

# Office of the City Auditor City of San Diego

## **Recommendation Follow-Up through January 3, 2011**

**Audit Committee Meeting, March 7, 2011**



# Purpose

- **To provide semiannual updates as to the status of open recommendations**
  - ♦ Week of June 30<sup>th</sup> and December 31<sup>st</sup> Reports

# Process

- **Comptroller's Office coordinates the collection of audit responses from relevant departments/divisions**
  - ♦ **Maintain centralized database of all recommendations**
- **Comptroller provides weekly updates on recommendations reported as implemented**
- **City Auditor conducts periodic review of recommendations reported as implemented and assesses recommendation status based on sufficient and appropriate evidence**

# Scope and Classification

- 314 Open Recommendations for 44 Audit Projects
- Recommendation Classification:
  - ◆ Implemented
  - ◆ Partly Implemented
  - ◆ Not Implemented
  - ◆ Not Implemented – N/A
  - ◆ Not Implemented – Disagree\*

\* Administration disagrees with implementing the recommendation. These recommendations will be retained in an appendix in the next semiannual report for future reference.

# Results

- City Management provided a status update for **128 of 314** (41%) recommendations
- **96 of 314** (31%) recommendations deemed Implemented based on supporting evidence

# Age and Status of Recommendations

	Under One Year	One to Two Years	Over Two Years	Total
<b>Implemented</b>	21	49	26	<b>96 (31%)</b>
<b>Partly Implemented</b>	7	25	7	<b>39 (12%)</b>
<b>Not Implemented</b>	81	57	32	<b>170 (54%)</b>
<b>Not Implemented – Disagree</b>	7	1	1	<b>9 (3%)</b>
<b>Total</b>	<b>116 (37%)</b>	<b>132 (42%)</b>	<b>66 (21%)</b>	<b>314</b>

# Administration Target Performance

	<b>Past Targets for November 2008 through June 2010</b>	<b>Target Implementation for current period – July through December 2010</b>	<b>Planned Implementation for January through June 2011</b>
<b>Recommendations Targeted for Implementation</b>	<b>75</b>	<b>99</b>	<b>63</b>
<b>Implemented</b>	41	38	-
<b>Partly Implemented</b>	8	18	-
<b>Not Implemented</b>	26	43	-
<b>Percent of Targets Achieved</b>	<b>55%</b>	<b>38%</b>	-

# Audit Committee Attention

- **10 Recommendations highlighted for Audit Committee attention**
  - ♦ 9 recommendations City Management/Auditee choose not to implement.
  - ♦ 1 recommendation deemed no longer applicable
  
- ♦ **City Auditor provides recommendations which include**
  - ✦ Referrals to the City Attorney's Office for further review,
  - ✦ Referrals to the City Council's Public Safety and Neighborhood Services Committee, and
  - ✦ City Auditor action to increase risk scores in Citywide Risk Assessment.

# Audit Committee Attention

- **08-020 Audit of Permits Issued for Blackwater Facility**
  - ◆ Recommendation #4: The City should add regulations for law enforcement and security training facilities in the Municipal Code. (Not Implemented-Disagree)
    - ✦ Development Services management brought the recommendation to the Code Update and Monitoring teams for consideration. The Code Monitoring Team did not recommend any further code amendments.
    - ✦ Development Services can classify these facilities as vocational/trade schools; however, law enforcement and security training facilities present unique risks that schools do not. There is value in discussing the unique aspects of these specialized activities to ensure all relevant policy issues are considered.
    - ✦ **Recommended Solution:**
    - ✦ **Refer to City Council's Public Safety and Neighborhood Services Committee to consider revisions to Municipal Code.**

# Audit Committee Attention

- 09-008 Hotline – Water Meter Box Replacement
  - ◆ Recommendation #1: We recommend the Water Department
    - ✦ Recover 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,
    - ✦ Monitor project to ensure that complete meter boxes are not being replace when repairs are sufficient to mitigate box problems. (Not Implemented-Disagree)
  
    - ✦ Department does not anticipate future meter box replacement projects, and will not implement procedures or additional monitoring steps. Further, the department will not pursue money paid to the vendor for boxes in good condition.
  
    - ✦ **Recommended Solution:**
    - ✦ **Refer to City Attorney’s Office to determine the feasibility for collecting costs from the contractor.**

# Audit Committee Attention

- **10-010 City Treasurer's Delinquent Account Program**
  - ◆ Recommendation #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. (Not Implemented-N/A)
    - ✦ City Attorney advised the City should not inhibit an applicant's ability to open new accounts. Further, in another recommendation, the City Auditor recommended that these type of delinquent accounts be referred to collections. As a result, the recommendation is no longer applicable.
    - ✦ **Recommended Solution:**
    - ✦ **No further action necessary**

# Audit Committee Attention

- 10-019 Subcontractor Outreach Program
  - ◆ Recommendation #2: The City should perform a comprehensive disparity study. (Not Implemented-Disagree)
    - ✦ Previous City Attorney guidance noted that a disparity study was a way for the City to insulate itself from legal challenge to newly instituted race/gender-conscious preference and/or outreach programs. Department disagrees with the previous assessment.
    - ✦ Study would document and determine where there is evidence the City has participated in discrimination against specific groups of contractors and provide justification for any race/gender-based measures. A more recent City Attorney review may provide clarity regarding the potential for risk mitigation by implementing a study.
    - ✦ **Recommended Solution:**
    - ✦ **Refer to City Attorney's Office to determine if a study would be beneficial in reducing potential legal challenges and liability.**

# Audit Committee Attention

- **11-001 Risk Management's Public Liability and Loss Recovery Division** (Not Implemented-Disagree)
  - ◆ Recommendation #5: Establish Risk Management Working group coordinating Risk Management efforts Citywide.
  - ◆ Recommendation #15, 18, 20: Document policies, procedures and guidance for key processes such as – liability claims handling, claim reserving practices, documentation standards for rapid evaluation/rejection of claims, and reporting.
  - ◆ Recommendation #22: Risk Management should deny or reject all tow and impound claims that have not been reviewed and substantiated by the San Diego Police Department's Internal Affairs Division.

# Audit Committee Attention

- 11-001 Risk Management's Public Liability and Loss Recovery Division (Not Implemented-Disagree)
  - ✦ We found Risk Management would have benefitted by implementing Enterprise Risk Management practices and documented policies and procedures as seen in other Risk-based entities.
  - ✦ Police are best positioned to determine appropriateness of tows instead of Risk Management, as most tows are initiated by police officers. Further, police officers are trained in police procedures and the California Vehicle Code which are material elements of a lawful tow.
  - ✦ **Recommended Solution:**
  - ✦ **No action necessary. City Auditor will increase division's risk score in FY2012 Citywide Risk Assessment. Most likely, the risk score increase and number of recommendations not implemented may trigger another audit of the division.**

# Audit Committee Attention

- **11-006 Fire Prevention Activities** (Not Implemented-Disagree)
  - ◆ Recommendation #20: Fire Prevention Bureau should take the following items to Council for action:
    - ✦ Commission assessment to determine whether current standards create an adequate defensible space buffer in Wildland Urban Interface to adequately address slope, fire intensity, environmental conditions and other issues.
    - ✦ Evaluate the need for an Urban Forester and a GIS specialist to increase brush management efficiency and effectiveness
    - ✦ Based on the results above, prepare a Council ordinance to address deficiencies.
  
    - ✦ Department believes review after the 2003 and 2007 Wildfires resulted in sufficient changes. However, our audit revealed other jurisdictions had higher defensible space buffers than the City's current 100 feet space buffer.
  
    - ✦ **Recommended Solution:**
    - ✦ **Refer to City Council's Public Safety and Neighborhood Services Committee for further discussion.**

# Audits for Committee Review

- Due to nature of the recommendations and/or the length of time the recommendation has been outstanding with little progress, we recommend the Audit Committee hear status updates in April on the following:
- 08-010 Central Stores Inventory Audit – Purchasing & Contracting Department
- 09-001 Audit of Internal Control Remediation Related to the San Diego Employee Retirement System
- 09-013 The City Of San Diego Faces Unique Operational And Administrative Challenges In Managing Qualcomm Stadium
- 09-023 Audit of Central Stores Inventory (FY08)
- 09-OA-001 Southeastern Economic Development Corporation Performance Audit of Operations

# Future Enhancements

- Instituting a Priority System for new recommendations which highlight an implementation timeline-**Implemented**
- Provide listing of evidence needed to implement recommendations to Comptroller's Office – **Implemented**
- Report Management's estimated date for recommendation implementation – **Partly Implemented**
- Adjust City Auditor's Citywide Risk Assessment to increase activity risk based on lack of recommendation implementation – **In Progress** (FY12 Risk Assessment)

# Recommended Action

- **We ask the Audit Committee to take action to:**
  - ◆ 1) Accept the report and recommended staff actions,
  - ◆ 2) Schedule status reports on Audits Identified for Committee Review for April 2011

# Questions