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San Jose City Clerk



Memorandum

2005 AUG 16 P 1:07

TO: Lee Price
City Clerk

FROM: Brad Handshy,
Executive Asst.
to the City Auditor

SUBJECT: *AGENDA ITEM - AUDITOR'S
REPORT OF ACTIVITIES AND FINDINGS
THROUGH JULY 15, 2005*

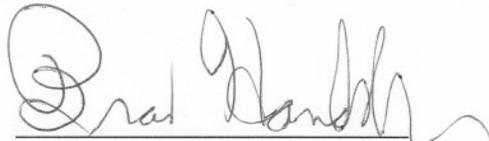
DATE: August 16, 2005

APPROVED

DATE

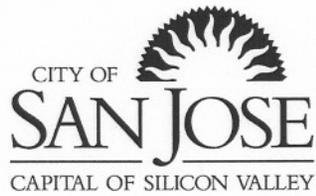
Please place the following on the "Consent Calendar" of the soonest possible City Council agenda.

"Acceptance of the Office of the City Auditor's Report of Activities and Findings for the Period June 16 through July 15, 2005."



Brad Handshy

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**OFFICE OF THE
CITY AUDITOR**

**REPORT OF ACTIVITIES AND FINDINGS
FOR THE PERIOD
JUNE 16 THROUGH JULY 15, 2005**

A REPORT TO THE SAN JOSE CITY COUNCIL



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

August 12, 2005

Honorable Members of the City Council
801 North First Street, Room 600
San Jose, CA 95110

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 June 16 through July 15, 2005 and schedule of audit costs for June 2005.

The monthly report contains the following sections:

- Status of Assignments in Progress
- Summary of Audit Report Issued
- Other Activities
- Schedule of Audit Costs for June

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 July 15, 2005**

	Preliminary Survey	Risk Assessment	Audit Field Work	Report Writing	Projected Issuance Date*
Assignments Completed					
Northside Community Center	Completed	Completed	Completed	Completed	June 2005
Allied Waste Expenditures	N/A	N/A	Completed	Completed	May 2005
Public Art Project Allocation Process	Completed	Completed	Completed	Completed	May 2005
City Fleet Special Purpose Vehicles	Completed	Completed	Completed	Completed	May 2005
Annual Financial Audit RFP	N/A	N/A	N/A	N/A	April 2005
Police Depart. Marked Patrol Vehicle Fleet Size	Completed	Completed	Completed	Completed	February 2005
Audit of City Manager's Reforms	Completed	Completed	Completed	Completed	December 2004
Audit Recommendation Follow-up Reports as of June 30, 2004, December 31, 2004	Completed	Completed	Completed	Completed	December 2004 April 2005
Quarterly Sales and Business Tax Results as of June 30, 2004; September 30, 2004; December 31, 2004; and March 31, 2005	N/A	N/A	On-going	N/A	August 2004, December 2004 April 2005 May 2005
An Audit of Family Camp	Completed	Completed	Completed	Completed	November 2004
Information Technology Department – Cell Phones	Completed	Completed	Completed	Completed	November 2004
San Jose Family Camp	Completed	Completed	Completed	Completed	November 2004
SJMWS Compliance with Council Ordinance 26903	Completed	Completed	Completed	Completed	October 2004
Converged Network RFP	Completed	Completed	Completed	Completed	August 2004
Assignments In Progress					
Public Works Transportation Contract Cycle Times	Completed	Completed	Completed	In Progress	October 2005
San Jose Municipal Water System – Phase Two	Completed	Completed	In Progress		
Environmental Services Department Laboratory	Completed	Completed	In Progress		
Traffic Calming	Completed	Completed	In Progress		
Grant Oversight	Completed	Completed	In Progress		
Assignments Not Yet Started					
Call Center Information and Referral Services					
Los Lagos Golf Course Operations and Finances					
Public Works Cost Estimation Process					
TEAM San Jose					
Workers' Compensation					
Vehicle Maintenance Procedures					
City and RDA Property Acquisitions					
Police Department Radio Channel Staffing **					
Information Technology**					
On-going Assignments					
Quarterly Sales Tax Audit					
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

**AN AUDIT OF THE AGREEMENTS BETWEEN THE
CITY AND THE FILIPINO AMERICAN SENIOR
OPPORTUNITIES DEVELOPMENT COUNCIL, INC.
(Fil-Am SODC)**

We have completed our audit of the Filipino American Senior Opportunities Development Council, Inc. (Fil-Am SODC) regarding its compliance with City of San José's grant agreements, and the City of San José's Parks, Recreation and Neighborhood Services (PRNS) Department's oversight and grant administration pertaining to Fil-Am SODC. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the scope and methodology section of this report.

**Finding I The Fil-Am SODC Used An Estimated
\$219,414 In City Grant Funds To Pay
For Programs And Activities That
Were Not Part Of The City's Grant
Agreements During 2002-03 And
2003-04**

RECOMMENDATIONS

We recommend that PRNS:

- Recommendation #1 Work with the City Attorney's Office to take appropriate action and address the Fil-Am SODC's use of City grant funds on ineligible activities that we identified for 2002-03 and 2003-04. (Priority 1)**
- Recommendation #2 Review the City's 2004-05 and subsequent funding of Fil-Am SODC to ensure that it is not continuing to use City funds on ineligible activities. (Priority 2)**
- Recommendation #3 Work with the Fil-Am SODC and provide training on appropriate Board of Director oversight and implementation of organization policies and procedures. (Priority 3)**

We recommend that PRNS:

- Recommendation #4** **Work with Fil-Am SODC to ensure that its performance measurement reporting is appropriate, accurate and does not include duplication of other services, programs and grants. (Priority 2)**
- Recommendation #5** **Ensure that Fil-Am SODC's performance measurement reporting distinguishes between community uses of the Community Center and those activities qualifying as grant agreement activities. (Priority 2)**

Finding II City Oversight Of The Fil-Am SODC Grant Agreements And Jacinto "Tony" Siquig Northside Community Center Was Inadequate

RECOMMENDATIONS

We recommend that PRNS:

- Recommendation #6** **Amend its grant agreements to require organizations to disclose non-City grant sources of funding and identify all sources of funding for City-funded activities. (Priority 3)**
- Recommendation #7** **Consolidate HNVF-funded tutoring programs at Independence High School and ensure there are no additional funding overlaps at other schools. (Priority 3)**
- Recommendation #8** **Require grant recipients to provide a list of the activities and units of service performed under their grant agreements with the City, and compare these lists to recipients' quarterly reports to the City to verify that reported participants are eligible. (Priority 3)**
- Recommendation #9** **Enforce the requirement that grant recipients submit a cost allocation plan and that grant recipients also request prior PRNS approval of any changes or shifts in funding or budgeted amounts. (Priority 3)**
- Recommendation #10** **Develop a monitoring process and appropriate documentation to review audited financial statements and compliance audits. (Priority 3)**

We recommend that PRNS:

- Recommendation #11** **Provide training to those staff responsible for grant recipient monitoring and oversight to help detect irregularities or identify potential problems indicated in the audited financial statements. (Priority 3)**
- Recommendation #12** **Develop and implement procedures that incorporate the City's total support of an organization, including free rent and payment of utilities as part of the grant review process. (Priority 3)**
- Recommendation #13** **Work with the City Attorney's Office and City Manager's Office to develop and implement procedures to ensure organizations do not occupy City facilities without the benefit and protection of a current operating or facility use agreement. (Priority 2)**
- Recommendation #14** **Implement a Request for Qualifications process or use City staff to operate the City-owned Jacinto "Tony" Siquig Northside Community Center. (Priority 2)**

OTHER ACTIVITIES

During June 16, 2005 through July 15, 2005, the City Auditor:

1. Issued *An Audit Of The Agreements Between The City And The Filipino American Senior Opportunities Development Council (Fil-Am SODC)*
2. Attended the *Association of Government Accountants (A.G.A.) Professional Development Conference* in Orlando, Florida. The City Auditor made presentations on Risk Assessment and Building Security.
3. Moved into the New City Hall.
4. Met with City Council Members regarding various audit assignments.

**OFFICE OF THE CITY AUDITOR
SCHEDULE OF AUDIT COSTS
FOR THE MONTH OF JUNE 2005**

Audit Assignment	Audit Hours	Audit Costs	% ¹
Northside Community Center	593	\$44,023	18.8%
Grant Oversight	582	43,206	18.4
Vacation, Sick, and Other Leaves	394	29,249	12.5
Administrative/City Hall Move ²	371	25,921	11.1
Contract Cycle Times	271	20,118	8.6
Traffic Calming	179	13,288	5.7
Sales and Business License Taxes ³	356	13,046	5.6
San Jose Municipal Water System	132	9,799	4.2
Holiday	104	7,721	3.3
Annual Audit RFP	91	6,756	2.9
Allied Waste Expenditures	78	5,791	2.5
Training	61	4,528	1.9
Revenue Audits	42	3,118	1.3
Internal Quality Control	37	2,747	1.2
Fraud Hotline	28	2,079	0.9
Performance-Based Budgeting	19	1,411	0.6
ESD Laboratory	8	594	0.2
CUSP RFP Process	7	520	0.2
Recommendations Follow-Up	3	223	0.1
Totals	3,356	\$234,138	100.0
Total Cost Per FMS		\$234,138	

¹ These may be slightly off because of rounding.

² Includes 27 intern hours.

³ Includes 223 intern hours.

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