

Memorandum

TO: RULES AND OPEN GOVERNMENT COMMITTEE
FROM: Sharon W. Erickson, City Auditor
SUBJECT: *Monthly Report of Activities for July and August 2008*
DATE: September 4, 2008

RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for July and August 2008.

SUMMARY OF RESULTS

Charter Section 8.05(e) requires the City Auditor to submit a monthly report to the City Council of our activities, findings, and recommendations. This report summarizes reports issued, other activities, assignments in process, and the status of the City Auditor's Fiscal Year 2008-09 Work Plan during the months of July and August 2008.

Beginning this month, we will be presenting this report to the Rules Committee to facilitate workflow and scheduling. The new format of this report is intended to highlight work in process.

Audit reports issued during the months of July and August:

- **Review of the Department of Public Works' Oversight of the Foxworthy Bridge Project** – The report found that the City private developer agreement process can be improved, and included 4 recommendations to improve processing of future projects. The Public Safety, Finance, and Strategic Support Committee accepted the report and recommendations on August 21, 2008.
- **Review of the 2005-06 Sister City Grant Reimbursement for the Pune Sister City Program** – The report clarified the handling of certain Sister City grant reimbursements and including 5 recommendations to improve management of the Sister Cities Program. The Community and Economic Development Committee heard the report and recommendations on August 25, 2008. Because of a lack of a quorum at that meeting, the City Council will be asked to accept the report and recommendations on September 9, 2008 (consent).
- **Quarterly Bay 101 compliance review first quarter 2008** – The City Council accepted the most recent report of compliance with the 1994 Conditional Approval of Stock Transfer agreement on August 26, 2008.

- **Audit of Retirement Services travel expenses** – The report found that tighter policies could have resulted in more economical travel, that some travelers received more in travel reimbursements than they were entitled to receive, and that improvements are needed to address ethics, transparency, and perceived conflicts of interest. The report included 23 recommendations to improve controls over retirement fund travel expenses. The report is scheduled to be heard by the Police & Fire Retirement Plan Board of Administration on September 4, 2008, by the Federated Retirement Plan Board of Administration on September 11, 2008, and by the Public Safety, Finance, and Strategic Support Committee on September 18, 2008.

Other activities during the months of July and August:

- Met with Finance Department staff to answer questions about our risk assessment process and internal controls.
- Gave a presentation to the General Fund Deficit Stakeholders' Group regarding the role and responsibilities of the City Auditor's Office.
- Met with Macias Gini & O'Connell and Finance and Retirement Department staff to discuss the status of Macias' review of retirement rolls and other audit projects.
- Two new hires, Joseph Rois and Roy Cervantes, began work on August 11, 2008. They will be working on the Service Efforts and Accomplishments Report.
- Senior Program Performance Auditor Lynda Brouchoud left for her new position as Palo Alto City Auditor.

Assignments in process:

1. **Audit of Commercial Solid Waste Franchise and AB939 Fee Collection Program** – The purpose of this audit is to review the Environmental Services Department's fee collection process to determine if the City is effectively monitoring whether fees have been properly paid and collected.
Project status: Fieldwork is complete, and the report is in process.
Anticipated Release Date: Scheduled for the Public Safety, Finance, and Strategic Support Committee on September 18, 2008.
2. **Semi-annual audit recommendation follow-up report** – Status of all outstanding audit recommendations for the six months ended June 30, 2008.
Project Status: Auditors are reviewing documentation and compiling the status report.
Anticipated release date: To be scheduled for the Public Safety, Finance, and Strategic Support Committee on October 16, 2008.
3. **Annual external financial audit and single audit as of June 30, 2008** – Macias Gini & O'Connell is conducting the annual audit of the City's financial transactions.
Project Status: Fieldwork in process.
Anticipated release date: Nov-2008.

4. **Semi-annual compliance audit of the City's investment program** – Macias Gini & O'Connell is conducting this review of the City's pooled portfolio to determine compliance with the City's Investment Policy, internal controls, and department procedures.
Project Status: Fieldwork in process.
Anticipated release date: Nov-2008.
5. **Annual audit of library and park bond funds (Measures O and P) and the Library Parcel Tax Special Revenue Fund (Measure S)** – Macias Gini & O'Connell is conducting these audits as specified in the voter-approved bond measures.
Project Status: Preliminary work in process; fieldwork to begin mid-September.
Anticipated release date: Nov-2008.
6. **Audit of the City's oversight of community based organizations financial reporting and accountability** – To identify efficiencies and improvements in the City's oversight of all forms of financial assistance to community based organizations.
Project Status: Fieldwork is nearly complete; we are conducting a series of pre-exit meetings to discuss preliminary findings and recommendations with staff that have oversight responsibilities for various forms of financial assistance.
Anticipated release date: TBD.
7. **Audit of Workers' Compensation** – The purpose of this review is to assess the impact of state reforms and local cost containment efforts.
Project Status: Fieldwork in process.
Anticipated release date: TBD.
8. **Audit of San Jose Conservation Corps agreements** – To review contract compliance and oversight of the various agreements between the City and the Conservation Corps.
Project Status: Fieldwork in process.
Anticipated release date: TBD.
9. **Audit of auto theft investigations** – To assess workload, communication of information, and completeness and accuracy of auto theft data.
Project Status: Held entrance conference, completed preliminary survey and risk assessment, and held a second conference with Police Department management to discuss our scope and objectives. Audit fieldwork in process.
Anticipated release date: TBD.
10. **Audit of Parks Trust Fund administration** – To review policies and procedures for reconciling revenues and expenditures, improving recordkeeping, interdepartmental coordination, and timely disbursement of funds.
Project Status: Preliminary work in process.
Anticipated release date: TBD.
11. **Service Efforts and Accomplishments Report** – First annual report providing information about the cost, quality, quantity, and timeliness of City services. The report

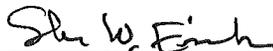
will incorporate existing performance measurement data, showing 5-10 year historical trends, comparisons to other cities, and the results of previous resident surveys.

Project Status: Initial planning and data gathering in process.

Anticipated release date: Dec-2008.

Information on the status of the City Auditor's FY 2008-09 Work Plan is attached. On behalf of the Auditor's Office, I would like to express my appreciation to City staff for their cooperation and assistance during our reviews.

Respectfully submitted,



Sharon W. Erickson
City Auditor

SE:bh

Attachment: Status of the City Auditor's FY 2008-09 Work Plan

**Status of the City Auditor's FY 2008-09 Work Plan¹
as of August 31, 2008**

	Preliminary Survey	Risk Assessment	Audit Field Work	Report Writing	Projected Issuance Date ²
Assignments Completed					
Foxworthy Bridge Replacement	Completed	Completed	Completed	Completed	August 2008
Sister City Grant Reimbursements	N/A	N/A	Completed	Completed	August 2008
Bay 101 Compliance Review for Quarter Ended 3/31/08	N/A	N/A	N/A	Completed	August 2008
Retirement Services Travel Expenses	Completed	Completed	Completed	Completed	August 2008
Assignments In Process					
Commercial Solid Waste Franchise Fees and AB 939 Fees	Completed	N/A	Completed	In Process	September 2008
Recommendations Follow-Up Report as of June 30, 2008	N/A	N/A	In Process		October 2008
Annual External Financial Audit and Single Audit as of June 30, 2008	N/A	N/A	In Process		November 2008
Semi-Annual Compliance Audit of the City's Investment Program as of June 30 th and December 30, 2008	N/A	N/A	In Process		November 2008
Annual Audit of Library and Park Bond funds (Measures O & P) From Inception Through June 30, 2008	N/A	N/A	In Process		November 2008
Library Parcel Tax Special Revenue Fund (Measure S) From Inception Through June 30, 2008	N/A	N/A	In Process		November 2008
CBO Financial Reporting and Accountability	Completed	Completed	In Process		
Workers' Compensation	Completed	Completed	In Process		
San Jose Conservation Corps Agreements	Completed	Completed	In Process		
Auto Theft Investigations	Completed	Completed	In Process		
Park Trust Fund Administration	In Process				
Service Efforts and Accomplishments (SEA) Report	In Process				December 2008
Assignments Not Yet Started					
Retirement Rolls ³					
Annual Review of Team San Jose Performance					
Redevelopment DDAs – Museum Park					
Decentralized Cash Handling					
Major City Contracts					
Permitting Process for High-Rise Residential					
Employee Health Benefits					
Police Sworn/Non-Sworn Staffing Ratios					
Community Center Staffing					
Traffic Control at Road Construction Projects					
Animal Care and Services					

¹ The approved work plan is on the web at www.sanjoseca.gov/auditor/workplan.asp

² 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.

³ Macias Gini & O'Connell currently is conducting agreed upon procedures to determine the accuracy of pensionable salaries, contributions and adjustments. At the conclusion of their review, we will assess the need for additional work in this area.