

**TO:** Public Safety, Finance and Strategic Support Committee      **FROM:** Sharon W. Erickson, City Auditor  
**SUBJECT:** *Monthly Report of Activities for April 2013*      **DATE:** May 8, 2013

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## RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for April 2013.

## 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 2012-13 Work Plan during the month of April 2013.

### Reports Issued During the Month of April:

- 1. Fire Prevention** – We audited fire prevention activities, including the causes and impacts of reported low compliance with state inspection requirements. Our report made 20 recommendations and was accepted at the April 18, 2013 meeting of the Public Safety, Finance and Strategic Support Committee. It will be presented at the May 14, 2013 meeting of the City Council.
- 2. Cities Association of Santa Clara County** (annual review at the request of the Association's Board) – We reviewed expenditures and controls for the year ending June 30, 2012. Our report was accepted at the April 18, 2012 meeting of the Public Safety, Finance and Strategic Support Committee and was distributed to Association Board members.

### Activities During the Month of April:

- The City Auditor's Office won the 2012 Silver Knighton Award in the Medium Audit Shop category for our audit, *Police Secondary Employment: Urgent Reform and a Cultural Change Needed to Gain Control of Off-Duty Police Work* (see letter attached)

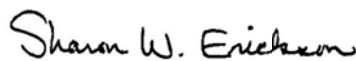
### Assignments in Process:

- 1. Taxi Service Model** – Audit of the existing service model, the Taxi San Jose contract, and of the effectiveness and impact of the current permit allocation.  
**Project Status:** Report writing in process.  
**Anticipated Release Date:** May 2013. Scheduled to be presented at the June 3, 2013 meeting of the Transportation and Environment Committee.

- 2. Consulting Agreements** (one in a series of audits reviewing large contracts to confirm that the city is getting the service that it is paying for and/or the revenues to which it is entitled) – Audit of the procurement, monitoring, and payment for consulting agreements.  
**Project Status:** Report writing in process.  
**Anticipated Release Date:** June 2013.
- 3. Graffiti Abatement** – Assess the efficiency and effectiveness of outsourced graffiti abatement services.  
**Project Status:** Report writing in process.  
**Anticipated Release Date:** June 2013.
- 4. Water Pollution Control Plant’s Master Agreements** – Audit of master agreements for engineering services related to capital improvement projects at the Plant.  
**Project Status:** Fieldwork in process.  
**Anticipated Release Date:** June 2013.
- 5. Housing Loan Portfolio** – The elimination of tax increment funding has dramatically impacted the City’s housing programs. This initial focus of this audit is the housing loan portfolio that remains in the City’s control. Revenue from the \$769 million loan portfolio is forecasted to generate \$12 million in proceeds in FY 2012-13.  
**Project Status:** Risk assessment in process.  
**Anticipated Release Date:** TBD.
- 6. Overhead Cost Allocation** – Review the calculation and allocation of overhead among various City funds.  
**Project Status:** Preliminary survey in process.  
**Anticipated Release Date:** TBD.

Information on the status of the City Auditor’s FY 2012-13 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

**Status of the City Auditor's FY 2012-13 Work Plan<sup>1</sup>  
as of April 2013**

	Preliminary Survey	Risk Assessment	Audit Field Work	Report Writing	Projected Issuance Date <sup>2</sup>
<b>Assignments Completed</b>					
Fire Prevention	Completed	Completed	Completed	Completed	April 2013
Santa Clara County Cities Association	N/A	N/A	Completed	Completed	April 2013
Recommendation Follow-Up For 6 Months Ended 12-31-12	N/A	N/A	Completed	Completed	March 2013
Deferred Compensation	Completed	Completed	Completed	Completed	February 2013
Office of Economic Development Performance Measures	Completed	Completed	Completed	Completed	February 2013
Single Audit and Management Letter	—	—	Completed	Completed	February 2013
Annual Review of Team San Jose Performance	—	—	Completed	Completed	January 2013
5 <sup>th</sup> Annual Service Efforts and Accomplishments	—	—	Completed	Completed	December 2012
Impact of Staffing Reductions	Completed	Completed	Completed	Completed	November 2012
External Financial Audits	—	—	Completed	Completed	November 2012
Annual Audits of Bond and Parcel Tax Measures	—	—	Completed	Completed	November 2012
Semi-annual Compliance Reviews of City's Investment Program	—	—	Completed	Completed	November 2012
Fire Department Injuries (disability rates)	Completed	Completed	Completed	Completed	September 2012
Recommendation Follow-Up For 6 Months Ended 6-30-12	N/A	N/A	Completed	Completed	September 2012
Environmental Services Department	Completed	Completed	Completed	Completed	August 2012
<b>Assignments In Process</b>					
Taxi Service Model	Completed	Completed	Completed	In Process	May 2013
Consulting Agreements	Completed	Completed	Completed	In Process	June 2013
Graffiti Abatement	Completed	Completed	Completed	In Process	June 2013
Water Pollution Control Plant Master Agreements	Completed	Completed	In Process		June 2013
Housing Loan Portfolio	Completed	In Process			
Overhead Cost Allocation	In Process				
<b>Assignments Not Yet Started</b>					
Library Hours and Staffing					
Community Code Enforcement					
Revenue Management					
Water Pollution Control Plant Asset Management & Maintenance					
Overview of San Jose's Civil Service System					
Travel Expenditures					

<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.



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April 16, 2013

Sharon Erickson, City Auditor, Office of the City Auditor  
City of San José, CA  
200 E. Santa Clara St., W353  
San José, CA 95113

Dear Ms. Erickson:

The Association of Local Government Auditors (ALGA) Awards Program Committee is pleased to announce that the City of San José City Auditor's Office report *Police Secondary Employment: Urgent Reform and a Cultural Change Needed to Gain Control of Off-Duty Police Work* won the 2012 Silver Knighton Award in the Medium Shop Category.

ALGA was founded in 1985 to serve auditors who specialize in working with local governments. ALGA members represent approximately 300 local government audit organizations. Unlike the majority of auditors who work within a single industry, local government auditors must work in an environment that encompasses a wide variety of industries. Local government auditors are committed to helping their governments improve service delivery to citizens while doing so more efficiently and effectively with the limited resources available. In making the award, the judges commented:

The audit report focused on risks associated with San José City police officers working secondary jobs, a controversial issue practiced by most law enforcement agencies. The report clearly outlined oversight weaknesses in the management of the secondary employment program and identified significant issues such as time overlaps between jobs, conflicts of interest, ethical dilemmas, and public safety concerns. Audit conclusions were persuasive and supported by compelling evidence. Audit recommendations should lead to significant improvements in the management of the secondary employment program, and ultimately an improvement in public safety and public perception.

To encourage increasing levels of excellence among local government auditors, ALGA created the Knighton Award in 1995 to recognize the best performance audit reports produced by local government audit shops in the previous year. Each year, local government audit organizations submit their best performance audit report to be evaluated against five criteria: (1) an audit scope that has the potential for significant impact, and is responsive to the needs and concerns of decision-makers and/or the public; (2) audit conclusions that are persuasive, logical, and firmly supported by the evidence, which was gathered using appropriate research methods and tools; (3) audit recommendations that are feasible, and will make government programs more effective and efficient; (4) audit results that are communicated in a clear, concise way; and (5) an audit scope, methodology, recommendations, or report format that is innovative. Judges from peer organizations determined that the City of San José City Auditor's Office report was among the best of 2012.

Congratulations to the City of San José City Auditor's Office for receiving this award!

Sincerely,



Drummond Kahn, President  
ALGA



Nancy Howe, Chair  
ALGA Awards Program Committee