



Memorandum

TO: Honorable Mayor and City Council **FROM:** Gerald A. Silva, City Auditor

SUBJECT: *COUNCILMEMBER CONCERNS
REGARDING CONSOLIDATED
WATER UTILITY FUND AUDIT* **DATE:** March 7, 2007

This memorandum addresses Councilmember Cortese's question at the March 6, 2007 City Council meeting regarding the number of hours the City Auditor has devoted to performing the Consolidated Water Utility Fund Audit. His review of the Office of the City Auditor's Report of Activities (Monthly Report), Item 2.3 on the Consent Calendar, precipitated his question.

The City Auditor issued his *Report of Activities for the Period December 16, 2006 through January 15, 2007* (Monthly Report) on January 31, 2007. The City Auditor's Monthly Report contains the following sections:

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

Councilmember Cortese referred to the Schedule of Audit Costs section of the Monthly Report, and expressed his concern that the City Auditor was not devoting enough hours to the Consolidated Water Utility Fund Audit. The Schedule of Audit Costs is based on information from the City's Financial Management System (FMS). The City Auditor's Office and all other City offices and departments must wait until month-end close to obtain FMS actuals in order to compile monthly reports. As a result, while the information is accurate, there is a timeliness issue. Specifically, at the time the City Auditor presents his Monthly Report, City Auditor staff has been working at least an additional month on assignments in progress. In addition, cost information compiled from FMS records is nearly two months old. Finally, the City Council was presented with this Monthly Report later than usual due to the year-end furlough which occurred during the reporting period.

The Status of Audit Assignments in Progress section of the City Auditor's Monthly Report more accurately predicts audit work in progress and the timing of report issuance. The Consolidated Water Utility Fund Audit was initiated in late December 2006. As shown in the Status of Audit Assignments in Progress section in the December-January Monthly Report, the City Auditor will issue this audit in April 2007. As of the March 6, 2007 City Council meeting, City Auditor staff has spent 97 hours on the Consolidated Water Utility Fund Audit.

I will be available at the City Council's March 13, 2007 meeting to answer any questions Councilmember Cortese or other City Councilmembers have regarding my January 15, 2007 Monthly Report.

Gerald A. Silva
City Auditor