



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Kerrie Romanow  
Sharon Erickson  
Jennifer A. Maguire

**SUBJECT: ENVIRONMENTAL SERVICES  
FUNDING FOR CITY AUDITOR  
SERVICES**

**DATE:** May 25, 2012

---

Approved  Date *5/25/12*

---

## RECOMMENDATION

Approve the following amendments to the 2012-2013 Proposed Budget as follows:

- a. Establish an appropriation to the City Auditor's Office for Personal Services in the San José/Santa Clara Treatment Plant Operating Fund in the amount of \$69,420;
- b. Increase the appropriation for Overhead in the San José/Santa Clara Treatment Plant Operating Fund by \$9,996;
- c. Decrease the Ending Fund Balance in the San José/Santa Clara Treatment Plant Operating Fund by \$79,416;
- d. Establish an appropriation to the City Auditor's Office for Personal Services in the Integrated Waste Management Fund in the amount of \$11,748;
- e. Increase the appropriation for Overhead in the Integrated Waste Management Fund by \$1,829;
- f. Decrease the Ending Fund Balance in the Integrated Waste Management Fund by \$13,577;
- g. Establish an appropriation to the City Auditor's Office for Personal Services in the Storm Sewer Operating Fund in the amount of \$10,680;
- h. Increase the appropriation for Overhead in the Storm Sewer Operating Fund by \$2,032;
- i. Decrease the Ending Fund Balance in the Storm Sewer Operating Fund by \$12,712;
- j. Establish an appropriation to the City Auditor's Office for Personal Services in the Sewer Service and Use Charge Fund in the amount of \$8,544;
- k. Increase the appropriation for Overhead in the Sewer Service and Use Charge Fund by \$2,276;
- l. Decrease the Ending Fund Balance in the Sewer Service and Use Charge Fund by \$10,820;
- m. Establish an appropriation to the City Auditor's Office for Personal Services in the Water Utility Fund in the amount of \$6,408;
- n. Increase the appropriation for Overhead in the Water Utility Fund by \$1,420;
- o. Decrease the Ending Fund Balance in the Water Utility Fund by \$7,828;

May 25, 2012

**Subject: Environmental Services Funding for Audit Services**

Page 2

- p. Increase the 2013-2014 Future Deficit Reserve by \$17,553 or distribute this funding as part of the 2012-2013 budget process; and
- q. Approve the addition of 1.0 Program Performance Auditor I.

### **BACKGROUND**

The Environmental Services Department handles millions of dollars of ratepayer funds used for wastewater treatment, water delivery, pollution prevention, refuse and recycling, and storm water services. In addition, the Department is embarking on a multi-billion dollar rehabilitation project of the Water Pollution Control Plant.

Since 2008-2009, the Office of the City Auditor has reduced staffing by nearly one-third, and a supervisory layer has been removed. The staffing reductions have impacted the quantity of work produced. As recommended in the Manager's Budget Addendum #5, 1.0 vacant Supervising Auditor position and 1.0 vacant Senior Program Performance Auditor position are deleted in order to add 3.0 Program Performance Auditor I positions. With MBA#5 and this MBA, audit staffing dedicated to conducting performance audits of City programs will allow for increased audit services city-wide.

The June 2011 Budget Message for Fiscal Year 2011--2012 included direction to add a staffing and management audit of the Environmental Services Department with a special focus on how ratepayer funds are used, including a review of the Water Pollution Control Plant rehabilitation project for opportunities to reduce the cost of the project, expedite the project, and create savings for ratepayers. That project is underway. Additional audit projects will be proposed as part of the City Auditor's Fiscal Year 2012-2013 Audit Work Plan.

### **ANALYSIS**

In order to ensure that the multi-billion dollar Water Pollution Control Plant program as well as all the other rate payer programs are implemented in the most effective and efficient manner, the Environmental Services Department is requesting additional audit resources through this proposal. Adding 1.0 Program Performance Auditor I position to the Office of the City Auditor will provide the additional resources needed to perform audit services for the Department of Environmental Services, increasing oversight and monitoring of ratepayer funds.

### **COORDINATION**

This memorandum has been coordinated with the Mayor's Budget Office.

/s/  
KERRIE ROMANOW  
Acting Director ESD

/s/  
SHARON W. ERICKSON  
City Auditor

  
JENNIFER A. MAGUIRE  
Budget Director