

AUDIT ASSIGNMENTS

The list of audit assignments for FY 2023-24 includes a mix of audits already in process, recurring projects, and additional audits that address a range of concerns consistent with the City Auditor's areas of responsibility. The number of projects reflects our current performance target of 1.5 audit projects per auditor. This list of projects below reflects the Office's original proposed work plan that was approved by the Rules and Open Government Committee (Rules Committee) on August 2023¹ and changes to the work plan that were approved by the Rules Committee during the year (see projects #14 and #20).

In December 2020, the City Council directed that the City Auditor's annual work plan include performance audits of at least three constituent-facing departments, the purpose of which should be to identify cost savings and process efficiencies.² In addition, audits of constituent-facing departments should reoccur every four years. This work plan satisfies the City Council's direction, with audits covering programs in the departments of Environmental Services; Housing; Parks, Recreation and Neighborhood Services: Planning, Building and Code Enforcement; and Public Works. The work plan also includes two audits that may cover multiple departments. These are the audit of language accessibility (#5) and access to services to marginalized communities (#15).

Each audit listed includes a tentative, high-level objective that will be refined during the scoping phase of the audit project.

Audits in process:

1. **Integrated Waste Management Enforcement Program** – Evaluation of the Integrated Waste Management (IWM) Enforcement Program's service delivery. (*IWM ranked high on the Citywide risk assessment; open audit request related to IWM*) Target date: Sep-2023
2. **Performance measure reviews** – Recurring projects to assess the validity and usefulness of performance metrics by City departments, programs, or City Service Areas. The first review is related to the Housing Department. This work is intended to be ongoing to augment the Annual Services Report and assist the Administration to enhance the City's performance management systems in alignment with the "Outcome, Equity Indicators, and Performance Management" City Roadmap initiative. (*Councilmembers have made requests about the City's performance measurement and management in prior years*) Target date: Sep-2023
3. **Building Permitting** – Assess the timeliness of the building permit process for single-family residential additions or alterations, including accessory structures. (*Councilmember request*) Target date: Nov-2023
4. **Non-management employee performance appraisals** – "% of Non-Management Employee Performance Appraisals Completed on Schedule" is a dashboard performance measure in the Adopted Operating Budget's Strategic Support City Service Area. According to data provided to the City Auditor's Office for the Annual Services Report, just 52 percent of non-management employees had on-time performance appraisals in FY 2020-21. (*Open audit request and the Lead and Manage the Organization core service ranked high on the Citywide risk assessment*) Target date: Dec-2023
5. **Language Accessibility** – Assess City communications for compliance with the City's Language Equity Policy. (*City Manager's Office Lead and Manage the Organization core service ranked high on the Citywide risk assessment*) Target date: Feb-2024

¹ <https://www.sanjoseca.gov/home/showpublisheddocument/104185/638271888942370000>

² For more information see <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4700466&GUID=E5EDF9DA-6660-4DF9-90C9-A5720C35F33C&Options=&Search=>

Annual/recurring projects:

6. **Semi-annual audit recommendation status reports** (on-going) – The City Auditor’s Office will maintain an online dashboard of audit recommendations and issue a report on the implementation status of all open audit recommendations as of June 30th and December 31st. Target dates: Sep-2023 and Mar-2024.
7. **Annual Performance Review of Team San Jose and the Convention and Visitors Bureau** (as required in the City’s agreements with Team San Jose) – Annual review to determine whether Team San Jose met their performance metrics as of June 30, 2022. Target date: Nov-2023.
8. **Biennial peer review for FYs 2021-22 and 2022-23** (contracted audit service) – The City Charter requires a performance audit of the Office of the City Auditor be conducted at least once every two years. To fulfill this requirement, the Office participates in the Association of Local Government Auditors’ peer review program. The last peer review was conducted in 2021. Target date: Oct-2023
9. **Annual Services Report** (on-going) – 16th annual report providing data about the cost, quality, quantity, and timeliness of City services. The report incorporates existing performance measurement data, showing ten-year historical trends, a variety of comparisons to other cities, and the results of resident surveys. Target date: Dec-2023.
10. **Annual external financial audit and single audit** (contracted audit service) – The City Charter requires an annual audit of the City’s financial transactions. The independent certified public accounting firm Macias Gini & O’Connell LLP (MGO) will conduct the annual audits of the Annual Comprehensive Financial Reports of the City and the Airport. MGO will also conduct audits of the financial statements of the Successor Agency to the Redevelopment Agency, Convention Center, Deferred Compensation, Tier 3 Defined Contribution Plan, Voluntary Employee Beneficiary Association (VEBA), Metropolitan Transportation Commission (MTC) grant compliance, South Bay Water Recycling, San José Clean Energy (SJCE), and the Single Audit (including Airport passenger facility charges and customer facility charges). Target date: Dec-2023.
11. **Annual audits of voter-approved bond and parcel tax measures** (contracted audit service) – MGO will conduct audits of the Branch Library Bond Projects Fund, the Parks and Recreation Bond Projects Fund, the Library Parcel Tax Fund, and the Public Safety and Infrastructure (“Measure T”) Bond Fund satisfying the City’s obligation for guaranteed annual audits. Target date: Oct-2023.
12. **Semi-annual compliance reviews of the City’s investment program** (contracted audit service) – The City’s investment policy requires semi-annual compliance audits of the City’s investment portfolio. MGO will conduct the agreed-upon procedures as of June 30th and December 31st. Target dates: Sep-2023 and Mar-2024.
13. **Compliance review of San José Clean Energy’s risk management practices** (contracted audit service) – MGO will conduct tests of SJCE investment and risk management practices to ensure compliance with the City’s Energy Risk Management Policy and Energy Risk Management Regulations as of FY Ended June 30, 2023. Target date: Nov-2023.

New projects:

14. **Office of Retirement Services** – Audit to cover, at a minimum, the following areas: 1. Identifying internal process controls for financial activities such as accounting, purchasing, and contracting; 2. Identifying policies and procedures around information systems and security; 3. Compliance with City policies for financial activities, information systems and security, and other relevant administrative functions; and 4. A comparison of governance structures of other pension plans, including board oversight of management’s administrative functions and responsibilities. *(Added to the*

work plan by the Rules Committee on August 9 based on a request from the Mayor and two Councilmembers)

15. **Access to and use of critical services by traditionally marginalized communities** – Assess and provide recommendations related to departmental efforts around progress on Racial Equity Action Plans, resources available for equity-related work, collection of data on participants or parties impacted by services, and/or other related areas. *(Mayor provided direction to explore an audit scope in this area in the March Budget Message)*
16. **Encumbrances** – Review encumbrances for compliance with the City’s Encumbrance Policy (CPM 5.1.12). The General Fund had a \$53 million Encumbrance Reserve in the FY 2023-24 Proposed Operating Budget. This is nearly 40 percent higher than five years ago. *(Outstanding request from a resident)*
17. **Tenant Protection Ordinance** – Review the assessment and use of Tenant Protection Ordinance fees. *(Councilmember request)*
18. **Park in-lieu fees** – Assessment of collection, tracking, and use of park in-lieu fees. *(Outstanding requests from resident and former Mayor)*
19. **Police overtime follow up report** – Assess controls around overtime in the Police Department. This is a follow up to the City Auditor’s 2016 Police Overtime and 2021 Police Staffing, Expenditures, and Workload audits. *(Outstanding audit request)*
20. **San José Animal Care and Services** – Audit covering various aspects of Animal Care and Services’ operations and comparisons against industry standards, as directed by the Mayor and multiple Councilmembers. *(Added to the work plan by the Rules Committee on October 11, 2023).³*

PROJECTS CONSIDERED BUT NOT RECOMMENDED AT THIS TIME:

The above list of projects addresses high priority areas, while limiting the scope of work to what we can realistically accomplish. To accommodate the addition of #20, we recommend deferring one project that was included in our original work plan. This had been previously approved by the Rules Committee on August 9, 2023.

1. *Traffic signal and streetlight maintenance - Assess timeliness and procedures for responses to traffic signal and streetlight malfunctions. According to the FY 2023-24 Proposed Operating Budget, in FY 2022-23, 30 percent of traffic signal malfunctions were responded to within time targets, and 65 percent of streetlight malfunctions were repaired with time targets. (Traffic maintenance ranked high on Citywide risk assessment)*

In our original proposed work plan, we also recommended deferring two projects from our FY 2022-23 work plan that would otherwise be carried over:

2. *Our City Forest – Audit the expenditure of City funding and service delivery under the terms of grant agreements with the City. During FY 2022-23, the City contracted with additional contractors for tree planting. We recommend deferring this audit and include the additional contractors in a future audit around the cost of tree planting and performance under these agreements.*
3. *Performance measure reviews (on-going) – Recurring projects to assess the validity and usefulness of performance metrics by City departments, programs, or City Service Areas. This work is intended to be ongoing to augment the Annual Services Report and assist the Administration to enhance the City’s*

³ see <https://sanjose.legistar.com/View.ashx?M=F&ID=12349457&GUID=5D59C913-F75E-4722-A4CC-C7485D84A5F6>.

performance management systems in alignment with the “Outcome, Equity Indicators, and Performance Management” City Roadmap initiative. The City Manager’s Office has begun reviewing and revising performance metrics. We recommend deferring this work until the City Manager’s Office has completed its review, and then restart this project.

Additional items considered but not recommended at this time include:

4. *311 service delivery and tracking (outstanding request)*
5. *Animal Services (multiple requests from residents and Councilmember)*
6. *Awards of grants to non-profits (Councilmember request)*
7. *Beautify SJ worker safety (outstanding Councilmember request)*
8. *Billboard Policy (resident request)*
9. *City Clerk – contract processing (outstanding request)*
10. *City Clerk – public meeting language support (outstanding request)*
11. *Code Enforcement (Mayor request)*
12. *Employee recruitment and retention (outstanding Councilmember request)*
13. *Environmental services – planning around critical infrastructure/emergency management (outstanding request)*
14. *Environmental services – communications (outstanding request)*
15. *Fire emergency response (ranked high on the Citywide risk assessment)*
16. *Inclusionary housing fees (Councilmember request)*
17. *Pedestrian and bicycle safety (Transportation Safety ranked high on Citywide risk assessment)*
18. *Public records request management (outstanding resident request)*
19. *Raging Waters contract compliance (Councilmember request)*
20. *Vehicle abatement follow up report (request from resident)*

NEXT STEPS

As audit work proceeds, I will bring to the Rules Committee monthly reports describing the status and progress towards completing audit projects. As part of our normal audit process, we will notify Councilmembers when we start each audit to determine if there are any interests or concerns that we can address during our audit. This is intended to ensure that our audits are responsive to your needs. Any subsequent additions to the work plan will be forwarded to the Rules Committee for approval. Generally, audit reports are heard by the appropriate City Council Committee and then cross-referenced to the full City Council for acceptance.



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