



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

December 1, 2014

The Honorable City Council
Palo Alto, California

Policy and Services Committee Recommendation to Accept the Auditor's Office Quarterly Report as of September 30, 2014

The Office of the City Auditor recommends acceptance of the Auditor's Office Quarterly Report as of September 30, 2014. At its meeting on October 21, 2014, the Policy and Services Committee approved and unanimously recommended the City Council accept the report. The Policy and Services Committee minutes are included in this packet.

Respectfully submitted,

Harriet Richardson
City Auditor

ATTACHMENTS:

- Attachment A: Auditor's Office Quarterly Report as of September 30, 2014 (PDF)
- Attachment B: Policy and Services Committee Meeting Minutes Excerpt (October 21, 2014) (PDF)

Department Head: Harriet Richardson, City Auditor



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

October 21, 2014

The Honorable City Council
Attention: Policy & Services Committee
Palo Alto, California

Auditor's Office Quarterly Report as of September 30, 2014

RECOMMENDATION

The City Auditor's Office recommends the Policy and Services Committee review and recommend to the City Council acceptance of the Auditor's Office Quarterly Report as of September 30, 2014.

SUMMARY OF RESULTS

In accordance with the Municipal Code, the City Auditor prepares an annual work plan and issues quarterly reports to the City Council describing the status and progress towards completion of the work plan. This report provides the City Council with an update on the first quarter for FY 2015.

Respectfully submitted,

Harriet Richardson
City Auditor

ATTACHMENTS:

- Attachment A: Auditor's Office Quarterly Report as of September 30, 2014 (PDF)

Department Head: Harriet Richardson, City Auditor



CITY OF
**PALO
ALTO**

Quarterly Report as of September 30, 2014



Office of the City Auditor

"Promoting honest, efficient, effective, and fully accountable city government."

Fiscal Year (FY) 2015 First Quarter Update (July – September 2014)

Overview

The audit function is essential to the City of Palo Alto's public accountability. As mandated by the City Charter and Municipal Code, the mission of the Office of the City Auditor (OCA) is to promote honest, efficient, effective, and fully accountable city government. We conduct performance audits and reviews to provide the City Council and City management with information and evaluations regarding the effectiveness and efficiency with which resources are employed, the adequacy of the system of internal controls, and compliance with policies and procedures and regulatory requirements. Taking appropriate action on our audit recommendations helps the City reduce risks and protect its good reputation.

Highlights of Activities During the Quarter

- The Office of the City Auditor hosted a training event for Bay Area auditors on using ACL data analysis software.
- The Office of the City Auditor co-hosted a training event for Bay Area auditors on conducting peer reviews for determining compliance with Government Auditing Standards.
- City Auditor Harriet Richardson gave a presentation on internal controls at the Western Intergovernmental Audit Forum in September.
- The City Auditor updated and presented to the Policy and Services Committee a draft ordinance related to the office and duties of the City Auditor; the final ordinance is on the Consent Calendar for the October 20 City Council meeting.
- Senior Performance Auditor Yuki Matsuura assisted the Neighbors Abroad in planning the Tsuchiura Sister City event and guided delegates on a tour of Palo Alto, including the new Mitchell Park Library and the Water Quality Control Plant.

Audits

Below is a summary of our audit work for the first quarter of FY 2015 (as of September 30, 2014):

Title	Objective(s)	Start Date	End Date	Status	Results/Comments
Franchise Fee Audit	To determine if 1) the franchisees accurately calculated and remitted franchise fees in accordance with the Palo Alto Municipal Code, 2) the City appropriately used and accounted for the fees, and 3) the City appropriately established and defined roles and responsibilities to administer and enforce state franchises.	02/14	12/14	In Process	Planning complete; field work is complete and report is drafted for the second and third objectives; consultant is in process of conducting field work on the first objective. Considering issuing two reports – one on the use of the fees and roles and responsibilities, and one on if fees were accurately calculated and remitted.
Audit of Utility Meters: Procurement, Inventory, and Retirement	To determine if proper procedures were followed with the procurement, inventory, and retirement of utility meters.	03/14	12/14	In Process	Planning and field work are complete; report is being drafted.

Title	Objective(s)	Start Date	End Date	Status	Results/Comments
Parking Funds Audit	To determine if the City's parking funds are properly collected, accounted for, and used in compliance with applicable laws, regulations, policies, and governing documents. The audit will focus on the University and California Avenues and Residential Parking Permit Funds, and the Parking In-Lieu Fund.	05/14	12/14	In Process	Planning complete; field work is about 75 percent complete.
National Citizen Survey	To obtain resident opinions about the community and services provided by the City of Palo Alto and benchmark our results against other jurisdictions that participate in the survey.	07/14	12/14	In Process	Survey has been conducted and we have received and are currently analyzing the draft results. 1,111 Palo Alto residents responded to the survey.

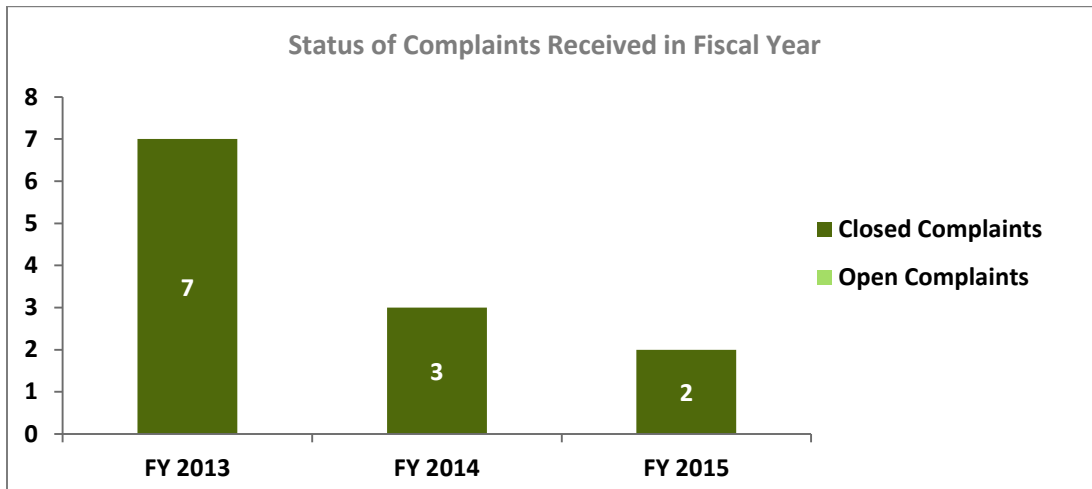
Other Monitoring and Administrative Assignments

Below is a summary of other assignments as of the first quarter of FY 2015 (as of September 30, 2014):

Title	Objective(s)	Status	Results/Comments
Sales and Use Tax Allocation Reviews	The OCA conducts sales and use tax monitoring in-house and also contracts with an outside vendor.	Ongoing	The OCA continues to submit inquiries to the State Board of Equalization. As of the end of the first quarter, the City received \$31,699 in total sales and use tax recoveries, which includes \$10,336 from OCA inquiries and \$21,363 from vendor inquiries. Due to processing lags at the State Board of Equalization, there are 40 potential misallocations waiting to be researched and processed: 16 from OCA and 24 from the vendor.
Quarterly Reporting	Each quarter, the OCA provides Quarterly Status Updates and Sales Tax Digest Summaries for Council review.	Ongoing	Quarterly reports are published on the OCA website at www.cityofpaloalto.org/gov/depts/aud/reports/default.asp .
City Auditor Advisory Roles	Provide guidance and advice to key governance committees within the City.	Ongoing	The City Auditor is an advisor to the following: Utilities Risk Oversight Committee, the Library Bond Oversight Committee, the Information Technology Governance Review Board, and the Information Security Steering Committee.

Fraud, Waste, and Abuse Hotline Administration

On August 16, 2012, we launched the City's Fraud, Waste, and Abuse Hotline. During the first quarter of FY 2015, we received two complaints, which have both been closed. The chart below summarizes the status of complaints received in each fiscal year.



Source: City of Palo Alto hotline case management system as of September 30, 2014

The hotline review committee, composed of the City Auditor, the City Attorney, and the City Manager or their designees, meets as needed to review all activity related to the hotline.



POLICY AND SERVICES COMMITTEE WORKING MINUTES

Special Meeting
October 21, 2014

Chairperson Price called the meeting to order at 5:03 P.M. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Klein, Price (Chair), Scharff, Schmid

Absent:

5. Auditor's Office Quarterly Report as of September 30, 2014.

Council Member Klein inquired about the amount of time needed to discuss Agenda Item Number 5.

Chair Price felt the item should be heard.

Council Member Scharff indicated some time would be required to discuss the future status of policy.

Harriet Richardson, City Auditor, reported the Franchise Fee Audit contained three objectives; two being performed by the City Auditor's Office and one by a consultant. Staff had almost completed their work on the two objectives. Information regarding the consultant's objective would be presented at a later time. The Utility Meter Audit was close to completion. Field work for the audit of Parking Funds was approximately 75 percent complete. With respect to the National Citizens Survey, the correct number of respondents was 796. The response rate was 27 percent, 2 percent lower than the previous year; however, 3,000 surveys rather than 1,200 were mailed to residents. Marketing efforts did not increase the rate of participation. The Sales and Use Tax Audit recovered \$31,699. The City received two hotline complaints during the quarter, and Staff closed both as unsubstantiated. In the future, Departments would report directly to the Policy and Services Committee regarding the status of responses to audit recommendations. Within the quarterly report, she would provide a summary of overall activity during the quarter.

Council Member Schmid suggested Audits of Franchise Fees and Utility Meters would not provide the greatest payback.

WORKING MINUTES

Ms. Richardson indicated the Utility Meter Audit resulted from issues identified during the Inventory Management Audit.

Council Member Schmid noted the numbers were higher for the National Citizens Survey. He requested a categorization of hotline complaints.

Ms. Richardson advised that most complaints pertained to employees' use of time. In most instances, there was no evidence to support complaints.

Council Member Schmid was interested in whether complaints concerned personnel or sexual orientation.

Ms. Richardson remarked that most complaints were related to personnel.

MOTION: Council Member Schmid moved, seconded by Council Member Klein to recommend the City Council accept the Auditor's Office Quarterly Report as of September 30, 2014.

MOTION PASSED: 4-0

ADJOURNMENT: The meeting was adjourned at 8:42 P.M.