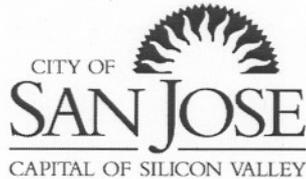


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Council Agenda: 9-21-04
Item: 3.2



RULES/AGENCY RULES COMMITTEE

PAT DANDO, CHAIR

STAFF: LEE PRICE
CITY CLERK

DAVE CORTESE, VICE CHAIR
CINDY CHAVEZ, MEMBER
FORREST WILLIAMS, MEMBER
KEN YEAGER, MEMBER

AGENDA

2:00 P.M.

September 8, 2004

Room CH 204

- A. Redevelopment Agency (Executive Director)
 - 1. Review September 21, 2004 Draft Agenda
 - 2. Add New Items to September 14, 2004 Agenda
 - Redevelopment Board Requests
 - Executive Director Requests
 - RDA Counsel Requests
 - 3. List of Reports Outstanding
- B. City Council (City Clerk)
 - 1. Review September 21, 2004 Draft Agenda
 - 2. Add New Items to September 14, 2004 Agenda
 - Mayor and Councilmember Requests
 - City Manager Requests
 - City Attorney Requests
 - City Clerk Requests
 - 3. List of Reports Outstanding

RULES/AGENCY RULES COMMITTEE AGENDA

August 25, 2004

Page Two

- C. Legislative Update
 - 1. State
 - Approval of the 2004 League of California Cities Resolutions
 - 2. Federal
- D. Meeting Schedules
 - 1. Approval of the Redevelopment Agency Budget Schedule
- E. The Public Record
- F. Appointments to Boards, Commissions and Committees
 - 1. Recruitment for Youth Commission Districts 4, 7 and 9
- G. Rules Committee Reviews, Recommendations and Approvals
 - 1. Proposal for a Hotline in the City Auditor's Office (Auditor)
- H. Oral Communications
- I. Adjournment

EXECUTIVE DIRECTOR REQUESTS

A.2 Add New Items to September 14, 2004 Agenda

NO ITEMS SCHEDULED FOR THIS REDEVELOPMENT
AGENCY MEETING DATE: CANCELLATION WILL BE POSTED

A.3 List of Reports Outstanding - September 14, 2004 Agenda

NONE

September 21, 2004

PROPOSED ADDITIONS - ADMINISTRATIVE DRAFT AGENDA

MAYOR/COUNCIL MEMBER REQUESTS

1.x Presentation of a proclamation recognizing September 21, 2004 as the International Day of Peace in the City of San José. (Cortese/Mayor)

1.x Presentation of a commendation to honor the United States Army Reserve 341st Military Police Company. (Mayor)

TO BE HEARD IN THE EVENING

CITY CLERK REQUESTS

3.x **Approval of an ordinance amending Section 2.08.150 of the San José Municipal Code as it relates to terms for members of boards and commissions not established by the Charter.**

Recommendation: Approval of an ordinance amending Section 2.08.150 of the San José Municipal Code as it relates to terms for members of boards and commissions not established by the Charter. (City Clerk)

5.x **Recommendation to name two new parks.**

Recommendation:

(a) As recommended by the parks and Recreation Commission, name a new park located at the intersection of Sixth and Bestor Streets as "Bestor Art Park."

(b) As recommended by the parks and Recreation Commission, name a new park located at the intersection of Floyd and Locust Streets as "Parque de Padre Mateo Sheedy."

(Parks and Recreation Commission/City Clerk)

TO BE HEARD IN THE EVENING

**ITEMS TO BE PLACED ON THE AMENDED AGENDA
MANAGER'S OFFICE
SEPTEMBER 14, 2004**

- 2.x **Approval of agreements and acceptance of deeds from property owners on Towers Lane.**

Recommendation: Adoption of a resolution authorizing the City Manager to execute individual agreements and accept deeds from property owners on Towers Lane who are ready to close escrows and have signed donation agreements for real property and temporary construction easements. CEQA: Exempt, PP02-03-046. Council District 7. SNI: West Evergreen. (Public Works)
(Rules Committee referral 9/8/04)

- 3.x **Approval to extend the agreement for citywide purchases of personal computers, peripherals and software.**

Recommendation: Adoption of a resolution authorizing the Director of General Services to execute an extension of the agreement with ComputerLand of Silicon Valley ("ComputerLand") located in San José, CA through June 30, 2005 for citywide purchases of personal computers, peripherals and software in an amount not to exceed \$3,000,000 for FY 2004/2005. CEQA: Not a Project. (General Services)
(Rules Committee referral 9/8/04)

Rules Committee: 9/8/04
Item: B3

**STAFF REPORTS OUTSTANDING FOR SEPTEMBER 14, 2004
AS OF TUESDAY, SEPTEMBER 7, 2004
CITY MANAGER'S OFFICE**

NONE



Memorandum

TO: Rules Committee

SUBJECT: Proposal For A Hotline In
The City Auditor's Office

FROM: Gerald A. Silva,
City Auditor

DATE: August 31, 2004

The City Council is currently considering ways to enhance the ethical behavior of City employees and outside parties such as contractors. One way to accomplish this goal is to establish a mechanism to report improper activities. Specifically, an anonymous telephone fraud hotline in the City Auditor's Office can facilitate the reporting of improper activities. In fact, audit organizations that have established hotlines believe that the tips and complaints they receive from employees, customers, vendors, or anonymous sources are the single most effective means of detecting fraud and abuse.

A number of federal, state, and local audit organizations have established fraud/waste hotlines. These agencies include the General Accounting Office (GAO), federal inspector generals, the California Bureau of State Audits, and a number of local jurisdictions in the United States and Canada. These local jurisdictions include: Dallas, Texas; Austin, Texas; Richmond, Virginia; Orlando, Florida; Philadelphia, Pennsylvania; Chicago, Illinois; Seattle, Washington; Milwaukee County; Toronto, Ontario; and Calgary, Alberta.

We contacted several of these jurisdictions to discuss their operations. We have summarized the information we obtained below.

The Bureau of State Audits (Bureau) implemented a fraud hotline over 20 years ago. More recently, in January 2002, the California Legislature enacted the California Whistleblower Protection Act. As a result of the new legislation, the Bureau has received 70 percent more complaints. Moreover, for the period of July 2002 through September 2003, the Bureau reported on 33 substantiated misdeeds that cost the State \$2.4 million.

The City of Toronto's Auditor General Office recently implemented a six-month pilot project on the feasibility of a hotline. During the six-month pilot project, the Auditor General Office received 126 complaints of fraud and abuse. The Toronto staff substantiated one major fraud case and stated that the fraud would have continued if it had not been reported to the hotline. According to the Toronto staff, senior management implemented appropriate steps which led to significant cost savings and strengthened controls over operations to minimize the risk of future abuses and losses.

Toronto implemented a permanent hotline after the pilot project showed promise. According to Toronto staff, the existence of a fraud/waste hotline has enhanced City staff's awareness of potential frauds or other irregular activity and their responsibility to report and prevent it.

The City of Dallas has a Fraud, Waste, and Abuse Division within the City Auditor's Office, with a dedicated hotline and experienced investigators. Last year, the investigators handled about 180 calls. Of the 180 calls, the office substantiated 63 and forwarded another 17 for criminal investigation.

The City of Chicago's Inspector General's Office was established to detect, prevent, and investigate misconduct, waste, and inefficiency. Chicago has a 24-hour Inspector General's Hotline which receives and investigates about 150 to 200 calls per year.

The Milwaukee County Audit Department has a dedicated Fraud Hotline with one dedicated staff. Milwaukee County receives about 80 allegations annually of which the Department substantiates about 30 percent.

The organizations that we contacted cited the following advantages and disadvantages of a fraud hotline.

Advantages

- A hotline provides a centralized reporting or communication mechanism for employees to report possible misdeeds;
- Investigations resulting from hotline calls may identify areas where internal controls need to be modified or enhanced;
- An anonymous hotline may encourage reporting of internal and external frauds (e.g., by contractors doing business with the City) without fear of reprisal;
- A hotline is a good public relations tool, that, if marketed effectively, will convey to employees that the City takes ethics seriously while conveying to the public (and anyone who does business with the City) that the City is monitoring fraudulent and inappropriate activity; and
- A hotline may assist in deterring fraud by increasing the perception that fraudulent activity will be detected.

Disadvantages

- Costs associated with fielding all calls;
- Costs associated with investigating calls;
- Nuisance calls; and
- Guaranteeing caller anonymity on the hotline often prevents follow-up. This can be minimized if the interviewers who are answering the telephone schedule a call-back time. However, a hotline set up as a 24-hour voice mail service does not allow for this unless the caller leaves a contact number.

The City of San Jose could set up a fraud hotline with voicemail within the City Auditor's Office. This hotline would be designated as a telephone resource for callers to report incidents of fraud, waste, and other improprieties. Audit staff would screen calls and investigate those calls related to suspected irregularities.

Depending on the volume of calls received and the number of alleged incidents of fraud reported and investigated, additional resources and funding may be required to effectively operate this program.

Recommendation

In order to determine the feasibility and value of establishing a hotline to suspected fraud in the City of San Jose, the City Auditor's Office should operate a hotline as a pilot project for a six-month period. This would allow the City Auditor's Office to better identify the benefits, costs, and issues associated with operating a hotline, before the City Council makes a permanent decision on it.



Gerald A. Silva

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GS:lg

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NOTICE OF VACANCY

YOUTH COMMISSION

DEADLINE TO APPLY: OCTOBER 1, 2004

The San Jose City Council will be accepting applications until **Friday, October 1, 2004 at 5:00 p.m.** for an appointment to the Youth Commission. The Youth Commission was formed to foster greater involvement of youth in municipal government and studies any problems, activities and concerns of youth relating to municipal policies, programs or projects of the City.

There are three positions available on the Commission. Applicants must be between the ages of fourteen and twenty at the time of appointment and must live in the Council District listed below:

District 4 – Unexpired Term Ending October 31, 2005

District 7 – Unexpired Term Ending October 31, 2006

District 9 – Unexpired Term Ending October 31, 2006

Appointment Process:

The Council Member, in whose district the vacancy exists, makes appointments to the Youth Commission. Copies of all applications received will be submitted to the appropriate Council Member for review and selection. The newly appointed Youth Commissioner then will participate in a swearing-in ceremony, which will be held on October 19, 2004, during the evening Council session.

Applications may be obtained from the Office of the City Clerk, Room 116, City Hall, (408) 277-4424, or on the City's Web site at <http://www.sanjoseca.gov/clerk/vacancy.htm>. If you would like additional information regarding the Commission, please call the staff at (408) 277-2744.

Dated: September 1, 2004