

Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Joe Rois,
City Auditor

SUBJECT: Monthly Report of Activities for
November 2024

DATE: December 2, 2024

RECOMMENDATION

Approve the Auditor's Office Monthly Report of Activities for the month of November 2024.

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 (FY) 2024-25 Work Plan during the month of November 2024.

Activities During the Month of November:

1. Issued **Animal Care and Services: Addressing Capacity Constraints and Updating Shelter Protocols Will Help Improve Animal Outcomes**. The report is online at: <https://www.sanjoseca.gov/home/showpublisheddocument/116106>.
2. Issued **Team San Jose Performance FY 2023-24**. The report is online at: <https://www.sanjoseca.gov/home/showpublisheddocument/116122>.
3. Macias, Gini & O'Connell (MGO) issued eight of the City's annual financial audits. The reports are online at: <https://www.sanjoseca.gov/your-government/appointees/city-auditor/external-financial-audits>.
4. Assisted department staff to present the Library and Measure T bond audits, and the Library Parcel Tax audit to the respective oversight committees.

Information on the status of the City Auditor's FY 2024-25 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.



Joe Rois
City Auditor

**Status of the City Auditor's FY 2024-25 Audit Work Plan
As of November 2024**

| | Objective | Status | Issuance Date |
|--|---|-----------|----------------|
| Assignments Completed | | | |
| 1. Encumbrances | Review encumbrances for compliance with the City's Encumbrance Policy (CPM 5.1.12). The General Fund had a \$53 million Encumbrance Reserve in the FY 2023-24 Proposed Operating Budget. This is nearly 40 percent higher than five years ago. <i>(Outstanding request from a resident)</i> | Completed | September 2024 |
| 2. Semi-annual audit recommendation status report | Report on the implementation status of all open audit recommendations as of June 30, 2024. | Completed | September 2024 |
| 3. Semi-annual compliance review 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. The independent certified public accounting firm Macias Gini & O'Connell LLP (MGO) will conduct the agreed-upon procedures as of June 30, 2024. | Completed | September 2024 |
| 4. Tenant Protection Ordinance | Review the assessment and use of Tenant Protection Ordinance fees. <i>(Councilmember request)</i> | Completed | October 2024 |
| 5. 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 Library Parcel Tax Fund, and the Public Safety and Infrastructure ("Measure T") Bond Fund satisfying the City's obligation for guaranteed annual audits. | Completed | October 2024 |
| 6. San José Animal Care and Services | Audit covering various aspects of Animal Care and Services' operations and comparisons against industry standards, as directed by the Mayor and multiple Councilmembers. <i>(Added to the work plan by the Rules Committee on October 11, 2023)</i> | Completed | November 2024 |
| 7. Annual performance review of Team San José and the Convention and Visitors Bureau | Annual review to determine whether Team San José met their performance metrics as of June 30, 2024. | Completed | November 2024 |
| 8. Compliance review of San José Clean Energy's risk management practices (contracted audit service) | 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, 2024. | Completed | November 2024 |

| | Objective | Status | Issuance Date |
|--|--|---|--|
| Assignments in Process | | | |
| 9. Access to and use of critical services by traditionally marginalized communities – neighborhood blight reduction programs | <p>Assess and provide recommendations related to departmental efforts around progress on Racial Equity Action Plans, resources available for equity-related work, collection of data on participants or parties impacted by services, and/or other related areas. <i>(Mayor provided direction to explore an audit scope in this area in the March 2023 Budget Message)</i></p> <p>Note: The Office intends this to be a series of audits focusing on different programs or services provided by the City. The first project will focus on neighborhood blight reduction and beautification programs in the Department of Parks, Recreation and Neighborhood Services.</p> | In process | December 2024 (projected) |
| 10. Annual services report | 17 th 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 a resident survey. The office will also maintain an online dashboard of CSA dashboard measures. | In process | December 2024 (projected) |
| 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, Deferred Compensation, Tier 3 Defined Contribution Plan, Voluntary Employee Beneficiary Association (VEBA), Metropolitan Transportation Commission (MTC) grant compliance, South Bay Water Recycling, San José Clean Energy (SJCE), and the Single Audit (including Airport passenger facility charges and customer facility charges). | In process (multiple projects complete) | September 2024 – February 2025 (projected) |
| 12. Access to and use of critical services by traditionally marginalized communities (traffic safety) | The second project in this series will focus on Traffic Safety programs or services in the Increasing Community Safety City Council focus area. (see project 9 above) | In process | TBD |
| 13. Procurement | Assess the efficiency of the City's procurement processes for goods and services, not including public works projects. <i>(Outstanding audit requests from a Councilmember and the Mayor)</i> | In process | TBD |

| | Objective | Status | Issuance Date |
|---|---|-------------|---------------|
| 14. Homelessness | Audit to explore the City's internal department structure related to homelessness response, including assessing coordination of activities and benchmarking with other jurisdictions. <i>(Per City Council direction at the June 11, 2024 City Council meeting)</i> | In process | TBD |
| 15. City costs for special events | Assess City-required security or other costs to organizers for special events. <i>(Request from the Mayor)</i> | In process | TBD |
| Assignments Not Yet Started | | | |
| 16. Semi-annual audit recommendation status report | Report on the implementation status of all open audit recommendations as of December 31, 2024. The office will also maintain an online dashboard of audit recommendations | Not Started | March 2025 |
| 17. Semi-annual compliance review 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 December 31, 2024. | Not started | March 2025 |
| 18. Park in-lieu fees | Assessment of collection, tracking, and use of park in-lieu fees. <i>(Outstanding requests from resident and former Mayor)</i> | Not started | TBD |
| 19. Police overtime follow up report | Assess controls around overtime in the Police Department. This is a follow up to the City Auditor's 2016 Police Overtime and 2021 Police Staffing, Expenditures, and Workload audits. <i>(Outstanding audit request)</i> | Not started | TBD |

Note: The approved work plan includes 17 projects. The two semi-annual recommendation status reports are listed as one project on the work plan but separated here to show progress. Similarly, the two semi-annual compliance reviews of the City's investment program are listed as one project on the work plan but separated here.

The City Auditor's Fiscal Year 2024-25 Work Plan is online at:
<https://www.sanjoseca.gov/your-government/appointees/city-auditor/annual-work-plans>