

San José Office of the City Auditor

Approved Fiscal Year 2021-22 Work Plan

AUDIT ASSIGNMENTS

The list of proposed audit assignments for FY 2021-22 includes a mix of audits already in process, recurring audits, and additional audit projects that address a range of concerns consistent with the City Auditor's areas of responsibility. The number of projects reflects our current performance target of 1.5 audit projects per auditor. This number of proposed projects is less than in prior years as a result of budget reductions in the last two fiscal years. In FY 2018-19, our office had 14 auditors including the City Auditor; for FY 2021-22 we will have 12.

In December 2020, the City Council directed that the City Auditor's annual work plan include performance audits of at least three constituent-facing departments, the purpose of which should be to identify cost savings and process efficiencies.¹ In addition, audits of constituent-facing departments should reoccur every four years. This proposed work plan satisfies the City Council's direction, with audits covering programs in the departments of Environmental Services; Planning, Building and Code Enforcement; Public Works; and Transportation. The proposed work plan also includes one Citywide audit with a broad constituent-facing component (the audit of the Bill of Rights for Children and Youth).

Each audit listed includes a tentative objective that may be refined during the scoping phase of the project.

Audits in process:

1. **Code Enforcement management controls** – Evaluation of oversight and management of Code Enforcement officials. (*request by the Mayor and Councilmembers*) Target date: Sep-2021.
2. **Compliance review of San Jose Clean Energy's risk management practices** (contracted audit service) – The independent certified public accounting firm Macias Gini & O'Connell LLP (MGO) will conduct tests of San José Clean Energy (SJCE) investment and risk management practices to ensure compliance with the City's Energy Risk Management Policy and Energy Risk Management Regulations as of FY ended June 30, 2020 Target date: Sep-2021
3. **Information technology** – Review of controls arounds the City's information and technology assets. (*contracted service*) Target date: Oct-2021.
4. **Municipal Water billing and customer service** – Accuracy of billings and customer service for Municipal Water services. (*ranked high on Citywide risk assessment and resident request*) Target date: Nov-2021.
5. **Environmental review for new development** – Assess the time required to complete the City's CEQA review process. (*request by Councilmember*) Target date: TBD.
6. **Citywide grant monitoring** – Assess the tracking and monitoring of expenditures for federal awards across departments. (*Errors in reporting expenditures from federal awards has been a finding in past Single Audit reports conducted by the City's outside financial auditors.*) Target date: TBD.
7. **Fleet (take-home vehicles)** – Assessment of current practices for take-home vehicles. (*routine audit for compliance with City policy*) Target date: TBD.

Annual/recurring projects:

8. **Semi-annual audit recommendation status reports** (on-going) – The City Auditor's Office will maintain an online dashboard of audit recommendations, and issue a report on the implementation status of all open audit recommendations as of June 30th and December 31st. Target dates: Sep-2021 and Mar-2022.

¹ For more information see <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4700466&GUID=E5EDF9DA-6660-4DF9-90C9-A5720C35F33C&Options=&Search=>

9. **Annual performance review of Team San José and the Convention and Visitors Bureau** (as required in the City's agreements with Team San José) – Annual review to determine whether Team San José met their performance metrics as of June 30, 2021. Target date: Nov-2021.
10. **Annual services report** (on-going) – 14th 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. Target date: Dec-2021.
11. **Annual external financial audit and single audit** (contracted audit service) – The City Charter requires an annual audit of the City's financial transactions. MGO will conduct the annual audits of the Annual Comprehensive Financial Reports of the City and the Airport. MGO will also conduct audits of the financial statements of the Successor Agency to the Redevelopment Agency, Convention Center, the Clean Water Financing Authority, Deferred Compensation, Tier 3 Defined Contribution Plan, Voluntary Employee Beneficiary Association (VEBA), MTC compliance, South Bay Water Recycling, SJCE, and the Single Audit (including Airport passenger facility charges and customer facility charges). Target date: Dec-2021.
12. **Annual audits of voter-approved bond and parcel tax measures** (contracted audit service) – MGO will conduct audits of the Branch Library Bond Projects Fund, the Parks and Recreation Bond Projects Fund, the Public Safety Bond Projects Fund, the Library Parcel Tax Fund, and the Public Safety and Infrastructure ("Measure T") Bond Fund satisfying the City's obligation for guaranteed annual audits. Target date: Dec-2021.
13. **Semi-annual compliance reviews of the City's investment program** (contracted audit service) – The City's investment policy requires semi-annual compliance audits of the City's investment portfolio. MGO will conduct the agreed-upon procedures as of June 30th and December 31st. Target dates: Sep-2021 and Mar-2022.
14. **Compliance review of San Jose Clean Energy's risk management practices** (contracted audit service) – MGO will conduct tests of SJCE investment and risk management practices to ensure compliance with the City's Energy Risk Management Policy and Energy Risk Management Regulations as of FY Ended June 30, 2021. Target date: Nov-2021.
15. **Biennial peer review for FY 2019-20 and 2020-21** (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 2019. Target date: Nov-2021.

Carryover projects and new projects:

16. **<NEW> Bill of Rights for Children and Youth** – Review the adherence to and implementation of the Bill of Rights for Children and Youth. *(request by Councilmember and approved for inclusion by the Rules Committee May 12, 2021)*
17. **<NEW> Wage Theft Prevention Policy** – review the administration of the City's wage theft and related labor policies identified in the City Council's Wage Theft Prevention Policy by the Public Works Office of Equality Assurance. This is a follow up to our 2017 Audit of the Office of Equality Assurance. *(request by Councilmember)*
18. **<NEW> COVID-19 Recovery Expenditures** – Audit scope to be determined based on a review of risks and controls around COVID-19 related expenditures of Coronavirus Relief Fund, American Rescue Plan, or other funding sources.

19. **<NEW> Our City Forest** – Audit the expenditure of City funding and service delivery under the terms of grant agreements with the City. This is a follow up to our 2017 Audit of Our City Forest. *(request by the Mayor)*
20. **<NEW> Development permitting** – Assess the timeliness of the building permit process for single-family residential additions or alterations, including accessory structures. *(request by Councilmember and added by the Rules Committee on August 4, 2021)*
21. **<NEW> San José Conservation Corps** – Review the service delivery and expenditures of funds under City contracts. *(request by Councilmember and added by the Rules Committee on August 4, 2021)*
22. **<NEW> Equity Pledge** – Assess progress of the City's adherence to the principles outlined in the City Council's Equity Pledge. *(request by Councilmember and added by the Rules Committee on August 4, 2021)*
23. **<NEW> Firearm Regulatory Processes and Policies** – Audit the City's firearm regulatory processes and policies, including a review of trends in firearm violence in the city. *(request by Councilmember and added by the Rules Committee on September 22, 2021)*
24. **<NEW> Tree-related mitigation funds and cost-effectiveness of tree planting efforts** – Per Council direction, an audit of: a. how and whether the city is collecting tree-related mitigation fees from developers, b. how and whether the city is enforcing tree-planting conditions on development, c. how the city is spending tree mitigation funds, and d. how the city can most cost-effectively plant more trees. *(request by the Mayor and Councilmembers and added by the City Council on February 8, 2022)*

PROJECTS CONSIDERED BUT NOT RECOMMENDED AT THIS TIME:

We designed the above list of projects to address high priority areas, while limiting the scope of work to what we can realistically accomplish. We recommend deferring two projects from our FY 2020-21 work plan that would otherwise be carried over:

1. *BeautifySJ programming – Propose deferring as BeautifySJ management is being consolidated in a new Community Services Division with the Department of Parks, Recreation and Neighborhood Services as part of the FY 2021-22 budget process.*
2. *Timeliness of code enforcement responses – Propose deferring to provide the Department of Planning, Building and Code Enforcement time to implement recommendations from the Audit of Code Enforcement management controls (included as project 1. in audits in process).*

Additional items considered but not recommended at this time include:

3. *Americans with Disabilities Act (ADA) compliance (request by multiple residents) – The City's FY 2021-22 Adopted Operating Budget allocated \$150,000 for disability community engagement and service evaluation around the development of an Office of Disability Affairs.*
4. *Citywide contracting processes – (request from Councilmembers) The Mayor's June Budget message directed the City Manager to craft a work plan for a disparity study to identify barriers that minority-, women-, and veteran-owned businesses face in the City's contracting process.*
5. *Downtown off-street parking (request from Councilmember)*
6. *Employee performance evaluations Citywide (audit request, Personal Services ranked high on Citywide risk assessment)*
7. *Employee travel expenditures (routine audit last conducted in 2017, normally would have been scheduled for 2021 but plan to put on hold because COVID-19 restrictions have limited travel in the past year)*

8. *Fire emergency response (ranked high on the Citywide risk assessment)*
9. *Franchise fees (audit request, Revenue Management ranked high on Citywide risk assessment)*
10. *Housing Department programs (requests from Councilmember and resident)*
11. *Integrated Waste Management (on prior year work plan, putting on hold per discussion at Rules & Open Government Committee August 4, 2021)*
12. *Neighborhood cleanups (request from Councilmember)*
13. *Office of Cultural Affairs grant selection (requests from Councilmember and resident)*
14. *Park in-lieu fees (resident request to review in lieu fees)*
15. *Pedestrian and bicycle safety (Transportation Safety ranked high on Citywide risk assessment)*
16. *Performance measurement in the City (request from Councilmember)*
17. *Police Department Administrative Services (request from Councilmember, Police Strategic Support ranked high on Citywide risk assessment)*
18. *Project Hope (request from Councilmember)*

NEXT STEPS

As audit work proceeds, I will bring to the Rules and Open Government Committee of the City Council monthly reports describing the status and progress towards completing audit projects. As part of our normal audit process, we will notify Councilmembers when we start each audit to determine if there are any interests or concerns that we can address during our audit. This is intended to ensure that our audits are responsive to your needs. Any subsequent additions to the work plan will be forwarded to the Rules and Open Government Committee for approval. Generally, audit reports are heard by the appropriate City Council Committee and then cross-referenced to the full City Council for acceptance.



Joe Rois
City Auditor