

**City of San Diego Park & Recreation Department**  
**Tierrasanta Open Space Maintenance District (TOSMD)**  
**Tierrasanta Open Space Committee**

7 pm at Tierrasanta Recreation Center – 11220 Clairemont Mesa Blvd.

**Agenda for May 4, 2016 Meeting**

The Tierrasanta Open Space Committee is advisory to the City of San Diego Open Space Division on matters related to the Tierrasanta Open Space Maintenance Assessment District (MAD).

Voting members: Deanna Spehn\* (Chair), Jennifer Schultz\*, Jerry Bierman, Lee Campbell, Teresa Clowes, Roberta Froome, John Hopper, Dawn Lostritto-Nielsen\*, Russ May\*, Bob Muldrew, Betty Ogilvie, Mike Ogilvie\*, Dick Rees, James Sanders and Rich Thesing\* [\* indicates current member of the Tierrasanta Community Council and Planning Group)

City Staff: Bob Smith and Ray Garcia

**Agenda**

7:00 pm      Chair Deanna Spehn will call the meeting to order and establish that a quorum is present, followed by introductions of those present and agenda review.

1. Non-agenda public comment: (limited to 3 minutes per person on subjects under the jurisdiction of this committee)
2. Approval of the draft minutes for the April 6, 2016 meeting – see attached
3. Election of officers: Chair and Secretary for a 2-year period beginning in May 2016
4. Staff Report for May 4, 2016 meeting: Tree Trimming; Service Road; Foot Bridge Installation; Invasive Weed Growth Removal; Landscape Contract status.
5. Information item: Report by the City Auditor, City of San Diego: “Performance Audit of Selected Contracts - Review of Selected Contracts Demonstrates Continued Weaknesses in Contract Oversight Which Underscores the Need for a Strengthened Internal Control Environment.” Below is the “Results in Brief” section taken directly from the report and discussed at the April 27, 2016 meeting of the Audit Committee of the San Diego City Council. The Committee voted 5-0 to accept the report and forward it on to the full City Council, and for the city’s Purchasing & Contract, Park & Recreation and Public Utilities departments to return to the Audit Committee on December 7, 2016 to update the Committee on implementation of the recommended improvements. Also below is the Conclusion and the list of Recommendations made to the departments. City Management’s Response to the Audit is on pages 56 to 60 of the Auditor’s Report. The three departments have agreed with all the recommendations and provided implementation dates for each.

**Results in Brief** [from pages 1-3 of the Audit Report]

The Purchasing & Contracting (P&C) department is responsible for administering the City of San Diego’s (City) procurement and materials management. The City’s management of contracts is decentralized, and contract administration tasks fall within either P&C, or the client department, depending on the contract and activity.

The Audit Committee asked us to review a selection of City contracts to identify potential impacts of contract oversight deficiencies or loss to the City due to the weaknesses identified in our 2015 audit of Citywide contract oversight. Based on our current review, we found administrative and oversight issues in the limited number of contracts we reviewed. Although the issues we identified in these specific contracts cannot be extrapolated to all contracts under City management, in our view, the issues identified merit additional City executive management attention.

We selected 50 contracts for preliminary review and assigned a risk score based on various factors. Using this risk score and discussions with staff, we selected the sample of six contracts for a comprehensive review. Based on our review, we found the following P&C contract oversight issues:

- Two contracts were not properly executed; three extensions were not completed before the contracts lapsed, and work was performed before the contract finalized in one contract we reviewed. To fully protect the City's interest, it is important that P&C fully and correctly executes all contracts, and extensions are complete and timely in order to ensure that contract terms remain enforceable.
- Purchase orders were not properly tied to existing contracts in two instances. It is more efficient to link the purchase order to an existing contract because it saves time for the department. Also, if purchase orders are not properly tied to a contract, it reduces the transparency of City spending.
- Invoices were paid without verification that contract pricing was charged. Verifying invoices against contracted price lists is essential to ensure that the City is being charged the correct amount by vendors.

In addition, we found the following department contract oversight issues:

- Maintenance Assessment District contract authorization procedures for extraordinary labor were not followed, or written preauthorizations were not obtained for 76 percent of the invoices we reviewed. Proper authorization is needed for accountability controls and to ensure that public moneys are being spent appropriately and legally.
- In one contract we reviewed, we found that procurement methods may have deviated from established procurement requirements, including the use of using extraordinary labor to pay for goods that should have been purchased by the City under a contract. As a result, those purchases do not go through a competitive solicitation process to ensure the City receives the best value.
- The department approved and paid charges that were not set forth in the contracts including a 10-percent mark-up for certain goods in all three landscaping contracts. Additionally, in one contract, a 15- percent mark-up outside of contract provisions was approved and paid, which totaled more than \$14,600. These mark-ups resulted in vendor overpayments by the City.
- The department did not ensure receipt of available cash discount from vendor for early payments for one contract. The total available discounts not taken over the five years of the contract were estimated at \$19,000.

- For this same contract, the department lacked adequate inventory controls for goods purchased under contract. Inventory controls are essential to ensure city assets are safeguarded.

Many of the issues summarized above are similar to audit findings in prior Office of the City Auditor (OCA) audit and hotline reports over the past several years. Additionally, internal audits issued prior to the creation of OCA in 2008 describe issues similar to those listed above. City Administration officials noted past changes to the procurement and contracting functions, including the upgrade to the City's financial reporting system and updated process narratives and administrative regulations among many other improvements noted. However, contract administration and oversight have continued to face challenges.

*The Standards for Internal Controls in the Federal Government (Green Book)* model provides guidance on improving the kinds of insufficient internal controls described in this report. It indicates that in a strong internal control environment, management should establish organizational structure, delegate authority, and evaluate and hold individuals accountable for their internal control responsibilities. These control activities should be Performance Audit of Selected Contracts OCA-16-016 Page 3 implemented through detailed policies and procedures which must be communicated "down and across reporting lines." Management should ensure ongoing periodic reviews of the internal control systems to determine effectiveness.

The ongoing nature of the contract administration deficiencies require that tone be set at the top of the organizational structure to ensure improvements are properly designed, deployed, and continually monitored to ensure effectiveness. In our view, City executive management should take a more active role in designing rules and procedures, overseeing implementation, and monitoring of City contracts to ensure effectiveness and accountability. We made ten recommendations to address the issues identified, and management agreed to implement all of them.

### **Conclusion** [from page 35 of the Audit Report]

The Purchasing & Contracting Department (P&C) enters into a large number of contracts annually and City of San Diego (City) departments play a role in administering these contracts. We found that improvements in internal controls and clearly communicated procedures will enhance P&C's adherence to, and enforcement of the City's procurement requirements. Furthermore, we found that improvements in the internal control environment for departments overseeing contract compliance can improve overall contract administration including ensuring vendor adherence to contract provisions. In our view, City executive management, should take a more active role in designing rules and procedures, overseeing implementation, and monitoring City contracts to ensure effectiveness and accountability.

### **Recommendations** [from pages 36-38 of the Audit Report] [Note: the definitions of the priorities follow the Recommendations section]

**Recommendation #1** P&C should ensure that its new purchase requisition procedures and the forthcoming digital procurement manual include a requirement for review by senior procurement specialist to try to reduce errors in purchase requisitions and purchase orders. An emphasis on ensuring that existing contracts are identified when appropriate should be included in the procedures. Additionally, P&C should develop a monitoring program that

periodically reviews, or spot checks, new purchase orders that have been created and were not tied to contracts. This monitoring process should review all purchasing information and vendor assignment to ensure that there was not a contract available for the goods or services. If errors are identified during the monitoring, staff at the client department and P&C should be further trained to help eliminate such errors. (Priority 3)

**Recommendation #2** P&C should continue its efforts to obtain and expedite implementation of the catalog software to, among other things, address lapses in contract pricing review of when invoices are processed. P&C should develop a clearly defined and documented plan for training P&C and client department staff as part of the implementation process. (Priority 3)

**Recommendation #3** The Office of the City Comptroller should modify its process narrative for invoice payments to clearly assign the responsibility to ensure contract pricing is billed. (Priority 3)

**Recommendation #4** Park and Recreation should develop a contract administration training for landscape contract administrators. The training should provide guidance to landscape contract administrators that provide specific direction on allowable charges and allowable procurement methods. The training should focus on methods to control costs and encourage competitive bidding and good stewardship of taxpayer dollars. Specifically, the training should provide guidance in the areas of purchase rules for goods and services. (Priority 2)

**Recommendation #5** Park and Recreation should update its Extraordinary Labor Authorization process to reflect intended, most effective business practices while still ensuring the use of internal controls such as management approval and monitoring. To ensure its authorization process is being used as intended, management should develop a system that performs periodic spot checks of the extraordinary labor preauthorization process. The spot checks should be reported to the deputy directors of the division as to inform them if the process is working as intended. (Priority 2)

**Recommendation #6** Park and Recreation, in consultation with the City Attorney's Office, should review boilerplate language in Maintenance Assessment District and other landscape contracts to clarify language related to allowable extraordinary labor, extraordinary labor authorization processes, the scope of work, and associated markups. (Priority 2)

**Recommendation #7** The Director of Park and Recreation, in consultation with the Office of the City Attorney, should review all line item assessments in invoices submitted by landscape vendors with open contracts with the City of San Diego pertaining to "Contractor's cost of handling" or related "Markup" to determine whether the charges were allowable under the terms of the contract and consider means to recoup any unallowable charges. (Priority 2)

**Recommendation #8** The Office of the Comptroller should develop or include in its invoice payment procedures the written requirements that all departments maximize full early payment discounts to the extent possible. This guidance should be included in any contract administration training that is developed. (Priority 2)

**Recommendation #9** The Park and Recreation Director should review inventory practices and direct all of his staff to implement an inventory system at all store facilities. The inventory system should include physical inventory procedures, and should be designed to

detect loss and unexpected shortages of critical items. If using an electronic inventory software is not practical at all facilities, then the department should develop and document a process to conduct physical inventory procedures on a periodic basis. The department should monitor and periodically review inventory procedures. (Priority 3)

**Recommendation #10** The City's executive management, lead by the Chief Operating Officer, should take a lead role in systematically addressing contract administration and oversight problems. Specific initiatives should include, but not be limited to:

Ensuring that City management at the Department Director level provides contract administrators in their departments training and other information to understand and satisfy contract administration requirements, such as, but not limited to:

- o Proper and legal contract execution requirements
- o Correct creation of purchase requisitions
- o Vendor and budget monitoring
- o Adequate and complete invoice processing

Setting expectations and establishing standards of performance, or metrics, coupled with ongoing evaluations to ensure that Department Directors are properly overseeing the deployment and execution of contract administration procedures. (Priority 3)

#### **DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS [from page 39 of the Audit]**

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration's responsibility to establish a target date to implement each recommendation taking into considerations its priority. The City Auditor requests that target dates be included in the Administration's official response to the audit findings and recommendations.

- Priority 1**      Fraud or serious violations are being committed.  
                    Significant fiscal and/or equivalent non-fiscal losses are occurring.  
                    Costly and/or detrimental operational inefficiencies are taking place.  
                    A significant internal control weakness has been identified.
- Priority 2**      The potential for incurring significant fiscal and/or equivalent non-fiscal losses exists.  
                    The potential for costly and/or detrimental operational inefficiencies exists.  
                    The potential for strengthening or improving internal controls exists.
- Priority 3**      Operation or administrative process will be improved.

Chairperson's Note: Initially 50 contracts were reviewed and a risk score was assigned by the Auditor's office based on the components reviewed. Using this risk score, conversations with management, and efforts to diversify the type of contracts selected, the Auditor's office selected six contracts to be reviewed in our sample. The 6 contracts analyzed for the audit were Shoreline Landcare Inc., Imperial Sprinkler Supply Inc., Cass Plumbing & Heating, Bob Turner Crane Services, Lusa LP (Landscapes USA), and Aztec Landscaping, Inc.

6. New Business

7. Adjournment – Next meeting is Wednesday, July 6, 2016



**THE CITY OF SAN DIEGO  
PARK AND RECREATION DEPARTMENT  
OPEN SPACE DIVISION  
TIERRASANTA MAINTENANCE ASSESSMENT DISTRICT**

**May 4, 2016  
STAFF REPORT**

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**Ongoing Projects/Completed**

- **Tree Trimming** – West Coast Arborists continues to trim trees in various areas of the Open Space

**Open Space**

- **Service Road** – We will start adding DG and making improvements to the service road in Shepherd Canyon
- **Foot Bridge Installation** – James and John installed the third Foot Bridge in Shepherd Canyon on Monday, April 25, 2016
- **Invasive Weed Growth Removal** – Kelly & Associates will be removing invasive weed growth (Fennel, Mustard, and Eucalyptus Sprouts) from the north and east sides of Shepherd Canyon

**Landscape Contract**

- **Treebeard** – continues to provide services within budget

**Miscellaneous**

- On Saturday, April 23, 2016, I Love a Clean San Diego held their “Creek to Bay Cleanup” in East Shepherd Canyon. City Staff was on site to monitor the event.
- Attachment (handout) – Field Closure list
- Important City Phone Numbers –

Code Enforcement	619-236-5500
Environmental Services	858-694-7000
Park & Recreation	619-525-8213
Storm Water	619-531-2000 or 858-484-3154

Respectfully submitted,

Bob Smith, Grounds Maintenance Manager  
Open Space Division / MADs Park & Recreation Department  
619-685-1370 [smithR@sandiego.gov](mailto:smithR@sandiego.gov)



## **Tierrasanta Maintenance Assessment District (MAD) Field Closure Schedule for Summer 2016**

DePortola Middle School:	Closed Monday, July 18 – Friday, August 19, 2016
Tierrasanta Community Park:	Closed Wednesday, June 27 – Friday, August 12, 2016
Tierrasanta Elementary School:	Closed Monday, July 25 – Friday, August 26, 2016
*Serra High School:	**Closed Monday, June 20 – Friday, August 5, 2016
Farb Middle School:	Closed Monday, July 18 – Friday, August 12, 2016
Kumeyaay Elementary School:	Closed Friday, June 17 – Friday, July 15, 2016
*Vista Grande Elementary School:	Closed Monday, June 13 – Friday, August 5, 2016

\*Temporary fence

\*\*Last day of school isn't until June 21, 2016