



# Memorandum

**TO:** Rules & Open Government Committee

**FROM:** Joe Rois,  
City Auditor

**SUBJECT:** *Monthly Report of Activities for  
October 2023*

**DATE:** November 1, 2023

---

## RECOMMENDATIONS

- Approve the Auditor's Office Monthly Report of Activities for the month of October 2023.
- Amend the City Auditor's Fiscal Year (FY) 2023-24 work plan to defer the audit of traffic signal and streetlight maintenance. This audit will be reconsidered for inclusion in the Office's FY 2024-25 Proposed 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 (FY) 2023-24 Work Plan during the month of October 2023.

### Activities During the Month of October:

1. Issued **Retirement Services: Interim Report on the Alignment of Controls Between the City and the Office of Retirement Services**. We presented the report to the FCERS and Police & Fire Retirement Plan Audit Committee on October 19, 2023. The report is online at: <https://www.sanjoseca.gov/home/showpublisheddocument/105906>.
2. Issued **External Quality Control Review of the Office of the City Auditor, San Jose, CA for the Period July 1, 2021 to June 30, 2023**. The report is online at: <https://www.sanjoseca.gov/home/showpublisheddocument/106704>.
3. Macias, Gini & O'Connell (MGO) issued several of the City's annual financial audits. The reports are online at: <https://www.sanjoseca.gov/your-government/appointees/city-auditor/external-financial-audits>.

Information on the status of the City Auditor's FY 2023-24 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

Attachment

**Status of the City Auditor's FY 2023-24 Audit Work Plan  
As of October 2023**

	Objective	Status	Issuance Date
<b>Assignments Completed</b>			
1. Integrated Waste Management Inspection Programs	Evaluation of the Integrated Waste Management (IWM) Enforcement Program's service delivery. <i>(IWM ranked high on the Citywide risk assessment; open audit request related to IWM)</i>	Completed	September 2023
2. Performance measure review (Housing Department)	Recurring projects to assess the validity and usefulness of performance metrics by City departments, programs, or City Service Areas. This work is intended to be ongoing to augment the Annual Services Report and assist the Administration to enhance the City's performance management systems in alignment with the "Outcome, Equity Indicators, and Performance Management" City Roadmap initiative. <i>(Councilmembers have made requests about the City's performance measurement and management in prior years)</i>	Completed	September 2023
3. Semi-annual audit recommendation status report	Report on the implementation status of all open audit recommendations as of June 30, 2023.	Completed	September 2023
4. 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 City's outside financial statement auditor, Macias, Gini & O'Connell (MGO), will conduct agreed-upon procedures to test for compliance as of June 30, 2023.	Completed	September 2023
5. Office of Retirement Services	Audit to cover, at a minimum, the following areas: 1. Identifying internal process controls for financial activities such as accounting, purchasing, and contracting; 2. Identifying policies and procedures around information systems and security; 3. Compliance with City policies for financial activities, information systems and security, and other relevant administrative functions; and 4. A comparison of governance structures of other pension plans, including board oversight of management's administrative functions and responsibilities. <i>(Added to work plan at August 9 meeting of the Rules Committee based on request from the Mayor and two Councilmembers)</i>	Interim Work Completed	Interim Report - October 2023
6. Biennial peer review for FYs 2021-22 and 2022-23 (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 peer review was conducted in 2021.	Completed	October 2023
7. 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 2023
<b>Assignments in Process</b>			
8. Building permitting	Assess the timeliness of the building permit process for single-family residential additions or alterations, including accessory structures. <i>(Request by Councilmember)</i>	In process	November 2023 (projected)
9. 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, 2023.	In process	November 2023 (projected)

	Objective	Status	Issuance Date
10. Annual performance review of Team San Jose and the Convention and Visitors Bureau	Annual review to determine whether Team San Jose met their performance metrics as of June 30, 2023.	In process	November 2023 (projected)
11. Non-management employee performance appraisals	<i>"% of Non-Management Employee Performance Appraisals Completed on Schedule"</i> is a dashboard performance measure in the Adopted Operating Budget's Strategic Support City Service Area. According to data provided to the City Auditor's Office for the Annual Services Report, just 52 percent of non-management employees had on-time performance appraisals in FY 2020-21. <i>(Open audit request and the Lead and Manage the Organization core service ranked high on the Citywide risk assessment)</i>	In process	December 2023 (projected)
12. Annual Report on City Services 2022-23	16 <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 a resident survey. The Office will also maintain an online dashboard of CSA dashboard measures.	In process	December 2023 (projected)
13. Annual external financial audit and single audit (contracted audit service)	The City Charter requires an annual audit of the City's financial transactions. The independent certified public accounting firm Macias Gini & O'Connell LLP (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 (several projects completed)	September 2023 – February 2024 (projected)
14. Language Accessibility	Assess City communications for compliance with the City's Language Access Policy (now the Language Equity Policy and Guidelines). <i>(CMO's Lead and Manage the Organization core service ranked high on the Citywide risk assessment)</i>	In process	February 2024 (projected)
15. Office of Retirement Services	Audit to cover, at a minimum, the following areas: 1. Identifying internal process controls for financial activities such as accounting, purchasing, and contracting; 2. Identifying policies and procedures around information systems and security; 3. Compliance with City policies for financial activities, information systems and security, and other relevant administrative functions; and 4. A comparison of governance structures of other pension plans, including board oversight of management's administrative functions and responsibilities. <i>(Added to work plan at August 9 meeting of the Rules Committee based on request from the Mayor and two Councilmembers)</i>	In process	Additional reporting (TBD)
<b>Assignments Not Yet Started</b>			
16. Semi-annual audit recommendation status report	Report on the implementation status of all open audit recommendations as of December 31, 2023. The Office will also maintain an online dashboard of audit recommendations.	Not started	March 2024 (projected)

	Objective	Status	Issuance Date
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. The City's outside financial statement auditor, Macias, Gini & O'Connell (MGO), will conduct the agreed-upon procedures to test for compliance as of December 31, 2023.	Not started	March 2024 (projected)
18. San José Animal Care and Services (Added on October 11, 2023)	Audit covering various aspects of Animal Care and Services' operations and comparisons against industry standards, as directed by the Mayor and multiple Councilmembers. (Added to the work plan by the Rules Committee on October 11, 2023)	Not Started	TBD
19. Access to and use of critical services by traditionally marginalized communities	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. (Mayor provided direction to explore an audit scope in this area in the March Budget Message)	Not Started	TBD
20. Tenant Protection Ordinance	Review the assessment and use of Tenant Protection Ordinance fees. (Councilmember request)	Not started	TBD
21. Park in-lieu fees	Assessment of collection, tracking, and use of park in-lieu fees. (Outstanding requests from resident and former Mayor)	Not Started	TBD
22. 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. (Outstanding request from a resident)	Not started	TBD
23. 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. (Outstanding audit request)	Not Started	TBD

Note: The approved work plan includes 20 projects. The two semi-annual recommendation status reports are listed as one project 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. Lastly, the Office of Retirement Services is listed as one project; however, the Office issued an interim report on controls and will report on the remaining elements from Council's direction separately.

The City Auditor's Fiscal Year 2023-24 Work Plan is online at:  
<https://www.sanjoseca.gov/your-government/appointees/city-auditor/annual-work-plans>