



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: September 8, 2010 REPORT NO: n/a
ATTENTION: Honorable Councilmember & Audit Committee Chair Kevin Faulconer
Honorable Members of the Audit Committee
SUBJECT: Internal Controls Progress Report – For the Month of August 2010

REQUESTED ACTION: This is an information only item, no action is required at this time.

STAFF RECOMMENDATION: n/a

SUMMARY: This is the Internal Controls Progress Report for the month ending August 31, 2010. In addition to the statistics presented in this report, I would like to provide an update on our accomplishments and activities.

We finished work on 10 process narratives and workflow diagrams in August for a total of 80 posted Process Narratives and 80 Workflow Diagrams. There are 49 additional written Process Narratives that have been submitted to Internal Controls as of August 31st that are in various stages of review. Our Master Schedule Summary indicates that there are now a total of 371 identified Process Narratives. The number of process narratives identified have remained steady over the past six months. There was a jump in past due process narratives in August to a total of 22. But generally, employees have been responsive in meeting their self assigned due dates. We continue to publish our Master Schedule Summary each week and distribute it via email to the desktop of each assigned process owner.

The Audit Master Database report is issued each Friday to audit response owners reminding them of their completion commitments. As of the end of August there were 434 audit recommendations in the database (both internal and external audits), with 225 recommendations showing as completed by City management. There are 49 individual audits that are marked as open. An audit will remain as open until all audit recommendations have been completed by City management and have been verified by the auditing agency (i.e. the Office of the City Auditor or an external auditing firm). As previously scheduled, the Office of the City Auditor conducted their semi-annual review as of June 30, 2010 of the status of open audit recommendations. We anticipate that a good number of internal audits will be closed after the verification report from the Office of the City Auditor is released.

We have continued to work on resolving segregation of duties user violations. This is a daily task that requires our on-going attention. We are pleased to report that for the first time since our internal controls program began, we were successful in mitigating all existing user violations. We will continue to be diligent in our on-going efforts to remediate user violations as they occur. Our goal is to keep this number to as close to zero as possible.

We are also pleased to report that we were successful in hiring our fourth employee into the internal controls section. Stella Kuzukian joined the internal controls section on August 24th and is now working full time with our team. She is an experienced accountant with a background in auditing, IT and accounting. Stella has been with the City of San Diego since 1988 and has worked in a variety of departments. Her operational experience and technical knowledge will be a valuable addition to the internal controls section. We are now fully staffed in the internal controls section.

The chart below details the activities and accomplishments of the Internal Controls section within the Office of the City Comptroller for the month of August 2010.

Category	Beginning Balance	Cumulative Completed	Estimated Items Remaining	Current Activity by Month			
				9/1/2009	8/31/2010	May-10	Jun-10

Operational

Process Narratives	0	80	291	9	11	10	10
Workflow Diagrams	0	80	291	9	11	10	10

Governance Risk and Compliance (GRC)

Mitigating Access Controls Developed	27	19	100	2	0	1	2
Entity Level Controls Developed	32	3	Ongoing	0	0	0	0
Process Controls Developed	181	6	300	2	3	0	1
Automated Control Monitoring Performed				71	103	75	101

Segregation of Duties

Users Analyzed				10,384	10,337	10,368	10,321
Users with no Violations				10,374	10,196	10,362	10,321
Users with Violations				10	141	6	0

Resources: Project Work Hours Available

Principal Accountant	0	163	1,520	0	0	91	72
Supervising Accountant	0	991	932	89	81	0	0
Staff Accountant	0	1,250	617	146	108	82	148
Staff Accountant	0	916	716	129	131	140	120
	0	3,321	3,785	364	320	313	340

Process Narrative Completion Report & Schedule as of 8/31/10

22 Items Past Due

	Code	Status
271	1	Pending Process Owner - Requested Open Item
0	2	Unassigned - Pending Assignment by Internal Controls
49	3	Pending Internal Controls - Received and Currently Reviewing
80	4	Completed Document - Posted to Internal Controls Website
371	Total	

<i>Audit Summary Information</i>			Month Activity		FY Cumulative Activity	
Audit Type	Number of Audits	Number of Audit Recommendations	City Completed	Auditor Completed	City Completed	Auditor Completed
Internal-OCA	44	405	1	0	225	97
External	5	29	0	0	0	0

Audit Activity Since Prior Update Report - Added and Closed Audits

Status	Audit Type	Issue/Closed Date	Audit #	Audit Name	Number of Audit Recommendations
Open	Internal	4/30/2010	10-019	Performance Audit of the Sub-Contractor Outreach Program	13
Closed	Internal	3/12/2010	08-001	Community Facility District #3 Liberty Station Phase 1 Park Facilities	1
Closed	Internal	3/12/2010	09-012	Audit of Accounts of Scott Peters...	1
Closed	Internal	3/12/2010	09-020	Hotline Investigation of a City Employee	1
Closed	Internal	3/12/2010	09-022	Hotline Investigation of a City Employee	1
Open	Internal	6/22/2010	10-020	DSD Water & Sewer Collection Fees	7
Open	Internal	7/21/2010	10-021	Abuse from Sale of Metal (Hotline)	1
Open	Internal	8/31/2010	11-001	Performance Audit of Risk Management's Public Liability and Loss Recovery Division	23

cc: Honorable Mayor Jerry Sanders
Jay M. Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Andrea Tevlin, Independent Budget Analyst
Eduardo Luna, City Auditor


Ken Whitfield
City Comptroller