

Memorandum

TO: RULES AND OPEN GOVERNMENT COMMITTEE
FROM: Sharon W. Erickson, City Auditor
SUBJECT: *Monthly Report of Activities for April 2009*
DATE: May 7, 2009

RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for April 2009.

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 month of April 2009.

Audit Reports Issued During the Month of April:

- **Audit of the City of San Jose's Workers' Compensation Program.** We audited the Workers' Compensation Program to assess the impact of State reforms and local cost containment efforts. We found that in spite of improvements, the cost of the City's Workers' Compensation Program is higher than comparable California cities and counties. The report included seven recommendation, which were accepted at the April 16, 2009 Public Safety, Finance and Strategic Support (PSFSS) Committee and at the April 28, 2009 City Council Meeting.
- **Semi-Annual Follow-Up Report On All Outstanding Audit Recommendations For The Six Months Ended December 31, 2008** – The report gave the status of the 110 recommendations outstanding from all previous audit reports, including the 63 new recommendations made since our last semi-annual report. During this reporting period, thirty five recommendations were fully implemented. We presented the report at the April 16, 2009 Public Safety, Finance and Strategic Support Committee Meeting and at the April 28, 2009 City Council Meeting.
- **Annual Audit of Library and Park Bond Funds (Measures O and P) and the Library Parcel Tax Special Revenue Fund (Measure S)** – Under our oversight, Macias, Gini & O'Connell LLP conducted these audits as specified in the voter-approved bond measures. We presented the reports to the Parks and Recreation Bond Committee on April 1, 2009 and to the Library's Parcel Tax and Bond Oversight Committees on

April 8, 2009. The reports were accepted by the City Council at the April 28, 2009 City Council Meeting.

Other Activities During the Month of April:

- The Association of Government Accountants (AGA) awarded the City Auditor's Office the Gold Certificate of Achievement for San Jose's first annual Service Efforts and Accomplishments Report 2007-08 (SEA Report). The AGA gave the report its highest award for excellence in SEA reporting. AGA was particularly impressed by the consistent, easy-to-follow framework, presenting 5-year trends, and using a mix of charts, tables, and diagrams.

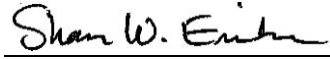
Assignments in Process:

1. **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: The audit of six months ended June 30, 2008 was issued in February 2009. The audit for the six months ended December 31, 2008 has been completed.
Anticipated Release Date: The report will be distributed as an attachment to the Finance Department's next Quarterly Investment Report, scheduled for the PSFSS Committee meeting on May 21, 2009.
2. **Audit of Auto Theft Investigations** – To assess workload, communication of information, and completeness and accuracy of auto theft data.
Project Status: A final draft was issued and exit conferences were held. The City Manager's Office requested additional time to prepare their response to the final report draft because of City budget preparation priorities.
Anticipated Release Date: Scheduled for the PSFSS Committee on May 21, 2009.
3. **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: An exit conference was held and a final draft report was sent out for comment. The Corps has requested additional time to review the findings, and we have agreed to delay issuance of our final report to allow for review of the findings by their Board.
Anticipated Release Date: Scheduled for the PSFSS Committee on May 21, 2009.
4. **Audit of Employee Health Benefits** – The purpose of this audit is to evaluate the City's Health Benefits Program and identify areas where the City can realize savings and improve service delivery.
Project Status: A preliminary draft was issued.
Anticipated Release Date: June 2009.

5. **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: An entrance conference was held and preliminary survey is in process.
Anticipated Release Date: TBD.
6. **Audit of Animal Care and Services** – The Animal Care and Services Division provides spay and neuter programs, animal licensing programs, patrol services, animal adoption and rescue programs, and medical services for homeless animals. The Division is responsible for all animal field services for the City of San Jose and the contract cities of Cupertino, Los Gatos, Milpitas, and Saratoga. The focus of our review is the cost-recovery status of fees and charges, including services provided to other jurisdictions.
Project Status: Audit fieldwork is in process.
Anticipated Release Date: TBD.
7. **Service Efforts and Accomplishments (SEA) Follow-up** – Report on what we learned during the preparation of the 2007-08 SEA report to help streamline and enhance the performance measurement and reporting process and encourage performance management.
Project Status: A draft report is circulating for comment.
Anticipated Release Date: TBD.
8. **Audit of the City’s Management of Federal Stimulus Funds** – The City expects to receive millions of dollars of Federal Stimulus monies through the American Recovery and Reinvestment Act. The Office will monitor Federal and State guidelines regarding the significant accountability and transparency provisions in the Act and will conduct audits of funds as needed on a real time basis.
Project Status: Preliminary survey in process.
Anticipated Release Date: TBD.
9. **Sworn/Non-Sworn** – This audit will assess the efficiency and effectiveness of current deployment of sworn versus non-sworn Police Department employees. This review will follow up on a recommendation raised in the January 2008 Management Partners report.
Project Status: Preliminary Survey in process.
Anticipated Release Date: TBD.
10. **Decentralized Cash Handling** – Revenue in the form of cash, checks, and credit cards is collected throughout the City at many locations. The audit will identify strategies and processes to increase accountability where cash handling is currently decentralized.
Project Status: Preliminary Survey complete. Risk Assessment in process.
Anticipated Release Date: TBD.
11. **Retirement Rolls** – The audit will review time reporting and payroll processes in so far as they impact pension rates and pensionable hours, describe City earnings codes and their governance, and the administrative process for determining pension rates and pensionable hours. We will also examine risks around City earning codes.
Project Status: Risk Assessment in process.
Anticipated Release Date: TBD.

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 April 30, 2009**

| | Preliminary Survey | Risk Assessment | Audit Field Work | Report Writing | Projected Issuance Date² |
|---|---------------------------|------------------------|-------------------------|-----------------------|--|
| Assignments Completed | | | | | |
| Workers' Compensation | Completed | Completed | Completed | Completed | April 2009 |
| Recommendations Follow-Up Report as of Dec. 31, 2008 | N/A | N/A | Completed | Completed | April 2009 |
| Annual Audit of Library and Park Bond Funds (Measures O & P) From Inception Through June 30, 2008 | N/A | N/A | Completed | Completed | April 2009 |
| Library Parcel Tax Special Revenue Fund (Measure S) From Inception Through June 30, 2008 | N/A | N/A | Completed | Completed | April 2009 |
| Semi-Annual Compliance Audit of the City's Investment Program as of June 30, 2008 | N/A | N/A | Completed | Completed | February 2009 |
| Annual Review of Team San Jose Performance | Completed | N/A | Completed | Completed | February 2009 |
| Service Efforts and Accomplishments (SEA) Report | N/A | N/A | Completed | Completed | January 2009 |
| Bay 101 Compliance Review for Quarter Ended 9/30/08 | N/A | N/A | N/A | Completed | December 2008 |
| Annual Single Audit as of June 30, 2008 | N/A | N/A | Completed | Completed | December 2008 |
| CBO Financial Reporting and Accountability | Completed | Completed | Completed | Completed | November 2008 |
| Annual External Financial Audit as of June 30, 2008 | N/A | N/A | Completed | Completed | October 2008 |
| Recommendations Follow-Up Report as of June 30, 2008 | N/A | N/A | Completed | Completed | October 2008 |
| Commercial Solid Waste Franchise Fees and AB 939 Fees | Completed | N/A | Completed | Completed | September 2008 |
| Bay 101 Compliance Review for Quarter Ended 6/30/08 | N/A | N/A | N/A | Completed | September 2008 |
| 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 | | | | | |
| Auto Theft Investigations | Completed | Completed | Completed | In Process | May 2009 |
| San Jose Conservation Corps Agreements | Completed | Completed | Completed | In Process | May 2009 |
| Semi-Annual Compliance Audit of the City's Investment Program as of December 30, 2008 | N/A | N/A | Completed | In Process | May 2009 |
| Employee Health Benefits | Completed | Completed | Completed | In Process | June 2009 |
| Service Efforts and Accomplishments Follow-Up | N/A | N/A | Completed | In Process | TBD |
| Animal Care and Services | Completed | Completed | In Process | | |
| Park Trust Fund Administration | Completed | Completed | In Process | | |
| Decentralized Cash Handling | Completed | In Process | | | |
| Retirement Rolls | Completed | In Process | | | |
| Federal Stimulus Funds Oversight | In Process | | | | |
| Police Sworn/Non-Sworn Staffing Ratios | In Process | | | | |
| Assignments Not Yet Started | | | | | |
| Redevelopment DDAs – Museum Park | | | | | |
| Major City Contracts | | | | | |
| Permitting Process for High-Rise Residential | | | | | |
| Community Center Staffing | | | | | |
| Traffic Control at Road Construction Projects | | | | | |

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.