



OFFICE OF THE
CITY AUDITOR

**REPORT OF ACTIVITIES AND FINDINGS
FOR THE PERIOD
APRIL 16 THROUGH MAY 15, 2006**

A REPORT TO THE SAN JOSE CITY COUNCIL



Office of the City Auditor
Gerald A. Silva, City Auditor

June 6, 2006

Honorable Members of the City Council
200 East Santa Clara Street
San Jose, CA 95113

In accordance with Charter Section 805(e), I am submitting a written report of the Office of the City Auditor's activities for the period of April 16 through May 15, 2006 and schedule of audit costs for April 2006.

The monthly report contains the following sections:

- Status of Assignments in Progress
- Other Activities
- Schedule of Audit Costs for April

If you need any additional information, please let me know.

Respectfully submitted,

Gerald A. Silva
City Auditor

GS:bh
Attachment

Office of the City Auditor
Status of Assignments in Progress as of May 15, 2006

	Preliminary Survey	Risk Assessment	Audit Field Work	Report Writing	Projected Issuance Date*
Assignments Completed					
SJ Municipal Water System – Hydrant Maintenance	Completed	Completed	Completed	Completed	May 2006
Review of Significant RFPs—Airport Integrated Systems RFP	N/A	N/A	Completed	N/A	February 2006
Grant Oversight	Completed	Completed	Completed	Completed	February 2006
Administration of the Investigation into the Grand Jury Report on Recycle Plus	N/A	N/A	N/A	N/A	December 2005
Workers' Compensation	Completed	Completed	Completed	Completed	December 2005
Environmental Services Department Laboratory	Completed	Completed	Completed	Completed	October 2005
The Fil-Am SODC, Inc.'s Cash Flow Analysis for the Operation of the Northside Community Center	N/A	N/A	Completed	Completed	October 2005, November 2005
Joint Memorandum with the Finance and ES Departments on Workers' Compensation Liability	N/A	N/A	Completed	Completed	October 2005
2005-06 Marked Patrol Sedan Budget Reduction	N/A	N/A	Completed	Completed	September 2005
Update on Northside Community Center Operations	N/A	N/A	Completed	Completed	September 2005
Quarterly Sales Tax Audit for Quarter Ended 6/30/05, 9/30/05	N/A	N/A	On-going	Completed	September 2005, January 2006
Police Patrol Vehicle Contingency	N/A	N/A	Completed	Completed	August 2005
Assignments In Progress					
Follow-up of Transport & Metered Equipment Audit Recommendations	N/A	N/A	In Progress		June 2006
TEAM San Jose	Completed	Completed	In Progress		August 2006
Public Works Transportation Contract Cycle Times	Completed	Completed	Completed	In Progress	September 2006
Traffic Calming	Completed	Completed	Completed	In Progress	September 2006
Arena Management	Completed	Completed	In Progress		
Purchase Card Utilization	Completed	Completed	In Progress		
Northside RFP	N/A	N/A	In Progress		
Re-Use Strategy RFP	N/A	N/A	In Progress		
City Debt & Investment Program	In Progress				
Redevelopment DDAs	In Progress				
Housing Rehabilitation ***	In Progress				
Assignments Not Yet Started					
Los Lagos Golf Course Operations and Finances					
Public Works Cost Estimation Process					
Vehicle Maintenance Procedures					
Specialized Vehicle Use					
A Comparison of the Real Estate Division & RDA Real Property Acquisition Process					
Risk Management					
Police Overtime					
Police & Fire Retirement Plan **					
Police Department Radio Channel Staffing **					
Information Technology**					
On-going Assignments					
Quarterly Sales Tax Audit					
Review of significant RFPs					
Cardroom Audit Overview					
Audit Recommendation Follow-up Report					
Annual Financial Audit & Single Audit Overview					
Other Revenue Audits					
Petty Cash and Change Funds					
Information Systems Audits					
Fraud and Audit Hotline					

* Projected Issuance Dates are usually six weeks after Report Writing is completed to accommodate exit conferences, draft report revisions and a three week allowance for the administration to prepare a written response. For the Assignments Completed, the date shown is the actual month of report issuance.

** Deferred

*** On Hold

**AN AUDIT OF THE SAN JOSE MUNICIPAL
WATER SYSTEM FIRE HYDRANT
MAINTENANCE & REPAIR PROGRAM**

In accordance with the City Auditor's 2005-06 Audit Workplan, we have completed an audit of the San Jose Municipal Water System (MWS). Specifically, at a City Councilmember's request, we reviewed the MWS Fire Hydrant Maintenance and Repair Program. This is the second report on the MWS. On October 13, 2004 the City Auditor issued *A Report On San Jose Municipal Water System Compliance With City Council Ordinance No. 26903*, finding that the MWS was in compliance with the City Council ordinance to establish and fully-fund two reserve funds and to limit Fund 515 transfers to the General Fund. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Objective, Scope, and Methodology section of this report.

Finding I The San Jose Municipal Water System Has Met Its Goal To Service All Fire Hydrants Within Its Service Area, However, Operational Improvements Would Enhance The Fire Hydrant Maintenance And Repair Program

RECOMMENDATIONS

We recommend that the MWS:

- Recommendation #1 Improve its followup process and documentation for fire hydrant repairs. (Priority 3)**
- Recommendation #2 Re-evaluate the type of paint it uses on fire hydrants. (Priority 3)**
- Recommendation #3 Establish a procedure whereby meter readers during the course of their regular routes note and report fire hydrant maintenance and repair problems to the MWS for correction. (Priority 3)**

In addition, the City should:

Recommendation #4 **Establish a reporting mechanism for the water companies to report blue reflective road markers that need to be replaced and establish a process for ensuring that the markers are replaced in a timely manner. (Priority 3)**

Finding II **The City Should Negotiate An Agreement Concerning Ownership, Maintenance, And Replacement Of About 13,500 Fire Hydrants In The Respective San Jose Service Areas Of The Two Private Water Companies**

RECOMMENDATION

We recommend that the City:

Recommendation #5 **Negotiate the ownership, maintenance, and replacement of about 13,500 fire hydrants with the private water companies in San Jose service areas. (Priority 2)**

OTHER ACTIVITIES

During April 16, 2006 through May 15, 2006, the City Auditor:

1. Issued *An Audit of the San Jose Municipal Water System Fire Hydrant Maintenance and Repair Program*.
2. Issued *City Auditor Review of the Terminal Area Improvement Program (TAIP) Request for Proposal (RFP)*
3. Taught a class, *Yellow Book Standards On Evidence And The Relationship Between Risk Assessment And Evidence*, for employees of the City and County of San Francisco.
4. Participated in the New Council Candidate Orientation.
5. Participated in conference calls regarding the National Association of Local Government Auditors' (NALGA) and the National Intergovernmental Audit Forum (NIAF) 2006 conventions, which were held in San Jose in late May 2006.
6. Held a staff retreat.
7. Participated in a meeting related to the development of the RFP Procurement manual.
8. Interviewed candidates for vacant Program Performance Auditor positions.
9. Met with City Council Members regarding various audit assignments.

**OFFICE OF THE CITY AUDITOR
SCHEDULE OF AUDIT COSTS
FOR THE MONTH OF APRIL 2006**

Audit Assignment	Audit Hours	Audit Costs	% ¹
Contract Cycle Times	284	\$24,474	13.9%
Vacation, Sick, and Other Leaves	277	23,872	13.6
Community Center Re-Use RFP	259	22,320	12.7
Administrative ²	163	13,760	7.8
Sales and Business License Taxes ³	227	12,603	7.2
TEAM San Jose ⁴	139	11,692	6.7
San Jose Municipal Water System	126	10,858	6.2
Northside Community Center	108	9,307	5.3
Holiday	102	8,790	5.0
Traffic Calming	86	7,411	4.2
City Purchase (Credit) Cards	66	5,688	3.2
Recommendations Follow-Up	44	3,792	2.2
RDA DDA – Park Townsend	40	3,447	2.0
General Services Vehicles	39	3,361	1.9
Peer Review Reciprocation	34	2,930	1.7
City Debt and Investment Administration	29	2,499	1.4
Revenue Audits	26	2,241	1.3
Performance-Based Budgeting	21	1,810	1.0
PRNS Northside Community Center RFP	20	1,724	1.0
Training	14	1,206	0.7
Arena Fees	8	689	0.4
Airport Terminal Area Improvement Program RFP	6	517	0.3
Server Area Network RFP	4	345	0.2
MRC Compliance Review	2	172	0.1
Totals	2,124	\$175,508	100.0%
Total Cost Per FMS	\$175,508		

¹ These may be slightly off because of rounding.

² Includes 4 intern hours

³ Includes 97 intern hours

⁴ Includes 4 intern hours