

Office of the City Auditor

Sharon Winslow Erickson, City Auditor

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Independently assess and report on City operations and services

City Service Area
Strategic Support

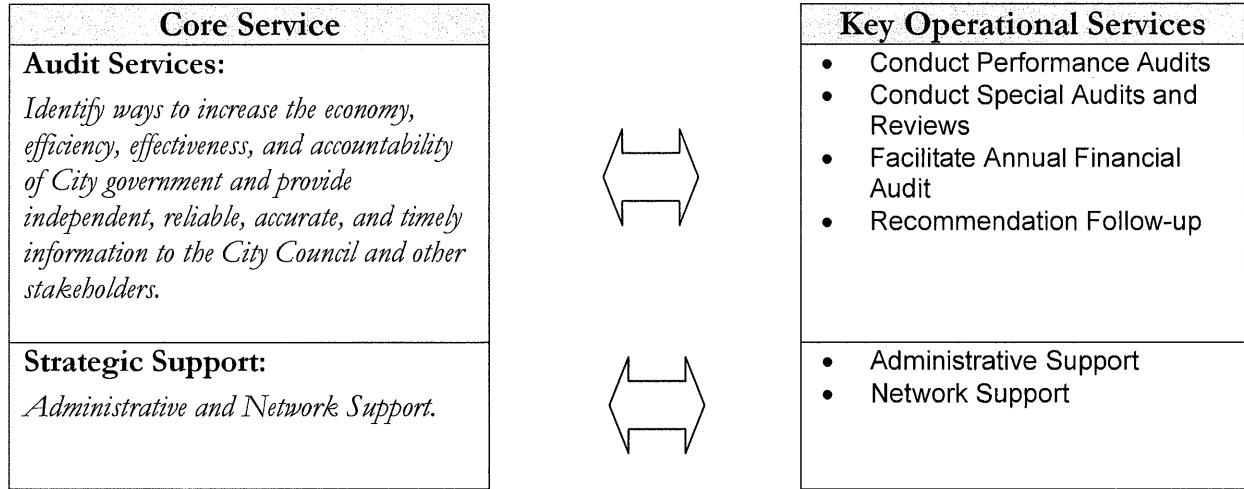
Core Service

Audit Services
Identify ways to increase the economy, efficiency, effectiveness, and accountability of City government and provide independent, reliable, accurate, and timely information to the City Council and other stakeholders

Strategic Support: Administrative and Network Support

Office of the City Auditor

Service Delivery Framework



Office of the City Auditor

Department Budget Summary

Expected 2011-2012 Service Delivery

- In 2011-2012, the Auditor's Office will continue conducting program performance audits identifying ways to increase the economy, efficiency, effectiveness, and accountability of City government and provide independent, reliable, accurate and timely information to the City Council and other stakeholders. The 2011-2012 Audit Workplan was approved by the City Council in August 2011. In light of the current budget concerns the continued focus will be on searching for revenues and cost-savings opportunities.
- The Auditor's Office will continue to issue the Service Efforts and Accomplishments (SEA) Report annually. This report details the cost, workload, and performance data for City services and is intended to improve government transparency and accountability and provide consolidated performance information to the public allowing informed decision making by City officials, staff and the public.
- The Auditor's Office will continue to provide oversight of external auditors on the City of San José Annual Financial Audit and Single Audit, the Audits of Parks and Recreation Bond, Library Bond, Public Safety Bond, and Parcel Tax Funds; and the Semi-Annual Reviews for Compliance with the City's Investment Policy.

Impacts of 2011-2012 Budget Actions

- The approved elimination of 2.0 Program Performance Auditor positions, in conjunction with staffing reductions in prior years, is anticipated to result in an impact to the quantity of audit work produced; and therefore, fewer audit recommendations to improve the efficiency and effectiveness of City services may result.

Operating Funds Managed

N/A

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Department Budget Summary

	2009-2010 Actual 1	2010-2011 Adopted 2	2011-2012 Forecast 3	2011-2012 Adopted 4	% Change (2 to 4)
Dollars by Core Service					
Audit Services	\$ 2,107,842	\$ 1,917,008	\$ 2,116,435	\$ 1,885,189	(1.7%)
Strategic Support	8,108	108,568	115,847	116,045	6.9%
Total	\$ 2,115,950	\$ 2,025,576	\$ 2,232,282	\$ 2,001,234	(1.2%)
Dollars by Category					
Personal Services	\$ 2,019,035	\$ 1,956,423	\$ 2,163,129	\$ 1,932,081	(1.2%)
Non-Personal/Equipment	96,915	69,153	69,153	69,153	0.0%
Total	\$ 2,115,950	\$ 2,025,576	\$ 2,232,282	\$ 2,001,234	(1.2%)
Dollars by Fund					
General Fund	\$ 2,115,950	\$ 1,960,626	\$ 2,232,282	\$ 2,001,234	2.1%
Airport Maint & Opers	0	64,950	0	0	100.0%
Total	\$ 2,115,950	\$ 2,025,576	\$ 2,232,282	\$ 2,001,234	(1.2%)
Authorized Positions by Core Service					
Audit Services	16.00	14.00	14.00	12.00	(14.3%)
Strategic Support	1.00	1.00	1.00	1.00	0.0%
Total	17.00	15.00	15.00	13.00	(13.3%)

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Budget Reconciliation

(2010-2011 Adopted to 2011-2012 Adopted)

	Positions	All Funds (\$)	General Fund (\$)
Prior Year Budget (2010-2011):	15.00	2,025,576	1,960,626
<hr/> Base Adjustments <hr/>			
Technical Adjustments to Costs of Ongoing Activities			
• Salary/benefit changes and the following position reallocations: - 1.0 Program Performance Auditor II to 1.0 Senior Program Performance Auditor		105,531	111,887
• Employee One-Time Total Compensation Reduction Restoration		108,675	108,675
• Audit Staffing Funding Reallocation		0	58,594
• Changes in professional development program		(7,500)	(7,500)
Technical Adjustments Subtotal:	0.00	206,706	271,656
2011-2012 Forecast Base Budget:	15.00	2,232,282	2,232,282
<hr/> Budget Proposals Approved <hr/>			
1. Audit Staffing	(2.00)	(217,532)	(217,532)
2. Auditor's Office Employee Total Compensation Reduction		(113,249)	(113,249)
3. Auditor's Office Annual Retirement Contribution		82,654	82,654
4. Auditor's Office Unemployment Contribution		17,079	17,079
Total Budget Proposals Approved	(2.00)	(231,048)	(231,048)
2011-2012 Adopted Budget Total	13.00	2,001,234	2,001,234

Office of the City Auditor

Budget Changes By Department

Adopted Budget Changes	Positions	All Funds (\$)	General Fund (\$)
1. Audit Staffing	(2.00)	(217,532)	(217,532)

Strategic Support CSA
Audit Services

This action eliminates 2.0 vacant Program Performance Auditor I positions. The elimination of the Program Performance Auditor positions further reduces audit staffing and will result in fewer audit recommendations to improve the efficiency and effectiveness of City services. (Ongoing savings: \$217,005)

Performance Results:

Cost, Cycle Time, Customer Satisfaction This reduction will result in fewer audit projects each year (historically, the Office has produced 1.5 audits per auditor), fewer audit recommendations to improve operations, and lower audit recoveries (in 2010-2011 the Office identified over \$9 in audit benefits for every \$1 in audit cost).

2. Auditor's Office Employee Total Compensation Reduction		(113,249)	(113,249)
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Strategic Support CSA
Audit Services
Strategic Support

As directed at the November 18, 2010, 2011-2012 Organizational and Budget Planning Special Council Meeting, the City Council approved direction for labor negotiations to achieve a 10% ongoing total employee compensation reduction for all bargaining groups and to roll back any general wage increases received in 2010-2011. Direction was also included to pursue City Auditor's recommendations for healthcare cost containment including increased cost sharing, increased co-pays, reduced health and dental in-lieu costs, and elimination of dual coverage.

For 2011-2012, agreements to achieve these compensation reductions were approved by the City Council on March 22, 2011 for the San Jose Fire Fighters, IAFF, Local 230, on April 19, 2011 for AEA, AMSP and CAMP, on May 31, 2011 for ALP and ABMEI, and on June 14, 2011 for the POA. Approval for compensation changes for Unit 99 and Units 81/82 also occurred on April 19, 2011. On May 31, 2011, the City Council approved the implementation of terms contained in the City's Last, Best, and Final Offers for the remaining bargaining groups (CEO, IBEW, MEF and OE3).

The compensation reduction actions, which vary by employee group, include: base pay reductions, reversing the additional employee contributions to retirement to offset the City's contributions, healthcare cost sharing changes (from 90% City/10% employee to 85% City/15% employee), healthcare plan design changes including increased co-pays, changes in healthcare in lieu and elimination of dual coverage. The specific actions are described in each bargaining unit's agreement, as applicable, with the City that can be found at: <http://www.sanjoseca.gov/employeerelations/labor.asp>.

Office of the City Auditor

Budget Changes By Department

Adopted Budget Changes	Positions	All Funds (\$)	General Fund (\$)
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2. Auditor's Office Employee Total Compensation Reduction (Cont'd.)

These total compensation reductions generate Base Budget savings of \$74.5 million in all funds and \$58.5 million in the General Fund (including fee programs), offset by annual required retirement contributions of \$23.6 million in all funds and \$18.9 million in the General Fund, result in total net savings of \$50.9 million in all funds and \$39.6 million in the General Fund. With these compensation reductions, decreases to overhead (\$3.9 million) and other reimbursements were also approved in this budget. In the Auditor's Office, the General Fund savings totals \$113,249 as reflected in this document. (Ongoing savings: \$113,249)

Performance Results: N/A

3. Auditor's Office Annual Retirement Contribution **82,654** **82,654**

Strategic Support CSA
Audit Services
Strategic Support

This action increases the Auditor's Office's personal services allocation as a result of the adoption of changes by the Federated Retirement Board (Board) to the policy determining the City's share of the annual required contribution to the Federated City Employees' Retirement System (Plan). To ensure the fiscal health of the Plan, the Board adopted a policy setting the annual required contribution to be the greater of the dollar amount reported in the actuarial valuation (adjusted for interest based on the time of the contributions) or the dollar amount determined by applying the percent of payroll contribution reported in the actuarial valuation to the actual payroll for the fiscal year. Due to the contraction in City positions approved as part of the 2011-2012 Adopted Budget, with this adopted contribution methodology, the City is required to pay a minimum dollar amount regardless of the actual payroll experienced to ensure that the Plan is funded in accordance with the annual actuarial valuation. To cover these costs, total Plan contributions of \$108.4 million in all City funds and \$54.5 million in the General Fund, assuming a July 1 pre-payment, is required to be made in 2011-2012. (Ongoing costs: \$82,654)

Performance Results: N/A

Office of the City Auditor

Budget Changes By Department

Adopted Budget Changes	Positions	All Funds (\$)	General Fund (\$)
4. Auditor's Office Unemployment Contribution		17,079	17,079

Strategic Support CSA

Audit Services

Strategic Support

This action increases the Auditor's Office personal services allocation to ensure sufficient funding to the Unemployment Insurance Fund for projected unemployment insurance claims. Based on potential claims from employee separation from service and the approved federal extension of unemployment benefits up to a total of 99 weeks, an increase to the unemployment contribution was approved. To cover these costs, the total transfer of \$11.2 million across all City funds and \$8.1 million in the General Fund to the Unemployment Insurance Fund was approved. (Ongoing costs: \$0)

Performance Results: N/A




2011-2012 Adopted Budget Changes Total	(2.00)	(231,048)	(231,048)
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Office of the City Auditor

Performance Summary

Audit Services

Performance Measures

	2009-2010 Actual	2010-2011 Target	2010-2011 Estimated	2011-2012 Target
 % of audit recommendations implemented (cumulative over 10 years)	79%	80%	75%	80%
 Ratio identified monetary benefit to audit cost	\$5 to 1	\$4 to 1	\$9 to 1	\$4 to 1
 % of approved workplan completed or substantially completed during the fiscal year	78%	100%	78%	80%

Changes to Performance Measures from 2010-2011 Adopted Operating Budget: No

Activity and Workload Highlights

	2009-2010 Actual	2010-2011 Forecast	2010-2011 Estimated	2011-2012 Forecast
# of audit reports issued	22	20	18	18
# of audit recommendations adopted	103	60	63	50
# of audit reports per auditor	1.7 to 1	1.5 to 1	1.9 to 1	1.5 to 1
Identified monetary benefits (i.e., revenue enhancements and cost savings)	\$11,685,590	\$8,500,000	\$17,409,000	\$8,000,000

Changes to Activity and Workload Highlights from 2010-2011 Adopted Operating Budget: No

Office of the City Auditor

Departmental Position Detail

Position	2010-2011 Adopted	2011-2012 Adopted	Change
City Auditor	1.00	1.00	-
Executive Assistant to City Auditor	1.00	1.00	-
Program Performance Auditor I	2.00	0.00	(2.00)
Program Performance Auditor II	4.00	3.00	(1.00)
Senior Office Specialist	1.00	1.00	-
Senior Program Performance Auditor	5.00	6.00	1.00
Supervising Auditor	1.00	1.00	-
Total Positions	15.00	13.00	(2.00)