
Annual Citywide Risk Assessment and Audit Work Plan

FISCAL YEAR 2021

Office of the City
Auditor

City of San Diego



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THE CITY OF SAN DIEGO

DATE: July 15, 2020

TO: Honorable Members of the Audit Committee

FROM: Kyle Elser, Interim City Auditor

SUBJECT: **Annual Citywide Risk Assessment and Audit Work Plan – Fiscal Year 2021**

Attached is the Annual Audit Work Plan proposed by the Office of the City Auditor for Fiscal Year 2021. This report will be presented at the July 22, 2020 Audit Committee meeting for your review and consideration. The list of 22 proposed audit assignments for FY 2021 includes performance audits regarding various City departmental activity groups, and other audit projects and activities.

The Audit Work Plan was developed by considering the required audits mandated by the City Charter and the San Diego Municipal Code, results of the FY 2021 Citywide Risk Assessment, and input from the City Council and other sources. We designed our work plan to address what we considered to be risk areas, while limiting the scope of work to what we can realistically accomplish with the staff resources available.

Respectfully submitted,

Kyle Elser
Interim City Auditor

cc: Honorable Mayor Kevin Faulconer
Honorable City Councilmembers
Honorable City Attorney Mara Elliott
Kris Michell, Chief Operating Officer
Jeff Sturak, Assistant Chief Operating Officer
Rolando Charvel, Chief Financial Officer
Matthew Helm, Chief Compliance Officer
Andrea Tevlin, Independent Budget Analyst
Jessica Lawrence, Director of Council Affairs

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Mission Statement

The mission of the Office of the City Auditor is to advance open and accountable government through accurate, independent, and objective audits and investigations that seek to improve the economy, efficiency, and effectiveness of City government.

Introduction

Government Auditing Standards and the Institute of Internal Auditors' Standards encourage the chief audit executive to establish a risk-based approach to determine the priorities for City Auditor activities. The Office of the City Auditor has completed a FY 2021 Citywide Risk Assessment to help identify, measure, and prioritize the City's potential audits based on the level of risk to the City. Each Activity Group's risk score was considered when selecting audits for the City Auditor's FY 2021 Audit Work Plan.

Audit Resources

The FY 2021 budget for the Office of the City Auditor includes 22 staff members at a budgeted cost of \$3.9 million for salaries, fringe benefits, and non-personnel expenses such as office equipment, training and supplies. The City Auditor's FY 2021 budget also includes \$350,000 for the cost of the City's Comprehensive Annual Financial Report (CAFR) audit that will be conducted by an outside independent audit firm. The City Auditor administers the CAFR audit contract. During FY 2021, once a permanent City Auditor is hired, the Office will have one City Auditor, one Assistant City Auditor, one Deputy City Auditor, four Principal Performance Auditors and thirteen performance auditors to conduct audits and investigations with an estimated 24,960 audit hours available to perform audits. It is anticipated that a permanent City Auditor will be hired by mid-year. The estimated audit hours available were calculated as follows:

Calculation of Estimated Audit Hours Available for FY 2021

One Full-Time Equivalent (FTE) Auditor:		Hours
Total Annual Hours Available		2,080
Less Hours For:		
Vacation and Sick Leave		-160
(10) Holidays and (1) Floating Holiday		-88
(3) Citywide Discretionary Leave Days Granted		-24
Continuing Professional Education		-40
Administrative Duties *		-106
Other Audit Related Activities **		-242
Total Annual Audit Hours Available per Auditor		1,420
Number of Auditors		Audit Hours
2	Executive Management ¹ [(2 x 1,400) – 1,500]	1,300
17	Auditors ² [(17 x 1,420) – 480]	23,660
Total Estimated Audit Hours Available for FY 2021		24,960

Note: Audit supervision and administrative hours for the new permanent City Auditor and two Executive Assistants are not included.

* "Administrative Duties" include completion of timecards¹; leave slips; annual OCA forms; Performance Self-Evaluation forms; organization of office/projects/tasks, etc; research for training opportunities; citywide mandated trainings; and any time not attributed to a specific project or task assigned by management.

** "Other Audit Related Activities" include tasks such as responding to Council and other stakeholder requests, presentation preparations and attending Audit Committee, City Council and other stakeholder meetings, outreach stakeholder meetings, R&D for future audit issues, etc.

¹ Audit hours were reduced by 1,500 hours for executive management performing additional administrative duties.

² Audit hours were reduced by 480 hours for Maternity Leave.

Performance Audits and Other Audit Activities

The City Charter requires the Office of the City Auditor to conduct all of its audits under Government Auditing Standards, and there are three main types. They are financial audits, attestation engagements, and performance audits.

The City of San Diego hires an outside independent audit firm to perform the City's financial statement audit of the City's CAFR.

The City Auditor conducts performance audits of the City's departments, agencies, and their activities. Under Government Auditing Standards, performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability. A performance audit is a dynamic process that includes consideration of applicable standards throughout the course of the audit. Performance audit objectives may vary widely and include assessments of program effectiveness, economy and efficiency, internal controls, compliance with laws and regulations, and prospective analysis. Examples of performance audit objectives may include but are not limited to:

- Assessing the extent to which legislative, regulatory, and/or organizational goals and objectives are being achieved;
- Analyzing the relative efficiency and effectiveness of a program or activity;
- Evaluating whether the audited entity is following sound procurement practices;
- Assessing the reliability, validity, and/or relevance of performance measures concerning program effectiveness and results, or economy and efficiency;

- Assessing internal controls designed to provide reasonable assurance of achieving effective and efficient operations, and reliable financial and performance reporting; and
- Determining if program activities are in compliance with laws, regulations, contract provisions, grant agreements, and other requirements.

The Office of the City Auditor may also perform some attestation engagements based on agreed-upon procedures, which consists of specific testing procedures performed on a subject matter.

Additionally, we perform other non-audit services such as investigating complaints received through the City's Fraud Hotline regarding allegations of fraud, waste, and abuse. We will perform investigations following the procedures recommended by the Association of Certified Fraud Examiners for allegations of improper financial activity, fraud, waste and/or abuse that appear to be material in nature.

Citywide Risk Assessment - Fiscal Year 2021

Risk assessment is a process of systematically scoring (or rating) the relative impact of a variety of “risk factors.” A risk factor is an observable or measurable indicator of conditions or events that could adversely affect the organization. Risk factors can measure inherent risks (such as a large organizational structure) or organizational vulnerability (such as level of cash and assets easily converted to cash).

The first step in creating the City’s risk assessment model was to define the audit universe. The audit universe is a listing of the City’s significant Auditable Units (all of the City’s potential audits that could be performed). We created a list of City departments and significant City agencies and their primary Activity Groups as the Auditable Units. To accomplish this, we utilized the City’s FY 2021 May Revise budget data from SAP and the component unit information in the City’s most current financial statements. We have reduced the number of Activity Groups by combining some activities within departments in order to target more areas of risk using our existing resources, address cross-cutting issues which impact multiple units within a department, and create efficiencies in conducting future audits of Activity Groups. However, a department may still be broken out into several Activity Groups as in the example shown in Exhibit 1.

Exhibit 1

Sample Department and Activity Groups



The next step in creating the risk assessment model was to identify and rank the major risks associated with each of the City's significant Auditable Units (Activity Groups).

To achieve this, a management questionnaire which measured a variety of "risk factors" was developed, (See Attachment A – Management Questionnaire). City Management completed Management Questionnaires for the associated Activity Groups.

The questionnaire used had ten measurable risk factors as follows:

1. Level of interface with the external public.
2. "Mission critical" nature of Activity Group for the department to achieve its goals and objectives.
3. Support of internal operations is considered critical to achieving the objectives of other departments' mission or goals.
4. Failure to achieve the Activity Group's mission or goals leads to public displeasure or negative media coverage.

5. Level of cash or cash-convertible nature of Activity Group's transactions.
6. Activity Group's tracking and use of activity performance metrics.
7. Regulation effect or impact on operations.
8. Number of budgeted employees (FTE).
9. Level of budgeted annual revenues.
10. Level of budgeted annual expenses.

A Management Questionnaire was completed for each of the City's Auditable Units to determine a risk score of: 0 (low), 3 (medium-low), 5 (medium), 7 (medium-high), or 9 (high) for each of the ten risk factors listed above. The risk scores were used for risk factors 1 through 7 (listed above), and the risk scores for factors 8 through 10 (FTE, Revenue, Expenses) were updated based on the FY 2020 proposed budget. Audit staff reviewed the results, and based on professional judgment, adjusted scores if needed.

Additionally, weights were assigned to each factor based on relative importance as determined by input from audit staff (See Attachment B – Calculation of Weights Used for Risk Factors).

An increase in risk score was calculated for activities that have not been audited in the prior five fiscal years.

The final step in completing the Citywide Risk Assessment was to calculate the total risk score for each Auditable Unit (list of the potential audits) in order of highest risk score to the lowest by tabulating the information gathered from the questionnaires and applying the weights assigned to the risk factors. We then calculated the overall risk score for each Activity Group, by stratifying the resulting rating in descending order by tenths, and identifying the top 30 percent (or those ranking 10, 9, or 8) as High Risk. The next 40 percent (ranking 7, 6, 5, or 4) were identified as Medium Risk, and the bottom 30 percent (score of 3, 2 or 1) of risk scores were ranked as Low Risk (See Attachment C – Citywide Risk Assessment).

Interpreting Risk Assessment Results

The weighted scores for ten risk factors were tabulated for each significant Departmental Activity Group identified in Attachment C – Citywide Risk Assessment. The risk assessment scores and information gathered during the interviews with key personnel were considered when preparing the Audit Work Plan – FY 2021 that follows. If a department or Activity Group has a high risk score, this merely indicates that the services they provide, or the functions they are responsible for, are by nature a high risk activity because of such factors as having a large amount of expenditures and revenues, having a high level of liquid assets such as cash, or a high degree of public interest. A high risk score does not mean that an Activity Group is being managed ineffectively or that it is not functioning properly. High risk areas may indicate opportunities to address activities which are mission critical, provide substantial support for other internal City operations, reflect high public need, or consume significant financial resources. The overall results identify the activities with the highest risk factors that may warrant and benefit from additional management action or audit services.

Other Risk and Audit Factors Considered

In addition to the risk assessment model, we also considered potential vulnerability to fraud and risk factors that could impede the achievement of a department's mission, goals, and objectives. To assess risks of fraud, we conducted fraud and risk assessment interviews of key City personnel. We also considered past audit report findings, reviewed other entities' audit reports, and researched trending municipal issues. In addition, we solicited feedback on areas of interest and/or concern from the City Council, City management, and other stakeholders.

Audit Work Plan (July 2020 through June 2021)

In FY 2021, we are proposing an ambitious work plan to address areas of critical importance to the City. The following Audit Work Plan includes our scheduled performance audits as well as additional audit activities. Included is the tentative audit objective for each assignment and estimated audit hours.

We will perform an in-depth risk assessment on each activity group selected for audit to ensure our audit objective covers the areas of highest risk for that Activity Group and adjust the audit objective, procedures, and hours accordingly.

Performance audit objectives vary widely and may include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses. Our estimated audit hours for each audit activity are based on an analysis of average audit hours for our prior year's audits, and our knowledge of the complexity of the Activity Groups selected for audit. The actual hours may vary based on the audit scope determined by the detailed risk assessment for each engagement, as well as the extent and complexity of findings revealed during audit testing.

Additions to Audit Work Plan

Requests to add audits to the Audit Work Plan during the fiscal year will be presented to the Audit Committee with a City Auditor analysis of the impact the proposed audit will have on the other audits on the Work Plan. Audit priority will be given to those requests that pertain to the health and safety of residents and City employees, potential for significant financial impact, or issues of integrity.

Audit Work Plan – Fiscal Year 2021

PERFORMANCE AUDITS FY 2021 – CARRY OVER FROM FY 2020 AUDIT WORK PLAN ¹						
Work Plan Item No.	Risk Assess Line # ²	Risk Score	Activity Group Audit	Audit Objectives	FY 2021 Audit Hours	Status
1	14	734	Public Utilities – EMTS – Industrial Wastewater Control Program	The objective for this follow-up audit is to review the issues addressed in both the August 2013 public Performance Audit of the Industrial Wastewater Control Program (IWCP), and the May 2013 confidential memo.	200	Report Writing
2	7	791	San Diego Police Department – Support Operations – Crime Analysis Unit	The objective of this audit is to determine the completeness and reliability of data collected by SDPD, and the methodologies used by SDPD to analyze and report this data. Specifically, (1) Is SDPD crime data complete, reliable, secure, and reported in compliance with state requirements? (2) Is SDPD citizen complaint data reliable and completely reported? (3) Does SDPD adequately analyze, use, and report crime data to evaluate performance?	300	Report Writing
3	13	748	Transportation & Storm Water – Storm Water Division	The objectives of this audit are to (1) determine whether TSWD has a process in place, following industry best practices or other established criteria, to evaluate and prioritize street sweeping routes and schedules, and (2) determine whether street sweeping resources are used effectively according to prioritization of street sweeping needs.	300	Report Writing

¹ An audit of Neighborhood Services efforts to reduce homelessness was not carried over from the FY20 Audit Work Plan because in February 2020 we completed an audit on homelessness, and we determined the department should have an opportunity to implement those recommendations prior to beginning a second audit.

² Risk Assessment scores and line number information for the carry over audits are from the FY20 Risk Assessment.

PERFORMANCE AUDITS FY 2021 – CARRY OVER FROM FY 2020 AUDIT WORK PLAN						
Work Plan Item No.	Risk Assess Ln #	Risk Score	Activity Group Audit	Audit Objectives	FY 2021 Audit Hours	Status
4	86	531	Purchasing & Contracting - Equal Opportunity Contracting	The objectives of this audit are to (1) to determine if the Purchasing & Contracting annual reports are an accurate and complete representation of SLBE program objectives and results, (2) determine if the SLBE program is achieving the economic benefits described in policy, and (3) determine if the cost of contracting with SLBE's is captured and weighed against the economic benefits.	400	Fieldwork
5	87	531	Sustainability	The objective of this audit is to determine whether internal controls can be strengthened to ensure successful implementation of the City's Climate Action Plan, including: (1) Whether some form of cost or benefit analyses for implementation measures is performed; (2) How annual Climate Action Plan monitoring reports are used to drive decision-making and tailor strategies going forward; and (3) Whether additional policies and procedures could improve oversight and coordination between City departments.	800	Fieldwork
6	55	594	Real Estate Assets Department	The tentative objective for this audit is to evaluate READ's strategy for leasing City property, including the use of holdover agreements.	1,400	Not Started
7	24 53 108 134	686 601 473 403	Public Works: Engineering & Capital Projects	The tentative objective for this audit is to determine if client department charges for the design phase are assessed correctly in accordance with the size and scope of the project, and whether projects are prioritized for the design phase efficiently.	1,800	Not Started

PERFORMANCE AUDITS FY 2021 – PROPOSED AUDITS						
Work Plan Item No.	Risk Assess Ln #	Risk Score	Activity Group Audit	Audit Objectives	FY 2021 Audit Hours	Status
8	21	675	San Diego Police Department	The objective of this audit is to complete the data reliability testing for the San Diego Police Department (SDPD) crime data. During the prior year, we were unable to go onsite to perform the testing due to the Covid-19 crisis resulting in a scope impairment to the Performance Audit of the SDPD Data Analysis Program. We plan to conduct this assessment when we can get access to the data in the second half of FY2021. If SDPD receives its NIBRS certification from the FBI, we will follow-up on the data Quality Assurance Review from the NIBRS certification process, and allocate the remaining hours to other audit projects.	400	Not Started
9	48	587	Public Utilities – EMTS – Industrial Wastewater Control Program	The objective for this audit is to determine if the Industrial Wastewater Control Program (IWCP) tracks, monitors, and reports inspection activities accurately and effectively.	800	Planning
10	76 95	516 487	Personnel / Human Resources	The objective for this audit is to evaluate the City's effectiveness at strategically managing its human capital resources, including reviewing opportunities to improve City processes for reward and discipline.	1,000	Fieldwork
11	1	865	Public Utilities – Water System Operations	The tentative objective for this audit to review the recreation program at the City's reservoirs to determine the costs of operations, identify opportunities for savings and efficiencies and explore potential funding sources to ensure a long-term fiscally sustainable recreation program.	1,000	Not Started

PERFORMANCE AUDITS FY 2021 – PROPOSED AUDITS						
Work Plan Item No.	Risk Assess Ln #	Risk Score	Activity Group Audit	Audit Objectives	FY 2021 Audit Hours	Status
12	116 117	447 443	Department of Finance - User Fees	The tentative objective is to review the process and frequency of user fee updates to determine if they are being evaluated and updated in accordance with CP 100-05.	1,600	Not Started
13	25 28	648 636	Parks & Recreation – Program Equity	The tentative objective is to determine if recreation programming is distributed efficiently and equitably across the City.	1,600	Not Started
14	109	459	Office of the COO - Cares Act Funding	The tentative objective is to review the controls in place to ensure that all CARES Act Funding, retained for internal use and provided for external use, are properly managed, supported, and tracked to meet Federal requirements. This will include a review of the funds related to the Small Business Relief and Rental Assistance programs.	1,600	Not Started
15	99	475	Risk Management – Workers’ Compensation	The tentative objective is to review the Workers’ Compensation claims and determine if adequate controls are in place to ensure payments are made appropriately.	1,600	Not Started
16	44	594	Real Estate Assets – Asset Acquisition	The objective for this audit is to review the City’s acquisition and due diligence process for procuring new real estate assets, including the purchase of 101 Ash Street and potentially other major acquisitions.	1,800	Planning
17	3 21 57	774 675 557	San Diego Police Department – Community Policing	The tentative objective is to review the effectiveness of SDPD’s Community policing efforts and review the performance metrics that demonstrate the effectiveness of the program.	2,000	Not Started

ADDITIONAL AUDIT ACTIVITIES FY 2021						
Work Plan Item No.	Risk Assess Ln #	Risk Score	Activity	Description	FY 2021 Audit Hours	Status
18	N/A	N/A	Fraud, Waste and Abuse Hotline	The Office of the City Auditor administers the City's Fraud Hotline to provide individuals a way to confidentially report evidence of fraud, waste or abuse involving City of San Diego employees or operations. Investigations are performed for all material accusations.	2,960	On-going
19	N/A	N/A	Follow-up on Previously Issued Audit Reports	The Office of the City Auditor tracks and follows-up on all audit recommendations to determine if they were properly implemented by City management.	720	On-going
20	N/A	N/A	IT Audits	The Office of the City Auditor will conduct a Risk Assessment on the City's IT Infrastructure and based on the level of risk the OCA will create a schedule of on-going IT audits.	2,360 ³	Not Started
21	N/A	N/A	Annual Mission Bay Fund Audit FY 2020	The Annual Mission Bay Funds Audit is required by the City Charter, Article V, Section 55.2 (e). The objective of this audit is to verify the prior fiscal year collection, allocation, and use of Mission Bay Funds are in compliance with City Charter requirements.	300	Not Started

³ These hours include 40 hours allocated to the IT Risk Assessment.

ADDITIONAL AUDIT ACTIVITIES FY 2021						
22	N/A	N/A	Annual Central Stores Inventory Audit FY21	San Diego Municipal Code Section §22.0501 requires an annual count of inventory in City storerooms and warehouses. The objective of this audit is to confirm the valuation of Central Stores inventory.	20	Not Started
Total Planned Audit Hours for FY 2021					24,960	

Next Steps

I will provide the Audit Committee with monthly activity reports describing the status and progress towards completing the audit assignments listed, as well as quarterly fraud hotline statistics reports. The Audit Committee will receive the results of all completed audits in the form of an audit report, and I will present audit results at scheduled Audit Committee and City Council meetings upon request.

Respectfully submitted,

A handwritten signature in black ink that reads "Kyle Elser". The signature is written in a cursive, flowing style.

Kyle Elser
Interim City Auditor

Attachment A

**Office of the City Auditor
Annual Risk Assessment
Management Questionnaire**

1. To what extent does your activity group interface with the external public?

Description / Purpose: Assess how frequently your activity group works/interacts directly with the public or City residents. Little to no interaction is not a negative indicator, but rather an indicator that your activity group serves internal customers – internal customer interaction is addressed in question 3.

- a. None.
- b. Rarely or infrequently.
- c. Monthly to quarterly level of interface.
- d. Weekly level of interface.
- e. Continual interface with the external public several times daily or more.

2. To what extent is your activity group considered to be “mission critical” for the department to achieve its goals and objectives?

Description / Purpose: Ascertain the significance that your activity group plays in your department's overall mission relative to other activity groups. Little to no contribution is not a negative indicator, but rather an indicator that your activity group may provide services and be focused on other internal customers.

- a. No contribution towards the department's goals / objectives.
- b. Minimal contribution towards attaining the department's goals and objectives.
- c. Moderate contribution towards attaining the department's goals and
- d. Significant contribution towards attaining the department's goals and
- e. The success of the department's goals and objectives is fully dependent on this activity group.

3. To what extent does your activity group support internal operations or are considered critical to achieving the objectives of other entity's/department's mission/goals?

Description / Purpose: Determine the level of support and role your department plays in helping other departments achieve their overall mission. This question identifies the interconnectedness that one activity group has with other internal operations.

- a. No support provided to other operations / departments.
- b. Infrequent (i.e. annual) support provided to other operations / departments.
- c. Periodic (i.e. monthly) support provided to other operations / departments.
- d. Regular (i.e. weekly) support provided to other operations / departments.
- e. Ongoing support provided to other operations / departments every day.

4. To what extent would failure to achieve your activity group's mission or goals lead to public displeasure or negative media coverage?

Description / Purpose: *Assess how the activity group's level of visibility to the public, public interest in the group's activities, interest of the media, or other public safety related factors would lead to an increased potential loss or embarrassment if the activity group did not perform its critical mission or goals. This could also be called the newspaper test – how much negative press or public disapproval would a failure cause?*

- a. No risk of loss or embarrassment.
- b. Low risk of loss or embarrassment.
- c. Moderate risk of loss or embarrassment.
- d. Significant risk of loss or embarrassment.
- e. Very high risk of loss or embarrassment.

5. To what extent is there potential loss due to the cash or cash convertible nature of your activity group's transactions?

Description / Purpose: *Assess the risk associated with cash or cash-convertible assets. Be sure to factor in the amount of cash collected as compared to business transacted by other means (credit card, electronic funds transfer, invoice, journal entry, etc) , as well as risks associated with the volume, type and nature of existing assets that are susceptible to theft such as equipment, supplies and inventories.*

- a. None.
- b. Minimal amount of cash transactions or assets are difficult to convert to cash.
- c. Moderate amount of cash transactions or assets can be converted to cash with some difficulty.
- d. Nature of operations is primarily cash or assets are easily converted to cash.
- e. Fully cash or cash equivalent operations.

6. To what extent does your activity group track activity performance / metrics?

Description / Purpose: *Determine the extent to which your activity group captures, assesses, and responds to performance measurement data.*

- a. We continuously capture performance metrics on key operations, assess achievement of goals and trends in the information, and adjust operations to improve upon our performance in all key areas.
- b. We track performance information in all key operations, assess and use data to improve operations, but we do not engage this process in a continuous, fluid manner.
- c. We track performance information in all our key operations and may assess data to some extent, but we do not use data to improve performance in all key areas.
- d. We collect some performance information, but the information does not account for all our key operations or we do not assess the data.
- e. We do not track performance measures or metrics.

7. To what extent do regulations affect or have impact on operations?

Description / Purpose: *Assess how government regulations (federal, state, or local) impact your activity group operations and the exposure to sanctions and potential penalties for noncompliance. Please be sure to factor in the complexity, volume, and change in regulations, including ordinances, municipal codes, administrative regulations, MOUs, federal and state laws and regulations, contract conditions, and grant provisions that pertain to your department.*

- a. None.
- b. Few regulations and little risk of noncompliance.
- c. Risk of either substantial regulations or significant penalties.
- d. Complex, voluminous, or frequently changing regulations with significant penalties.
- e. Heavily regulated with serious consequences for noncompliance.

The information detailed below was obtained from the FY 2018 Proposed Budget and scored accordingly.

8. Total number of budgeted full-time employees (FTEs) for this Activity Group

- a. None.
- b. Greater than 0 to 10.
- c. Greater than 10 to 25.
- d. Greater than 25 to 75.
- e. Greater than 75.

9. Total annual budgeted revenues for this Activity Group

- a. \$0 to \$500,000.
- b. \$500,001 to \$5,000,000.
- c. \$5,000,001 to \$10,000,000.
- d. \$10,000,001 to \$25,000,000.
- e. Greater than \$25,000,000.

10. Total annual budgeted expenditures for this Activity Group

- a. \$0 to \$1,000,000.
- b. \$1,000,001 to \$10,000,000.
- c. \$10,000,001 to \$25,000,000.
- d. \$25,000,001 to \$40,000,000.
- e. Greater than \$40,000,000.

CITY OF SAN DIEGO
Citywide Risk Assessment FY2020
Calculation of Weights Used for Risk Factors (Based on City Auditor Staff Input)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)				
COMPARATIVE RISK FACTORS	Interface with the external public.	"Mission critical" nature of activity group for the department to achieve its goals and objectives.	Support of internal operations is considered critical to achieving the objectives of other entity's/department's mission/goals.	Failure to achieve the activity group's mission or goals leads to public displeasure or negative media coverage.	Potential loss due to the cash or cash convertible nature of your activity group's transactions.	Activity group's tracking of activity performance / metrics.	Regulations affect or impact on operations.	Number of Budgeted Employees (FTE).	Budgeted Annual Revenues.	Budgeted Annual Expenses.	Total	Percent	Weight	Maximum Possible Score [1]
1. Interface with the external public.		3	3	5	4	4	6	5	2	0	32	6.49%	6	54
2. "Mission critical" nature of activity group for the department to achieve its goals and objectives.	8		8	9	7	6	8	7	5	4	62	12.58%	13	117
3. Support of internal operations is considered critical to achieving the objectives of other entity's/department's mission/goals.	8	3		8	6	7	9	8	4	2	55	11.16%	11	99
4. Failure to achieve the activity group's mission or goals leads to public displeasure or negative media coverage.	6	2	3		6	6	6	6	1	0	36	7.30%	7	63
5. Potential loss due to the cash or cash convertible nature of your activity group's transactions.	7	4	5	5		5	7	6	2	2	43	8.72%	9	81
6. Activity group's tracking of activity performance / metrics.	7	5	4	5	6		8	4	1	0	40	8.11%	8	72
7. Regulations affect or impact on operations.	5	3	2	5	4	3		5	2	0	29	5.88%	6	54
8. Number of Budgeted Employees (FTE).	6	4	3	5	5	7	6		2	0	38	7.71%	8	72
9. Budgeted Annual Revenues.	9	6	7	10	9	10	9	9		2	71	14.40%	14	126
10. Budgeted Annual Expenses.	11	7	9	11	9	11	11	9	9		87	17.65%	18	162
Total	67	37	44	63	56	59	70	59	28	10	493	100.0%	100	900

Notes:

Eleven staff members in the Office of the City Auditor were asked to record if they felt the factors listed on the left of this schedule has a greater level of inherent risk when compared to the factor listed on top of the schedule. The numbers above represent the results of this survey and will be used to calculate the weighted risk factors in the Citywide Risk Assessment.

e.g. The items highlighted above show that 11 people felt that the Budgeted Annual Expenses has greater inherent risk to a department's Interface with the external public, and 7 people felt that the Budgeted Annual Expenses has greater inherent risk than "mission critical" activities for a department to achieve their goals and objectives.

[1] City management was asked to answer a questionnaire for each of their Activity Groups, which had risk scores of 0, 3, 5, 7, 9, (with 0 as low risk and 9 as highest risk) for each of the 10 risk factors listed above (See Citywide Risk Assessment Questionnaire). The highest score that a single risk factor can be given is 9 multiplied by its weighted factor. Overall the highest risk score that an Auditable Unit can achieve is 900, as shown in the left hand column above.

See Footnotes for explanations of columns → [1] [2] [3] [4] [5] [6] [7] [8] [9] [10] [11] [12] [13] [14] [15] [16] [17] [18] [19] [20] [21] [22] [23] [24]

Ln #	Department	Activity Group	Wt FTEs		Wt Exp		Wt Rev		Wt ExP		Wt MC		Wt InOp		Wt Pub		Wt Csh		Wt Met		Wt Regs		Risk Score	Adjustments	Adjusted Risk Score	Rank 10ths
			FTEs	8	Exp	18	Rev	14	Exp	6	MC	13	InOp	11	Pub	7	Csh	9	Met	8	Regs	6				
127	Risk Management	Public Liability & Loss Recovery	3	24	3	54	0	0	9	54	9	117	7	77	7	49	3	27	0	0	3	18	420		420	3
128	City Treasurer	Parking Meter Transfers	0	0	3	54	0	0	3	18	5	65	7	77	7	49	3	27	3	24	3	18	332	83.0	415	3
129	Fire-Rescue	Logistics	3	24	3	54	0	0	7	42	7	91	5	55	7	49	0	0	7	56	7	42	413		413	2
130	Concourse & Parking Garage		0	0	3	54	3	42	5	30	5	65	3	33	5	35	3	27	3	24	3	18	328	82.0	410	2
131	Fire-Rescue	Special Operations	5	40	3	54	3	42	7	42	7	91	3	33	9	63	0	0	0	7	42	407		407	2	
132	Engineering & Capital Projects	Engineering & Capital Projects	0	0	3	54	0	0	7	42	9	117	7	77	7	49	0	0	3	24	7	42	405		405	2
133	Economic Development	BID & Commercial MAD	0	0	3	54	3	42	7	42	5	65	3	33	9	63	3	27	7	56	3	18	400		400	2
134	City Treasurer	Revenue Audit	3	24	3	54	3	42	7	42	5	65	3	33	5	35	0	0	0	3	18	313	78.3	391	2	
135	Office of Homeland Security		3	24	3	54	3	42	3	18	5	65	5	55	7	49	3	27	3	24	5	30	388		388	2
136	Parks and Recreation	Los Penasquitos Reserve	0	0	0	0	0	0	9	54	7	91	5	55	9	63	3	27	5	40	9	54	384		384	2
137	Major Revenues		0	0	0	0	9	126	3	18	7	91	5	55	9	63	0	0	0	5	30	383		383	2	
138	Special Promotional Programs	Arts, Culture, & Community Festivals	0	0	3	54	0	0	3	18	3	39	5	55	7	49	0	0	9	72	3	18	305	76.3	381	2
139	Communications		5	40	3	54	0	0	9	54	7	91	5	55	5	35	3	27	3	24	0	0	380		380	2
140	Performance & Analytics		3	24	3	54	0	0	3	18	7	91	7	77	3	21	0	0	0	3	18	303	75.8	379	2	
141	Office of Race & Equity		0	0	0	0	0	0	3	18	5	65	5	55	7	49	0	0	9	72	5	30	289	72.3	361	2
142	Risk Management	Safety & Environmental	0	0	0	0	0	0	3	18	9	117	9	99	3	21	0	0	0	5	30	285	71.3	356	2	
143	Citywide Program Expenditures		0	0	9	162	0	0	0	0	5	65	5	55	0	0	0	7	56	3	18	356		356	2	
144	Development Services	Administration & Support Services	0	0	3	54	0	0	9	54	9	117	0	0	7	49	3	27	3	24	5	30	355		355	2
145	Development Services	Information Technology	0	0	3	54	0	0	9	54	9	117	0	0	7	49	3	27	3	24	5	30	355		355	1
146	Fire-Rescue	Fire-Rescue	0	0	0	0	0	0	9	54	9	117	7	77	9	63	0	0	0	7	42	353		353	1	
147	Department of Information Technology	IT Contract Management	0	0	3	54	3	42	3	18	7	91	7	77	5	35	0	0	0	5	30	347		347	1	
148	Public Works & Utilities		0	0	0	0	0	0	7	42	7	91	7	77	7	49	3	27	3	24	5	30	340		340	1
149	General Services		0	0	0	0	0	0	0	0	9	117	9	99	7	49	0	0	5	40	5	30	335		335	1
150	Special Promotional Programs	Economic Development Programs	0	0	3	54	0	0	0	0	3	39	3	33	7	49	0	0	9	72	3	18	265	66.3	331	1
151	Government Affairs		0	0	3	54	0	0	3	18	9	117	7	77	3	21	0	0	3	24	3	18	329		329	1
152	Public Utilities	Long Range Planning	0	0	0	0	0	0	9	54	7	91	7	77	7	49	3	27	0	5	30	328		328	1	
153	Office of Boards & Commissions		0	0	0	0	0	0	9	54	9	117	7	77	3	21	0	0	3	24	5	30	323		323	1
154	Department of Information Technology	Enterprise IT Sourcing Operations	0	0	0	0	0	0	3	18	7	91	9	99	7	49	3	27	0	5	30	314		314	1	
155	Airports		3	24	3	54	3	42	5	30	3	39	0	0	3	21	3	27	0	5	30	267		267	1	
156	Neighborhood Services		0	0	0	0	0	0	5	30	5	65	7	77	7	49	0	0	0	7	42	263		263	1	
157	City Treasurer	Minimum Wage	0	0	0	0	0	0	9	54	3	39	0	0	7	49	0	0	3	24	5	30	196	49.0	245	1
158	City Treasurer	Community Parking Districts Admin	0	0	0	0	0	0	3	18	3	39	7	77	5	35	0	0	3	24	3	18	211		211	1

Note: Individual City Council Offices were not surveyed due to a conflict of interest, since the Office of the City Auditor reports directly to the Audit Committee of the City Council.

Footnotes:

- [1] FTE - Risk score associated with the number of budgeted full time employees (FTE). See Exhibit A - Management Questionnaire, question number 8.
- [2] Wt FTE - A weight (wt) of 8 was multiplied by the FTE risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 8.
- [3] Exp - Risk score associated with the amount of budgeted expenditures (Exp). See Exhibit A - Management Questionnaire, question number 10.
- [4] Wt Exp - A weight (wt) of 18 was multiplied by the Exp risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 10.
- [5] Rev - Risk score associated with the amount of budgeted revenue (Rev). See Exhibit A - Management Questionnaire, question number 9.
- [6] Wt Rev - A weight (wt) of 14 was multiplied by the Rev risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 9.
- [7] ExP - Risk score associated with Interface with the external public (ExP). See Exhibit A - Management Questionnaire, question number 1.
- [8] Wt ExP - A weight (wt) of 6 was multiplied by the ExP risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 1.
- [9] MC - Risk score associated with the "Mission Critical" activities (MC). See Exhibit A - Management Questionnaire, question number 2.
- [10] Wt MC - A weight (wt) of 13 was multiplied by the MC risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 2.
- [11] InOp - Risk score associated with the Internal Operations (InOp). See Exhibit A - Management Questionnaire, question number 3.
- [12] Wt InOp - A weight (wt) of 11 was multiplied by the InOp risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 3.
- [13] Pub - Risk score associated with public (Pub) exposure and interest. See Exhibit A - Management Questionnaire, question number 4.
- [14] Wt Pub - A weight (wt) of 7 was multiplied by the Pub risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 4.
- [15] Csh - Risk score associated with Cash or cash convertible (Csh). See Exhibit A - Management Questionnaire, question number 5.
- [16] Wt Csh - A weight (wt) of 9 was multiplied by the Csh risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 5.
- [17] Met - Risk score associated with Performance/Metrics (Met). See Exhibit A - Management Questionnaire, question number 6.
- [18] Wt Met - A weight (wt) of 8 was multiplied by the Met risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 6.
- [19] Regs - Risk score associated with compliance with laws and regulations (Regs). See Exhibit A - Management Questionnaire, question number 7.
- [20] Wt Regs - A weight (wt) of 6 was multiplied by the Regs risk score. See Exhibit B - Calculation of Weights Used for Risk Factors, line number 7.
- [21] Risk Score - This is the total risk score calculated by adding together all of the nine weighted risk scores.
- [22] Adjustment for areas never being audited or not audited within the last 5 years.
- [23] Adjusted Risk Score - This is the total adjusted risk score calculated adjusting [21] as appropriate.
- [24] Rank 10ths - The activity groups were divided into tenths. Rank 10, 9, 8 (High Risk) 7, 6, 5, 4 (Medium Risk) 3, 2, 1 (Low Risk).