



Memorandum

TO: CITY COUNCIL

FROM: Councilmember Arenas

SUBJECT: Status of Open Audit

Recommendations as of June 30, 2018 **DATE:** September 17, 2018

Approved:

Date: 9.17.18

RECOMMENDATION

Accept the Report from the City Auditor and:

- 1) Recommend that the Public Works Department continue working on their approach to address the outstanding issues identified in the Status of Open Audit, Report #17-02. This item references Recommendation #1A of the 3-20-17 Office of Equality Assurance Audit, addressing the procurement of a software solution to automate payroll review.
- 2) Request that the Office of the City Manager use the Mid-year budget process to provide the Office of Equality Assurance appropriate additional funding to support their work.

BACKGROUND

San Jose workers are facing wage theft issues that grow from alarming to downright terrifying. Many of the most egregious violations that have recently become known are on private projects – ones that as a city we do not oversee – however many contractors for these projects work on public projects as well, and are subject to our city policies.

The Office of Equality Assurance has been asked to expand the protections that workers in our city need and it needs the appropriate funding and necessary tools to make that enforcement a reality. In the spring of 2017, our City Auditor came out with a report showing that “Automating wage calculations through a software solution could free staff time to conduct all key components of payroll reviews.” This would allow staff to focus on doing the work of investigating compliance of our city’s laws.

The Administration response listed Recommendation 1A as being a “Green” response with a target date of completion of 9-12 months, stating: “The Public Works Department will analyze and bring forward a certified payroll and workforce reporting software solution as well as develop strategies and guidelines for risk based site visits and reviewing of supplemental documentation.”

In the 2017/2018 budget, there was an MBA (MBA #5) that started the scoping work, but the 2018/2019 budget didn’t assign additional funding for this project.

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Discussing this project with Director of Public works and the Division Manager of the Office of Equality Assurance, they have updated my office that Public Works is currently working with the City Manager's Office Innovation Team. That team is in the process of implementing the STIR (Startup in Residence: <https://startupinresidence.org>) Program. This program connects startups with government agencies to develop technology products that solve civic challenges.

Public Works has submitted this software as their department's priority for a STIR challenge project, and the City Manager's Office has selected this as one of the projects to proceed with. They plan to post a request for proposals (RFP) by end of year to begin the selection process for the partner firm who will be developing this software.

I appreciate Public Works and the City Manager taking this smart approach to moving this important task forward. It is critical that they succeed, and quickly. San Jose's working families do not have the luxury of waiting for an additional budget cycle. Therefore, I request that the City Manager's Office use the upcoming Mid-Year budget process to provide sufficient funding for the first six months of work on this project and ongoing funding.