

Memorandum

TO: RULES AND OPEN GOVERNMENT COMMITTEE
FROM: Sharon W. Erickson, City Auditor
SUBJECT: *Monthly Report of Activities for June and July, 2010*
DATE: July 30, 2010

RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for June and July, 2010.

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 2009-10 Work Plan during the months of June and July, 2010.

Audit Reports Issued During the Months of June and July:

- 1. Expenditure Review of the Santa Clara County Cities Association** – We reviewed the Association's expenditures to determine whether they are being accurately reported to their Board of Directors and whether controls are in place to protect the Association's assets. The report was issued in June and will be presented at the August 19, 2010 meeting of the Public Safety, Finance and Strategic Support Committee.

Activities During the Months of June and July:

- Met with members of the Government Accounting Office (GAO) to discuss completed, ongoing, and planned oversight of Recovery Act funds in the San Jose, among other issues.
- Hosted a group from the China National Auditing Office (CNAO).
- Attended the June Police & Fire and Federated Retirement Board meetings to provide an update on current audits of interest to the boards.

- Alison McInnis joined the office for the summer as part of Stanford University’s *Stanford in Government* Fellowship Program. Alison grew up in downtown San Jose and graduated from Presentation High School before entering Stanford. She will be assisting on the Police Management audit.
- On June 23, 2010, the Rules and Open Government Committee approved the City Auditor’s Proposed Fiscal Year 2010-11 Work Plan.

Assignments in Process:

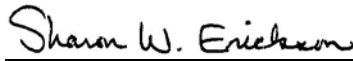
- 1. Take-home Vehicles** – To assess the cost and reasonableness of current practices and potential opportunities to reduce the number of take-home vehicles.
Project Status: Fieldwork in process.
Anticipated Release Date: TBD.
- 2. Procurement Card Transactions** – To test departmental compliance with the City’s Procurement Card Policy.
Project Status: Fieldwork in process.
Anticipated Release Date: TBD.
- 3. Pension Costs** – To assess the long-term sustainability of pension benefits and the potential impact of retiree benefit payments on City operations.
Project Status: Fieldwork in process.
Anticipated Release Date: TBD.
- 4. Disability Retirements** – To assess potential factors leading to a high disability retirement rate in the City of San Jose.
Project Status: Fieldwork in process.
Anticipated Release Date: TBD.
- 5. Airport Concession Agreements** – This audit is the second in a series of audits of large contracts. It focuses on food, beverage, and retail concession agreements.
Project Status: Fieldwork in process.
Anticipated Release Date: TBD.
- 6. <<NEW>> Police Management** – The Mayor’s June Budget Message for Fiscal Year 2010-11 directed the Auditor’s Office to identify opportunities for efficiencies and consolidation in the Police Department that would maximize the number of officers on patrol, including four proposals by Councilmember Constant.
Project Status: Fieldwork in process.
Anticipated Release Date: TBD.

7. <<NEW>> **Annual External Financial Audit as of June 30, 2010** – Macias, Gini & O’Connell LLP is conducting the annual audit.
Project Status: Fieldwork in process.
Anticipated Release Date: November 2010

8. <<NEW>> **Semi-annual Review of the City’s Investment Program as of December 31, 2010** – Macias, Gini & O’Connell LLP is conducting the audit.
Project Status: Fieldwork in process.
Anticipated Release Date: August 2010

Information on the status of the City Auditor’s FY 2009-10 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 2009-10 Work Plan

**Status of the City Auditor's FY 2009-10 Work Plan¹
as of July, 2010**

	Preliminary Survey	Risk Assessment	Audit Field Work	Report Writing	Projected Issuance Date²
Assignments Completed					
Santa Clara County Cities Association Expenditures	Completed	Completed	Completed	Completed	June 2010
Financial Scan of Community-Based Organizations	Completed	Completed	Completed	Completed	April 2010
Card Room Oversight	Completed	Completed	Completed	Completed	April 2010
Airport Parking Management Agreement	Completed	Completed	Completed	Completed	April 2010
Semi-annual Audit Recommendation Status Reports For the 6 Months Ended December 31, 2009.	N/A	N/A	N/A	Completed	March 2010
Review of Community Center Staffing	Completed	Completed	Completed	Completed	March 2010
DOT Sewer Line Cleaning Program	Completed	Completed	Completed	Completed	March 2010
Redevelopment DDAs – Legacy Partners-Museum Park	Completed	Completed	Completed	Completed	February 2010
Decentralized Cash Handling	Completed	Completed	Completed	Completed	February 2010
Civilianization Opportunities in the Police Department	Completed	Completed	Completed	Completed	January 2010
2008-09 Annual Audit of Team San Jose	N/A	N/A	Completed	Completed	January 2010
Annual Single Audit and Management Letter	N/A	N/A	Completed	Completed	January 2010
Annual Service Efforts and Accomplishments 2008-09	N/A	N/A	Completed	Completed	January 2010
Pensionable Earnings and Time Reporting	Completed	Completed	Completed	Completed	December 2009
Biennial Peer Review	N/A	N/A	Completed	Completed	November 2009
Annual Audits of Library Bond Project Fund, Parks and Recreation Bond Project Fund, Library Parcel Tax Revenue Fund, and Public Safety Bond Project Fund	N/A	N/A	Completed	Completed	November 2009
Annual External Financial Audit	N/A	N/A	Completed	Completed	November 2009
Compliance Review of the City's Investment Program	N/A	N/A	Completed	Completed	November 2009
Recovery Act Funds - First Quarterly Reports	N/A	N/A	Completed	Completed	November 2009
Animal Care and Services	Completed	Completed	Completed	Completed	October 2009
Semi-annual Audit Recommendation Status Reports For the 6 Months Ended June 30, 2009	N/A	N/A	Completed	Completed	October 2009
Park Trust Fund Administration	Completed	Completed	Completed	Completed	September 2009
Service Efforts and Accomplishments Follow-Up	N/A	N/A	Completed	Completed	September 2009
Assignments In Process					
Pension Costs	Completed	Completed	In Process		
Procurement Card Transactions	Completed	Completed	In Process		
Disability Retirements	Completed	Completed	In Process		
Take-home Vehicles	Completed	Completed	In Process		
Airport Concessions	Completed	Completed	In Process		
<<FY 2010-11 Work Plan>> Police Management	Completed	Completed	In Process		
<<FY 2010-11 Work Plan>> Annual External Financial Audit	N/A	N/A	In Process		
<<FY 2010-11 Work Plan>>Semi-annual Review of the City's Investment Policy	N/A	N/A	In Process		
Assignments Not Yet Started					
Police Secondary Employment					
Personnel Costs					
Information Technology General Controls					
Traffic Citation Revenue					
Affordable Housing Fee Exemptions					
Housing Department Programs					
Contract Documentation and Insurance					
Community Code Enforcement					
Audit of a Community-based Organization TBD					

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.