

# Memorandum

**TO:** Rules & Open Government Committee

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

**SUBJECT:** *Monthly Report of Activities for  
November 2017*

**DATE:** December 1, 2017

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## RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for the month of November 2017, and

- Add "Cities Association of Santa Clara County Expenditures Review, Fiscal Years Ending June 30, 2016 & 2017" to the City Auditor's Fiscal Year 2017-18 Work Plan.

## 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 2017-18 Work Plan during the month of November 2017.

### Activities During the Month of November:

1. Issued **External Quality Control Review of the Office of the City Auditor, San Jose, CA for the Period July 1, 2015 to June 30, 2017** (November 2017).  
The report is online at: <http://www.sanjoseca.gov/DocumentCenter/View/73125>.
2. Issued **Audit of Employee Travel Expenses** (November 2017).  
The report is online at: <http://www.sanjoseca.gov/DocumentCenter/View/73328>.
3. Issued **San José's Tier 3 Defined Contribution Plan: The City Should Clarify How Contributions Are Calculated** (November 2017).  
The report is online at: <http://www.sanjoseca.gov/DocumentCenter/View/73329>.
4. Issued **Team San Jose's Performance 2016-17** (November 2017)  
The report is online at: <http://www.sanjoseca.gov/DocumentCenter/View/73419>.
5. Issued **Airport Financial Projections: Balancing Ongoing Debt-Service Obligations with Increasing Operational Needs** (November 2017)  
The report is online at: <http://www.sanjoseca.gov/DocumentCenter/View/73425>.
6. Grant Thornton LLP issued several more of the City's annual financial audits.  
The reports are on line at: <http://www.sanjoseca.gov/index.aspx?NID=323>.

Information on the status of the City Auditor's FY 2017-18 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 2017-18 Audit Work Plan  
 As of November 2017**

|   | <b>Objective</b>   | <b>Status</b> | <b>Projected Issuance Date</b> |
|---|--|---------------|--------------------------------|
| <b>Assignments Completed</b>  |  |               |                                |
| 1. Residential High-Rises   | Evaluate the permitting and inspection of new residential high-rise buildings.   | Completed     | August 2017                    |
| 2. Open Government 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.   | Completed     | August 2017                    |
| 3. Environmental Services Department Consulting Agreements                                    | Evaluate the use, monitoring, and payment for consulting services.   | Completed     | September 2017                 |
| 4. Semi-Annual Audit Recommendation Status Reports  | The City Auditor's Office issues reports on the implementation status of all open audit recommendations as of June 30 <sup>th</sup> .  | Completed     | September 2017                 |
| 5. Semi-Annual Compliance Reviews of the City's Investment Program (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. Grant Thornton LLP will conduct the agreed-upon procedures as of June 30 <sup>th</sup> . | Completed     | September 2017                 |
| 6. Retirement Services  | Review the administration and performance of the Office of Retirement Services, and assess the need for an external review of investment performance.  | Completed     | October 2017                   |
| 7. San José Clean Energy  | Monitor development of the San José Clean Energy program for safeguards and risk management, and against guidelines prepared by the California Energy Commission.  | Completed     | October 2017                   |
| 8. Annual Audits of Voter-approved Bond and Parcel Tax Measures (contracted audit service)    | Grant Thornton LLP will conduct 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, satisfying the City's obligation for guaranteed annual audits.  | Completed     | October 2017                   |
| 9. Biennial Peer Review for FY 2015-17 and 2016-17 (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 audit was conducted in 2015.   | Completed     | November 2017                  |
| 10. Employee Travel   | Periodic audit of employee travel expenditures for appropriateness and compliance with city policies and procedures. Last audit conducted 2013.  | Completed     | November 2017                  |
| 11. Tier 3 Defined Contribution Plan  | Routine audit and reconciliation of contributions and expenditures in the benefit funds. The focus of this audit is the City's Tier 3 retirement plan for Unit 99 employees.   | Completed     | November 2017                  |
| 12. Annual Review of Team San José Performance  | Annual review to determine whether Team San José met its performance metrics as of June 30, 2017 (as required in the City's agreement with Team San José).   | Completed     | November 2017                  |
| 13. Airport Financial Projections   | Review the history and financial projections for airport operations and debt service.  | Completed     | November 2017                  |

|  | Objective   | Status     | Projected Issuance Date |
|--|---|------------|-------------------------|
| <b>Assignments In Process</b>  |   |            |                         |
| 14. Annual External Financial Audit and Single Audit (contracted audit service provided by the independent certified public accounting firm of Grant Thornton LLP) | The City Charter requires 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 2017           |
| 15. Annual Services Report   | 10 <sup>th</sup> 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 resident surveys. It also incorporates information about the financial condition of the city through graphics, standardized measures, and benchmarking to other jurisdictions.  | In process | December 2017           |
| 16. Pensionable Earnings   | Follow-up audit of the accuracy of the city's pensionable earnings calculations for January through June 2017.  | In process | TBD                     |
| 17. Police Activities League   | Review PAL financial reporting and service delivery.  | In process | TBD                     |
| <b>Assignments Not Yet Started</b>   |   |            |                         |
| 18. Towing Contracts and Vehicle Abatement   | Review the efficiency and effectiveness of vehicle abatement including the division of responsibility, response times, and costs per vehicle towed.   | *          | TBD                     |
| 19. Public Works Department Cost to Deliver Projects   | Review cost to deliver capital projects.  | *          | TBD                     |
| 20. Community Center Reuse Program   | Monitoring of tenants using facilities, programs offered, and cost savings  | *          | TBD                     |
| 21. Homeless Assistance Programs   | Performance metrics and effectiveness of city-funded homeless assistance programs   | *          | TBD                     |
| 22. Semi-Annual Audit Recommendation Status Reports  | The City Auditor's Office issues reports on the implementation status of all open audit recommendations as of December 31 <sup>st</sup> .   |            | March 2018              |
| 23. Semi-Annual Compliance Reviews of the City's Investment Program (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. Grant Thornton LLP will conduct the agreed-upon procedures as of December 31 <sup>st</sup> .   |            | April 2018              |
| 24. 911 and 311 Calls  | Workload, call answering times, and customer service.   |            |                         |
| 25. 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 \$93 million per year.   |            |                         |
| 26. Development Noticing   | Effectiveness of outreach for new development including radius, timing, and languages   |            |                         |
| 27. In-lieu Fees   | Collection, tracking, and use of in-lieu fees   |            |                         |
| 28. BEST Program   | Review the evolution of the Mayor's Gang Prevention Task Force and BEST program over time, including the allocation process, contract monitoring, and grantee performance   |            |                         |

\* Expect to initiate audit work shortly.

|   | <b>Objective</b>  | <b>Status</b> | <b>Projected Issuance Date</b> |
|---|---|---------------|--------------------------------|
| 29. Workers' Compensation Administration and Cost | Assess the Workers' Compensation Division's progress toward meeting state review requirements, and the cost-benefit of using a third party administrator versus in-house claims management. |               |                                |
| 30. 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.                                 |               |                                |

The City Auditor's Fiscal Year 2017-18 Work Plan is online at:  
<http://www.sanjoseca.gov/DocumentCenter/View/71007>