



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

August 17, 2015

The Honorable City Council
Palo Alto, California

Policy and Services Committee Recommendation to Accept the Auditor's Office Quarterly Report as of March 31, 2015

The Office of the City Auditor recommends acceptance of the Auditor's Office Quarterly Report as of March 31, 2015. At its meeting on April 28, 2015, 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 March 31, 2015 (PDF)
- Attachment B: Policy and Services Committee Meeting Minutes Excerpt (April 28, 2015) (PDF)

Department Head: Harriet Richardson, City Auditor



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

April 28, 2015

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

Auditor's Office Quarterly Report as of March 31, 2015

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 March 31, 2015.

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 third quarter for FY 2015.

Respectfully submitted,

A handwritten signature in cursive script that reads "Harriet Richardson".

Harriet Richardson
City Auditor

ATTACHMENTS:

- Attachment A: Auditor's Office Quarterly Report as of March 31, 2015 (PDF)

Department Head: Harriet Richardson, City Auditor



CITY OF
**PALO
ALTO**

Quarterly Report as of March 31, 2015



Office of the City Auditor

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

Fiscal Year (FY) 2015 Third Quarter Update (January – March 2015)

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, economical, and fully accountable and transparent 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 published the 2014 National Citizen Survey™ (NCS™), which is a collaborative effort between the National Research Center (NRC), Inc., and the International City/County Management Association (ICMA). The NCS™ was developed by the NRC to provide a statistically valid survey of resident opinions about community and services provided by local government.
- The Office of the City Auditor published and presented the Utility Meter Audit: Procurement, Inventory, and Retirement to the Policy and Services Committee. The objectives of the audit were to determine if proper procedures were followed and to assess the efficiency and effectiveness of procuring, managing, and retiring utility meters.
- City Auditor Harriet Richardson, in conjunction with a member of the U.S. Government Accountability Office's standards team, presented a webinar to members of the Association of Local Government Auditors regarding the continuing professional education requirements for auditors who follow the Government Auditing Standards to conduct their work.

Audits

Below is a summary of our audit work for the third quarter of FY 2015 (as of March 31, 2015):

Title	Objective(s)	Start Date	End Date	Status	Results/Comments
Franchise Fee Audit	Determine if 1) the City accurately accounted for and oversaw the Media Center's use of public, education, and government (PEG) fees, 2) the City established and defined roles and responsibilities to administer its cable communications program and state franchises awarded to Comcast and AT&T, and 3) Comcast and AT&T collected and promptly remitted the appropriate amount of franchise and PEG fees.	02/14	06/15	In Process	We have completed planning and field work and have drafted the report for the second and third objectives; the consultant is conducting field work on the third objective. We will issue two reports – one on the use of the fees and roles and responsibilities, and one on the collection and remission of fees. The City Attorney is currently reviewing the draft report for the first two objectives, which we expect to present to the Policy and Services Committee in June.

Title	Objective(s)	Start Date	End Date	Status	Results/Comments
Audit of Utility Meters: Procurement, Inventory, and Retirement	Determine if proper procedures were followed with the procurement, inventory, and retirement of utility meters.	03/14	03/15	Complete	We completed the report and presented it to the Policy and Services Committee on March 10, 2015. It is scheduled for approval on the Council's April 27, 2015, Consent Calendar.
Parking Funds Audit	Determine if the City's parking funds are properly calculated, 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	06/15	In Process	We have completed planning and field work. We have drafted the report, which is undergoing an internal review. We expect to present the results to the Policy and Services Committee in June.
National Citizen Survey	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	01/15	Complete	We published the results of the survey on the Office of the City Auditor website on January 26, 2015. We will present the results of the survey at a Council study session in conjunction with the Annual Performance Report, which is currently underway.
Annual Performance Report	Provide summary information on spending and staffing, workload, and performance results, including historical trends and selected comparisons to other cities, for the fiscal year ending June 30, 2014.	11/14	05/15	In Progress	We sent requests for data to departments and have received responses. We are collecting benchmarking data and formatting the data already collected for the report. We are collaborating with the City Manager's Office and Office of Management and Budget to identify ways to streamline the data collection process for various reporting efforts and to reorganize the way we present the data in the report to tell a better story about the City's performance on a citywide basis.

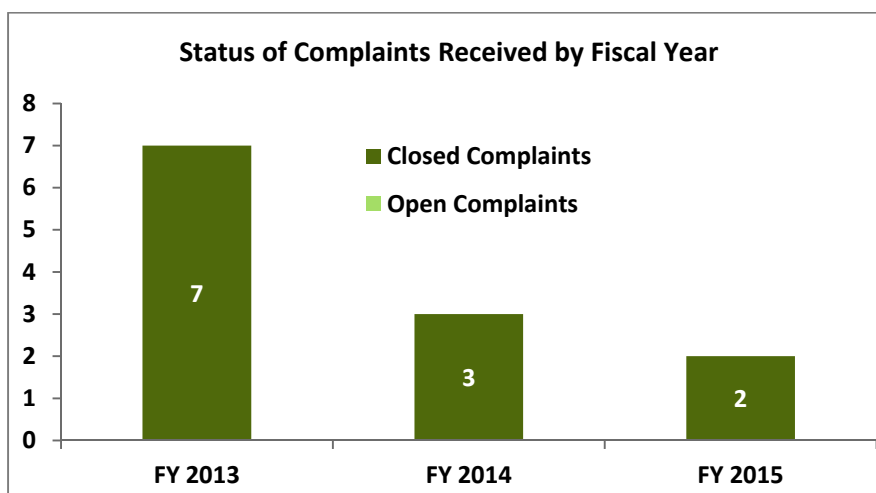
Other Monitoring and Administrative Assignments

Below is a summary of other assignments as of March 31, 2015:

Title	Objective(s)	Status	Results/Comments
Sales and Use Tax Allocation Reviews	Identify and collect underreported or misallocated sales and use tax from businesses that do business in Palo Alto.	Ongoing	We conducts sales and use tax monitoring in-house and also contract with an outside vendor, and submit inquiries to the State Board of Equalization for potential tax recoveries. As of the end of the third quarter, the City received \$59,302 in total sales and use tax recoveries, which includes \$36,181 from our inquiries and \$23,121 from vendor inquiries. The State Board of Equalization has 43 potential misallocations to research and process: 11 from Office of the City Auditor and 32 from the vendor.
Quarterly Reporting	Provide 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 continues to serve as an advisor to various boards and committees: 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

The hotline review committee, composed of the City Auditor, the City Attorney, and the City Manager, or their designees, meets as needed to review hotline-related activities. We did not receive any hotline complaints during the third quarter of FY 2015. The chart below summarizes the status of complaints received in each fiscal year.



Source: City of Palo Alto hotline case management system as of March 31, 2015



Policy and Services Committee MINUTES

Special Meeting
Tuesday, April 28, 2015

Chairperson Burt called the meeting to order at 7:02 P.M. in the Council Chambers, 250 Hamilton Avenue, Palo Alto, California.

Present: Berman, Burt (Chair) DuBois, Wolbach

Absent:

Oral Communications

None

Agenda Items

1. Auditor's Office Quarterly Report as of March 31, 2015.

Harriet Richardson, City Auditor, reported as of March 31, 2015 Staff was working on the Cable Franchise Fee Audit. Staff had completed the planning and field work and submitted a draft report for review. Staff had hired a cable communications consultant to assist with the audit and worked closely with the City Attorney's Office. Staff expected to present the audit to the Policy and Services Committee (Committee) on June 10, 2015. Staff completed the Audit of Utility Meters Procurement, Inventory and Retirement, and the Council approved it on April 27, 2015. The purpose of the audit was to determine if the Utilities Department followed the proper procedures when procuring inventory and retiring utility meters. Staff was currently working on an Audit of Parking Funds. Staff was reviewing whether Parking Funds were properly calculated, collected, accounted for, and used in compliance with applicable laws, regulations, policies, and governing documents. Staff had completed planning and field work and drafted a report. Staff would likely present the audit at the first Committee meeting after the Council vacation. Staff completed the National Citizens Survey and published it on January 26, 2015. Staff would present the results with the Annual Performance Report at a Study Session scheduled for June 1, 2015. Staff expanded the number of participants in the survey from 1,500 to 3,000. The Annual Performance Report was in progress. Traditionally the report covered five years of historical data and the current year. This year it would include ten years of historical data. The report would be divided into two parts. Part Two would contain the traditional

MINUTES

department-by-department information with all data tables. Part One would be based on themes to better describe interrelated activities among departments. Staff continued to review sales and use tax allocations. As of the end of the third quarter, the City had received \$59,302 in total sales and use tax recoveries. The City's vendor collected approximately \$23,000 of the \$59,302. Staff had submitted 43 research documents to the State for review. The City Auditor's Office continued to serve in advisory roles to the Utilities Risk Oversight Committee, the Library Bond Oversight Committee, the Information Technology Governance Review Board, and the Information Securities Steering Committee. Staff anticipated the Library Bond Oversight Committee would conclude its work now that both libraries had been constructed. The Fraud, Waste, and Abuse Hotline did not receive any complaints during the quarter; the second consecutive quarter of no complaints. She planned to review and update the protocols during the next few months.

Council Member DuBois noted the Annual Performance Report was usually provided to the Council for use in the Budget process; however, it seemed to be late.

Ms. Richardson planned to release the data tables on April 30, so that the Council would have those for use during the Budget process.

Council Member DuBois indicated the National Citizens Survey data would be almost a year old by the time it was published.

Ms. Richardson advised that Staff had issued data in January 2015; however, it was usually presented to the Council with the Annual Performance Report in a Study Session. The delay was the result of Staff's questions about changes the National Research Center made in compiling information. The Annual Performance Report was late because of the changes made to the report.

Council Member DuBois asked if those items would return to their usual timeframe.

Ms. Richardson replied yes. She would present the Work Plan at the next Committee meeting. Traditionally, she did not present that until after the Council Vacation.

Council Member DuBois inquired whether any other performance audits were under way.

Ms. Richardson reported Staff completed the Animal Services Audit in March 2015 and presented it to the Finance Committee in April. She would update

MINUTES

her report to include the Animal Services Audit prior to providing it to the Council.

MOTION: Council Member DuBois moved, seconded by Council Member Wolbach that the Policy & Services Committee recommend the City Council accept the Auditor's Office Quarterly Report as of March 31, 2015.

MOTION PASSED: 4-0