

**TO:** RULES AND OPEN  
GOVERNMENT COMMITTEE

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

**FROM:** Sharon W. Erickson,  
City Auditor

**DATE:** October 1, 2010

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## RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for September, 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 September, 2010.

### **Audit Reports Issued During the Month of September:**

1. **Procurement Card Transactions** – Our audit tested departmental compliance with the City's Procurement Card Policy. The report made 8 recommendations and was accepted at the September 16, 2010 PSFSS Committee meeting and at the September 28, 2010 City Council meeting.
2. **Pension Sustainability** – Our report assessed the impact of rising pension costs, major cost drivers of the City's pension plans, and pension reform alternatives. The report includes 6 recommendations and is scheduled for the October 21 PSFSS Committee.

### **Other Activities During the Month of September:**

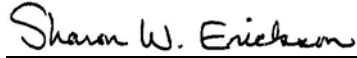
- The City Auditor participated in the first meeting of the reconvened General Fund Structural Deficit Elimination Plan Task Force regarding retirement reform.
- City Auditor staff members made a presentation on performance auditing to a class of accounting students at San Jose State University.

**Assignments in Process:**

- 1. Semi-Annual Follow-up Report On All Outstanding Audit Recommendations For the Six Months Ended June 30, 2010**  
**Project Status:** Report writing in process.  
**Anticipated Release Date:** Scheduled for the October 21, 2010 PSFSS Committee.
- 2. 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:** Report writing in process.  
**Anticipated Release Date:** Scheduled for the October 21, 2010 PSFSS Committee.
- 3. 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:** Report writing in process.  
**Anticipated Release Date:** Scheduled for the October 21, 2010 PSFSS Committee.
- 4. Annual External Financial Audit as of June 30, 2010** – Macias, Gini & O’Connell LLP is conducting the annual audit.  
**Project Status:** Entrance conferences have been held and fieldwork is in process.  
**Anticipated Release Date:** November 2010.
- 5. 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:** Fieldwork in process.  
**Anticipated Release Date:** November 2010.
- 6. 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.
- 7. 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.

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,



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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 Plan<sup>1</sup>  
as of September, 2010**

	<b>Preliminary Survey</b>	<b>Risk Assessment</b>	<b>Audit Field Work</b>	<b>Report Writing</b>	<b>Projected Issuance Date<sup>2</sup></b>
<b>Assignments Completed</b>					
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
<b>Assignments In Process</b>					
Audit recommendation status report as of 6/30/10	N/A	N/A	In Process	In Process	October 2010
Take-home Vehicles	Completed	Completed	Completed	In Process	October 2010
Airport Concessions	Completed	Completed	Completed	In Process	October 2010
Annual External Financial Audit	N/A	N/A	In Process		
Annual Review of Team San Jose, Inc. Performance	Completed	Completed	In Process		
Disability Retirements	Completed	Completed	In Process		
Police Management	Completed	Completed	In Process		
Annual Audits of Bond & Parcel Tax Measures	N/A	N/A	In Process		
<b>Assignments Not Yet Started</b>					
Personnel Costs					
Service Efforts and Accomplishments (SEA) Report					
Information Technology General Controls					
Review of the City's Investment Program as of 6/30/10					
Housing Programs					
Recovery Act Funding					
Police Department Secondary Employment					
Traffic Citation Revenue					
Second Annual Financial Scan of CBOs					
Audit Recommendation Status Report as of 12/31/10					
Cardroom Oversight					
Supplemental Military Pay Calculations and Processing					
Form 700 Filers					
Fire Department Performance Measures					
Santa Clara County Cities Association					
Redevelopment Agency Development Agreements					
City Open Purchase Orders for Office Supplies					

<sup>1</sup> The approved work plan is on the web at [www.sanjoseca.gov/auditor/workplan.asp](http://www.sanjoseca.gov/auditor/workplan.asp)

<sup>2</sup> 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.