

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

SUBJECT: *Monthly Report of Activities for
October, 2010*

FROM: Sharon W. Erickson,
City Auditor

DATE: November 4, 2010

RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for October, 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 2010-11 Work Plan during the month of October, 2010.

Audit Reports Issued During the Month of October:

- 1. Semi-Annual Follow-up Report On All Outstanding Audit Recommendations For the Six Months Ended June 30, 2010** – The report gave the status of the 162 recommendations outstanding from all previous audit reports, including the 79 new recommendations made since our last semi-annual report. During this reporting period, 30 recommendations became fully implemented. The report was accepted at the October 21, 2010 Public Safety, Finance and Strategic Support (PSFSS) Committee meeting and at the November 2, 2010 City Council Meeting.
- 2. Take-home Vehicles** – Our report assessed the cost and reasonableness of current practices and potential opportunities to reduce the number of take-home vehicles. The report made 11 recommendations, was accepted at the October 21, 2010 Public Safety, Finance and Strategic Support (PSFSS) Committee meeting, and is scheduled for the November 9, 2010 City Council meeting.
- 3. Airport Concession Agreements** – This audit was the second in a series of audits of large contracts with the Airport. The report focused on food, beverage, and retail concession agreements and made 3 recommendations. The report was accepted at the October 21, 2010 Public Safety, Finance and Strategic Support (PSFSS) Committee meeting and at the November 2, 2010 City Council Meeting.

Other Activities During the Month of September:

- Presented the Pension Sustainability audit (issued September 2010) to the General Fund Structural Budget Deficit Elimination Plan Stakeholder Group, the Police and Fire Department Plan Board of Administration, the Federated City Employees Retirement System Board of Administration, the October 21, 2010 Public Safety, Finance and Strategic Support (PSFSS) Committee, the October 26, 2010 City Council Meeting, and a brown bag “Straight Talk” session for City employees.

Assignments in Process:

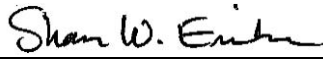
- 1. Annual External Financial Audit as of June 30, 2010** – Macias, Gini & O’Connell LLP is conducting the annual audit.
Project Status: Report writing is in process.
Anticipated Release Date: November 2010.
- 2. Annual Review of Team San Jose, Inc. Performance for Fiscal Year Ended June 30, 2010** – The purpose of our annual review is to determine whether Team San Jose met its performance metrics and other key requirements in the management agreement between the City and Team San Jose. On August 18, 2010, the City issued a notice of default after determining that Team San Jose’s expenditures in FY2009-10 exceeded the approved budget by more than \$750,000. As a result, the scope of our review will be broader this year than in previous years.
Project Status: Report writing in process.
Anticipated Release Date: November 2010; tentatively scheduled to be heard at the December 7, 2010 City Council meeting.
- 3. 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: Report writing in process.
Anticipated Release Date: December 2010.
- 4. <<NEW >> Service Efforts and Accomplishments (SEA) Report** – Third annual report providing data about the cost, quality, quantity, and timeliness of City services. The purpose of SEA reporting is to strengthen public accountability and help improve government efficiency and effectiveness. It incorporates existing performance measurement data, showing five-year historical trends, a variety of comparisons to other cities, and the results of resident surveys.
Project Status: Data is being collected and report writing is in process.
Anticipated Release Date: December 2010 (tentative).

5. **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.

6. <<NEW>> **Personnel Costs** – Review of labor costs, including overtime, premium pay, step increase, and leave costs.
Project Status: Held an entrance conference with City staff. Preliminary Survey in process.
Anticipated Release Date: TBD.

Information on the status of the City Auditor's FY 2010-11 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 2010-11 Work Plan

**Status of the City Auditor's FY 2010-11 Work Plan¹
as of October, 2010**

	Preliminary Survey	Risk Assessment	Audit Field Work	Report Writing	Projected Issuance Date²
Assignments Completed					
Audit recommendation status report as of 6/30/10	N/A	N/A	Completed	Completed	October 2010
Take-home Vehicles	Completed	Completed	Completed	Completed	October 2010
Airport Concessions	Completed	Completed	Completed	Completed	October 2010
Pension Sustainability	Completed	Completed	Completed	Completed	September 2010
Procurement Card Transactions	Completed	Completed	Completed	Completed	September 2010
Review of the City's Investment Program as of 12/31/09	N/A	N/A	Completed	Completed	August 2010
Assignments In Process					
Annual External Financial Audit	N/A	N/A	Completed	In Process	November 2010
Annual Review of Team San Jose, Inc. Performance	Completed	Completed	Completed	In Process	November 2010
Review of the City's Investment Program as of 6/30/10	N/A	N/A	In Process	In Process	November 2010
Police Management	Completed	Completed	Completed	In Process	December 2010
Service Efforts and Accomplishments (SEA) Report	N/A	N/A	In Process	In Process	December 2010
Annual Audits of Bond & Parcel Tax Measures	N/A	N/A	In Process	In Process	December 2010
Disability Retirements	Completed	Completed	In Process		
Personnel Costs	In Process				
Assignments Not Yet Started					
Housing Programs					
Second Annual Financial Scan of CBOs					
Santa Clara County Cities Association					
Supplemental Military Pay Calculations and Processing					
Recovery Act Funding					
Audit Recommendation Status Report as of 12/31/10					
Traffic Citation Revenue					
Police Department Secondary Employment					
Fire Department Performance Measures					
Form 700 Filers					
City Open Purchase Orders for Office Supplies					
Information Technology General Controls					
Cardroom Oversight					
Redevelopment Agency Development Agreements					

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.