

TO: Rules & Open Government Committee

FROM: Sharon W. Erickson,
City Auditor

SUBJECT: *Monthly Report of Activities for
January 31, 2016*

DATE: February 3, 2016

RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for the month of January 2016, and

- Add "Status of Open Audit Recommendations as of December 31, 2015" to the Public Safety, Finance, & Strategic Support Committee on March 10, 2016, the Community & Economic Development Committee on March 28, 2016, and the Transportation & Environment Committee on April 4, 2016 agendas.

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 2015-16 Work Plan during the month of September.

Activities During the Month of January:

1. Presented the annual audit of the *Neighborhood Security Bond Projects Fund* to the Citizen Oversight Committee. The report is online at:
<http://www.sanjoseca.gov/DocumentCenter/View/47818>.
2. Presented the *Annual Report on City Services 2014-15* to the Citizens for Fiscal Responsibility.
3. Minh Dan Vuong, who joined the City Auditor's Office in 2012 and worked on audits of taxis, street pavement, customer call handling, Team San Jose, and golf courses, left our office to join the City Auditor's Office in Portland, Oregon. We extend our congratulations as he moves into his new position.
4. Coordinated a cross-departmental process to seek proposals and select a new external financial auditor. The agreement will be coming forward to the City Council for approval in March.

Information on the status of the City Auditor's FY 2015-16 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.

Sharon W. Erickson
Sharon W. Erickson
City Auditor

**Status of the City Auditor's FY 2015-16 Audit Work Plan
 As of January 2016**

| | Objective | Status | Projected Issuance Date |
|--|---|---------------|--------------------------------|
| Assignments Completed | | | |
| 1. Golf Course Fund | Examine the causes of decline in net operating income to the Golf Course Fund and potential alternatives. | Completed | September 2015 |
| 2. Police Department Recruiting and Hiring | Analyze the department's recruiting, backgrounding, and hiring processes. Identify barriers and resources needed, and determine to what extent San José is subsidizing other jurisdictions with our academy. | Completed | September 2015 |
| 3. Semi-Annual Audit Recommendation Status as of 6/30/15 | Provide the City Council with an update on the status of all open audit recommendations. | Completed | October 2015 |
| 4. Cities Association of Santa Clara County Expenditure Review | Annual review of financial transactions at the request of the association's board. | Completed | October 2015 |
| 5. Personnel Investigation Structure | Review the structure for conducting personnel investigations. | Completed | November 2015 |
| 6. Audit of Team San José's Performance 2014-15 | Annual review to determine whether Team San José met its performance metrics and key requirements in the new Management Agreement as of June 30, 2015, and a review of the structure for collecting per ticket fees to fund theater presentation. | Completed | November 2015 |
| 7. Semi-Annual Compliance Review of Investments as of 6/30/15 | Semi-annual review required by the city's investment policy (contracted audit service). | Completed | November 2015 |
| 8. Annual Report on City Services FY 2014-15 | Annual report providing data about the cost, quality, quantity, and timeliness of city services. The report shows ten-year historical trends, a variety of comparisons to other cities, and the results of resident surveys. | Completed | December 2015 |
| 9. Annual External Financial Audit and Single Audit | Required annual audit of financial transactions (contracted audit service). | Completed | December 2015 |
| 10. Annual Audits of Voter-Approved Bond and Parcel Tax Measures | Guaranteed annual audits of tax measures approved by voters (contracted audit service). | Completed | December 2015 |
| Assignments In Process | | | |
| 11. Financial Condition Report | Prepare an annual summary of financial condition using graphics and standardized measures with benchmarking to other jurisdictions. | In process | February 2016 |
| 12. Use and Coordination of Volunteers | Evaluate the use and coordination of volunteers to augment city services. | In process | March 2016 |
| 13. Street Sweeping | Assess the efficiency and effectiveness of street sweeping services. | In process | March 2016 |
| 14. Recycled Water | Assess the efficiency and cost-recovery status of recycled water services. | In process | March 2016 |
| 15. Technology Deployment | Assess the barriers to timely technology deployment. | In process | March 2016 |

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| | 16. Status of Open Audit Recommendations as of 12/31/15 | Provide the City Council with an update on the status of all open audit recommendations. | In process | March 2016 |
| ** | 17. City Clerk's Office | Assess the office's performance of its primary responsibilities including, but not limited to, candidate information and City Council office budgets and hiring (added by the Rules Committee 9/9/15). | In process | TBD |
| Assignments Not Yet Started (items marked with ** have been designated as priority items) | | | | |
| ** | 18. Airport Operations and Business Development | Review the history and financial projections for airport operations and debt service. | | |
| ** | 19. Police Response for Animal-Related Calls | Analysis of police response data for animal-related calls for service and identification of possible alternatives (referred by Manager's Budget Addendum #14). | | |
| ** | 20. Housing Department | Performance audit of Housing department functions (added by the Rules Committee 8/19/15). | | |
| | 21. Police Overtime | Routine audit of the appropriate use of overtime in the Police Department (whistleblower hotline referral). | | |
| | 22. Semi-Annual Compliance Review of Investments as of 12/31/15 | Semi-annual review required by the city's investment policy (contracted audit service). | | April 2015 |
| | 23. Mobile Devices | Assess the cost, usage, and management accountability for the growing number of mobile devices distributed to city employees. | | |
| | 24. Police Department Civilian Staffing | Assess the level of civilian support in the Police Department (follow-up to 2010 audit of civilianization opportunities). | | |
| | 25. Employee Benefit Funds | Routine audit and reconciliation of contributions and expenditures in the benefit funds. | | |
| | 26. Encumbrance Balances | Routine audit of the appropriateness of carryover encumbrances. | | |
| | 27. Pensionable Earnings | Audit the accuracy of pensionable earnings, calculations, and the status of corrections pending from 2011 audit. | | |
| | 28. Business Tax Revenue | Review the basis, calculation, and collection of annual business tax revenue. The <i>2008 General Fund Structural Deficit Elimination Plan</i> proposed modernizing rates by indexing to current consumer price index and restructuring the business tax formula. | | |
| | 29. Cardroom Tax Revenue and Contributions | Review the calculation and collection of city cardroom taxes, and determine whether recent AACI contributions have been in accordance with the settlement agreement. | | |
| | 30. Sunshine Requirements | Review compliance with sunshine requirements. | | |

The City Auditor's Fiscal Year 2015-16 Work Plan is online at:
<http://www.sanjoseca.gov/DocumentCenter/View/45609>.