



MAKING GOVERNMENT WORK BETTER COMMITTEE

Meeting Report
December 10, 2003

PRESENT: Councilmember Chuck Reed, Councilmember Linda J. Le Zotte,

EXCUSED

ABSENCE: Chair Nora Campos, Councilmember David Cortese

STAFF: Kay Winer, Danielle Kenealey, Meghan Horrigan, Jerry Silva, Mike Edmonds, Jose Obregon, Anna Jatzak, Lacy Atkinson, Carl Roberts

The meeting was convened at 2:30 PM

a. External Quality Control Review including Activities and Accomplishments of the Office of the City Auditor, July 2001-June 2003 (Auditor)

Michael Taylor, City Auditor from the City of Stockton and member of the National Association of Local Government Auditors (NALGA) Peer Review Team, gave an overview of the Quality Control Review. This overview included Government Auditing Standards, a review of NALGA, the Peer Review Team, a review of the objectives and the results of the San José review. Overall, the City of San José's Auditor's Office shows exceptional performance with a strong commitment to audit follow up that exceeds the Government Audit Standards. The Peer Review Team only made two suggestions for improvement. The first is to document consideration of new independence standard for audit assignments. The second is to document non-audit training in a separate file.

Vice Chair Reed asked if any of the audit requests cross the line with regards to the New Independent Standards.

Jerry replied that the New Independent Standards have two overarching principles. The first is that Auditor's do not perform management functions. The second is that Auditors do not audit their own work. What audit staff will do from now on is document discussions and considerations of requests for audits. The purpose will be to determine whether or not the request violates either principle.

Vice Chair Reed asked if NALGA has any published examples.

Jerry answered that the general accounting office has examples but they are not all inclusive. There will be times when staff will need to call NALGA to verify.

Jerry then stated that the training requirement is that each member of the Audit staff have at least 80 hours of continuing education every two years with no less than 20 in any one year and 24 of those hours have to be Government related. Currently staff keeps track of all the training hours. In the future, the documentation will be more definitive on the non-audit types of training in order to avoid confusion later. He also talked about the creative ways that staff is providing and receiving training in the current budget environment.

The Committee then discussed how the Peer Review teams are put together.

Councilmember Le Zotte asked for clarification on the identified \$51 million in "opportunities" to increase revenue or reduce costs. She asked what the actual savings were.

Jerry replied that staff would follow up and determine what the actual results were.

With only two members present, the Committee recommended approval of the staff report.

b. Results of the Contract Streamlining Ordinance 6-month Follow-Up Report (City Manager/City Attorney)

Kay Winer, Deputy City Manager gave a summary of the findings over the last six months. She stated that in November 2000 the charter was amended in order to streamline the contract process. The amendment was that contracts under \$100,000 did not have to go to public bid. This resulted in purchasing being removed from the charter and put into the municipal code. This allowed Council the latitude to make revisions through the ordinance process. During the last 6 months (since the last report came to the MGWB Committee), staff continues to see the streamlining results in the form of a 10% reduction to the Council's workload. Additionally, staff would like to consider increasing the dollar amount from \$100,000. General Services has some ideas and would like feedback from the Committee.

Jose Obregon, Director of General Services, stated that the changes made so far are in line with the discussions Council has had with regards to expediting the process of interactions with the business community. Three to four weeks have been taken off of the process time. The question that has been raised is whether or not to raise the limit even further or possibly even eliminate it altogether. The Purchasing Division does 2,000 procurements, commodities, supplies and services. The issue of raising the limit would apply to only commodities and supplies. The City is obligated to award the contract to the lowest bidder. Services require an RFP process so raising the limit does not come in to play. The advantage to raising the limit would be in expediting the process further. One concern would be providing a public venue for any business that may have a question about the process itself. At this time that venue is

provided through Council presentation (for items over \$100,000). An administrative process could be put in place to address any public concerns or issues, but it would not be a public process as is currently the case.

Kay added that if the Committee was interested, staff would do a further analysis to look at the contracts and bid awards that are over \$100,000 (and therefore, go to Council) to see how many of those have actually been appealed. If the percentage seems low but the ability to appeal is still being removed, an administrative appeal process can be developed.

Anna Jaczak, Deputy Director of General Services added that if the Committee is interested in this, staff would bring back alternative suggestions for further discussion.

Councilmember Le Zotte asked what the charter changes were.

Kay replied that the regulation for the purchase of supplies and materials by the Purchasing Division was removed from the charter.

Danielle Kenealey, Attorney's Office added that the charter changes took out specific references to the procurement process for goods and services. City Council then adopted an ordinance to handle this process. Any additional changes would require an additional ordinance change.

Vice Chair Reed asked if raising the limit from \$100,000 to \$200,000 would increase the risk assessment.

Jerry replied that it probably would not.

Vice Chair Reed asked what the purpose of public hearings are.

Kay answered that it is really Council's choice. It depends on the level of authority they would like to retain with regards to contracts.

Councilmember Le Zotte stated that it is a way to monitor spending and to whom the contracts are being awarded too.

Jose added that staff could include this in their review and report the findings in the analysis report.

Vice Chair Reed asked what the timeline would be for the analysis report.

Anna answered that staff could provide an analysis report to the MGWB Committee in three months (March 2004).

With only two members present, the Committee recommended approval of the staff report and requested that staff return to the Committee in March with a follow-up report.

c. San José Fire Department Bureau of Fire Prevention Audit Report (Auditor)

Jerry Silva gave an overview of the audit report including background information, the audit objectives and the two audit Findings. He stated that Finding 1 is that the San José Fire Department needs to improve controls to ensure the completeness of its inspection database.

Councilmember Le Zotte asked what changes the Fire Department will make to improve the inspection process.

Lacy Atkinson, Deputy Fire Chief replied that the department is now recording all facility inspections and pertinent data into the database. Additionally, a policy for periodic review by managers will be put into place.

Councilmember Le Zotte asked if there is a way for Planning, Building and Code Enforcement to help identify some of the buildings that may require fire inspections.

Kay stated that it is actually the Finance Department, through its Business License Unit, that provides this information to the Fire Department.

Jerry added that Finance sends the Fire Department a monthly report of new businesses. The new businesses are required to fill out a questionnaire. Six of the questions relate to fire inspection requirements.

Councilmember Le Zotte asked if that means that inspections are not done on businesses that do not obtain a business permit.

Kay replied that Finance is following up on businesses within the City that do not have licenses. Treasury staff was recently acknowledged for identifying such businesses. This generated \$1 million in business tax revenue for the City. In this process, additional information is provided to Fire Prevention that would identify more businesses to inspect.

The committee requested a three-month follow-up report in March.

Jerry stated that Finding 2 is that the San José Fire Department can improve its inspection program.

Councilmember Le Zotte stated that establishing policies and procedures is a good start but there also needs to be proper supervision to ensure that it all gets accomplished.

Kay suggested that the Fire Department work with the Auditor's Office on a three-month follow-up report.

Councilmember Le Zotte asked who picks up the ball when turnovers occur. She stated that this and risk assessment are both very important factors.

Carl Roberts, Fire Inspector replied that the Workload Analysis would include both concerns.

With only two members present, the Committee recommended approval of the staff report and requested that staff return to the Committee in March with a follow-up report.

d. Oral Petitions

Bill Garbett spoke on the Contract Streamlining Ordinance and on the Fire Prevention Audit (specifically on agricultural expenses and re-inspection fees).

e. Adjournment

The Committee was adjourned at 4:00 P.M.



Councilmember Chuck Reed, Vice Chair,
Making Government Work Better Committee