



October 2010

Audit Recommendation Follow-up Report

*Status Update as of
July 2, 2010*



THE CITY OF SAN DIEGO

DATE: October 6, 2010

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **Recommendation Follow-Up Report**

Attached is the City Auditor's Office Recommendation Follow-Up Report which provides the status of open recommendations as of July 2, 2010. We will continue reporting on open recommendations semiannually for periods ending June 30th and December 31st.

We provided a short summary of data, highlighted several recommendations, and attached the status updates for recommendations. We look forward to presenting this report at the October 11, 2010 Audit Committee meeting.

The intent of this report is to keep the Audit Committee informed about the implementation status of recommendations made by the City Auditor's Office. We would welcome any suggestions or recommendations for improving upon this report to enhance your ability to monitor the effective implementation of City Auditor recommendations.

cc: Honorable Mayor Jerry Sanders
Honorable City Councilmembers
Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant Chief Operating Officer
Mary Lewis, Chief Financial Officer
Ken Whitfield, Comptroller

IMPLEMENTATION STATUS OF OPEN RECOMMENDATIONS

On July 2, 2010, the Comptroller's Office provided the City Auditor a listing of 112 recommendations deemed implemented by departments and related entities. These submitted recommendations represented 112 of 285 (39 percent) of all open recommendations. Of the 112 recommendations submitted by the Comptroller's Office, we found 35 were implemented (31 percent), 30 were partly implemented (27 percent), and 47 were not implemented (42 percent).

This report is reflective of recommendations that departments and related entities reported as implemented to the Comptroller's Office as of July 2, 2010. Any recommendations reported to the Comptroller's Office after July 2, 2010 will be incorporated into our December 2010 report.

Management has communicated that although many recommendations remain outstanding, efforts to implement the recommendations are in process. We should note that some recommendations have planned implementation dates in the future; however, the status of these recommendations is listed as not implemented. We will continue to report these recommendations as not implemented until we can verify recommendation implementation. We plan on listing target implementation dates on future reports for open recommendations.

Of the 285 outstanding recommendations:

- 35 recommendations were implemented;
- 30 recommendations were partly implemented;
- 217 recommendations were not implemented; and
- 3 recommendations were not implemented - disagree.

City Auditor's Office staff deemed recommendations:

- **Implemented** where City staff provided sufficient and appropriate evidence to support all elements of the recommendation;
- **Partly Implemented** where some evidence was provided but not all elements of the recommendation were addressed
- **Not Implemented** where evidence did not support meaningful movement towards implementation, where no evidence was provided, where implementation will take time and it is in process but there is nothing that can be measured, or where it is a new recommendation issued within the last three months of the July 2, 2010 Comptroller's report; and
- **Not Implemented – Disagree** where the administration disagreed with the recommendation and did not intend to implement.

Exhibit 1 summarizes the status of open recommendations by audit report in chronological order.

Exhibit 1: Audit Reports and Recommendation Status

Report	Implemented	Partly Implemented	Not Implemented	Not Implemented - Disagree
08-009 Central Stores Inventory Audit - General Services Department			1	
08-010 Central Stores Inventory Audit - Purchasing & Contracting Department		1	3	
08-011 City Oversight Of The San Diego Public Library Foundation			5	
08-019 Cash Count And Bank Reconciliation Audit - Kroll Remediation Of The City's Bank Reconciliation Process			1	
08-020 Audit Of Permits Issued For The Blackwater Facility			2	
09-001 Audit Of The Internal Control Remediation Related To The San Diego City Employees Retirement System			3	
09-003 Audit Of Accounts Of Anna Tatar (Martinez), Library Director				2
09-004 Audit Of The San Diego Public Library Fee Collection Process		2	2	
09-005 Audit Of The 2007 Wildfire Debris Removal Project	1	3	6	
09-006 Hotline Investigation Of The Junior Lifeguard Program's Deposits Of Fundraiser Monies			1	
09-007 Hotline Investigation Of The Handling Of Scrap Metal At The Point Loma Mwwd Facility	1			
09-008 Hotline Investigation Of The Duplication Of Water Meter Box Replacement Work			2	
09-009 Hotline Investigation Of The Fourth District Senior Resource Center		1		
09-011 Audit Of Accounts Of Michael Aguirre, Former City Attorney	2			
09-013 The City Of San Diego Faces Unique Operational And Administrative Challenges In Managing Qualcomm Stadium		3	6	
09-014 Audit Of San Diego Data Processing Corporation's Compensation And Budgeting Practices			1	

Report	Implemented	Partly Implemented	Not Implemented	Not Implemented - Disagree
09-015 Audit Of The San Diego Public Library Cash Handling (Confidential)			18	
09-016 Audit of Accounts of Wendi Brick, Former Customer Services Director, Elmer Heap, Former Deputy Chief Operating Officer, Jillanne (Jill) Olen, Former Deputy Chief Operating Officer, And Joanne Sawyerknoll, Former Deputy Chief Operating Officer	1		1	
09-017 Park & Recreation Pool Audit	1	4	6	
09-018 Audit of the SAP ERP Implementation – Current To Integration Testing, Cycle 1	2		1	
09-021 Hotline Investigation of Promote La Jolla, Inc.			2	
09-023 Audit Of The Central Stores Inventory (FY08)		2	5	
09-OA-001 Southeastern Economic Development Corporation Performance Audit of Operations	6	5	22	
10-001 Metropolitan Wastewater Department Contract Compliance Audit		1	8	
10-002 Performance Audit of The San Diego Housing Commission – Part I		3	10	
10-003 Performance Audit of The San Diego Housing Commission – Part II		1	9	
10-006 Office of The City Attorney Proposition 64 Funds Audit	1	1	1	
10-007 Performance Audit of The City’s Street Maintenance Functions			4	
10-008 Hotline Investigation of A City Comptroller Employee	1		1	
10-009 San Diego Data Processing Corporation Follow-Up Audit		2	5	
10-010 Performance Audit of The City Treasurer’s Delinquent Accounts Program - Development Services Department			11	
10-011 City Charter Requirements For Unclaimed Funds			1	

Report	Implemented	Partly Implemented	Not Implemented	Not Implemented - Disagree
10-013 Bid To Goal: Efficiencies Have Been Achieved, But Improvements Are Needed In Documentation, Management, And Internal Review Of The Program	13	1		
10-016 Citywide Revenue	3		19	1
10-017 Performance Audit Of The City Treasurer's Investments Division			3	
10-018 Performance Audit Of The Purchasing And Contracting Department - Citywide Open Purchase Order Program			6	
10-019 Performance Audit Of The Subcontractor Outreach Program (Scope)			13	
10-020 Performance Audit Of The Development Services Department's Collection Of Water And Sewer Fees			7	
10-OA-001 Performance Audit Of The Centre City Development Corporation	1		23	
10-OA-002 Audit Of The San Diego Convention Center Corporation	2		3	
10-OA-003 Review Of The Hiring Process Of The Director Of Purchasing And Contracting			5	
Grand Total	35 (12%)	30 (11%)	217 (76%)	3 (1%)

As of July 2, 2010, the distribution of the 285 open recommendations is as follows:

24	Center City Development Corporation	5	Office of the Mayor
23	Chief Financial Officer	12	Park and Recreation Department
2	City Planning & Community Investment	2	Personnel Department
4	City Treasurer	26	Public Utilities Department
2	Comptroller	18	Purchasing and Contracting Department
11	Development Services Department (DSD)	9	Real Estate Assets Department
7	DSD & Public Utilities	1	Risk Management Department
10	Environmental Services Department	5	San Diego Convention Center Corporation
13	Equal Opportunity Contracting Program	23	San Diego Housing Commission
3	Financial Management Department	29	San Diego Public Library
1	Fire-Rescue Department	3	San Diego City Employee Retirement System
4	General Services Department	1	San Diego Data Processing Corporation (SDDPC)
2	Independent Budget Analyst	7	SDDPC & Financial Management
2	Land Use & Economic Development	33	Southeastern Economic Development Corporation
3	Office of the City Attorney		

Exhibit 2 shows how long a recommendation remains open since the original report was issued¹.

Exhibit 2: Audit Recommendation Implementation Timeframe

Timeframe	Implemented	Partly Implemented	Not Implemented	Not Implemented – Disagree	Total
0-3 Months	0	0	29	0	29
4-6 Months	16	1	20	1	38
6-12 Months	4	8	57	0	69
1 to 2 Years	15	20	99	2	136
Over 2 Years	0	1	12	0	13
Total	35	30	217	3	285

¹ Timing is rounded to the month.

FUTURE RECOMMENDATION FOLLOW-UP

The Office of the City Auditor will conduct semiannual follow-up with reporting periods ending June 30th and December 31st of each calendar year. We will continue to evaluate ways to improve the recommendation follow-up process. For example, future enhancements are to include department established target dates and appropriately adjusting our annual Risk Assessments for those recommendations that remain outstanding for over one year. Adjustments will be made to increase a department's risk level which would result in a higher likelihood of a future audit.

We will continue to work with the Comptroller's Office to identify opportunities to enhance the City's internal recommendation response process. For instance, we have agreed to provide the Comptroller's Office with a list of specific items that we would expect to find as support for implemented recommendations. The Comptroller's Office agreed to include this information on their communications to departments when asking for a status update, which will be incorporated into the December 31, 2010 report.

ATTACHMENTS

Attachment A – Recommendations for the Audit Committee's Attention includes recommendations highlighted for the Audit Committee's attention. Generally, these recommendations include those where the administration disagreed with implementing the recommendation, the status update significantly varied from the update provided by the administration, or where a recommendation may need some type of action such as dropping.

Attachment B – Open Audit Recommendations includes a chronological listing of all open recommendations as of July 2, 2010, a recommendation status update and the applicable implementation status. Where the administration did not track or provide an implementation, the recommendation implementation statuses are shown as **Not Implemented**.

Attachment C – Not Implemented – N/A or Disagree Recommendations includes a chronological listing of recommendations that were categorized as Not Implemented – N/A or Disagree on the April 2010 report. Not Implemented – Disagree where the administration disagreed with the recommendation and did not intend to implement. Not Implemented – N/A where circumstances change to make a recommendation not applicable.

ATTACHMENT A

**RECOMMENDATIONS FOR THE
AUDIT COMMITTEE'S
ATTENTION**

ATTACHMENT A
RECOMMENDATIONS FOR THE AUDIT COMMITTEE'S ATTENTION

09-003 **AUDIT OF ACCOUNTS OF ANNA TATAR (MARTINEZ), LIBRARY DIRECTOR**

1 The Office of the City Comptroller and Labor Relations Department should determine the practicability of recouping the \$7,327.68 overpayment from Ms. Tatar. (DA) (TM)

**Not Implemented -
Disagree**

No change in status from previous reporting cycle. According to the City management, the City will not pursue repayment of monies due to the cost estimate of recovering the monies. The City is foregoing about \$7,327.68 in overpayments. We believe the benefit exceeds the cost estimate; as a result, the City should attempt recovery. Further, the City management may consider collection services which incorporate their service charges on top of the amount owed.

2 The Office of the City Comptroller, Payroll Division should research the other 7 individuals for potential overpayments. (DA) (TM)

**Not Implemented -
Disagree**

No change in status from previous reporting cycle. According to City management, no further research will be done to identify additional overpayments, nor will the City pursue recoupment. In their original response to this recommendation, the City Management indicated they would consult the City Attorney on this issue and report back to the City Council if their position changed. City management did not provide any supporting documentation showing consultation with the City Attorney nor any report to the City Council. We believe implementation of this recommendation could result in identifying and recouping past overpayments to City employees related to "Old Sick Leave."

09-004 **AUDIT OF THE SAN DIEGO PUBLIC LIBRARY FEE COLLECTION PROCESS**

2 Consult with San Diego Data Processing Corporation to determine if there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor. (CO)

Partly Implemented No change in status from previous reporting cycle. The Library Department consulted with San Diego Data Processing Corporation (SDDPC) and determined that there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor. However, SDDPC has ceased efforts to recover an estimated \$10K because all of the original vendor contacts SDDPC had have since left SirsiDynix. Not recovering amounts owed to the City may be construed as a gift of public funds. City management should consider alternative collection options such as a third party collection agency or refer the case to the City Attorney's Office.

10-016 **CITYWIDE REVENUE**

21 Based on the requirement for hotel operators to maintain records for a period of three years, the Revenue Audit Division should perform audits on a three-year cycle. (FP) (DK)

Not Implemented - Disagree Management disagrees with recommendation and states that documented City Treasurer Departmental Procedure already contains an audit cycle of two to three years for TOT audits. Our March 2010 audit revealed that the City Treasurer did not conduct all TOT audits within three years. As of this report, the City Treasurer has not provided any documentation to show all TOT audits have been conducted within three years; therefore, we cannot validate the City Treasurer audits within the three year cycle.

ATTACHMENT B

**OPEN AUDIT
RECOMMENDATIONS**

**ATTACHMENT B
OPEN AUDIT RECOMMENDATIONS**

**08-009 CENTRAL STORES INVENTORY AUDIT - GENERAL SERVICES
DEPARTMENT**

1 Establish written policies and procedures for daily, monthly and yearly inventory management processes and transactions. (FP)

Not Implemented No change in status from previous reporting cycle.

**08-010 CENTRAL STORES INVENTORY AUDIT - PURCHASING & CONTRACTING
DEPARTMENT**

1.B Ensure you maintain a file of authorization memos for those departments that permit the same individual to authorize the requisition and receive the goods. (FP)

Not Implemented Management does not maintain a file of authorization memos for departments that allow a requisition authorizer to also receive the items. For paper requisitions, copies of requisitions are provided to the department for review/retention; for online requisitions through SAP, departments designate which employees have the ability to create the reservation. Because this does not address internal controls over inventory issuance, the recommendation is categorized as “Not Implemented.” Management must ensure an updated file of authorization information is maintained in order to satisfactorily implement the recommendation. If it has been determined that implementation of the recommendation is not feasible, management must ensure a compensating control over inventory issuance is put in place to fulfill the intent of the recommendation.

2.B Ensure the surcharge percentage billed to Non-City Agencies is sufficient to recoup all of overhead costs incurred by the City to invoice and collect funds from outside Agencies for stock purchases. (FP)

Not Implemented According to management, surcharge percentages billed to Non-City Agencies were cursory reviewed and were determined not to warrant additional charges. However, it is unclear whether an analysis was performed to ensure the surcharges are sufficient to recoup all overhead costs incurred by the City for these transactions. Had a study been conducted, this item could have potentially increased revenues by increasing the surcharge percentage applied to invoices billed to non-City agencies. Management needs to conduct a study to ensure the rate billed to non-City agencies is cost recoverable.

3.B For items with pricing discrepancies due to unit of measure or differing brand name, require Central Stores staff to include descriptive notations in the FleetFocus system. (FP)

Partly Implemented Management stated that the written procedure for inventory pricing discrepancies will be included in the final SAP updated Central Stores Policy/Procedure manual, which is to be completed by December 31, 2010.

5 Update the Central Stores' Policy and Procedure Manual. (FP)

Not Implemented Management stated that the Central Stores Policy/Procedure Manual is to be completed by December 31, 2010 with updated information regarding SAP.

08-011 CITY OVERSIGHT OF THE SAN DIEGO PUBLIC LIBRARY FOUNDATION

1 Establish a City policy requiring the Library Development Executive Director report annually on San Diego Public Library Foundation performance, compliance with the Memorandum of Understanding, and compliance with applicable laws and regulations to the Chief Operating Officer and City Comptroller. Ensure this report to City management is sufficient to confirm the policies and practices related to Library donations are consistent with City objectives. (TT)

Not Implemented No change in status from previous reporting cycle.

2 Include a comprehensive, comparative analysis of donations and related expenses of the San Diego Public Library Foundation and all other City Library donations from all sources in the annual report to City management. (TT)

Not Implemented No change in status from previous reporting cycle.

3 Either engage a Certified Public Accounting firm to perform additional procedures annually to test and report on San Diego Public Library Foundation compliance with the terms of the Memorandum of Understanding or clarify the terms of the Memorandum of Understanding. (TT)

Not Implemented No change in status from previous reporting cycle.

4 Ensure insurance for Commercial Crime Coverage complies with the terms of the Memorandum of Understanding or revise the insurance requirements of the Memorandum of Understanding with terms that still provide adequate coverage to protect donated assets. (TT)

Not Implemented No change in status from previous reporting cycle. The current Memorandum of Understanding requires the Foundation to obtain Commercial Crime Coverage Insurance in an amount not less than \$1,000,000; and add the City as an additional insured. At the issuance of the audit report, the Commercial Crime Coverage Insurance was for \$300,000 and the name insured on the policy was the library, not the Foundation. The Memorandum of Understanding is currently being re-written and it is anticipated by the Foundation to be approved by the Mayor and Council in December 2010.

5 Revise and clarify the terms of the San Diego Public Library Foundation Memorandum of Understanding that are unclear and subject to different interpretations. (TT)

Not Implemented No change in status from previous reporting cycle.

08-019 CASH COUNT AND BANK RECONCILIATION AUDIT - KROLL REMEDIATION OF THE CITY'S BANK RECONCILIATION PROCESS

5 The City Comptroller should create written procedures and identify the key controls in place that are used to verify the cash balances in the Comprehensive Annual Financial Report (CAFR) are accurate, beginning with the FY07 financial statements. (FP)

Not Implemented No change in status from previous reporting cycle.

08-020 AUDIT OF PERMITS ISSUED FOR THE BLACKWATER FACILITY

4 The City should add regulations for law enforcement and security training facilities in the Municipal Code. (DK)

Not Implemented No change in status from previous reporting cycle.

8 Development Services Department (DSD) should take additional steps to locate missing records and review controls over records retention to ensure they are adequate. (DK)

Not Implemented No change in status from previous reporting cycle.

09-001 **AUDIT OF THE INTERNAL CONTROL REMEDIATION RELATED TO THE SAN DIEGO CITY EMPLOYEES RETIREMENT SYSTEM**

2 SDCERS should modify their Investment Policy Statement to provide a requirement for all contracts with investment consultants and fund managers to include a clause requiring an annual written disclosure of all financial and personal relationships that may give rise to an actual or perceived conflict of interest and any failure or delay in filing the annual disclosure will result in a penalty, including termination of services. (EM)

Not Implemented No change in status from previous reporting cycle.

4 The Mayor's Office should take appropriate actions to resolve the outstanding issues with the draft "Improper Influence" ordinance so that the City Council can pass/adopt the ordinance. Additionally, until such time as the ordinance is adopted by City Council, the status of this item should amended from "Complete or Substantially Complete" to "In Process." (EM)

Not Implemented No change in status from previous reporting cycle.

6 The Office of Appointments to Boards and Commissions should incorporate into their Board selection policies/procedures, language requiring that all applications for final candidates to serve on the SDCERS' Board be forwarded to the SDCERS Business and Governance Committee. (EM)

Not Implemented No change in status from previous reporting cycle.

09-003 **AUDIT OF ACCOUNTS OF ANNA TATAR (MARTINEZ), LIBRARY DIRECTOR**

1 The Office of the City Comptroller and Labor Relations Department should determine the practicability of recouping the \$7,327.68 overpayment from Ms. Tatar. (DA) (TM)

Not Implemented - Disagree No change in status from previous reporting cycle. According to the City management, the City will not pursue repayment of monies due to the cost estimate of recovering the monies. The City is foregoing about \$7,327.68 in overpayments. We believe the benefit exceeds the cost estimate; as a result, the City should attempt recovery. Further, the City management may consider collection services which incorporate their service charges on top of the amount owed.

2 The Office of the City Comptroller, Payroll Division should research the other 7 individuals for potential overpayments. (DA) (TM)

Not Implemented - Disagree

No change in status from previous reporting cycle. According to City management, no further research will be done to identify additional overpayments, nor will the City pursue recoupment. In their original response to this recommendation, the City Management indicated they would consult the City Attorney on this issue and report back to the City Council if their position changed. City management did not provide any supporting documentation showing consultation with the City Attorney nor any report to the City Council. We believe implementation of this recommendation could result in identifying and recouping past overpayments to City employees related to “Old Sick Leave.”

09-004 AUDIT OF THE SAN DIEGO PUBLIC LIBRARY FEE COLLECTION PROCESS

2 Consult with San Diego Data Processing Corporation to determine if there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor. (CO)

Partly Implemented

No change in status from previous reporting cycle. The Library Department consulted with San Diego Data Processing Corporation (SDDPC) and determined that there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor. However, SDDPC has ceased efforts to recover an estimated \$10K because all of the original vendor contacts SDDPC had have since left SirsiDynix. Not recovering amounts owed to the City may be construed as a gift of public funds. City management should consider alternative collection options such as a third party collection agency or refer the case to the City Attorney's Office.

4 Develop policies establishing the standards for documentation of system testing at the Library. (CO)

Partly Implemented

No change in status from previous reporting cycle. The Library Department will follow San Diego Data Processing Corporation's system test plan policies and procedures until such time as the City's Department of Information Technology has a policy.

8 Perform a periodic reconciliation of total receipts deposited by Central and all branches to total revenues posted in Integrated Library System (ILS) to determine the materiality of and reason for differences, if any. (CO)

Not Implemented The Library informed the Office of the City Auditor that they would like to revise the date for implementation of this recommendation to October 22, 2010.

9 Establish procedures limiting the dollar amount of waivers that can be authorized by staff without secondary approval and implementing a process to review waivers granted at least monthly. (CO)

Not Implemented The Library informed the Office of the City Auditor that they would like to revise the date for implementation of this recommendation to October 22, 2010.

09-005 AUDIT OF THE 2007 WILDFIRE DEBRIS REMOVAL PROJECT

2 ESD should invoice Granite Construction Company \$2,223 for weigh tickets that were over billed to the City. (JT)

Not Implemented No change in status from previous reporting cycle.

3 ESD should review all of Granite's weight tickets involving debris disposed of at Lakeside Land Company and determine if the City was over billed because the type of material was inaccurately described. (JT)

Not Implemented No change in status from previous reporting cycle.

4 If the review yields an over billing due to inaccurate material types, the City should invoice Granite Construction Company the amount of the over billings. (JT)

Not Implemented No change in status from previous reporting cycle.

5 ESD should determine if the City should have been billed for the weight ticket that was also charged to the County. If the billing was not applicable to the City's debris removal, ESD should invoice Granite \$678 for the duplicate billing. (JT)

Not Implemented No change in status from previous reporting cycle.

6 ESD staff should work with A.J. Diani staff to determine the best course of action pertaining to the potential under billings for 336.65 tons of debris and for the questionable billings of 85.52 tons of debris. If this determination results in additional payments to A.J. Diani, ESD staff should request funding from FEMA for the additional amount. (JT)

Not Implemented No change in status from previous reporting cycle.

7 ESD staff should invoice AJ. Diani Construction Company for \$8,442 in net over billings pertaining to billing discrepancies for a site sign and for street sweeping. (JT)

Not Implemented No change in status from previous reporting cycle.

8 City management should establish a comprehensive Debris Management Plan. This plan should be approved by the Mayor and City Council. Prior to establishing the Plan, City staff should consult with the California Office of Emergency Services to ensure the Plan takes into consideration all items needed in order to qualify for federal and state subsidies, such as prequalification of at least two contractors. (JT)

Partly Implemented No change in status from previous reporting cycle. City management has developed the City's Debris Management Plan, a Request for Qualifications for Establishment of a Pre-Qualified List of Contractors to Perform Emergency Repairs and/or Construction Services and the Final "List of Prequalified 'As Needed Contractors' ". However, neither communications with the California Office of Emergency Services nor the approval by the Mayor or City Council have been provided or otherwise been made available to the Office of the City Auditor.

10 In future debris removal programs involving numerous properties, the City should include requirements for a documented work order or checklist to be completed for each property so that all parties are in agreement regarding work to be performed. This work order could also provide a control document for staff to use prior to approving invoices for payments to Contractors. (JT)

Partly Implemented No change in status from previous reporting cycle. City management has developed the City's Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner; however, the Plan does not appear to have received the approval of the Mayor or City Council. Recommendation 8 indicated that "the plan should be approved by the Mayor and City Council", and management agreed with the recommendation.

13 ESD staff should contact homeowners who have not submitted copies of insurance settlement agreements and request copies of the settlement agreement in order to verify that the City received the appropriate amount. (JT)

Implemented City Management has contacted the three homeowners and received appropriate insurance settlement information in order to verify that the City received the appropriate amount.

14 ESD staff should ensure that all remaining insurance proceeds received are accurate based on insurance settlement statements. (JT)

Partly Implemented

No change in status from previous reporting cycle. The City has received insurance proceeds related to debris removal services from 107 of the 112 property owners. With the assistance of the Office of the City Attorney, City Management should continue to pursue the remaining insurance proceed repayments from the five respective homeowners.

09-006 HOTLINE INVESTIGATION OF THE JUNIOR LIFEGUARD PROGRAM'S DEPOSITS OF FUNDRAISER MONIES

1 We recommend the Junior Lifeguard Program adhere to Department wide written policies and procedures for making deposits in a timely manner in accordance with Charter Section 86. (DA)

Not Implemented

No change in status from previous reporting cycle. The Junior Lifeguard Program did not implement the recommendation to deposit fundraiser monies in a timely manner, in accordance with Department policy. The department's status update to the Comptroller for the period ending March 12, 2010 stated "Pursuant to the City Charter, Article VII Section 85 - Junior Lifeguard staff will deposit funds received within one week of receipt. At a 'Hawaii Day' fundraiser held in July 2009, funds were deposited within one week." The department did not submit support for this status update. Emails from the Department state that there were no deposits made from 'Hawaii Day 2009' to the City because a separate non-profit was formed and all funds were deposited with this new entity, and not with the City. The Department did not provide documentation related to this new non-profit entity and the deposit.

09-007

HOTLINE INVESTIGATION OF THE HANDLING OF SCRAP METAL AT THE POINT LOMA MWWWD FACILITY

- # 1 Based on our observations during our investigation, we recommend that MWWWD implement a process to manage and monitor scrap metal, specifically copper and aluminum, at Point Loma as well as any other facilities where the process might be lacking or non-existent (copper and aluminum are both contracted for recycling at significantly higher reimbursement rates.) These processes should include the following types of internal controls (at a minimum):
- A separately maintained log tracking the amount of copper placed in and taken out of the storage unit. This information should include, at a minimum: date (of occurrence); project material is related to; person involved (name and signature or initials) and description of materials (as available: weight, length, thickness, quantity, condition, etc.);
 - A periodic reconciliation of contents of storage unit, including comparison to the log and evidence of review / approval (supervisors signature), to be performed at least annually;
 - A routine examination for amount and quality of copper included in storage for potential disposal and recycling. Upcoming projects and needs should be evaluated to determine any excessive or otherwise unnecessary quantities to be sold as recyclable materials to generate revenue for the department;
 - At the time of any recycling of copper (and aluminum), notification should be sent to the Point Loma Superintendent and City Purchasing & Contracting personnel responsible for the scrap metal recycling contract to ensure appropriate processing and reimbursement. (JT)

Implemented

The Process Narrative provided appears adequate, and includes reference to the maintenance of a tracking log, reconciliation of the log, the routine examination and recycling of the scrap metal. The documentation related to recently performed inventory efforts was reviewed and appears reasonable. The ongoing continuation of scrap metal oversight efforts is the responsibility of Public Utilities management.

09-008

HOTLINE INVESTIGATION OF THE DUPLICATION OF WATER METER BOX REPLACEMENT WORK

1 We recommend the Water Department recover the cost of the unnecessary duplicate replacements from the contractor and implement more thorough procedures to monitor the project to prevent unnecessary meter box replacements in the future. In addition, we recommend the Department monitor the project to ensure that complete meter boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems. (TC)

Not Implemented

No change in status from previous reporting cycle. The Department determined that it will not pursue money paid to the vendor for water meter box replacement work performed on boxes that were in good condition during the box replacement contract. The project contract stated the project description as follows: "Removal of existing damaged concrete water meter boxes and replacement with new polymer concrete water meter boxes..." Furthermore, the Department has not provided documented evidence that it has established more thorough policies and procedures to monitor the project to prevent unnecessary meter box replacement in the future or shown evidence it monitors projects to ensure that complete boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems. We recommend continuing follow up on this recommendation.

2 We recommend the Water Department monitor the project to ensure that complete meter boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems. (TC)

Not Implemented

No change in status from previous reporting cycle.

09-009 **HOTLINE INVESTIGATION OF THE FOURTH DISTRICT SENIOR RESOURCE CENTER**

1 We recommend the Park and Recreation Department and the City Planning and Investment Department strengthen contract oversight to ensure contractors are in compliance with all contract provisions, including those related to proper accounting and financial reporting, and take appropriate action based on the information provided in this report. (DA)

Partly Implemented No change in status from previous reporting cycle. The Park and Recreation Department has made changes to its Special Use Permit agreement, obtained the required financial and other documents from the Fourth District Resource Center (FDSRC) including accounting procedures for FDSRC, insurance certificates, Board of Directors' documents and an Incident Report. The Department still must complete the Departmental Instruction related to oversight over Special Use Permit users and is in the process of doing so.

09-011 **AUDIT OF ACCOUNTS OF MICHAEL AGUIRRE, FORMER CITY ATTORNEY**

1 The Independent Budget Analyst in consultation with the City Council research and review the appropriateness of having the City Attorney position in the executive group in the salary ordinance, which allows for Annual Leave and other leave benefits to be earned. (DK)

Implemented The IBA worked with the Council, the appropriate Council Committee and the City Attorney's Office sought outside counsel to make the recommended changes to the Salary Ordinance. Based on the outside counsel's opinion, the FY11 Salary Ordinance removed the City Attorney from the Unclassified Executive group, which is granted 80 hours of Administrative Management Leave; however, the City Attorney will still be eligible for Annual Leave until his current term expires. Therefore, beginning with the FY13 Salary Ordinance the City Attorney will no longer be eligible for Annual Leave.

2 The Independent Budget Analyst in consultation with the City Council should establish a process to approve the City Attorney's salary in order to be in compliance with the salary ordinance and Charter Section 40. (DK)

Implemented The IBA drafted changes to Council Policy 300-04 to reflect the appropriate positions now subject to City Council salary review (including the City Attorney) and outlined an annual process for salary setting by the City Council. The City Council approved the changes on March 16, 2010.

09-013 THE CITY OF SAN DIEGO FACES UNIQUE OPERATIONAL AND ADMINISTRATIVE CHALLENGES IN MANAGING QUALCOMM STADIUM

1 The Administration should proactively create a financing plan to pay down the City's Stadium Renovation Bond obligation regardless of the Chargers' tenancy at the Stadium. The plan should detail the financial strategy that the City will follow to maintain the solvency of the Stadium Fund should the Chargers terminate its agreement with the City after 2010. The Administration should continuously update the financing plan throughout the liquidation of the Stadium Renovation Bond principal. (EM) (TT)

Not Implemented No change in status from previous reporting cycle. We anticipate providing an updated status memo for all Qualcomm recommendations to the Audit Committee for November 2010.

2 In order to avoid significant legal settlements in the future, the City should continue to ensure that it meet its obligation to provide the Stadium to the Chargers per the terms of its current agreement. To minimize the legal and financial risks involved with managing the Stadium, the Stadium should perform a comprehensive analysis of its compliance with the key terms of the City's agreement with the Chargers and with the 2000 ADA compliance settlement. If the results of the analysis are unfavorable for the City, the City should take steps to aggressively abate the risks of non-compliance with ADA requirements and Chargers agreement terms. (EM) (TT)

Not Implemented No change in status from previous reporting cycle. We anticipate providing an updated status memo for all Qualcomm recommendations to the Audit Committee for November 2010.

3 To decrease its dependence on Transient Occupancy Tax (TOT) tax funding, the Stadium should aggressively pursue agreements with legitimate event producers to help offset its operational costs and the City's outstanding Stadium Renovation Bond principal. (EM) (TT)

Partly Implemented

Stadium staff provided documentation to show agreements established between the Stadium and event producers. It also provided evidence of negotiation communications with a potential event producer. Staff also, it provided RFPs the stadium has responded to and issued for a business plan that will provide analyses on potential revenue alternatives. The stadium is also pending a rental rate study to structure its fees. The recommendation is partly implemented until stadium staff can demonstrate that it is strategically pursuing events based on its pending business plan, which decreases its dependence on TOT funding. We anticipate providing an updated status memo for all Qualcomm recommendations to the Audit Committee for November 2010.

4 Stadium management should create a comprehensive business and marketing plan for the Stadium that addresses the following issues: a. Strengths, opportunities, weaknesses, and threats that face the Stadium in both the short and long-term, as well as provide benchmarks for the financial and operational performance of the Stadium over the next three to five years. b. An analysis of major agreements and responsibilities that the Stadium is required to provide. c. A strategic plan for the amounts and types of events the Stadium will be hosting in the future including estimates of the revenues and expenses attributable to each event. d. A capital projects prioritization schedule that the Stadium can follow while determining the use of the Stadium's annual capital improvement budget. The schedule should be reviewed by the Stadium Advisory Board, approved by the Mayor, and presented to the City Council on an annual basis. If Stadium management wishes to significantly deviate from strategies approved within the plan, then the plan should be updated by Stadium management and vetted through a similar review and approval process. (EM) (TT)

Not Implemented

No change in status from previous reporting cycle. We anticipate providing an updated status memo for all Qualcomm recommendations to the Audit Committee for November 2010.

5 To help alleviate the effects of administrative staff turnover at the Stadium, Stadium management should create a policy and procedure manual specific to Stadium operations. At a minimum, the Stadium should ensure that written policies and procedures are established for the following administrative functions: a. Policies for the creation, content, retention, and approval of Stadium event files. b. Procedures that ensure accurate and timely billings for stadium events and periodic reconciliations of all accounts within the Stadium Fund. (EM) (TT)

Not Implemented

No change in status from previous reporting cycle. We anticipate providing an updated status memo for all Qualcomm recommendations to the Audit Committee for November 2010.

- # 6 In order to avoid delays and inaccuracies of the revenue amounts collected on behalf of the Stadium by the City Treasurer, Stadium management should request that the City Treasurer's Revenue Audit Division complete audits of major Stadium tenants on a timelier basis. If the City Treasurer does not have sufficient staff resources to perform these audits on a timelier basis, then Stadium management should consider having its own staff responsible for ensuring all Stadium revenues are properly billed and received. (EM) (TT)

Partly Implemented

The current system is electronic and keeps track of totals paid. While the stadium staff is making an effort to track revenues paid, they did not provide sufficient evidence to show how they are accurately reconciling amounts billed and paid for fixed costs. Alternatively, we requested that stadium staff provide a list of revenue audits that were conducted by the City's revenue audit division and when they were performed in relation to bill dates for the latest tenant events (dating back 6 months). This was not provided and it remains unclear whether revenues owed are being billed and paid properly. We anticipate providing an updated status memo for all Qualcomm recommendations to the Audit Committee for November 2010.

- # 7 Stadium management should review the accounts receivable balance within the Stadium Fund and work with the City Treasurer's Office to ensure that all overdue accounts are being actively collected. (EM) (TT)

Not Implemented

The stadium staff did not provide sufficient evidence to show that they are working with the Treasurer's office to pursue collections. Our office requested that they provide a list of incidents that were forwarded to the Treasurer's office that needed to be pursued to resolve accounts receivable overdue balances. They provided communications between the stadium and the Treasurer's office for the year 2008. However; the memorandum submitted by Stadium staff to the Audit Committee states that they maintain regular contact with the Treasurer's office. Based on the 2008 communications submitted to our office, we cannot determine the extent to which stadium staff is currently working with Treasurer's office. We anticipate providing an updated status memo for all Qualcomm recommendations to the Audit Committee for November 2010.

8 As part of the reporting process between the Stadium and the Department of Real Estate Assets, the Stadium should include high-level performance metrics, such as net revenue generated and attendance data, for the entire reporting period. The report should also include a schedule of events currently planned to be held at the Stadium, as well as a status report of potential events and other contractual agreements being negotiated by the Stadium Manager. These reports should be archived by the Stadium and the Department of Real Estate Assets, and be made available to all Stadium oversight entities including the Stadium Advisory Board and City Council. (EM) (TT)

Partly Implemented The Stadium staff provided bi-weekly reports to the Department of Real Estate Assets, but did not provide full monthly reports provided to the Stadium Advisory Committee for the previous 3 periods. We anticipate providing an updated status memo for all Qualcomm recommendations to the Audit Committee for November 2010.

9 To improve the oversight of Stadium operations, the administration should take steps to ensure that the Stadium Advisory Board (SAB) is actively involved with making recommendations to the Mayor and City Council for all major Stadium policy decisions including long-term contract terms, capital expenditures, and long-term marketing strategy. Per the advisory capacity granted to the SAB through the Municipal Code, SAB recommendations should be formally communicated to the Mayor and City Council prior to any significant action related to Stadium policy has been taken. (EM) (TT)

Not Implemented Based on Stadium Advisory Committee minutes, stadium staff is debriefing the committee on operational events. However, the documentation does not show if and how the committee's recommendations are being incorporated by stadium management. We anticipate providing an updated status memo for all Qualcomm recommendations to the Audit Committee for November 2010.

09-014 **AUDIT OF SAN DIEGO DATA PROCESSING CORPORATION'S COMPENSATION AND BUDGETING PRACTICES**

2 Develop additional controls over the agency budgeting process to ensure that the required budget approvals are obtained. (SG)

Partly Implemented No change in status from previous reporting cycle. City management is currently in the process of developing new governance procedures. Many of these processes will be documented through the Comptroller's Office, Internal Controls Section, as part of the series of Process Narratives they are compiling. Their approach appears to meet the requirements of our recommendation.

09-015 **AUDIT OF THE SAN DIEGO PUBLIC LIBRARY CASH HANDLING
(CONFIDENTIAL)**

18 recommendations were made.

Not Implemented No change in status from previous reporting cycle.

09-016 **AUDIT OF ACCOUNTS OF WENDI BRICK, FORMER CUSTOMER SERVICES
DIRECTOR, ELMER HEAP, FORMER DEPUTY CHIEF OPERATING OFFICER,
JILLANNE (JILL) OLEN, FORMER DEPUTY CHIEF OPERATING OFFICER,
AND JOANNE SAWYERKNOLL, FORMER DEPUTY CHIEF OPERATING
OFFICER**

1 The City Administration should ensure that the policies and procedures governing terminating employees are followed specifically pertaining to the return of City identification cards and the stopping of auto allowances on employees last day of work. (DM)

Not Implemented No policy exists mandating the use of a uniform checklist. The recommendation is currently pending, and the Human Resources Department is working on developing a policy with necessary forms to be used Citywide.

2 The City Administration should ensure that all unclassified employees who are terminating City employment receive a lump sum payment for their accrued annual leave hours in compliance with AR 95.60 rather than receiving terminal leave. (DM)

Implemented Labor Relations has followed Council policy and provided Unclassified employees that separate from the City with a lump sum payment in lieu of accrued annual leave hours.

09-017 **PARK & RECREATION POOL AUDIT**

1 Include Carmel Valley and Tierrasanta pools in the on-line payment pilot program proposed for fiscal year 2010. (DA)

Not Implemented No change in status from previous reporting cycle.

2 Continue to pursue online payment and automated patron registration for all city pools. (DA)

Not Implemented No change in status from previous reporting cycle.

3 When feasible, eliminate cashiering from staff rotation and limit register use to one staff person for an entire shift. Ensure cashiers exclusively use the register and balance the cash station according to City Treasurer cash handling procedures at the end of the shift. Instruct pool managers to verify and initial each cashier's balancing documents, and continue to prepare and make deposits. Ensure cashiering staff and pool managers attend Treasurer's Cash Handling Training. (DA)

Not Implemented No change in status from previous reporting cycle.

5 Turn on and use the register receipting function at all sites for all transactions and require staff issue a register receipt to all patrons in addition to the existing forms receipt. Consider adding preprinting on the existing forms receipt that states "not valid without cash register receipt." (DA)

Partly Implemented No change in status from previous reporting cycle. The Department successfully communicated the audit recommendation to the appropriate staff and the Department's Pool Manual requires the use of cash register receipts. The Department has not provided a copy of any form(s) that now contains the recommended verbiage "not valid without cash register receipt".

6 Implement a sign-in sheet for all day swimmers and drop-in water fitness patrons (all patrons who do not fill out a registration form, swim pass or other document) and instruct cashiers and pool managers to reconcile the daily sign-in sheets to cash register transactions as part of cash station balancing. (DA)

Partly Implemented No change in status from previous reporting cycle. The Department has implemented sign-in sheets for Water Fitness patrons, but does not plan to implement the same for Day Swimmers. The intent of the recommendation is to have some document to compare against "drop-in" patrons. Since "drop-in" water fitness and day swimmer patrons do not fill out a registration form – or any form – the Auditor recommended a sign-in sheet be used so there would be some document to reconcile payments to during cash station daily balancing. The Department has provided sufficient evidence that Water Fitness patrons have sign-in sheets; however, there is no mention of what is done with these forms or how they may be used to tighten controls over "drop-in" patron payments.

10 Instruct the Supervising Recreation Specialists to perform monthly revenue forecasting for each site based on published schedules and historic attendance, and to perform a periodic comparison of forecasted revenue to actual revenue. (DA)

Not Implemented No change in status from previous reporting cycle. The Park and Recreation Department did not provide any evidence to show they are performing monthly revenue forecasting based on historical attendance.

11 Implement on-site fiscal monitoring and review, such as surprise cash counts and accountability checklists, by the Supervising Recreation Specialists during unscheduled site visits. (DA)

Not Implemented No change in status from previous reporting cycle. The Department already had a Funds Accountability Form at the time of the audit, but it was not being used. In the Department's original response it makes reference to prior surprise inspections done by supervising staff and states that effective July 1, 2009, the Supervising Recreation Specialists would now conduct surprise inspections on a quarterly basis. The evidence provided for this update was a blank Funds Accountability Form. This evidence does not support recommendation implementation.

12 Establish procedures for Supervising Recreation Specialists tracking of all serial numbered forms for each site, and ensure all missing forms are researched and accounted for and that the sum of all uninterrupted sequence of forms reconciles to the amount deposited at the bank. (DA)

Partly Implemented No change in status from previous reporting cycle. The Department has provided sufficient evidence that a 4-part form is now in use; however, it has not provided any documentation to support the Supervising Recreation Specialists tracking of form numbers. Auditor recommends a 6-month follow-up.

14 Ensure all sites are equipped with the supplies and equipment needed including an adequate change fund, a credit card machine, and a sufficient amount of usable forms. (DA)

Implemented Park and Recreation Department evaluated pool site change funds and increased amount where necessary. The department also implemented credit card machines at sites that previously did not have credit card machines. Pool Managers advised that they are provided adequate supplies and funds and equipment.

16 Consider making all pool fees flat rates (by class or by month) and rounded to the nearest dollar. (DA)

Partly Implemented No change in status from previous reporting cycle. Effective July 1, 2009, the Department changed its per hour fees for youth teams to flat monthly fees. It does not appear, from the current fee schedule, that all fees have been rounded to the nearest dollar. In addition, it appears that adult team fees are still per hour.

17 Consider eliminating a 100% fee waiver and replacing it with a fee discount such as 50%, to increase Patron commitment. A scholarship program could be available for Patrons unable to afford the discounted rate. (DA)

Not Implemented No change in status from previous reporting cycle.

09-018 **AUDIT OF THE SAP ERP IMPLEMENTATION – CURRENT TO INTEGRATION TESTING, CYCLE 1**

3 Create a comprehensive and unified security strategy which will tie into the security goals of the City's IT organization. (SG) (DK)

Not Implemented No change in status from previous reporting cycle.

4 Create a universal methodology addressing the variety of Segregation of Duties (SOD) conflicts anticipated during implementation and post-implementation. (SG) (DK)

Implemented The SOD conflict mitigation strategy adequately manages SOD conflicts through the use of the tools provided in the Governance Risk and Compliance module. The goal remains to minimize the existence of SOD conflicts, but addresses the rare cases where an SOD conflict necessarily occurs as a result of job function.

6 Modify current Master Service Level Agreement (MSA) to define Service Level Agreement (SLA) content and timeline requirements. (SG) (DK)

Implemented The Master Service Agreement has been updated to establish the deadline for the annual Service Level Agreement (SLA) as July 1st of each year, and provides for the case where the SLA is not approved on time.

09-021 **HOTLINE INVESTIGATION OF PROMOTE LA JOLLA, INC.**

3 Consult with the City Attorney’s Office to add language in Business Improvement District (BID) and other contracts to modify the existing audit provisions to include a test for duplicates between funding sources. (DA)

Not Implemented No change in status from previous reporting cycle.

4 Conduct on-site visits and other additional oversight of Business Improvement District (BID) and other entities receiving City funds. (DA)

Not Implemented No change in status from previous reporting cycle.

09-023 **AUDIT OF THE CENTRAL STORES INVENTORY (FY08)**

1 Monitor year-to-date write-offs of missing inventory at least quarterly and determine if additional control measures are warranted, such as a change in control procedures or the use of theft detection devices, if write-offs continue to increase. (FP)

Not Implemented According to management, monthly inventory adjustment review meetings were not conducted in FY 10 but will commence in FY 11.

2 Develop a written policy requiring departments to notify Storerooms immediately when there are changes in inventory needs to minimize obsolete inventory. Work with departments to identify an effective procedure for this process. (FP)

Partly Implemented No change in status from previous reporting cycle. Administrative Regulation 35.50 serves as the written policy for identification and disposition of Central Stores surplus stock. In accordance with the Regulation, the Purchasing & Contracting Department issues memoranda circulated to using departments and divisions regarding their stock of obsolete items, and requires a written response within 30 days. Written documentation is to be provided during the next recommendation follow up period.

3 If manual requisitions are used after the implementation of ERP, use internal authorization cards for those employees using manual requisitions to request and receive supplies. If implemented, ensure controls, such as employee names on cards, an annual card expiration date and reports to departments, are put in place to prevent misuse. (FP)

Not Implemented No change in status from previous reporting cycle.

4 Ensure ERP will include reports of Central Stores purchases to all departments. In addition to detailed reports of purchases, design summary reports in ERP for management's use in monitoring types and costs of supplies purchased from the storerooms. (FP)

Not Implemented Written documentation of Central Stores reports available in SAP related to purchases is to be provided during the next recommendation follow up period.

5 Ensure ERP provides accurate inventory reports so Central Stores is able to reconcile beginning to ending inventory and provide this reconciliation to the Comptroller at year end. Ensure ERP provides accurate summary reports related to inventory accounting so Comptroller staff is able to reconcile beginning to ending inventory in the general ledger and ensure the general ledger activity matches inventory activity reports from Central Stores. Comptroller staff should review and document the reasons for variances, if any, between the inventory records and the accounting records. (FP)

Not Implemented Management stated that Central Stores does not have written evidence that Comptroller's staff reviewed variances between inventory and accounting records as part of SAP Material Management implementation. No response was received after requests for additional information.

6 In conjunction with the Comptroller, revise the accounting for storeroom inventory to segregate storeroom purchases from city-wide purchases and consider establishing a clearance account for city-wide purchase orders. (FP)

Partly Implemented According to management, SAP segregates Storeroom and citywide open Purchase Order purchases. Additionally, Storeroom purchases apply to an Inventory Asset account in SAP. Written documentation is to be provided during the next recommendation follow up period.

7 Document storeroom policies and controls related to storeroom operational risks. Update storeroom procedures at the implementation of the ERP system. (FP)

Not Implemented No change in status from previous reporting cycle.

09-OA-001 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION
PERFORMANCE AUDIT OF OPERATIONS

1 The City should revamp SEDC's governance structure. Options to consider include: (1) amend and update SEDC's operating agreement to include representatives of the City on the SEDC Board, limitations to the SEDC President's authority; and specific requirements for holding Board of Director meetings, budgeting practices, communication activities, project management, financial management, performance outcomes, mandating leave utilization, and defining the requirements for SEDC Board of Director timing; (2) depending on the results of the anticipated CCDC study, integrate/merge SEDC under the direct control of the RDA or integrate SEDC with CCDC; or (3) have SEDC fully operate as a public agency within the City. (DM)

Not Implemented No change in status from previous reporting cycle.

2 The City should require in SEDC's Operating Agreement the position classification of a Chief Financial Officer that reports to the Board of Directors and fill the newly created position through competitive and open recruitment. (DM)

Implemented SEDC hired a CFO through competitive and open recruitment.

3 The SEDC Board should approve all salary increases to the SEDC President. Incentive pay increases should be documented in the SEDC contract with the President and directly tied to annual performance evaluations provided by the full Board of Directors. (DM)

Not Implemented No change in status from previous reporting cycle.

4 SEDC should fill the Manager of Projects and Development as soon as possible. (DM)

Implemented SEDC hired a Manager of Projects and Development through competitive and open recruitment.

5 SEDC should fill a Vice President position to help oversee day-to-day operations and be responsible for SEDC's adherence and compliance to internal controls. (DM)

Implemented SEDC hired a Manager of Operations, Business Development, and Human Resources through competitive and open recruitment.

6 SEDC should establish a part-time formal Human Resources Manager position to oversee SEDC's recruiting, hiring, staff development, and termination activities. (DM)

Not Implemented No change in status from previous reporting cycle.

7 SEDC should ensure that its Board of Directors receives all the training necessary to fully perform their fiduciary responsibility of the Agency. (DM)

Implemented All current SEDC Board of Directors, except for one recent addition, have completed formal training in governance, ethics and redevelopment, and SEDC amended its Operating Agreement making Board member training a requirement.

8 SEDC should immediately develop policies and procedures for ensuring proper recordkeeping and • Documentation of Board member opposition to Board motions and activities and inquiries for information. • Preparation of the Board minutes should be accomplished within specific time frames, and posted on the Agency's website. • Tape recordings of SEDC Board minutes should be maintained in locations fully accessible by the public. (DM)

Not Implemented No change in status from previous reporting cycle.

9 SEDC should require the reporting of quarterly expenditure reports for professional and technical services to the SEDC Board of Directors that include the types of services provided. (DM)

Partly Implemented SEDC performs, at minimum, quarterly expenditure report updates for professional and technical service contracts albeit on an inconsistent basis in 2010. SEDC has not amended its Policies and Procedures to make this a requirement but maintains the Board of Directors will approve the requirement by October 2010.

10 SEDC, in conjunction with the City's Personnel Department, should develop formal procedures for approving pay-outs of accrued leave, including the requirement of the SEDC Board of Director's approval for leave buy-outs of SEDC executive officers. (DM)

Not Implemented No change in status from previous reporting cycle.

11 SEDC should develop policies for expenditure allowances. These policies should define the types of allowable and unallowable expenditures. These policies should be streamlined with City policies and take into consideration that the money being utilized are public funds and should not be used for nongovernmental business. (DM)

Not Implemented No change in status from previous reporting cycle.

12 SEDC should formalize policies and procedures that describe the segregation of duties for the fiscal operations and authorization procedures. (DM)

Not Implemented No change in status from previous reporting cycle.

- # 13 SEDC should amend its merit pay policy and establish maximum amounts that can be awarded. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 14 SEDC should ensure that all policies are approved by the SEDC Board of Directors. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 15 SEDC should amend its consultant policy and lower the threshold that would trigger SEDC Board of Director approval for professional and technical services contracts/letters of agreement to \$10,000. (DM)
- Partly Implemented** SEDC's contracting policy is unclear if the threshold that would trigger SEDC Board of Director approval to enter into contracts with consultants for professional and technical services was lowered to \$25,000 or \$50,000.
- # 16 SEDC should eliminate the authority provided to the SEDC President to implement agency policies at her discretion. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 17 The City's Office of the Chief Financial Officer should review and approve of SEDC's newly developed fiscal policies and procedures prior to their finalization. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 18 SEDC should discontinue all forms of supplement income payments to SEDC staff, except for merit pay as described under current policies. (DM)
- Partly Implemented** SEDC discontinued providing supplemental income payments to SEDC staff during FY 10. However, while seemingly intended to limit Board action for minor action items, current policy allows Agency to transfer funds between personnel and non-personnel line items up to \$10,000 without requiring Board approval, leaving room for possible unintended consequences. Specific policy directed at curbing supplement SEDC staff pay has not been developed or implemented.
- # 19 SEDC should report on a monthly basis, a financial position report to the Board of Directors. This report would show current expenditures as they relate to each budget line item. This would include a report of current financial status as compared to the budget. (DM)
- Implemented** SEDC's CFO prepares and presents a monthly financial report that details current expenditures as they relate to each budget line item to the Board of Directors.

- # 20 The new SEDC Chief Financial Officer, in the budget presentation to the Board and supplementary submission to the City, should include a minimum of three years of budget versus actual data for revenues and expenditures, for both project budgets and corporate budgets, including variances. The budget should include detailed and precise information on base salary and other forms of compensation by employee position, and estimated overtime. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 21 The SEDC Chief Financial Officer should include project goals and accomplishment information by project to be incorporated into the budget presentation. Having this information will allow SEDC to tie program goals and objectives to their budget. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 22 The SEDC Board of Directors should ensure that cost of living increases that are provided to SEDC employees are consistent with City cost of living increases. (DM)
- Partly Implemented** SEDC did not include a COLA increase in its recent budget. SEDC does not have a COLA policy but the operating agreement calls for the City COLA policy to have precedent in the event no Agency governing policy exists. The Board expects to have an internal COLA policy no later than October 2010.
- # 23 SEDC should clarify and further develop its real estate acquisition policy. This should include, but not necessarily limited to, detailing when SEDC should use Request for Proposal and when it should go back to its Board of Directors or the City Redevelopment Agency Board for subsequent approval of acquisitions. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 24 SEDC should correlate implementation plan goals with redevelopment plan goals and present the revised documents for formal Board approval. (DM)
- Implemented** SEDC created a 5-Year Strategic Plan and revised its Implementation Plans for each of its project areas. Implementation Plans identify individual project goals as well as how the goals relate to the general Agency/5-Year Strategic Plan.
- # 25 Annual work plans should include timeframe for completion of work plan tasks. (DM)
- Not Implemented** No change in status from previous reporting cycle.

- # 26 Accomplishment reports should link specific accomplishments back to the operational goals in project area work plans. They should also discuss the remaining work left to be completed. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 27 In accordance with best practices, SEDC should develop an agency-wide strategic plan. This process should include City and community outreach to solicit strategic planning feedback. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 28 SEDC should ensure the agency wide strategic plan is linked to the Mayor's vision for the City. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 29 SEDC should make its consultant selection process more transparent by: (a) documenting consultant need in the files, including a justification for selecting a sole source consultant, when such a consultant is used; and (b) In accordance with SEDC's policies and procedures, the President should disclose all consultant contracts that are entered into at the Board of Directors monthly meeting immediately following the execution of the contract. (DM)
- Partly Implemented** SEDC reviews all open consultant contracts at open Board meetings, but no guiding policy or procedure has been implemented. SEDC is in the process of revising its Policies and Procedures and anticipates having them completed and approved by the Board of Directors no later than October 2010.
- # 30 The City should consider examining the feasibility and the extent to which supplemental compensation that was not properly authorized should be reclaimed by the City. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 31 The City should determine the full impact of 403B contributions on the City stemming from the supplemental compensation increases. (DM)
- Not Implemented** No change in status from previous reporting cycle.
- # 32 The City's Internal Auditing function should conduct an audit within 18 months to review the status of SEDC's efforts to implement the recommendations contained in this report. (DM)
- Not Implemented** No change in status from previous reporting cycle.

33 The City should examine the appropriateness of SEDC's charitable contribution activities. (DM)

Not Implemented No change in status from previous reporting cycle.

10-001 METROPOLITAN WASTEWATER DEPARTMENT CONTRACT COMPLIANCE AUDIT

1 The Department should periodically review contracts for tax exempt chemicals to ensure that they are not paying unnecessary sales tax. As part of this review, the Department should ensure that Purchasing & Contracting is aware of the use of chemicals purchased for each purchase order. (SH) (DA)

Not Implemented No change in status from previous reporting cycle.

2 The Department should request reimbursement from Olin Chlor for sales tax paid on tax exempt purchases of sodium hypochlorite for the past three years. Upon further review, the Department should request refunds for any other tax-exempt chemicals identified. (SH) (DA)

Not Implemented No change in status from previous reporting cycle.

3 Management should document and periodically review the success of the newly implemented procedures as it pertains to the effectiveness of the process in reducing the risk of inaccurate payments. (SH) (DA)

Not Implemented No change in status from previous reporting cycle.

4 The Department should consider periodically reviewing a sample of purchase orders and invoices for its larger contracts to proactively identify and rectify issues in contracting, billing, and payments. (SH) (DA)

Not Implemented No change in status from previous reporting cycle.

8 Invoice approval staff should make unified written requests to AmeriPride for system adjustments for all active Purchase Orders requiring changes. This practice will prevent confusion and multiple inquiries and requests from the Department. Follow-up on these requests should also be conducted. (SH) (DA)

Not Implemented No change in status from previous reporting cycle.

9 In collaboration with AmeriPride's accounting unit and the City's Purchasing & Contracting Department, the Department's Accounts Payable staff should seek to review a number of invoices containing discrepancies and determine a clear method of invoice review and charge calculation. (SH) (DA)

Not Implemented No change in status from previous reporting cycle.

10 The Purchasing & Contracting Department should evaluate the benefits of negotiating a flat fee for services based on average expenditure. (SH) (DA)

Not Implemented No change in status from previous reporting cycle.

11 The City's Purchasing & Contracting Department should ensure that it maintains up-to-date pricing lists of all appropriate possible charges, updated in its files with each new pricing agreement or change to services rendered. (SH) (DA)

Partly Implemented No change in status from previous reporting cycle. While Auditor received confirmation from Purchasing and Contracting Department that up-to-date pricing agreements are now available both to those on the distribution list or any other City employees who wish to access it via SAP, one of the main findings that resulted in this recommendation was the lack of replacement costs listed on the pricing agreements. City employees were signing off on invoice payments for items that were invoiced as lost or damaged.

The Department's original response stated that Purchasing and Contracting would confer with the vendor to reach consensus on pricing for lost and damaged items, as well as an amortization schedule detailing the percent clothing is amortized from the date of issue, and that copies of the amended agreement would be distributed to all user departments. The Purchasing and Contracting Department has requested the vendor provide detail of charges for lost or damaged uniforms as well as dispute resolution procedures.

12 Accounts Payable staff that review AmeriPride invoices should seek consistency in invoice review of charges prior to payment approval and follow procedures for invoice retention. (SH) (DA)

Not Implemented No change in status from previous reporting cycle.

10-002 **PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART I**

1 The Executive Director of the San Diego Housing Authority should calendar matters for final action by the Housing Authority within the time parameters set forth in SDMC §98.0301 to avoid excessive time delays between Board and Housing Authority approvals and avoid jeopardizing housing business opportunities. As appropriate, the Executive Director should recommend that the Housing Authority and City Council adopt effective resolutions to delegate authority to the Board on "advisory only" issues that the Housing Authority identifies as routine, which would alleviate the Housing Authority docket for more significant matters. (JT) (TC)

Partly Implemented No change in status from previous reporting cycle. According to City management, “the Council President’s office has worked with the SDHC to schedule items for the Housing Authority in a timely manner. They now have an established procedure that fits into the City Council process. In addition, the Housing Authority has delegated additional expenditure authority for routine maintenance items and contracts to the Housing Commission.” However, City Management did not provide documentation showing implementation of the recommendation.

4 City Administration should either follow or facilitate the updating of the City Charter and San Diego Municipal Code (SDMC) to more accurately reflect the actual process. Any updates should include reference to the role of relevant City departments who are responsible for completing background investigations as part of the Board applicant vetting process. (JT) (TC)

Partly Implemented No change in status from previous reporting cycle. City management formalized and documented the 14 point appointment process in the City’s response to our audit report, identifying the major steps to appoint Board members. However, management has not provided a decision related to the consideration to either follow or facilitate the updating of the City Charter and SDMC to more accurately reflect the actual process.

5 The online Board member roster should be regularly updated by City Administration and San Diego Housing Commission to accurately reflect the current confirmed members. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

6 San Diego Housing Commission management should facilitate the modification of SDMC §98. 0301 (f)(l) to indicate that " ... commissioners appointed pursuant to this section shall be tenants of housing commission units or Section 8 rental assistance program voucher recipients. " (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

7 City Administration should actively assess the status of the De Anza Harbor Resort funding and whether repayment should be expected and engage San Diego Housing Commission in the process as feasible, and take action as appropriate. This assessment would include a review of the status of the De Anza project and the funds utilized since being appropriated from San Diego Housing Commission . Furthermore, City public websites and any other referential material should be updated to accurately reflect current contact and project status information. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

9 To ensure the completeness and accuracy of centralized San Diego Housing Commission personnel files, San Diego Housing Commission should review and update the content of historical employee specific compensation and performance evaluation documentation, as appropriate. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

11 San Diego Housing Commission (SDHC) should review employee job descriptions and identify; quantifiable and generally applicable criteria for all employees, such as performance evaluation completion, timing and compliance. San Diego Housing Commission should consider the creation of a performance appraisal template for use by all levels of personnel, to include universal evaluation criteria such as the timely completion of the performance evaluations. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

12 San Diego Housing Commission (SDHC) should develop uniform and quantifiable management performance evaluation criteria as an objective measure to aid in the performance evaluations of executive management service (EMS) of subordinate staff (e.g. track the percentage of subordinate staff evaluations that are delinquent or still outstanding by EMS employee and use this metric to objectively compare EMS employee to one another). (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

14 City Administration and San Diego Housing Commission should finalize the fiscal year 2008 and 2009 CDBG service agreements as soon as possible. The City Administration should consider disbursing the CDBG program specific funding totaling \$1,277,478 to SDHC upon receipt of adequate supporting documentation, and expediting the review and disbursement approval for the remaining \$648,404. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

15 In collaboration with San Diego Housing Commission personnel, City Planning & Community Investment staff should clearly document the process and reporting expectations to facilitate the efficient and timely submission of reimbursement requests from SDHC. These should be in the form of formalized procedures or departmental guidelines. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

16 As part of the negotiations and communications to clarify the documentation supporting reimbursement requests, San Diego Housing Commission and City Planning and Community Investment staff should assess and correct any documentation inaccuracies or inconsistencies. The contract with the outside consulting firm (ICF) should clearly outline these expectations to develop appropriate and comprehensive internal controls to monitor these types of funding activities. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

17 To ensure compliance with the US Department of Housing and Urban Development (HUD) terms, San Diego Housing Commission should make the progress of the 350 required housing units a standing agenda item for discussion by the Board, which should include regular reporting from the responsible members of San Diego Housing Commission management. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

18 San Diego Housing Commission should continue to make progress on new development to meet the 350 unit goal, within a five year timeline, and utilize existing undeveloped SDHC owned assets if necessary to accomplish that objective. These expectations should be clearly outlined in future budgetary and business planning documents, and should be included as a defined goal for the responsible members of management and staff as applicable. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

10-003 **PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART II**

1 San Diego Housing Commission (SDHC), in collaboration with City Administration, should perform a review of the Housing Impact Fee schedule, and assess reasonableness and consistency with SDMC §98.0618. The fees should be updated through 2009 to be consistent with the SDMC. If the updates are not practical or feasible, the communication of the current intent to request updates through City Council should be clearly documented and retained by both the City Administration and San Diego Housing Commission. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

2 San Diego Housing Commission (SDHC), in collaboration with City Administration, should develop and implement procedures so that Housing Impact Fee updates are recalculated March 1 of each year by the appropriate percentage increase or decrease as indicated in the SDMC and prepare a recommendation to the City Council for such revision on an annual basis. If the updates are not accepted or processed by the City Council, the annual communication of the requested updates through City Council should be clearly documented and retained. If the SDMC will not be followed, then it should be amended to reflect the current fee expectations in relation to the Housing Trust Fund, a change that would require City Council action to amend the SDMC. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

3 City Administration should facilitate the update of the SDMC to accurately reflect the current process for the collection and maintenance of the Housing Trust Fund fees by the Comptroller in a specific subaccount after collection by the City. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

5 San Diego Housing Commission (SDHC) should develop additional policy and departmental guidance to detail the process and documentation requirements in relation to the Affordable Housing Fund (inclusive of both the Housing Trust Fund and Inclusionary Housing Fund), which would include reference to the proper handling of direct payments from developers and the timely reconciliation of Affordable Housing Fund funds to include comparing City-provided periodic reporting to actual payments received on a quarterly or annual basis. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

6 The San Diego Housing Commission Policy "Commission Responsibilities Related to the Housing Trust Fund" (P0300.501) should be updated as needed to accurately reflect the current process including a prohibition against the receipt of direct payments from developers and the reporting relationship with the City, as applicable. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

7 City Administration and San Diego Housing Commission (SDHC) personnel should reconcile the current differences in historical reported amounts for Inclusionary Housing Fund funding. If warranted, disbursement to or from SDHC or the City should be made to settle any outstanding payment discrepancies. Procedures should be established to perform this reconciliation at least annually. (JT) (TC)

Partly Implemented The San Diego Housing Commission previously established reconciliation policies and procedures as of the March 2010 update. Housing Commission management has indicated that the reconciliation was completed in July 2010 and they are awaiting a payment of approximately \$122,000 from the City. However, documentation supporting these latter statements has not been provided.

8 A new SDHC policy should be drafted, approved and implemented to accurately reflect the SDHC "Responsibilities Related to the Inclusionary Housing Fund" (similar to P0300.501 and including any updates thereof). (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

9 The existing policy P0300.501 (and the new Inclusionary Housing Fund policy recommended separately) should be updated to include the requirements to account for and report separately both the Inclusionary Housing Fund and the Housing Trust Fund in the audited financial statements as well as the audit for compliance with the Affordable Housing Fund Ordinances and any related policies and regulations. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

11 SDHC and City Administration should review SDMC §142.1310(e) and have the applicable SDMC sections updated to reflect the current fees or make reference to the source document or department for the updated fees, a change that would require City Council action. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

12 City Administration should draft, approve and implement departmental guidelines (across multiple departments as needed) to accurately identify and document the process roles and responsibilities for City departments, including the Treasurer, Comptroller, Facilities Financing and Development Services Department (DSD) in Affordable Housing Fund-related processes. These processes should include the reporting of quarterly and annual Housing Trust Fund and Inclusionary Housing Fund activity by Facilities Financing and DSD to SDHC and the Comptroller. The Comptroller should reconcile fund levels and make disbursements based upon mutually agreed upon amounts from that reporting on a consistent and timely basis. (JT) (TC)

Not Implemented No change in status from previous reporting cycle.

10-006 OFFICE OF THE CITY ATTORNEY PROPOSITION 64 FUNDS AUDIT

1 Review and revise the current policies and procedures for the management of Proposition 64 funds. The policies and procedures should include details on how the funds will be properly recorded, tracked and expended. (DK)

Partly Implemented No change in status from previous reporting cycle. The City Attorney's Office updated policies and procedures for handling the Proposition 64 funds. The updated policies and procedures provide a history of the Proposition, its intent and definitions, the proper use and tracking of expenditures. Although, the updated policies and procedures address the handling of deposits to the fund, it does not address all the internal control issues discovered during the audit. The City Attorney's Office still has to receive an exemption to the City Charter's daily deposit requirement as allowed in Municipal Code 22.0706.

2 Develop a centralized case management system, with detailed policies and procedures, to record, document and reconcile awards received. (DK)

Implemented A Case Management System (CMS) has been implemented for the Consumer Protection Unit to utilize. The CMS was provided to the City Attorney's Office by the San Diego District Attorney's Office and was developed by that office to track its criminal and civil cases. The system does not create reconciliation schedules; however, the City Attorney's office has implemented procedures to reconcile the awards received.

6 Include a requirement that money received be deposited daily in your written policies and procedures. (DK)

Not Implemented No change in status from previous reporting cycle. We identified two award payments totaling \$96,000 that were not deposited timely and required confirmation from the bank that the checks would still be honored. Additionally, a \$70,000 award check was lost and had to be reissued which was yet again not deposited timely.

The current City Attorney administration has updated policies and procedures, but they do not address all the internal control issues discovered during the audit. Specifically, the City Attorney's Office did not include the City Attorney's Office as being exempted from the daily deposit requirement.

The City Attorney's Office needs request an exemption from the City Charter daily deposit requirement from the City Council.

10-007

PERFORMANCE AUDIT OF THE CITY'S STREET MAINTENANCE FUNCTIONS

- # 1 Expedite the performance of a complete citywide street assessment survey prior to the selection of streets for future citywide resurfacing contracts. If resources are not sufficient for this purpose, the Street Division should expedite its budget request so that resources will be available for a complete citywide assessment as soon as practicable. Data obtained from this survey should be analyzed comprehensively prior to the execution of future street resurfacing contracts, and maintained as a baseline for performance metrics when future assessments are performed. (EM)

Not Implemented No change in status from previous reporting cycle.

- # 2 Ensure that the condition ratings for recently resurfaced streets are effectively updated within the pavement management system in a timely manner. If the Street Division does not have the staff, resources, or expertise necessary to perform field surveys of street conditions, then the Street Division should establish baseline condition ratings for streets that have been recently resurfaced. (e.g. OCI of 90 for streets that have been recently overlaid with new asphalt) These baseline values should be updated within the pavement management system shortly after the completion of street resurfacing activity. (EM)

Not Implemented No change in status from previous reporting cycle.

- # 3 Implement a degradation program into the pavement management system to update street condition ratings on a periodic basis. When formulating this program, major degradation variables such as traffic, drainage, weathering, and functional class should be prescribed for each segment within the pavement management system. If this process cannot be automated, the Street Division should ensure that condition information is manually updated on a regular basis. (EM)

Not Implemented No change in status from the previous reporting cycle. The Department has not implemented the recommendation and has provided documentation to show how the system could potentially be used if it had the resources to use it to its full capability. The original recommendation requested that the department periodically update degradation variables within the pavement management system. The recommended variables were: traffic, drainage, weathering, and functional class. At this time, the Department is relying on “distress” and “ride” as the variables to assess and update within the pavement management system.

- # 4 The Street Division should formally document written policies and procedures for the identification and selection for inclusion into citywide street resurfacing contracts. These policies and procedures should be documented with an aim to maximize the effectiveness and efficiency of resources allocated for street resurfacing projects.

Written policies and procedures should be carefully crafted to ensure objectivity in the identification and selection process; yet also provide flexibility when deviation from the prescribed selection processes is warranted. (i.e. upon completion of a major public works project, or a particular geographic area that has sustained aberrant damage). (EM)

Not Implemented No change in status from previous reporting cycle.

10-008 **HOTLINE INVESTIGATION OF A CITY COMPTROLLER EMPLOYEE**

- # 1 We recommend the Office of the City Comptroller take appropriate disciplinary action based on the information provided. (DK)

Implemented Auditor verified that disciplinary action was taken.

- # 2 Risk Management should implement a new process to verify spousal and dependent eligibility before City insurance benefits are provided to reduce the risk of the City incurring additional cost for ineligibly claimed benefits. (DK)

Not Implemented No change in status from previous reporting cycle.

10-009 **SAN DIEGO DATA PROCESSING CORPORATION FOLLOW-UP AUDIT**

- # 1 San Diego Data Processing Corporation's Board should require San Diego Data Processing Corporation to have written policies related to reimbursements to vendors and the retention of bid documents. (SG)

Not Implemented No change in status from previous reporting cycle.

7 Amend the Operating Agreement with San Diego Data Processing Corporation to improve best practices by requiring: a. A dedicated public vendor webpage for posting: Requests for quotes or proposals; Results of requests for quotes or proposals; and Justifications for sole source / sole responder vendor contracts; b. Standard minimum response times to requests for quotes or proposals; c. Re-advertising for requests for quotes or proposals if an insufficient number of responses are received from vendors for contracts exceeding a specific value, such as \$250,000 unless sufficient justification is documented, presented to the Board and the justification is posted to the website; d. Fixed terms for contracts; and e. Annual report to the City summarizing competitive practices. (SG)

Partly Implemented

No change in status from previous reporting cycle. Recommendation 7 consists of 5 components denoted a-e. Component 7e has been implemented through the definition and requirement of an annual reporting process defined in Article 5, Section 4 of San Diego Data Processing Corporation's (SDDPC) Bylaws. City and SDDPC Management plan to implement the remaining components of the recommendation through policies and procedures once the Master Service Agreement has been executed. Their approach appears to meet the requirements of our recommendation.

8 City management should consider establishing policies and regulations specific to procurement of long term system maintenance contracts. (SG)

Not Implemented

No change in status from previous reporting cycle.

9 The City and San Diego Data Processing Corporation should develop policies and procedures to ensure compliance with competitive standards applicable to federally funded technology projects. (SG)

Not Implemented

No change in status from previous reporting cycle.

11 Either San Diego Data Processing Corporation should permit view access by City employees to their contract, invoice, and vendor payment history for procured goods and services in order to verify the accuracy of San Diego Data Processing Corporation billings, or the procurement of these goods and services should be made directly through the City's procurement process in consultation with San Diego Data Processing Corporation staff. The selected process should ensure the best operational efficiencies for the City that incorporate strong internal controls. (SG)

Not Implemented

No change in status from previous reporting cycle. A documented policy has not been provided, though a practice is mentioned as the remediation. According to the Master Service Level Agreement Team, this item will be addressed in the future, but is currently under discussion as to the best method.

- # 12 The City should establish encumbrances for IT Business Leadership Group (ITBLG) approved new project costs procured through San Diego Data Processing Corporation to ensure actual costs do not exceed approved budgeted costs. (SG)

Not Implemented

No change in status from previous reporting cycle.

- # 15 City management, in consultation with the City Attorney, should advise the City Council to consider amending San Diego Data Processing Corporation's bylaws to include the following: a. The Mayor and City Council shall approve the hiring of the CEO and the CEO's contract terms; b. The Board shall approve the compensation of the CFO unless increases in compensation are applicable to all employees; c. The CEO shall provide an annual report to the Mayor and City Council on San Diego Data Processing Corporation's compliance with its Bylaw requirements; d. San Diego Data Processing Corporation shall provide to the Mayor and City Council an annual report on its performance, including its strategy, current year's goals, status of major projects, and comparison of prior year's goals to performance; and e. San Diego Data Processing Corporation's CEO and CFO shall certify to the City that San Diego Data Processing Corporation management assumes full responsibility for the completeness and reliability of the information contained in the financial report. (SG)

Partly Implemented

Recommendation 15 consists of 5 components, denoted a-e. Component 15a has been identified as implemented; however, we disagree on the completion of the item. Specifically, we recommend the Mayor and City Council approve the hiring of the Executive Director and his/her contract terms. Management has stated they will implement a strict selection and performance policy, place a cap on compensation, and eliminate the bonus. They further stated that the San Diego Data Processing Corporation's Executive Director will be hired and fired by the SDDPC board, with input from the Mayor and Council. However, the Bylaws do not require that the Mayor and Council approve the hiring and firing of SDDPC's Executive Director as we initially recommended. The remaining components have been remediated through the following methods: (b) Addressed in Article 7, Section 3 of SDDPC's Bylaws which states: The compensation, if any, of the Officers, shall be fixed or determined by resolution of the Board, except that the compensation for the President shall be determined as set forth in Article VIII, Section 1(a) of these Bylaws. (c) Article 5, Section 4 of SDDPC's Bylaws requires "a summary of Bylaws compliance during the preceding Fiscal Year" among other key items reported. (d) Article 5, Section 4 of SDDPC's Bylaws states "an annual report of the Corporation which shall provide an assessment of the Corporation and describe its operations and financial outlook and include a copy of its Strategic Plan for its past and present Fiscal Year as provided for in

Article VII of these Bylaws, and such other issues related to technology, fiscal outlook and operations, the status of major projects”...(e) The Master Service Agreement, in Section 4.4, requires the SDDPC Chief Executive Officer & Chief Financial Officer to assume responsibility for the financial report.

10-010 **PERFORMANCE AUDIT OF THE CITY TREASURER’S DELINQUENT ACCOUNTS PROGRAM - DEVELOPMENT SERVICES DEPARTMENT**

1 Review current deficit account balances and immediately refer existing past due accounts to the Treasurer’s Delinquent Accounts Program. (DA)

Not Implemented No change in status from previous reporting cycle.

2 Establish appropriate criteria and timelines that will trigger Fiscal Services to generate an ARIS invoice with automatic referral to the Treasurer’s Delinquent Accounts Program of unpaid invoices after the invoice due date. If the timeline for referral exceeds 30 days past due, request approval for a more appropriate time frame from the City Treasurer per City regulations. Centralize the deficit account invoicing process in DSD’s financial services and eliminate courtesy and collection letters as well as PTS invoices. (DA)

Not Implemented No change in status from previous reporting cycle.

3 Establish procedures for DSD cashiers to coordinate with financial services to ensure payments received on ARIS invoices are properly applied to the invoice so paid accounts are not referred to the Treasurer’s Delinquent Accounts Program in error. (DA)

Not Implemented No change in status from previous reporting cycle.

4 Establish procedures and strengthen controls in PTS that prevent DSD cashiers from accepting payment on past due ARIS invoices (those referred to Treasurer’s Delinquent Accounts Program). Instruct applicants with referred accounts to make payment at Treasurer’s Delinquent Accounts Program. (DA)

Not Implemented No change in status from previous reporting cycle.

5 Reinstate monthly statements, for all applicants, which contain enough detail regarding charges (staff person name, description of work performed, hours spent and amount, etc.), as well as language stating that applicants have a limited amount of time to dispute any charges. Monthly statements for accounts in deficit should also contain a remittance advice, the deficit amount, the minimum positive balance required, a due date and language that clearly states that unpaid amounts will be referred to Treasurer’s Delinquent Accounts Program (based on the established criterion and timeline from #2 above). (DA)

Not Implemented No change in status from previous reporting cycle.

- # 6 Implement a late penalty fee to ensure more timely payments on deficit accounts. (DA)
Not Implemented No change in status from previous reporting cycle.
- # 7 Require Development Project Managers (DPMs) as well as any other City staff person acting as lead on deposit projects to review labor charges on all relevant projects at least biweekly to help identify and correct potentially erroneous charges prior to the issuance of monthly statements. (DA)
Not Implemented No change in status from previous reporting cycle.
- # 8 Evaluate the adequacy of Deposit Account initial deposit amounts as well as minimum required balance amounts to help minimize the frequency and speed at which Deposit Accounts fall into deficit. (DA)
Not Implemented No change in status from previous reporting cycle.
- # 9 Implement a policy that would prohibit applicants with an existing deficit account to open another Deposit Account until the existing deficit is paid in full. (DA)
Not Implemented No change in status from previous reporting cycle.
- # 10 Implement system interfaces between PTS and the current and future SAP modules to increase the automation of manual billing and collection tasks. (DA)
Not Implemented No change in status from previous reporting cycle.
- # 2.O Ensure development project managers (DPMs) are given access to labor charge detail by job order number after implementation of SAP’s Human Capital Management (HCM) module. (DA)
Not Implemented No change in status from previous reporting cycle.

10-011 CITY CHARTER REQUIREMENTS FOR UNCLAIMED FUNDS

- # 1 We recommend that the Office of the City Comptroller consult with the City Attorney to determine the legality of transferring the \$777,832 in unclaimed money to the general fund to be in compliance with the City Charter. If compliance with the City Charter supersedes the California Government Code, the Office of the City Comptroller should ensure appropriate processes and procedures are in place to ensure compliance. (CO)
Not Implemented No change in status from previous reporting cycle.

10-013 BID TO GOAL: EFFICIENCIES HAVE BEEN ACHIEVED, BUT IMPROVEMENTS ARE NEEDED IN DOCUMENTATION, MANAGEMENT, AND INTERNAL REVIEW OF THE PROGRAM

1 We recommend that the Department solicit the development of a private sector benchmark at least every 5 years and ensure that the benchmark is comparable with the employee bid for at least the first year of the contract. (TT)

Implemented Chapter 2 of the Bid to Goal Policy and Procedures Manual requires the development of a PMP “at least every five years or when substantially changed conditions within the Public Utilities Department dictate.”

2 We recommend that the Department establish a central location for Bid to Goal documentation and core of employees with knowledge about the program. (TT)

Implemented Chapter 12 (Records Control) of the Bid to Goal Policy and Procedures Manual addresses this recommendation. The Department has centralized Bid to Goal documentation within the Internal Controls section, and has created a shared folder for storing electronic documentation related to the Program.

3 We recommend that the Department ensure that accurate and updated Bid to Goal records, such as the annual performance reports, are maintained. Bid to Goal (TT)

Implemented The Department has centralized Bid to Goal documentation within the Internal Controls section, and has assigned this section the responsibility for maintaining and updating Bid to Goal records, including annual performance reports. It has also created a folder for storing electronic documentation related to the program.

4 We recommend that the Department develop guidance with specific criteria for Bid to Goal annual reports, including the format and content and required updates to be included in such reports that will allow the results to be easily reviewed and compared. (TT)

Implemented Chapters 7 and 9 of the Bid to Goal Policy and Procedures Manual outlines the requirements for an annual performance report and a final program report. The Department has also developed a form and instructions for completing process narratives for goals, and posted FY 2011 goals on its intranet.

5 We recommend that the Department maintain a public, historical record of Bid to Goal results by including previous years’ annual reports on the Department’s website. (TT)

Implemented Current and historical information about Bid to Goal, including performance reports, audit results, and Memorandum Of Understandings, has been posted on the City’s public website and intranet.

6 We recommend that the Department identify clear and distinct roles and responsibilities for the Department and contractor and provide structure for the bid process. (TT)

Implemented Chapters 1, 2, and 3 of the Bid to Goal Policy and Procedures Manual discuss the Statement of Work, Private Market Proposal, and Labor Management Partnership (bid), respectively. The Department has defined roles and responsibilities for the parties involved in Bid to Goal.

7 We recommend that the Department develop a system for accurately tracking the administrative costs of the program. (TT)

Implemented The Department has issued an instruction (DPN-15.24.1) that identifies new internal order numbers to be used for tracking administrative time related to Bid to Goal. Four numbers are provided to track recurring (annual) and new program development for water and wastewater employees.

8 We recommend that the Department develop a system for accurately tracking Employee Efficiency Incentive Reserve actual expenditures and report these in annual performance reports. (TT)

Implemented The Department has issued a Policy and Procedure Manual for administering the Bid to Goal program. Chapters 7 and 9 of this manual discuss the annual performance report and the final Bid to Goal report, and require a reconciliation of Employee Efficiency Incentive Reserve activity.

9 We recommend that the Department require an external audit of payouts, maintain an accurate record of the audited total gross payout amounts and number of employees receiving payouts, and evaluate whether setting net rather than gross payout caps is the most equitable and appropriate limit. (TT)

Implemented The Department has expanded the scope of the independent auditor of the Bid to Goal program to include auditing employee payouts. An audit of payouts was performed for 2008. The Department has indicated that it will not be changing its payouts from a gross to net basis, because it considers the current approach to be more equitable.

10 We recommend that the Department ensure that gainsharing goals continue to be measurable, auditable, and stretch goals. (TT)

Implemented Chapter 6 of the Department's Policy and Procedures Manual provides guidance on goal development. Additionally, at the request of the Audit Committee and with the assistance of the City Auditor's Office, the Department has contracted with an engineering firm to review its goals to insure that they are reasonably challenging.

11 We recommend that the Department establish a structured system for involving all levels of employees in the goal-setting process, such as encouraging participation on goal-setting teams on a rotational basis to obtain ideas and input for improving the efficiency and effectiveness of operations and hold these employees accountable and responsible for each performance measure. (TT)

Partly Implemented While the Department has been emailing staff and soliciting their feedback in setting goals, we cannot consider this a "structured system" per our recommendation. We have suggested to the Department ways to fully implement this recommendation.

12 We recommend that the Department develop detailed and specific guidance for standardized savings calculations, including instructions for sources of data, out of scope and in scope expenditures, encumbrances, and justifications for administrative relief when goals are not met. (TT)

Implemented The Department has issued an instruction (DPN 15.24.3) that addresses savings calculations. Chapter 15 of the Bid to Goal Policy and Procedures Manual assigns the responsibility for savings calculation to the Finance and Information Technology Division, and requires that the Internal Controls section review this calculation.

13 We recommend that the Department develop procedures for ensuring that recommendations from external audits are implemented. (TT)

Implemented The Department has made significant changes to improve its response to external audit recommendations. Chapter 14 of the recently-developed Bid to Goal Policy and Procedures Manual discusses external audits; Chapter 9 requires the preparation of a Final Bid to Goal Program Report. This report incorporates the Annual Performance Report and the external audit report, the Department's response to it, and a summary of actions taken to address prior year findings.

14 We recommend that the Department establish processes for making internal controls an integral part of planning, budgeting, management, accounting, and auditing the Bid to Goal program, including reviewing savings calculations and goal achievement and segregating duties between performing, reviewing, and documenting a task. (TT)

Implemented The Department's Internal Controls section has been assigned responsibility for conducting internal audits of financial calculation of the savings and goal achievement. Chapter 13 of the Department's Bid to Goal Policy and Procedures Manual provides guidance on internal audits of the program.

10-016 CITYWIDE REVENUE

1 Develop a Memorandum of Understanding with the County of San Diego to ensure access to required information allowing the City Treasurer's Revenue Audit Division to review property tax allocations to the City and observe the next State audit of the County. (FP) (DK)

Not Implemented No change in status from previous reporting cycle.

2 The Financial Management Department should take steps to obtain State audits of County property tax allocations, and review any relevant findings/recommendations for purposes of follow up. (FP) (DK)

Not Implemented No change in status from previous reporting cycle.

3 The City Treasurer's Office should consider providing business registration information to the County Assessor's office, and inform new businesses registering in the City of San Diego that they may be required to pay unsecured property tax to the County. (FP) (DK)

Not Implemented No change in status from previous reporting cycle.

4 The City of San Diego should consider streamlining its communication with the County of San Diego's Assessor's Office to ensure the County's possessory interest records are up to date. (FP) (DK)

Not Implemented No change in status from previous reporting cycle.

5 The City's Financial Management Department should evaluate the benefits of joining the Teeter Plan, and unless there is compelling information to suggest otherwise, take appropriate steps to become part of the Plan. (FP) (DK)

Not Implemented No change in status from previous reporting cycle.

6 Consider having the City Treasurer's Revenue Audit Division utilize the free audit training offered by MuniServices, LLC to reduce reliance on MuniServices for future sales and use tax audit services. (FP) (DK)

Not Implemented No change in status from previous reporting cycle.

- # 7 Financial Management should review gross Safety Sales Tax revenues annually in order to verify the accuracy of Safety Sales Tax allocations to the City. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 8 Financial Management should annually reconcile Sales Tax Triple-Flip funds received from the County with ERAF shift loss detailed in BOE sales tax reports. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 9 The City Comptroller's Office should continue identifying the necessary subprocesses and prepare written policies/procedures for verifying the accuracy of TransNet revenues. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 10 In order to verify accurate TransNet allocations, the City of San Diego Streets Division should work with the California Department of Transportation (CalTrans) to ensure accurate miles of road maintained figures. (FP) (DK)
- Implemented** The City of San Diego Street Division provided updated miles of road maintained figures to CalTrans in May 2010.
- # 11 The Office of the City Comptroller should develop written policies/procedures for verifications of gas tax revenues performed by the City. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 12 The Office of the City Comptroller should ensure the City is not paying federal gas taxes by verifying that the payments to fuel vendors do not include federal excise tax. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 13 The Office of the City Comptroller and Financial Management should develop written policies/procedures for verifications of motor vehicle license fees. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 14 The City Treasurer's Office should monitor when court revenue distribution audits are done by the State Controller's Office, and be aware of findings and/or under remittances relevant to the City of San Diego for purposes of follow up. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.

- # 15 The City Treasurer’s Revenue Audit Division should consider performing audits of court-distributed revenues. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 16 The Office of the Independent Budget Analyst (IBA) should work in consultation with the Real Estate Assets Department to revise Council Policy 700-10 to clarify who has the appropriate auditing authority. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 17 The Real Estate Assets Department should develop written policies/procedures for the verification of lease payments. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 18 The Real Estate Assets Department should work with the City Treasurer’s Revenue Audit Division to develop an indicator for percentage leases in the Electronic Document Retrieval System (EDRS). (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 19 The City Treasurer’s Revenue Audit Division should include their annual reconciliation of the Division’s lease audit database with the Real Estate Assets Department database in their written departmental procedures. (FP) (DK)
- Implemented** The Revenue Audit Division has developed written procedures for ensuring the Division’s lease audit population is complete.
- # 20 The Revenue Audit Division should develop policies/procedures for auditing state video franchises that include (1) procedures for auditing franchisee’s methodology of calculating franchise fees, (2) the requirement for the franchisee to provide detailed calculation summaries, and (3) an audit cycle no longer than 4 years. (FP) (DK)
- Implemented** The Revenue Audit Division’s policies and procedures for auditing state franchisees includes auditing franchise fee methodology, the requirement to provide detailed calculation summaries, and an audit cycle of no longer than 4 years.

- # 21 Based on the requirement for hotel operators to maintain records for a period of three years, the Revenue Audit Division should perform audits on a three-year cycle. (FP) (DK)
- Not Implemented - Disagree** Management disagrees with recommendation and states that documented City Treasurer Departmental Procedure already contains an audit cycle of two to three years for TOT audits. Our March 2010 audit revealed that the City Treasurer did not conduct all TOT audits within three years. As of this report, the City Treasurer has not provided any documentation to show all TOT audits have been conducted within three years; therefore, we cannot validate the City Treasurer audits within the three year cycle.
- # 22 The Business Tax Compliance Program should develop written policies/procedures for the work it performs. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.
- # 23 The Business Tax Compliance Program should expand techniques used for ensuring compliance—including utilization of preventative measures such as informal employee audits—and determine an alternative method for ensuring accurate business size designation. (FP) (DK)
- Not Implemented** No change in status from previous reporting cycle.

10-017 **PERFORMANCE AUDIT OF THE CITY TREASURER'S INVESTMENTS DIVISION**

- # 1 The City Treasurer should finalize and implement a charter or comparable controlling document for the Investment Advisory Committee defining the roles, responsibilities, term limits, applicant requirements and related administrative processes for the committee. This document and related committee reference information should be included and maintained on the Investments Division's public website. (JT)
- Not Implemented** No change in status from previous reporting cycle.
- # 2 The City Treasurer should review and update the Investment Policy for inclusion of the identified consensus recommendations during the subsequent update to the Investment Policy within an official Investment Advisory Committee charter or comparable controlling document, as appropriate. (JT)
- Not Implemented** No change in status from previous reporting cycle.

3 The City Treasurer should formally document a written procedure for processing complete and accurate annual updates for the Investment Policy, including the critical steps in the process from initiation to acceptance by City Council and subsequent handling in preparation for the following year. This procedure should be crafted to effectively and efficiently update the policy, but also provide for appropriate record management clearly identifying documentation requirements during various stages of the process. (JT)

Not Implemented No change in status from previous reporting cycle.

10-018 PERFORMANCE AUDIT OF THE PURCHASING AND CONTRACTING DEPARTMENT - CITYWIDE OPEN PURCHASE ORDER PROGRAM

1 Incorporate the use of a requisition form similar to a form 2610 in the Departmental Blanket/Open Purchase Order program to reduce the risk of misappropriation. (TM)

Not Implemented No change in status from previous reporting cycle.

2 City Management should institute a process and timeline for the elimination of the Citywide Blanket/Open Purchase Order program. Instead, citywide contracts should continue to be established and departments should procure goods and services using the newly revised Departmental Blanket program or some other method that is more efficient and incorporates effective controls. (TM)

Not Implemented No change in status from previous reporting cycle.

3 Modify Administrative Regulation 35.15 to adequately reflect the new policies as a result of the actions taken from Recommendations one and two above. Additionally, the Administrative Regulation should include a requirement for departments to document and retain a reconciliation of the requisition forms, similar to the form 2610, on a quarterly basis. (TM)

Not Implemented No change in status from previous reporting cycle.

4 City Management should analyze the Stores Revolving fund balance of \$1.4 million to determine if this balance represents a surplus. If this analysis results in the determination of a surplus, it should be transferred back to the applicable funds (general, enterprise, etc.) per the annual appropriations ordinance. (TM)

Not Implemented No change in status from previous reporting cycle.

5 Central Stores should conduct an annual analysis to ensure that all surcharges (storerooms, mailrooms, etc.) are set at an appropriate level to only recoup the cost of service. This analysis should also include a procedure to transfer any surplus at fiscal year end back to the applicable fund(s). (TM)

Not Implemented No change in status from previous reporting cycle.

6 City Management should ensure that all departments are aware of discounts and have appropriate procedures in place to ensure that all discounts are taken advantage of for timely payment on City purchases in order to reduce costs. (TM)

Not Implemented No change in status from previous reporting cycle.

10-019 **PERFORMANCE AUDIT OF THE SUBCONTRACTOR OUTREACH PROGRAM (SCOPE)**

1 The City should collect accurate and comprehensive data that measures the contracting practices in the City. (TC)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

2 The City should perform a comprehensive disparity study. (TC)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

3 The City should create policies and procedures for collecting and reporting on data that may be used in a disparity study. (TC)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

4 Equal Opportunity Contracting Program management should develop written policies and procedures to ensure that SCOPE goals formulas embedded in spreadsheets used to generate SCOPE goals are accurate and are reviewed by management. (TC)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

5 Engineering & Capital Projects management should review the accuracy of goals generated by specification engineers prior to submitting SCOPE goals to Equal Opportunity Contracting PROGRAM for final review and approval. (TC)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

6 Equal Opportunity Contracting Program and Engineering & Capital Projects should document the rationale for adjustments made to SCOPE goals calculations or factors that impact SCOPE goals on a per-project basis. (TC)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

- # 7 SCOPE goal formulas should be calculated as prescribed by Caltrans to ensure that the City reaps the benefits of streamlining processes if the City continues to use the Caltrans methodology to calculate goals for City-funded projects. (TC)
- Not Implemented** New recommendation, not enough time for department to implement before July 2, 2010.
- # 8 Management should establish an annual goal for City-funded projects in order to measure the progress (or lack thereof) that prime contractors subcontract to the various historically underrepresented contractor groups.
- Not Implemented** New recommendation, not enough time for department to implement before July 2, 2010.
- # 9 Management should provide both committed and actual achievement data like those found in the Final Summary Report when reporting to City Council the performance of SCOPE.
- Not Implemented** New recommendation, not enough time for department to implement before July 2, 2010.
- #10 Program Management should evaluate the extent to which change order work can feasibly be assigned to subcontractors on a per-project basis and require and enforce SCOPE goals to apply to all feasible change order work to the fullest extent of the law.
- Not Implemented** New recommendation, not enough time for department to implement before July 2, 2010.
- # 11 Management should review the approaches to increasing contractor diversity outlined in nominations to SARA and continue to consult with other entities for best practice guidance on how to increase the diversity of subcontractors and document the communications. (TC)
- Not Implemented** New recommendation, not enough time for department to implement before July 2, 2010.
- # 12 Equal Opportunity Contracting Program, Engineering & Capital Projects and Purchasing & Contracting should discuss the distinct data Equal Opportunity Contracting Program needs to adequately manage SCOPE. (TC)
- Not Implemented** New recommendation, not enough time for department to implement before July 2, 2010.
- # 13 Equal Opportunity Contracting Program should obtain direct access to the data it needs to effectively and efficiently administer SCOPE. (TC)
- Not Implemented** New recommendation, not enough time for department to implement before July 2, 2010.

10-020

**PERFORMANCE AUDIT OF THE DEVELOPMENT SERVICES
DEPARTMENT'S COLLECTION OF WATER AND SEWER FEES**

1 Development Services Department should revise its collection processes to ensure that building permits and certificates of occupancy are not being issued to customers prior to full payment of all development fees including water fees. (SH)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

2 Development Services Department and Public Utilities should create and maintain either a Service Level Agreement or a Memorandum of Understanding that formally defines the agreed level of service between the two departments. (SH)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

3 Development Services Department management should develop formal written policies and procedures regarding the collection of IOS permit fees to ensure appropriate payments are made and payment information is transferred into IOS. These policies and procedures should be monitored by management for effectiveness. (SH)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

4 Development Services Department should continue implementation of the newly developed recovery practices, including how unpaid fees will be referred to Collections, in order to recoup unpaid fees while sharing monitoring and recovery information of delinquent accounts with Public Utilities' IOS Section. (SH)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

5 Development Services Department management, in conjunction with the Public Utilities' IOS Section, should create a common repository that is updated as rules or procedures for the assessment of IOS permit fees are created or changed. (SH)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

6 Development Services Department should implement a periodic review of plans in Supervisory Clusters that regularly assess IOS fees and yearly training sessions in conjunction with Public Utilities. (SH)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

- # 7 Public Utilities should work with implementation consultants as planned to ensure maximum efficiencies are gained through interfacing with all process-related applications, including Development Services Department's (DSD) Project Tracking System. DSD should be included on the relative interfaces and facilitate automated data interfacing as recommended and required by the implementing consultant. (SH)

Not Implemented New recommendation, not enough time for department to implement before July 2, 2010.

10-OA-001 PERFORMANCE AUDIT OF THE CENTRE CITY DEVELOPMENT CORPORATION

- # 1.1 Implement a strategic plan linking redevelopment goals with achievements and organizational performance. This should include goals that are specific, measurable, attainable, reliable, and time-bound as a method of demonstrating whether CCDC efforts are achieving stated goals. Additional performance measures could relate to:
- Leveraging Private Resources
 - Employment & Job Creation
 - Data related to the Design Review/Permitting Function
 - Delivery Cost Ratio & Timeliness/Budget on Public Improvements
 - Program/Administrative Budget Comparison (TT)

Not Implemented No change in status from previous reporting cycle.

- # 1.2 Develop a strategy to ensure that the proportion of affordable units to market-rate units does not fall below the 15 percent threshold mandated by California Community Redevelopment Law. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 1.3 Work with appropriate officials within the City and Agency to determine the feasibility and appropriateness of exploring the introduction of new revenue streams, such as a cost-recovery model for the design review process and imposition of additional Development Impact Fees (DIF). (TT)

Not Implemented No change in status from previous reporting cycle.

- # 1.4 Assess and define CCDC's role in promoting economic development and social service delivery through redevelopment efforts. This could include realigning CCDC's service delivery framework to encourage additional activities that are commonly associated with redevelopment, including providing policy guidance regarding the inclusion of economic development and social service activities commonly employed by other successful redevelopment agencies. Examples include, but are not limited to:
- Facilitating the development of employment-oriented facilities, such as small business incubators, which provide low-cost opportunities for small businesses and other San Diego-based start-up companies;
 - Incorporating covenants within development agreements whereby Agency financial assistance is contingent on the provision of services that advance the economic development goals of San Diego, such as creating a balance of employment and housing opportunities; and/or,
 - Leveraging TIF resource with other funding streams, including grant funding through the United States Department of Housing and Urban Development, to encourage or facilitate additional economic development, blight mitigation, and social service activities. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.1 Develop a comprehensive set of policies and procedures to provide guidance and increase internal controls over procurement, contracting, use of on-call agreements, accounts payable, payroll, and fiscal operations, and clarify roles and responsibilities of staff involved. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.2 Train staff on established procedures to ensure both staff and management share the same expectations. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.3 Ensure adequate competition is sought where feasible and practical, and document key decisions surrounding contract awards to provide transparency and assurance that the contractor selected provides the best good or service at the most competitive price. This includes ensuring proposals are solicited from all on-call firms. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.4 Closely monitor trial balance detail and contract activity to identify instances where contract splitting may occur or where competitive procurement may be beneficial, identify vendors that receive multiple payments totaling greater than or equal to current policy thresholds, and determine if a formal agreement should be generated. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.5 Provide closer oversight and monitoring of contracting practices to ensure management and CCDC's Board is aware of all contracting activities. As part of this:
- Work with staff to ensure contract information is accurately reported to CCDC's Board.
 - Develop a process to track and monitor an inventory of contracts, which should include elements such as the vendor name, the initial and amended contract amounts, number of amendments, date executed and expiration or termination date, goods/services provided.
- (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.6 Ensure that invoices are well supported, comport with established agreements, and are thoroughly reviewed prior to approving payment. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.7 Require that changes in the scope of work on professional service contracts and in the specifications on construction contracts are formally memorialized in appropriately approved and executed amendments or change orders at the time the change is agreed upon. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.8 Create record retention protocols that clearly define the types of records that should be maintained, and for how long to support awarding decisions and to assure sufficient transparency. Document retention policies should require maintenance of key documents for a minimum of three years after the termination of the contract, and should require the inclusion of the following key documents, such as:

- The rationale for the method of procurement—RFP, RFQ, Sole-Source;
- Selection of contract type—on-call vs. project or task specific;
- Reasons for contractor selection or rejection, including interview panel score sheets and rankings;
- The basis for the contract price;
- The complete contract, contract amendments and changes orders, with rationale for changes in work and contract amount;
- Important correspondence;
- Invoices, payment documentation, and budget-to-actual reports; and,
- Contract close-out and deliverables.(TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.9 Consider developing a contract close-out procedure and/or checklist to better ensure necessary information is memorialized. Information could include:
- Contract start and end date;
 - Expected completion date;
 - Initial contract amount;
 - Total change orders or amendments;
 - Total expenditures;
 - Deliverable schedules and deliverables; and,
 - Key decisions surrounding change in scope. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.10 Segregate incompatible roles within the procurement, contracting, accounts payable and payroll processes—such as the contract administrator from the project manager. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.11 Develop system access profiles to limit employee access to only those functions required to perform daily duties, and segregate access to incompatible high-risk transactions. This includes providing independent oversight to ensure activity within the MAS90 system is monitored. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.12 Establish exit and position change protocols to ensure the removal of employee access upon their departure and review user access when an employee changes positions to limit access to unnecessary functions. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.13 Strengthen controls to prevent and detect potential conflicts of interest, and to further promote a “tone-at-the-top” that discourages even the appearance of wrongdoing.
- Establish a policy prohibiting the receipt of gifts and gratuities of a material value from those doing business with or seeking to do business with CCDC, particularly in cases where employees have a direct working relationship with the contractors.
 - Review statements of economic interest to identify potential conflicts that may arise, including reviews prior to assigning an employee to a project or selection panel.
 - Consider requiring conflict of interest affirmation statements from employees prior to participating on evaluation panels. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 2.14 Strengthen controls over the recording of assets upon receipt, monitoring, and management of assets. This includes:
- Conducting an inventory of assets every one to three years to ensure all assets are accounted for and the asset listings are updated regularly to reflect current assets.
 - Storing sensitive, portable, and pilferable equipment in a secure location.
 - Reviewing CCDC’s equipment inventory to identify equipment no longer in use and salvage stale equipment. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 3.1 Continue implementation of the newly established Audit Committee with the purpose of providing oversight of CCDC's internal business practices and ensuring that CCDC complies with Board policies. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 3.2 Require CCDC management to account for specific successes or reaching specific goals on a consistent basis by devising periodic performance reports to be approved by the CCDC Board and submitted to the Agency on at least an annual basis. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 3.3 Memorialize a formal line of succession of authority to supervise, manage and direct the business operations of CCDC to a full-time CCDC employee, not a Board member, in the event the position of the president is vacated. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 3.4 Require CCDC to implement an adequate system of internal controls to protect Agency assets, and establish an oversight mechanism that requires CCDC to:
- Certify annually to its Board and to the Agency that it has established adequate internal controls over key business processes, including activities related to procurement, accounts payable, payroll, fixed assets, etc. As part of this certification, CCDC should attest as to its compliance with established, formalized policies and procedures regarding each of these areas.
 - Undergo periodic audits, at least every three years that extend beyond the scope of CCDC's annual financial audits to assess the performance of CCDC and its internal control structure. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 3.5 Update the operating agreement to:
- Provide increased specificity and updated provisions regarding the allowability of corporation expenditures.
 - Require CCDC to periodically report on its performance and goal-attainment at least on an annual basis.
 - Better reflect the role of the Executive Director of the Agency, specifically addressing CCDC's obligations and reporting relationship to the Executive Director. (TT)

Not Implemented No change in status from previous reporting cycle.

- # 3.6 Consider establishing a contract administrator dedicated, at least in part, to overseeing CCDC's activities as a whole to provide more cohesive oversight—in addition to existing practices requiring various agencies (Comptroller, Independent Budget Analyst, Redevelopment Division, Real Estate Asset Division, etc.) to review select CCDC records for their own purposes. (TT)

Not Implemented

No change in status from previous reporting cycle.

10-OA-002 AUDIT OF THE SAN DIEGO CONVENTION CENTER CORPORATION

- # 2 We recommend that staff prepare an analysis of the percentages of the SDCC's resources that are spent on program and administration to the Board during the budget review process to ensure that the Board members are fully aware of how the resources of the SDCC are being allocated between these two areas. (CO)

Not Implemented

No change in status from previous reporting cycle.

- # 3 We recommend the Corporation amend its bylaws to reflect the two-term limit for its Board members to be consistent with the City of San Diego's policy. (CO)

Not Implemented

No change in status from previous reporting cycle.

- # 5 We recommend the Corporation either amend its bylaws or develop a written policy that outlines the Corporation's expectations on attendance and participation at board meetings. The amended bylaws or policy should include a process to address noncompliance. In addition we recommend that management develop a policy of board member expectations to assist in the fulfillment of their responsibilities and duties. (CO)

Implemented

San Diego Convention Center provided policy and procedures that discuss the board's expectations concerning attendance and participation at board meetings and the process to address noncompliance. In addition, these policies and procedures address members' responsibilities and duties concerning their role as board's members.

- # 10 We recommend the San Diego Convention Center document and implement a financial policy governing the use of the San Diego Convention Center 's unrestricted net assets. The policy should be approved by the San Diego Convention Center 's Board of Directors. (CO)

Not Implemented

Even though the San Diego Convention Center indicates that it will consider developing and enacting a specific policy to respond to this recommendation as part of a package of new and revised policies, the recommendation remains to this date not implemented. During June 2010, the San Diego Convention Center informed us that it is in the process of drafting a recommendation and that the new policy and procedure will be reviewed by the Board in the fall.

- # 11 We recommend that the San Diego Convention Center make the following available on its website: mission statement, most recent audited financial statements, and its most recent approved budget. (CO)

Implemented San Diego Convention Center made available on its website its mission statement, its most recent financial statements, and its most recent approved budget

10-OA-003 REVIEW OF THE HIRING PROCESS OF THE DIRECTOR OF PURCHASING AND CONTRACTING

- # 1 Re-issue the Unclassified Recruitment and Hiring Process Guidelines to eliminate the exceptions on using the Personnel Department for unclassified recruitment and hiring activities of upper-level officials. (JT)

Not Implemented No change in status from previous reporting cycle.

- # 2 In addition to the California DOJ check, conduct criminal background checks utilizing the FBI national criminal database (currently utilized when recruiting sworn classified personnel) for non-California resident candidates as well as any candidates that will be responsible for safeguarding the City's assets. (JT)

Not Implemented No change in status from previous reporting cycle.

- # 3 Direct the Chief Operating Officer to assign an appropriate City Department the responsibility to conduct the following steps in hiring upper-level officials. • Lead unclassified higher-level official recruiting efforts, including creating, posting, and advertising job announcements and gathering resumes. • Obtain candidate statements of authentication regarding qualifications and background in writing (use City application as a guide). • Validate and verify education, experience and professional credentials as well as conduct media/Internet background searches prior to conducting interviews. • Screen applicants and forward to hiring departments the best qualified candidates based on resume experience prior to formal interviews. (JT)

Not Implemented No change in status from previous reporting cycle.

- # 4 Direct the Assistant Chief Operating Officer to assure that the departments hiring upper-level officials follow these interview and selection process: • Using an interview panel of persons knowledgeable of the position being filled. • Establishing a preset list of questions to ask each candidate, including asking about successes and challenges faced in prior employment. • Recording or taking notes of questions asked and answered by all interviewees. • Assuring that the interview panel reaches a consensus decision prior to offering a position. • Maintaining appropriate documentation to support selection decisions. (JT)

Not Implemented No change in status from previous reporting cycle.

5 Assure that the Assistant Chief Operating Officer participates with the hiring department in the negotiation of salary, benefits and miscellaneous expense, such as moving costs, for all unclassified upper-level officials. (JT)

Not Implemented

No change in status from previous reporting cycle.

ATTACHMENT C

**NOT IMPLEMENTED –
N/A OR DISAGREE
RECOMMENDATIONS**

ATTACHMENT C
RECOMMENDATIONS DISAGREED OR NO LONGER APPLICABLE

09-001 **AUDIT OF THE INTERNAL CONTROL REMEDIATION RELATED TO THE SAN DIEGO CITY EMPLOYEES RETIREMENT SYSTEM**

1 To ensure compliance with the Kroll report recommendation, SDCERS should amend its Board policy to include a ten year limitation on continuous service on contracts for actuarial valuation services, and ensure future renewals with Cheiron, Inc are in compliance with this policy. (EM)

Not Implemented - Disagree

SDCERS' Board policy governing contracting for actuary services was amended to limit actuary contracts to five years. Upon the expiration of the contract, the Board will issue a new Request for Proposal. However, the Board still retains the ability to select the same auditor for a period exceeding ten years. In the event an actuary is selected for more than five continuous years, the policy requires an independent audit firm to audit the actuary's services every five years. It does not appear likely that SDCERS will fully implement this recommendation.

09-004 **AUDIT OF THE SAN DIEGO PUBLIC LIBRARY FEE COLLECTION PROCESS**

5 In conjunction with the Treasurer's Collections Division, determine the cost and benefits of implementing a fully automated interface with the Collections software applications to automate the exchange of data between the Library and Collections on payments made by customers. (CO)

Not Implemented – N/A

The Library Department determined that creating an interface would not be technically feasible and therefore will not be implementing an interface. Library staff indicated that the Library Department submitted a budget item to conduct a cost/benefit analysis, but the request was denied. According to the San Diego Data Processing Corporation, there are significant technical challenges to creating an interface. As a result, Library staff manually processes collections information and provides this information to the Treasurer's Collections Division via email.

09-005 **AUDIT OF THE 2007 WILDFIRE DEBRIS REMOVAL PROJECT**

1 City staff should ensure that future service contract amendments are reasonable, and do not allow reimbursable expenses to include overhead and profit. (JT)

Not Implemented – N/A City management has developed the City’s Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. However, Environmental Services (ESD) needs to develop general policies and procedures to ensure reimbursable expenses do not include overhead and profit. We should note that ESD disagrees with this requirement. In the original response, “ESD disagrees with any implication that the contract amendment was not reasonable. There is no hard and fast rule that precludes adding some amount for overhead and profit to the costs included in these types of contracts. Nor does ESD agree with the characterization of disposal costs as a “reimbursable expense”. ESD and Purchasing and Contracting considered these costs more analogous to the cost of construction materials, commonly included in construction contracts with an allowance for overhead and profit, than to reimbursable expenses like travel costs, which are more commonly included, without an allowance for overhead and profit, in contexts like consultant contracts.

9 When preparing estimates for future contracting services, City staff should use information that will provide for the most accurate and appropriate estimates. (JT)

Not Implemented – N/A City management has developed the City’s Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. According to Environmental Services Department (ESD) staff, ESD will not engage in these type of debris removal contracts in the future.

11 For all debris removal contracts, Environmental Services Department staff should ensure that independent verification of billed amounts that are done by staff be documented and retained. (JT)

Not Implemented – N/A City management has developed the City’s Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. According to Environmental Services Department (ESD) staff, ESD will not engage in these type of debris removal contracts in the future.

12 For all future contracts or projects that rely on processes followed by other City department or divisions, Environmental Services Department staff should be proactive in communicating the contract or project requirements. (JT)

Not Implemented – N/A City management has developed the City’s Debris Management Plan, which outlines that debris removal from private property is the sole responsibility of the property owner. According to ESD staff, ESD will not engage in these type of debris removal contracts in the future.

09-016 **AUDIT OF ACCOUNTS OF WENDI BRICK, FORMER CUSTOMER SERVICES DIRECTOR, ELMER HEAP, FORMER DEPUTY CHIEF OPERATING OFFICER, JILLANNE (JILL) OLEN, FORMER DEPUTY CHIEF OPERATING OFFICER, AND JOANNE SAWYERKNOLL, FORMER DEPUTY CHIEF OPERATING OFFICER**

3 The Personnel Department and City Administration should review the conflicting policies governing the use of terminal leave, and ensure that all policies are consistent and applied appropriately. Due to the additional costs associated with terminal leave, work to modify the Personnel Regulations to eliminate the language allowing terminal leave usage and require lump sum payments for accrued annual leave upon termination from City employment. (DM)

Not Implemented – N/A The Personnel Director reviewed the Personnel Regulations and made recommendations to the Civil Service Commission at its September 3, 2009 meeting to modify the regulations to eliminate the language allowing terminal leave usage and require lump sum payments for accrued annual leave upon termination from City employment. The Civil Service Commission did not take action in regards to these recommendations.

09-017 **PARK & RECREATION POOL AUDIT**

13 Consider scheduling Supervising Recreation Specialists site visits for delivery and pick-up of documents to avoid a wasted trip. (DA)

**Not Implemented -
Disagree**

The Department disagrees with this recommendation and is not planning to implement it. The department indicates that Supervising Recreation Specialists are required to make regular visits to each of the sites to evaluate staffing ratios, cleanliness of facility and overall programming. The department feels that while specialists' schedules can be changed, they would not be able to eliminate visits to the sites. The department may consider mailing forms on a regular basis between sites and the main office to limit any unnecessary trips.