

Memorandum

TO: Rules & Open Government Committee

FROM: Joe Rois,
City Auditor

SUBJECT: *Monthly Report of Activities for
September 2023*

DATE: October 3, 2023

RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for the month of September 2023.

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 (FY) 2023-24 Work Plan during the month of September 2023.

Activities During the Month of September:

1. Issued **Integrated Waste Management Enforcement Program: Clarifying Goals and Performance Expectations Would Improve Enforcement Coverage**. The report is online at:
<https://www.sanjoseca.gov/home/showpublisheddocument/104629>.
2. Issued **Housing Performance Measures: The City Should Focus and Align Measures to Support Decision-Making**. The report is online at:
<https://www.sanjoseca.gov/home/showpublisheddocument/104891>.
3. Issued **Status of Open Audit Recommendations as of June 30, 2023**. The report is online at:
<https://www.sanjoseca.gov/home/showpublisheddocument/104925/>. The office also updated the online interactive dashboards of audit recommendations. These can be found at: <https://www.sanjoseca.gov/your-government/appointees/city-auditor/audit-recommendations>.
4. Macias, Gini & O'Connell (MGO) issued several of the City's annual financial audits. The reports are online at:
<https://www.sanjoseca.gov/your-government/appointees/city-auditor/external-financial-audits>.

Information on the status of the City Auditor's FY 2023-24 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.



Joe Rois
City Auditor

Attachment

**Status of the City Auditor’s FY 2023-24 Audit Work Plan
 As of September 2023**

	Objective	Status	Issuance Date
Assignments Completed			
1. Integrated Waste Management Inspection Programs	Evaluation of the Integrated Waste Management (IWM) Enforcement Program’s service delivery. <i>(IWM ranked high on the Citywide risk assessment; open audit request related to IWM)</i>	Completed	September 2023
2. Performance measure review (Housing Department)	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 performance management systems in alignment with the “Outcome, Equity Indicators, and Performance Management” City Roadmap initiative. <i>(Councilmembers have made requests about the City’s performance measurement and management in prior years)</i>	Completed	September 2023
3. Semi-annual audit recommendation status report	Report on the implementation status of all open audit recommendations as of June 30, 2023.	Completed	September 2023
4. Semi-annual compliance review 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. The City’s outside financial statement auditor, Macias, Gini & O’Connell (MGO), will conduct agreed-upon procedures to test for compliance as of June 30, 2023.	Completed	September 2023
Assignments in Process			
5. 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. <i>(added to work plan at August 9 meeting of the Rules Committee based on request from the Mayor and two Councilmembers)</i>	In process	Interim Report - October 2023 (projected) Additional reporting (TBD)
6. Building permitting	Assess the timeliness of the building permit process for single-family residential additions or alterations, including accessory structures. <i>(request by Councilmember)</i>	In process	November 2023 (projected)
7. 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. <i>(Open audit request and the Lead and Manage the Organization core service ranked high on the Citywide risk assessment)</i>	In process	December 2023 (projected)
8. Annual Report on City Services 2022-23	16 th 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 a resident survey. The Office will also maintain an online dashboard of CSA dashboard measures.	In process	December 2023 (projected)

	Objective	Status	Issuance Date
9. 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.	In process	October 2023 (projected)
10. Compliance review of San José Clean Energy's risk management practices (contracted audit service)	MGO will conduct tests of San José Clean Energy (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.	In process	November 2023 (projected)
11. 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).	In process (several projects completed)	September 2023 – February 2024 (projected)
12. Language Accessibility	Assess City communications for compliance with the City's Language Access Policy (now the Language Equity Policy and Guidelines). Specific scope to be. <i>(CMO's Lead and Manage the Organization core service ranked high on the Citywide risk assessment)</i>	In process	February 2024 (projected)
Assignments Not Yet Started			
13. 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.		October 2023 (projected)
14. Annual performance review of Team San Jose and the Convention and Visitors Bureau	Annual review to determine whether Team San Jose met their performance metrics as of June 30, 2023.		November 2023 (projected)
15. Semi-annual audit recommendation status report	Report on the implementation status of all open audit recommendations as of December 31, 2023. The Office will also maintain an online dashboard of audit recommendations		March 2024 (projected)
16. Semi-annual compliance review 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. The City's outside financial statement auditor, Macias, Gini & O'Connell (MGO), will conduct the agreed-upon procedures to test for compliance as of December 31, 2023.		March 2024 (projected)
17. 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 within time targets. <i>(traffic maintenance ranked high on Citywide risk assessment)</i>		

	Objective	Status	Issuance Date
18. 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. <i>(Mayor provided direction to explore an audit scope in this area in the March Budget Message)</i>		
19. 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. <i>(outstanding request from a resident)</i>		
20. Tenant Protection Ordinance	Review the assessment and use of Tenant Protection Ordinance fees. <i>(Councilmember request)</i>		
21. Park in-lieu fees	Assessment of collection, tracking, and use of park in-lieu fees. <i>(outstanding requests from resident and former Mayor)</i>		
22. 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. <i>(outstanding audit request)</i>		

Note: The approved work plan includes 20 projects. The two semi-annual recommendation status reports are listed as one project but separated here to show progress. Similarly, the two semi-annual compliance reviews of the City's investment program are listed as one project on the work plan but separated here.

The City Auditor's Fiscal Year 2023-24 Work Plan is online at:
<https://www.sanjoseca.gov/your-government/appointees/city-auditor/annual-work-plans>