

San José Charter Review Commission Recommendation Memo Template

Drafted April 19th; Revised July 2nd, 2021

Instructions

1. Complete sections 1-3 below.
2. Rename document. Replace everything after the “-” in the document name with the proposal name.
 - a. Example: “SJ CRC Recommendations Memo - **Ranked Choice Voting**”
3. When ready, email to the Commission Secretary (CharterReview@sanjoseca.gov) for posting to the appropriate subcommittee or full Commission. Final deadline for submitting subcommittee recommendations is 12 noon on the following dates:
 - a. Friday, July 26 for Voting & Elections Subcommittee
 - b. Friday, August 23rd for Governance Structure Subcommittee
 - c. Friday, September 3rd for Policing & Municipal Law, Accountability & Inclusion Subcommittee

1) Proposal Name

Proposal Name:	Department Audits
Submitted by:	<i>Rick Callender, Yong Zhao, Magnolia Segal, Sherry Segura, Veronica Amador</i>
Date submitted:	<i>Drafted 10/20/21; Revised 10/27/21; Revised 10/28/21</i>

3) Proposal Details

<p>1) What problem(s) are you trying to address? <i>Before suggesting a solution, it is important to be clear about the problem you aim to solve.</i></p>	<p>The basic problems of the City Auditor function are: 1) the auditing topics are entirely determined by the city council; 2) the lack of department-wide auditing. This recommendation is to remove political pressure from decision-making process and to bring greater financial accountability for San Jose.</p> <p>The San Jose City Charter Section 805 prescribes the powers and duties of the City Auditor’s office. The Charter also grants the Auditor’s Office access and authority to examine all records of City department, office or agency. The performance audit function</p>
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that the Auditor’s Office conduct is an essential element to hold the City’s operations and services accountable, efficiency and effectiveness.

Under the current process, the Auditor’s Office prepares an “Annual Audit Work Plan”. The methodology for determining the work plan contains multiple factors and the results are outlined in the “Risk Matrix”. The potential “audit subjects” on the “Annual Audit Work Plan” could be from the staff, the City Council or the members of the public. The City Auditor submits the “Annual Audit Work Plan” to the Rules and Open Government Committee (The Rules Committee) for review and approval.

The Rules Committee makes the determination of the annual auditing tasks that the Auditor’s Office will conduct in the next fiscal year. The Rules Committee can accept or partially accept the City Auditor’s recommendation, or choose to completely ignore the City Auditor’s recommendation.

The current determination process of “audit subjects” could potentially cause some department/budget units consistently being left out and never gets audited.

Additionally, the Auditor’s Office has been mainly focused on a specific area of a city department and conduct an in-depth auditing. Smaller scale auditing is certainly very important. However, the department-wide performance auditing is critical and essential to track the key performance goals of the city’s services, and currently the department-wide performance auditing were barely conducted. The missing of such auditing on a regular basis could cause misuse of city resources, lack of accountability and even corruption. Larger-scale departmental audits are necessary to ensure taxpayer resources are being spent in a fiscally responsible manner to ensure the highest quality of service to our community.

2) How has this problem possibly benefited or burdened people, especially BIPOC, low-income, undocumented and immigrant, those experiencing houselessness, etc.?

Is there data that speaks to the impact of this problem? What does the disaggregated data tell us?

Increased accountability of all city services benefits every San Jose resident by ensuring fiscal responsibility and maximum quality of service, especially for underserved communities who rely heavily on city services, resources and support.

3) What change are you proposing?

Describe the revision to [San José's Charter](#) that you are proposing. Include relevant Charter section numbers.

Add the following to San Jose City Charter:

SECTION 805.3.

A department-wide performance audit must be conducted to all city departments, to assess key performance against its mission, goals and objectives in order to ensure accountability and fiscal responsibility.

The constituent-facing departments shall get a department-wide performance audit at least every 6 years, while the remaining department shall get a department-wide performance audit at least every 12 years.

The auditor report shall be presented at public meetings, with trackable objection action items and follow ups.

4) Is this change feasible?

Think through the revision you are proposing. Is it legally possible? Is it practical? If there are questions you cannot answer, list them here.

We believe this change is feasible and necessary to ensure and increase accountability. San Jose has an audit function in place already. This simply adds a larger scope to the current audit process to ensure a higher quality of oversight and accountability for taxpayers.

It may require to increase the budget and capability of the Auditor's Office.

5) Who might benefit from or be burdened by this change?

Is there data that speaks to the potential impact of this change? What are the potential unintended consequences of this change?

Every San Jose resident benefits from this change by providing an increased level of accountability and oversight for our communities. This would make sure that no part of any city department goes unaudited for more than a 12-year period. It helps detect fraud, embezzlement, and any other crimes as well as it identifies potential ways to decrease spending and increase efficiency. This improves financial accountability in the City of San Jose.

Workload and budget for the Auditor's office are likely to increase.

<p>6) What are the arguments against this proposal? <i>Summarize the arguments you expect or data you have found in opposition to this recommendation.</i></p>	<p>The scope of department-wide auditing is too large</p>
<p>7) Must this be a Charter revision? <i>Can this problem be addressed without changing the charter (e.g., Council action, cultural change)? If not, should this be a policy recommendation to be included in the Commission’s report?</i></p>	<p>Yes, to ensure this is an unbiased approach that will not be influenced by elected officials or impacted department staff, it must be a Charter revision.</p>
<p>8) Are there other examples of this change? <i>If you have found other examples of this change, please share them and any outcomes that have been observed.</i></p>	

3) Proposal Research & Citations

List below the results of any research conducted to inform this memo.

<p>List of citations <i>All data must be cited so that Commissioners who are not part of the Subcommittee in question</i></p>	<p>https://board.sccgov.org/management-audit-division/fy-2021-22-management-audit-risk-assessment</p> <p>https://www.sanjoseca.gov/your-government/appointees/city-auditor/about-us/the-audit-process</p>
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<p><i>may locate the source of information as needed.</i></p>	
<p>Any speakers who presented to the subcommittee must be listed. <i>Include name, title, affiliations, etc., along with a brief summary of the information presented by them.</i></p>	<p>Joe Rois, San Jose City Auditor Cheryl Solov, Santa Clara County Management Audit Division, manager Robyn Rose, Santa Clara County Internal Audit, manager</p>
<p>Relevant Links <i>Provide links or locations of the information in this research as much as possible, otherwise provide attachments.</i></p>	<p>https://www.nbcbayarea.com/news/local/ex-supervisor-uses-public-funds-for-gambling-apologizes-then-goes-gambling/2050970/ https://www.mercurynews.com/2021/09/09/san-jose-auditor-finds-lacking-oversight-contributed-to-code-enforcement-officer-extorting-massage-businesses-for-sex/ Audit reveals how a San Jose code enforcement officer was allegedly able to extort massage businesses for sex The report found gaping holes in city code enforcement’s oversight procedures and division policies</p> <p>https://www.sanjoseinside.com/news/loose-oversight-leads-to-questionable-credit-card-spending-at-san-jose-city-hall/ Loose Oversight Leads to Questionable Credit Card Spending at SJ City Hall</p>