

**TO:** Rules & Open Government Committee

**FROM:** Sharon W. Erickson,  
City Auditor

**SUBJECT:** *Monthly Report of Activities for  
October 2016*

**DATE:** October 27, 2016

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## RECOMMENDATION

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

- Add "Audit of Team San Jose's Performance 2015-16" to the Community and Economic Development Committee November 28, 2016 agenda.
- Add "Audit of the Apartment Rent Ordinance" to the Neighborhood Services and Education Committee December 8, 2016 agenda.
- Add "Audit of Mobile Devices" to the Public Safety, Finance and Strategic Support Committee December 15, 2016 agenda.

## 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 October.

### Activities During the Month of October:

1. Issued **Investment Compliance Review as of June 30, 2016** (contracted audit service) – Grant Thornton LLP conducted this semi-annual review, and noted no exceptions. The report is online at: <http://www.sanjoseca.gov/DocumentCenter/View/61901>.
2. Issued **Hayes Mansion and San Jose Convention and Cultural Facilities Financial Statements for FY 2016** (contracted audit service) – Grant Thornton LLP conducted this semi-annual review, and noted no exceptions.

The reports are online at: <http://www.sanjoseca.gov/DocumentCenter/View/61902>,  
<http://www.sanjoseca.gov/DocumentCenter/View/61903>, and  
<http://www.sanjoseca.gov/DocumentCenter/View/61900>.

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*  
Sharon W. Erickson  
City Auditor

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

	<b>Objective</b>	<b>Status</b>	<b>Projected Issuance Date</b>
<b>Assignments Completed</b>			
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
3. Semi-annual Compliance Review 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.	Completed	October 2016
<b>Assignments In Process</b>			
4. Status of Open Recommendations from the Audit of the Office of the City Clerk (added 9/20/16)	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."	In process	November 2016
5. 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).	In process	November 2016
6. Apartment Rent Ordinance	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
7. Mobile Devices	Assess the cost, usage, and management accountability for the growing number of mobile devices distributed to city employees.	In process	December 2016
8. 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
9. Annual Report on City Services FY 2015-16	Ninth 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.	In process	December 2016
10. Financial Condition	2 <sup>nd</sup> annual report communicating financial condition to the city council and the public through graphics and standardized measures with benchmarking to other jurisdictions.	To be included in the Annual Report on City Services	December 2016

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11. 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.	In process	December 2016
12. Our City Forest	Audit the expenditure of city funding, and compliance with the terms of grant agreements with the city.	In process	TBD
13. Office of Equality Assurance	Review the administration and performance of the city's wage compliance and disadvantaged business enterprise efforts.	In process	TBD
14. Airport Operations and Business Development	Review the history and financial projections for airport operations and debt service.	On hold	TBD
<b>Assignments Not Yet Started</b>			
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 Review of the City's Investment Program as of 12/31/16 (contracted audit service)	The City's investment policy requires semi-annual compliance 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 of 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>.