

Memorandum

TO: Rules & Open Government Committee

FROM: Sharon W. Erickson,
City Auditor

SUBJECT: *Monthly Report of Activities for
September 2016*

DATE: October 6, 2016

RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for the month of September 2016.

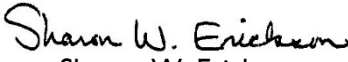
SUMMARY OF RESULTS

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 2016-17 Work Plan during the month of September.

Activities During the Month of September:

1. Issued **Status of Open Audit Recommendations as of 6/30/16** (September 2016). The report is online at: <http://www.sanjoseca.gov/DocumentCenter/View/60524>.
2. Issued **Police Overtime: The San José Police Department Relies on Overtime to Patrol the City Due to Unprecedented Vacancies**. (September 2016). The report is online at: <http://www.sanjoseca.gov/DocumentCenter/View/60924>.

Information on the status of the City Auditor's FY 2016-17 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
City Auditor

**Status of the City Auditor's FY 2016-17 Audit Work Plan
 As of September 2016**

| | Objective | Status | Projected Issuance Date |
|--|--|------------|-------------------------|
| Assignments Completed | | | |
| 1. Status of Open Audit Recommendations as of 6/30/16 | Provide the City Council with an update on the status of all open audit recommendations. | Completed | September 2016 |
| 2. Police Overtime | Audit of the appropriate use of overtime in the Police Department (whistleblower hotline referral). | Completed | September 2016 |
| Assignments In Process | | | |
| 3. Housing Department Apartment Rent Ordinance and Related Programs | Review the administration of the apartment rent ordinance and related programs, and assess the department's readiness to administer modified programs. | In process | December 2016 |
| 4. Mobile Devices | Assess the cost, usage, and management accountability for the growing number of mobile devices distributed to city employees. | In process | December 2016 |
| 5. Annual External Financial Audit and Single Audit (contracted audit service) | Required an annual audit of the City's financial transactions. This includes audits of the Comprehensive Annual Financial Reports (CAFRs) of the City, the airport, and the pension systems. It also includes the audits of the financial statements of the Successor Agency to the Redevelopment Agency, Convention Center, Hayes Mansion, the Clean Water Financing Authority, Deferred Compensation, MTC compliance, and the Single Audit (including Airport passenger facility charges and customer facility charges). | In process | December 2016 |
| 6. Our City Forest | Audit the expenditure of city funding, and compliance with the terms of grant agreements with the city. | In process | TBD |
| 7. Office of Equality Assurance | Review the administration and performance of the city's wage compliance and disadvantaged business enterprise efforts. | In process | TBD |
| 8. Airport Operations and Business Development | Review the history and financial projections for airport operations and debt service. | On hold | TBD |
| Assignments Not Yet Started | | | |
| 9. <NEW> Status of Open Recommendations from the Audit of the Office of the City Clerk | As directed by the City Council on 9/20/16, prepare an analysis and update of the City Clerk's plan to implement recommendations outlined in the "Audit of the Office of the City Clerk: Streamlining Processes and Clarifying Roles Can Better Ensure Compliance with Statutory Responsibilities." | | November 2016 |
| 10. Annual Report on City Services FY 2015-16 | 9 th 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. | | December 2016 |

RULES AND OPEN GOVERNMENT COMMITTEE

Monthly Report of Activities for September 2016

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| 11. Financial Condition | 2 nd annual report communicating financial condition to the city council and the public through graphics and standardized measures with benchmarking to other jurisdictions. | | December 2016 |
| 12. Annual Audits of Voter-Approved Bond and Parcel Tax Measures (contracted audit service) | Guaranteed annual audits of the Branch Library Bond Projects Fund, the Parks and Recreation Bond Projects Fund, the Public Safety Bond Projects Fund, and the Library Parcel Tax Special Revenue Fund. | | December 2016 |
| 13. Semi-annual Compliance Reviews of the City's Investment Program as of 6/30/16 (contracted audit service) | The City's investment policy requires semi-annual compliances audits to determine whether the investments in the City's pooled portfolio are in compliance with the City's investment policy, internal controls, and department procedures. | | December 2016 |
| 14. Annual Review of Team San Jose Performance | Annual review to determine whether Team San José met its performance metrics as of June 30, 2016. (as required in the City's agreement with Team San José) | | December 2016 |
| 15. Status of Open Audit Recommendations as of 12/31/16 | Provide the City Council with an update on the status of all open audit recommendations. | | March 2017 |
| 16. Employee Benefit Funds | Routine audit and reconciliation of contributions and expenditures in the benefit funds. Budgeted expenditures in the health, dental, life, and unemployment insurance funds total \$74 million per year. | | |
| 17. Encumbrance Balance | Review the appropriateness of carryover encumbrances budgeted at \$44 million. | | |
| 18. Semi-annual Compliance Reviews of the City's Investment Program as of 12/31/16 (contracted audit service) | The City's investment policy requires semi-annual compliances audits to determine whether the investments in the City's pooled portfolio are in compliance with the City's investment policy, internal controls, and department procedures. | | |
| 19. Pensionable Earnings | Follow-up audit of the accuracy of the city's pensionable earnings calculations, and the status of corrections pending from the 2011 <i>Audit of Pensionable Earnings</i> . The retirement funds and personnel costs rank high on the annual citywide risk assessment because of the large dollar amounts involved. | | |
| 20. Sunshine Requirements | Assess progress towards meeting the city's open government goals as proposed by the 2006 Sunshine Reform Task Force, modified and approved by the City Council in 2009, and codified by the City Council in 2014. | | |
| 21. Housing Department Grant Programs | Assess the efficiency and effectiveness the allocation process and monitoring of grantees, including whether grants are achieving the intended benefits. | | |
| 22. Residential High-Rises | Evaluate the permitting and inspection of new residential high-rise buildings. | | |
| 23. Environmental Services Consulting Agreements | Evaluate the use, monitoring, and payment for consulting services. | | |
| 24. Employee Travel | Periodic audit of employee travel expenditures for appropriateness and compliance with city policies and procedures. Last audit conducted 2013. | | |

The City Auditor's Fiscal Year 2016-17 Work Plan is online at:

<http://www.sanjoseca.gov/DocumentCenter/View/59718>.