

Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Sharon W. Erickson,
City Auditor

SUBJECT: *Monthly Report of Activities for
February 2009*

DATE: March 5, 2009

RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for February 2009.

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 2008-09 Work Plan during the month of February 2009.

Audit Reports Issued During the Month of February:

- *The 2007-08 Annual Performance Audit Of Team San Jose, Inc.* – We audited Team San Jose, Inc. to determine whether it met the performance measures and other requirements specified in the Agreement for the Management of the San Jose Convention Center and Cultural Facilities between the City of San Jose and Team San Jose, Inc. for 2007-08. We found that 1) Team San Jose improved its overall performance and met three of its four performance measure targets in 2007-08; and that 2) three of the six open audit recommendations from previous years' audits are implemented, two remain partly implemented and one recommendation is not implemented. The report included one new recommendation, which was accepted at the February 19, 2009 Public Safety, Finance and Strategic Support (PSFSS) Committee.
- *Semi-Annual Compliance Audit of the City's Investment Program for the Fiscal Year Ended June 30, 2008* – Macias, Gini, and O'Connell LLP conducted agreed-upon procedures to evaluate compliance with the City's Investment Policy, internal controls, and department procedures. No exceptions were noted as a result of their procedures. The report was distributed attached to the FY 2008-09 Second Quarter Investment Report, which was accepted by the PSFSS Committee on February 19, 2009.

Other Activities During the Month of February. The City Auditor:

- Met individually with new Council members, Rose Herrera and Ash Kalra.
- Participated in the February 17, 2009 City Council FY 2008-09 Budget Study Session.
- Made a joint presentation with Courtney Ruby (City Auditor, Oakland) at the California Society of Municipal Finance Officers (CSMFO) conference on “Stories From the Front: Lessons from Internal Auditors”.
- Participated in a nationwide conference call with the General Accounting Office (GAO) and other local government auditors regarding review and audit requirements under *The American Reinvestment and Recovery Act of 2009* (federal economic stimulus).

Assignments in Process:

1. **Audit of Auto Theft Investigations** – To assess workload, communication of information, and completeness and accuracy of auto theft data.
Project Status: A preliminary draft was issued and an exit conference is scheduled.
Anticipated Release Date: April 2009.
2. **Audit of Workers’ Compensation** – The purpose of this review is to assess the impact of state reforms and local cost containment efforts.
Project Status: An exit conference was held and final report writing is in process.
Anticipated Release Date: April 2009.
3. **Semi-Annual Compliance Audit of the City’s Investment Program** – Macias Gini & O’Connell is conducting this review of the City’s pooled portfolio to determine compliance with the City’s Investment Policy, internal controls, and department procedures.
Project Status: Fieldwork in process for the six months ended December 31, 2008.
Anticipated Release Date: The report will be distributed as an attachment to the Finance Department’s next Quarterly Investment Report, tentatively scheduled for the May PSFSS Committee meeting.
4. **Annual Audit of Library and Park Bond Funds (Measures O and P) and the Library Parcel Tax Special Revenue Fund (Measure S)** – Macias Gini & O’Connell is conducting these audits as specified in the voter-approved bond measures.
Project Status: Fieldwork in process.
Anticipated Release Date: Tentatively scheduled for the Library Citizen’s Oversight Committee on April 8, 2009; for the Parks Citizens Oversight Committee on April 1, 2009, and the PSFSS Committee in May 2009.
5. **Audit of San Jose Conservation Corps Agreements** – To review contract compliance and oversight of the various agreements between the City and the Conservation Corps.
Project Status: Fieldwork is completed and a draft report has been sent out for comment. The Corps has requested additional time to review the findings, and we have agreed to delay issuance of our final report to allow for review of the findings by their Board.
Anticipated Release Date: May 2009.

6. **Audit of Employee Health Benefits** – The purpose of this audit is to evaluate the City’s Health Benefits Program and identify areas where the City can realize savings and improve service delivery.
Project Status: Preliminary survey and risk assessment were completed, and audit fieldwork is in process.
Anticipated Release Date: TBD.

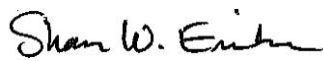
7. **Audit of Parks Trust Fund Administration** – To review policies and procedures for reconciling revenues and expenditures, improving recordkeeping, interdepartmental coordination, and timely disbursement of funds.
Project Status: An entrance conference was held; however, this project is on hold pending completion of other audit projects.
Anticipated Release Date: TBD.

8. **Audit of Animal Care and Services** – The Animal Care and Services Division provides spay and neuter programs, animal licensing programs, patrol services, animal adoption and rescue programs, and medical services for homeless animals. The Division is responsible for all animal field services for the City of San Jose and the contract cities of Cupertino, Los Gatos, Milpitas, and Saratoga. The focus of our review is the cost-recovery status of fees and charges, including services provided to other jurisdictions.
Project Status: An entrance conference has been held and preliminary survey in underway.
Anticipated Release Date: TBD.

9. **<NEW> Service Efforts and Accomplishments (SEA) Follow-up White Paper** – Report on what we learned during the preparation of the SEA report to help streamline and enhance the performance measurement and reporting process and encourage performance management.
Project Status: Report writing in process.
Anticipated Release Date: TBD.

Information on the status of the City Auditor’s FY 2008-09 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.

Respectfully submitted,



Sharon W. Erickson
City Auditor

SE:bh

Attachment: Status of the City Auditor’s FY 2008-09 Work Plan

**Status of the City Auditor's FY 2008-09 Work Plan¹
as of February, 2009**

	Preliminary Survey	Risk Assessment	Audit Field Work	Report Writing	Projected Issuance Date²
Assignments Completed					
Semi-Annual Compliance Audit of the City's Investment Program as of June 30, 2008	N/A	N/A	Completed	Completed	February 2009
Annual Review of Team San Jose Performance	Completed	N/A	Completed	Completed	February 2009
Service Efforts and Accomplishments (SEA) Report	N/A	N/A	Completed	Completed	January 2009
Bay 101 Compliance Review for Quarter Ended 9/30/08	N/A	N/A	N/A	Completed	December 2008
Annual Single Audit as of June 30, 2008	N/A	N/A	Completed	Completed	December 2008
CBO Financial Reporting and Accountability	Completed	Completed	Completed	Completed	November 2008
Annual External Financial Audit as of June 30, 2008	N/A	N/A	Completed	Completed	October 2008
Recommendations Follow-Up Report as of June 30, 2008	N/A	N/A	Completed	Completed	October 2008
Commercial Solid Waste Franchise Fees and AB 939 Fees	Completed	N/A	Completed	Completed	September 2008
Bay 101 Compliance Review for Quarter Ended 6/30/08	N/A	N/A	N/A	Completed	September 2008
Foxworthy Bridge Replacement	Completed	Completed	Completed	Completed	August 2008
Sister City Grant Reimbursements	N/A	N/A	Completed	Completed	August 2008
Bay 101 Compliance Review for Quarter Ended 3/31/08	N/A	N/A	N/A	Completed	August 2008
Retirement Services Travel Expenses	Completed	Completed	Completed	Completed	August 2008
Assignments In Process					
Auto Theft Investigations	Completed	Completed	Completed	In Process	April 2009
Workers' Compensation	Completed	Completed	Completed	In Process	April 2009
Recommendations Follow-Up Report as of Dec. 31, 2008	N/A	N/A	Completed	In Process	April 2009
San Jose Conservation Corps Agreements	Completed	Completed	Completed	In Process	May 2009
Semi-Annual Compliance Audit of the City's Investment Program as of December 30, 2008	N/A	N/A	Completed	In Process	May 2009
Annual Audit of Library and Park Bond Funds (Measures O & P) From Inception Through June 30, 2008	N/A	N/A	In Process	In Process	May 2009
Library Parcel Tax Special Revenue Fund (Measure S) From Inception Through June 30, 2008	N/A	N/A	In Process	In Process	May 2009
Service Efforts and Accomplishments Follow-Up	N/A	N/A	In Process	In Process	
Employee Health Benefits	Completed	Completed	In Process		
Animal Care and Services	In Process				
Park Trust Fund Administration	On Hold				
Assignments Not Yet Started					
Retirement Rolls ³					
Redevelopment DDAs – Museum Park					
Decentralized Cash Handling					
Major City Contracts					
Permitting Process for High-Rise Residential					
Police Sworn/Non-Sworn Staffing Ratios					
Community Center Staffing					
Traffic Control at Road Construction Projects					

¹ The approved work plan is on the web at www.sanjoseca.gov/auditor/workplan.asp

² Projected Issuance Dates are usually six weeks after Report Writing is completed to accommodate exit conferences, draft report revisions and a three week allowance for the administration to prepare a written response. For the Assignments Completed, the date shown is the actual month of report issuance.

³ Macias Gini & O'Connell currently is conducting agreed upon procedures to determine the accuracy of pensionable salaries, contributions and adjustments. At the conclusion of their review, we will assess the need for additional work in this area.