



**COUNCIL PRESIDENT PRO TEM KEVIN L. FAULCONER
CITY OF SAN DIEGO
SECOND DISTRICT**

MEMORANDUM

DATE: March 14, 2011

TO: Jay Goldstone, Chief Operating Officer

FROM: Council President Pro Tem Kevin L. Faulconer

SUBJECT: Hearing on City Department follow-up to City Auditor's reports

The City Auditor releases an Audit Recommendation Follow-up Report twice per year that details which audit recommendations have been implemented by management and which remain outstanding. The Audit Committee reviewed the most recent report on March 7, 2011. Following discussion of the uncompleted audit recommendations highlighted in the report, committee members chose the following reports to discuss at the April 11, 2011, Audit Committee meeting:

1. Report No. 08-010: Central Stores Inventory Audit – Purchasing & Contracting Department
2. Report No. 09-023: Audit of Central Stores Inventory (FY08)
3. Report No. 11-001: Performance Audit of Risk Management's Public Liability and Loss Recovery Division
4. Report No. 11-006: Performance Audit of the Fire Prevention Activities Within the City of San Diego
5. Report No. 11-009: Street Maintenance

These reports contain a relatively high number of audit recommendations that are reported as unimplemented and/or represent high risk areas to the City. As such, the Audit Committee is requesting an update on the status of implementing the outstanding recommendations in these five reports. The recommendations offer ways the City can improve efficiencies, save money, and reduce risk.

I respectfully request that the directors in charge of the departments audited in these reports attend the April 11, 2011, 9:00 a.m. Audit Committee meeting to provide an update on recommendation implementation and receive input from the committee.

Additionally, the Risk Management and Street Maintenance performance audits received specific requests from the Audit Committee when they were presented at previous meetings. Those requests are attached. It would be appreciated if these issues could be addressed by the Risk Management and Transportation & Storm Water Departments on April 11.

cc: Eduardo Luna, City Auditor
Mara Elliott, Deputy City Attorney
Amy Benjamin, Director of Council Affairs

ACTIONS - Audit Committee September 13, 2010

ITEM-8: Presentation from the City Auditor regarding the PERFORMANCE AUDIT OF RISK MANAGEMENT'S PUBLIC LIABILITY AND LOSS RECOVERY DIVISION

ACTION: Motion by Councilmember DeMaio, second by Committee member Sellers, to accept the City Auditor's report and validate its recommendations and findings, as well as validate management's responses, with the following changes:

1. Recommendation No. 5: Bring back this issue in 6 months, with instructions to City management to develop a strategy for using enterprise risk management in 3 high risk and high priority functions, and that management will consult with the Auditor's office in selecting those 3 functions;
2. Recommendation No. 8: Trail for 6 months while evaluating the effectiveness of Recommendation No. 7, and decide at that time whether Recommendation No. 8 should be implemented;
3. Recommendation No. 15: Validate the Auditor's recommendation and reject management's response;
4. Recommendation No. 18: Affirm the auditor's recommendation and reject management's response, and encourage management to implement policies and procedures as suggested by the Auditor, and return with an update;
5. Recommendation No. 19: Request that the Auditor's office verify implementation by management and verify the benchmarks;
6. Recommendation No. 20: Trail for 6 months; and
7. Recommendation No. 22: Trail while Recommendation No. 23 is being implemented over the next 6 months, as Recommendation No. 23 may yield solutions that make Recommendation No. 22 irrelevant.

VOTE: 4-1; Faulconer-nay, DeMaio-yea, Grant-yea, McKnight-yea, Sellers-yea

ACTIONS - Audit Committee February 7, 2011

ITEM-3: Report from City Auditor: PERFORMANCE AUDIT OF STREET MAINTENANCE

ACTION: Motion by Councilmember DeMaio, second by Committee member Sellers, to move the report to the full City Council with the recommendation of the Audit Committee, with two additional requests:

- 1) The new Transportation and Storm Water Department work with the City Auditor's office to establish a baseline for total project delivery time for Fiscal Year 2010, to be used as a performance measurement in order to assess the improvements brought by the new organizational structure;
- 2) The Mayor's office present concurrently with this report to full City Council a deferred maintenance funding and assessment methodology that can be included as part of the Five Year Financial Plan that will show the necessary funding each year to simply maintain the current condition of City street assets.

Chair Faulconer requested a response in 90 days from Department Director Mario Sierra as to whether the new Transportation and Storm Water Department could do the work of the Engineering and Capital Projects Department's Field Engineering Division, which inspects project contracts and approves the work contractors perform.

Councilmember DeMaio also requested Mr. Sierra and City Auditor Luna look at other models from around the country to determine whether the City should consider consolidating other elements into the new department.

VOTE: 4-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-not present, Sellers-yea