Once an audit is completed the payout for that program can be made
- Since there are 5 separate incentive programs, the audits and payouts all occur at different times



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- Water is working to implement a single Department-Wide program for FY10
- If Water consolidates their programs, they will have 1 audit and 1 payout each year, and MWWWD will continue to have 1 of each as well
- Public Utilities Department believes that this consolidation will lower consultant costs and provide a closer timing in completing the required audits



Public Utilities Department - Bid to Goal and Pay for Performance Programs

Questions?



THE CITY OF SAN DIEGO

Date: October 31, 2008

To: Kyle Elser, Internal Audit Manager

From: Darlene Morrow-Truver, Metropolitan Wastewater Department Deputy Director and Rod Greek, Water Department Deputy Director

SUBJECT: Public Utility Department Bid to Goal and Pay for Performance Audit and Pay-out Process

This memo is to address the concerns of the City of San Diego Audit Committee in regards to the Water and Metropolitan Wastewater (MWWWD) Departments Bid to Goal and Pay for Performance programs. The concern centered around the issue of timing relative to audit completion and gain sharing pay-out timing.

Currently, MWWWD is operating under a department-wide Bid to Goal Program. The Water Department is in its final year of a Bid to Goal and Pay for Performance Program in the Water Operations Division and the third year of a Bid to Goal and Pay for Performance Program in the Customer Support Division. This being the case, MWWWD contracts for one audit and the Water department contracts for 4 separate audits. All of these audits are performed by the same consultant. The consultant performing the audits is AKT.

In order to streamline the workload for both AKT and Water and MWWWD staff, the departments have been coordinating the timing of when these audits are completed. The first division or department with complete information packaged and ready to give to AKT begins the audit process first. As the audits are completed, an audit report is issued by AKT and reviewed by the department. If the department disagrees with some or all of the findings, there is some back and forth exchange of information and supporting documentation until such as point as all findings are agreed to.

Once the Audit Reports have been accepted as final, the Labor Management Committee decides on whether to pay gain sharing, the departments then are expected to issue gain sharing pay-outs in a timely manner. There is no additional requirement for review by a higher authority other than department management to generate these pay-outs.

Water and MWWWD are currently in the midst of a re-organization effort to optimize the services provided by the administrative divisions as well as the Long Range Planning and Policy divisions. As part of this effort, the Water Utility is working to implement a department-wide Bid to Goal program similar to the one MWWWD is currently operating under. If successful, in Fiscal year 2010, each department will be under one Bid to Goal program. This will result in



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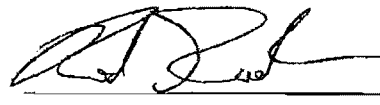
only one annual audit for each department. Not only will this lead to lower outside consultant costs, but it will also provide for closer timing in the completion of the required audits.

As always, the Public Utility Departments are open to share information and to receive input and recommendations as to how to continue to improve our processes and procedures. If you have any additional questions, please contact either Darlene Morrow-Truver at 858-292-6384, or Rod Greek at 619-980-5928.

Sincerely,



Darlene Morrow-Truver
Deputy Director
Metropolitan Wastewater Department



Rod Greek
Deputy Director
Water Department