CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

September 20, 2005

Honorable City Council
Attention: Finance Committee
Palo Alto, California

City Auditor's Fiscal Year 2005-06 Work Plan

Recommendation

The City Auditor's Office recommends that the Finance Committee review and recommend to the City Council approval of the City Auditor's Fiscal Year 2005-06 Work Plan.

Background

The mission of the City Auditor's Office is to promote honest, efficient, effective and fully accountable City government. To fulfill this mission, the Auditor's Office conducts audits and examinations of City departments, programs, and services. The purpose of these audits and examinations is to provide the City Council and City management with information and evaluations regarding the effectiveness and efficiency with which City resources are employed, the adequacy of systems of internal controls, and compliance with City policies and procedures and regulatory requirements.

The Palo Alto Municipal Code requires the City Auditor to submit an annual plan to the City Council for review and approval. This report presents the City Auditor's Work Plan for 2005-06.

As part of our annual review of potential audit subjects, we solicit audit suggestions from City Council members, members of the public, and staff. We also use information from the City's adopted operating and capital budgets and financial statements to prepare a spreadsheet model of potential audit subjects (see Attachment A). The purpose of the citywide risk assessment model is to help prioritize audit work. The model compares the following factors:

- Proposed 2005-06 expenditures
- Three-year expenditure trend
- Fund type
- Proposed five-year capital expenditures
- Estimated 2005-06 revenue
- Three-year revenue trend
- Number of staff (budgeted full time equivalents)
- Fund balance
- Audit requests
- Date of last audit

Discussion of proposed assignments

The list of proposed assignments for fiscal year 2005-06 includes a mix of audits and special projects that address a wide range of concerns and are consistent with the City Auditor's areas of responsibility. We designed the work plan to address what we consider to be the highest priority areas, while limiting the scope of work to what we can realistically accomplish. Our work plan

supports two of the City Council's Top 5 priorities: City Finances and Infrastructure.

AUDIT ADMINISTRATION, FOLLOW-UP, AND OTHER RESPONSIBILITIES:

- 1. **Annual work plan and quarterly status reports** The Auditor's Office submits quarterly reports to the City Council outlining project status and progress towards completing the assignments on this annual work plan.
- Audit recommendation status report The Municipal Code requires the City Auditor to issue an annual report on the implementation status of recommendations from recently completed audits. This year audit staff will be meeting at mid-year with all involved departments to discuss progress towards implementing open audit recommendations.
- 3. Auditor's Office triennial peer review (carryover from 2004-05) Government Auditing Standards require audit organizations to have an external peer review once every three years. The National Association of Local Government Auditors coordinates a peer review program to help member organizations meet these standards. Target completion date: Oct-2005.
- 4. **Meeting attendance** To facilitate communication and coordination of efforts, the City Auditor attends the City Council meetings, Finance Committee meetings, and the City Manager's weekly executive staff meetings.
- 5. **Utility Risk Oversight Committee (ROC)** Since issuance of our *Assessment of Utility Risk Management Procedures* in Jul-2002, the City Auditor has acted as an advisor to the ROC.
- 6. <NEW> Independent Police Review Panel The City Auditor will participate in an independent panel to review internal investigations and citizen complaints. The panel will make recommendations to the Police Chief and the City Manager, who will retain final authority on disposition.

REVENUE AUDITS:

- 7. Sales tax audits (on-going) Sales tax represents about 16 percent, or \$19 million, of projected General Fund revenue for 2005-06. We contract with MBIA MuniServices (MMC) for quarterly sales tax audit and information services. We also conduct audits in-house. Both types of audits focus on verifying that Palo Alto is getting the appropriate allocation of local sales tax. Audit results are reported in the Auditor's Office Quarterly Report. Sales tax information reports (provided by MMC) are transmitted to the City Council on a quarterly basis. Target completion date: on-going.
- 8. **Property tax audits** (on-going) Property tax represents about 14 percent, or \$17 million, of projected General Fund revenue for 2005-06. We contract with MMC for property tax auditing and information services. Audit services are designed to help ensure that County assessment data for properties in Palo Alto is current and accurate. Audit results are reported in the Auditor's Office Quarterly Report. Target completion date: on-going.
- 9. **Documentary transfer tax** We contract with MMC to ensure that the City's documentary transfer tax (about \$3 million annually) is levied when residential and commercial properties are sold, properly applied, and remitted in a timely manner. Target completion date: ongoing.
- 10. **Utility users tax** (audit follow-up) In 2002, we contracted with Tax Compliance Services to

- audit telephone company UUT remittances. Audit work is completed, but the Auditor's Office will continue to provide assistance as needed to achieve compliance. Target completion date: TBD.
- 11. **Audit of cable franchise and PEG fees** (in process) Our audit of Comcast franchise and PEG fees is complete, and a final response from Comcast is pending. Target completion date: TBD.
- 12. **Transient occupancy tax** (contracted audit service) Transient occupancy tax represents about 5 percent of General Fund revenues, or about \$6 million per year. We previously audited revenues through Jun-2002. Target completion date: Jun-2006.

FINANCIAL AUDITS AND PROCEDURAL REVIEWS:

- 13. **Annual external financial audit** (contracted audit service) The City Charter requires that the City Council engage an independent certified public accounting firm to conduct an annual external audit. We have contracted with Maze & Associates to conduct the audit. Target date for completion of the 6/30/05 audit: Dec-2005.
- 14. **Controls reviews of SAP** (on-going) The implementation of the SAP system is having dramatic impacts on the City's business operations and financial records. The Auditor's Office will continue to monitor the implementation and provide advice to ASD on the adequacy of controls in the new system. Target completion date: on-going.
- 15. **Audit of the police investigative fund** Pursuant to Police Department procedures, the Auditor's Office conducts a surprise review on an annual basis. Target date: TBD.
- 16. **<NEW> Ethics policies** This project would review procedures for ascertaining and handling potential conflicts of interest among city employees, and assess the need for an ethics policy.

PERFORMANCE AUDITS AND SPECIAL PROJECTS:

- 17. **Service Efforts and Accomplishments (SEA) Report** This will be the 4th annual SEA report. The purpose of SEA reporting is to strengthen public accountability and help improve government efficiency and effectiveness. Palo Alto's SEA report provides data about the costs, quality, quantity, and timeliness of City services. It includes a variety of comparisons to other cities, and the results of an annual citizen survey (the National Citizen Survey). Target issuance date: Dec-2005.
- 18. **Audit of parks maintenance** (in process) –The purpose of our audit is to assess the cost-effectiveness of parks maintenance services. The Community Services Department (CSD) is one of the areas targeted by our citywide risk assessment model. Target completion date: Fall-2005.
- 19. **Audit of street maintenance** (in process) Review of the street maintenance program including criteria for prioritizing street repairs, and coordination of subsurface work. Target completion date: Fall-2005.
- 20. **Police department survey** (in process) The Auditor's Office is conducting a random survey of drivers of vehicles that are stopped to determine how they feel they were treated during the stop. The Office is also conducting a comparison survey of persons requesting service. Target completion date: Fall-2005.

- 21. **Review of police building proposal** In response to a colleagues' memo regarding a developer's proposal to build a new police building downtown, the City Council directed the City Auditor to review the project and provide her comments and assessment to the City Council. On September 1, 2005, the City issued a request for statements of interest and qualifications for the development of a turn-key police building project. Responses are due on October 4, 2005. Target completion date: Fall-2005.
- 22. **Audit of CSD class program revenue/cost recovery** (carryover project from 2004-05) The purpose of this audit is to determine the income/subsidy of class programs net of direct and indirect costs. CSD was one of the areas targeted by our citywide risk assessment model. Target start date: Fall-2005.
- 23. Audit of entrepreneurial programs (carryover project from 2004-05) The City has a number of "entrepreneurial programs" including IT services, animal control, BLS ambulance service, dark fiber services (the Electric Fund was one of the areas targeted by our citywide risk assessment model), and training programs. The purpose of this review would be to analyze the net revenue and cost/benefit of one of these programs. Target start date: Spring-2006.
- 24. **<NEW>** Audit of vehicle replacement and maintenance fund This internal service fund has 16 full-time equivalent employees and projected 2005-06 expenditures of \$5.8 million. The vehicle replacement and maintenance fund was one of the areas targeted by our citywide risk assessment model. The purpose of this review would be to evaluate economy, efficiency and effectiveness of fleet and equipment replacement and maintenance operations.
- 25. **<NEW> Audit of the Waste Management/PASCO contract** The estimated payment to PASCO for refuse collection, hauling, and disposal in 2005-06 is \$8.5 million. The Refuse Fund was one of the areas targeted by our citywide risk assessment model.
- 26. **<NEW>** Infrastructure report card The purpose of this project would be to assess the impact of increased capital spending on the City's infrastructure, including utilities. The Capital Improvement Program was one of the areas targeted by our citywide risk assessment model.

Projects considered but NOT included on the 2005-06 work plan

Again this year there were a number of audit requests and other items that we are unable to accommodate in our work plan due to limited audit resources. Some of those items include:

- Wastewater Treatment Fund (carryover from 2004-05) This enterprise fund has proposed revenues of \$26.2 million, proposed expenditures of \$25.2 million, and \$11.6 million fiveyear capital plan, and 69 employees. This was one of the areas targeted by our citywide risk assessment model.
- Municipal fee schedule (carryover request from 2004-05) Evaluate the cost-recovery status of fees (about \$16.3 million per year), and differences in fees charged to various users.
- Housing program (carryover request from 2004-05) Evaluate potential uses of the housing impact fee fund including cost-effectiveness of the BMR program.
- Audit of contracting practices (carryover request from 2004-05) Review of Palo Alto's

competitive purchasing processes for openness, fairness, and non-discrimination in requesting and awarding contracts.

- Controls review of the procurement card program Review of controls over the City's CALcard program.
- Use of temporary employees
- Building permit fee collections
- Parking district administration
- Palo Alto airport
- CSD staffing efficiency
- General Benefits and Insurance Fund This internal service fund accounts for employee health benefits, retirement pension contributions, the City's self-insured workers' compensation and general liability programs. This was one of the areas targeted by our citywide risk assessment model.
- Water Fund This enterprise fund has proposed revenues of \$26.7 million, proposed expenditures of \$21.9 million, a \$16.2 million five-year capital plan, and 41 employees. This was one of the areas targeted by our citywide risk assessment model.
- Library services
- Disaster preparedness

Next Steps

We plan to present the City Auditor's Fiscal Year 2005-06 Work Plan to the City Council for approval in October. This is an ambitious audit work plan for a small audit shop. As audit work proceeds, I will bring to the Finance Committee quarterly reports describing the status and progress towards completing each of the approved assignments.

Respectfully submitted,

Sharon W. Erickson City Auditor

Attachment A: Citywide risk assessment model

Attachment A CITY-WIDE RISK ASSESSMENT

REF. NUM.	DEPARTMENT	PROGRAM/CATEGORY	2005-06	S C O R E		S C O R E	FUND TYPE		FIVE-YEAR CAPITAL	S C O R E	PROPOSED	S C O R E	YEAR C	0	2005-06	S C C R E	BEG. FUND	S C O R AUDIT E REQUEST	S C O R DATE OF LAST E AUDIT	S C O R E	RAW SCORE	TOTAL SCORE
****	RELATIVE WEIG	HTS OF FACTORS		8		3		2		5		7		3		7		2	8	5	100	500
81 74	PWD UTILITIES	WASTEWATER TREATMENT FUND	25,248,006 115,225,636		82% 30%	10 8	SPEC SPEC	3	11,600,000 38,900,000	4	26,227,519 97.901.775	9		5	69 119	7 9	11,753,000 158,446,000	8 2002 10	10 0 2002-Util risk mgml	10 t 3	75 62	401 317
100	HR/ASD	GENERAL BENEFITS AND INSURANCE		10	8%	1	SPEC	3	38,900,000	0	38,162,000	10		3	119	0.	3,852,000	6 2002	10 1995-Retiree health		53	317
36	CSD	COMMUNITY SERVICES DEPT		8	0%	3		10		0	7,217,477	7		3	146	9	-,,	0 2003	10 2005-In process	0	50	294
77	UTILITIES	WATER FUND	,000,000	9	-1%	3	SPEC	3	16,241,000	5	24,514,951	9		3	41	6	18,400,000	8	0	10	56	292
78	PWD	REFUSE FUND	26,846,143	9	8%	1	SPEC	3	700.000	0		9		3	35	5	8,508,000	7 2002	10 2004-ESC review	1	48	287
97 102	PWD PWD	VEHICLE REPLACEMENT AND MAINTENANCE CIP - CAPITAL FUND	5,849,140 14,826,000	6 8	21% NA	6 3	SPEC	3 5	790,000 58,430,000	7	5,841,342 11,216,000	6 8	0,0	1	16 20	3 4	4,588,000 21,033,000	6 2005 9	10 1996-Heavy Vehicl	10	51 57	280 279
75	UTILITIES	GAS FUND		10	7%	1	SPEC	3	24.560.000	6		10		4	47	6	15,070,000	8	0 2002-Util risk mgm		57 51	279 274
53	LIBRARY	LIBRARY DEPARTMENT		6	18%	2	GEN	10	24,000,000	ō	168,371	2		2		7	10,070,000	0 2005	10	10	49	273
76	UTILITIES	WASTEWATER COLLECTION FUND	14,300,754	8	24%	6	SPEC	3	17,545,000	5	14,893,252	8	17%	3	23	4	13,651,000	8	0	10	55	272
40	CSD	RECREATION AND YOUTH SERVICES	4,562,467	6	3%	1	GEN	10		0	2,447,772	5	10%	3	50	6		0 2003	10 1999-Class registra	6	47	267
43	FIRE	FIRE DEPT	20,160,249	9	7%	1	GEN			0	8,996,862	7		3	126	9	\	0	0	10	49	266
101	HR/ASD	RETIREE HEALTH BENEFIT FUND	3,428,000	6	NA 1007	3		3		0	3,428,000	6		3	0	0	18,178,000	8 2002	10 1995-Retiree health		49	260
14 67	CITYWIDE POLICE	SALARIES AND BENEFITS PARKING SERVICES	81,572,572 1,087,504	4	13% 40%	8	GEN GEN	10 10		0	1,996,000	4		0 4		10 1		0 2003 0 2001	10 2004-Span of contr 10	10	42 51	258 253
60	POLICE	POLICE DEPT	24.314.125	9	11%	1	GEN	10		0	4,543,704	6		1	169	9		0 2001	0	10	46	253
37	CSD	CUBBERLEY AND HUMAN SERVICES	3,279,787	6	-1%	3	GEN	10		ō	67,000	1		5	18	3		0 2001	10	10	48	250
82	ASD	CPA EXTERNAL SERVICES	1,159,300	4	76%	10	SPEC	3		0	1,180,837	4	88%	5	6	1	3,000	1 2002	10	10	48	250
55	LIBRARY	PUBLIC SERVICES	3,717,683	6	20%	2	GEN	10		0		0	•	0	45	6		0 2001	10	10	44	246
39	CSD	PARKS AND GOLF	6,259,043	7	8%	1	GEN	10		0	3,537,559	6		3	36	5		0 2001	10 2005-In process	0	42	245
71 98	PWD ASD	TREES TECHNOLOGY FUND	2,121,577 10,257,053	5 8	23% 10%	6	GEN SPEC	10 3	49,067,000	0 7	27,000 8,276,632	1 7	• , , ,	5 9	14 31	2 5	16,046,000	0 2001	10 0 2004-SAP in proce	10	49 49	244 240
96 64	POLICE	TRAFFIC SERVICES	1,592,955	4	16%	2	GEN	_	49,007,000	ó	468,690	2		10	9	1	10,040,000	0 2002	10	10	49	239
58	PLANNING	BUILDING	3,049,323	6	14%	1	GEN	10		0	3,532,035	6		4	19 ·	3		0 2003	10 2003-Devmt Review		42	236
88	CROSS-DEPT	Youth Programs	8,529,427	7	686%	10	SPEC	3		0	2,598,786	5	0%	3	59	7		0	0	10	45	235
48	HR	HUMAN RESOURCES DEPARTMENT	2,355,083	5	2%	1	GEN			0	130,000	2	0,0	1	15	3		0 2001	10	10	42	231
33	ASD	REAL ESTATE	494,015	2	35%	8	GEN	10		0	3,400	1		10	3	1		0 2002	10 1997-MacArthurPa		50	224
80 34	PWD ASD	STORM DRAINAGE FUND TREASURY	5,522,324 1,360,185	6 4	118% -8%	10	SPEC GEN	3 10	12,173,000	4	5,496,291 47,900	6		5 4	10 12	1	924,000	3 0 2003	0 10 1994-Recreation ca	10	48 44	224 224
20	CITYWIDE	ALLOCATED CHARGES	10,006,793	8	-11%	3	GEN	10		0	47,900	0		0	12	0		0 2003	10	10	41	223
38	CSD	OPEN SPACE	1,851,728	4	19%	2	GEN			ō	116,241	2		2	15	2		0 2003	10	10	42	222
92	MANAGER	SPECIAL DISTRICT FUNDS (PARKING)	1,400,000	4	NA	3	SPEC	3		0	1,072,000	4	NA	3		0	1,420,000	4 2005	10	10	41	222
103	PWD	CIP - BUILDINGS AND FACILITIES	5,903,000	6	NA	3	CAP	5	19,936,000	- 5		0	0,0	0		0		0 2002	10	10	39	222
91	PLANNING	HOUSING IN-LIEU FUNDS	510,000	3	NA	3				0	926,000	3		3		0	10,921,000	8 2003	10	10	43	215
6	CITYWIDE	CHARGES FOR SERVICES	0.000.010	0	0%	0	GEN		40.007.000	0	18,760,000	8		3 5	40	0 2	440,000	0 2003	10	10	41 42	215 213
69 61	PWD POLICE	STREETS FIELD SERVICES	2,099,013 10,245,560	5 8	19% 19%	2	GEN GEN		10,227,000	4	321,832 341,345	2	000.0	3	13 69	7	140,000	2 2001 0	10 2005-In process	10	42	213
72	PWD	STRUCTURES AND GROUNDS	4,581,941	6	18%	2	GEN		19.936.000	5	742,465	3		4	23	4		0	0	10	44	210
68	PWD	PUBLIC WORKS DEPARTMENT	11,450,535	8	8%	1	GEN		.0,000,000	0	478,200	2		5	69	7		Ō	0 1996-Heavy vehicle		42	210
49	HR	EMPLOYEE RELATIONS	536,095	3	32%	8	GEN	10		0		0	0,0	0	3	1		0 2001	10	10	42	205
104	PWD	CIP - PARKS AND OPEN SPACE	1,610,000	4	NA	3	CAP	5	10,124,000	4		0	•	0		0		0 2002	10	10	36	201
85	CROSS-DEPT	Parking Program	2,487,053	5	52%		SPEC			0	2,019,000	5		4	16	3	322,000	2	0	10	42	198
7	CITYWIDE	PERMITS AND LICENSES	0.400.000	0	0%	0	GEN SPEC			0	4,084,000	6	- 70	1		0		0 2003 0 2002	10 10 1995-PASCO Cont	10	37	195 195
79 62	PWD POLICE	PASCO contract TECHNICAL SERVICES	8,466,298 5,407,806	7 6	1% 6%	1	GEN			0	1,215,459	4	•	3	39	5		0 2002	0	10	31 39	193
44	FIRE	EMERGENCY RESPONSE	14,398,495	8	14%	1	GEN	10		0	1,210,400	0		Ö	94	8		Ö	Ö	10	37	193
84	CROSS-DEPT	Development Center Services	3,842,710	6	19%	2	SPEC	3		0	4,105,079	6		4	28	4		0	Ō	10	35	192
51	HR	EMPLOYEE DEVMT/WORKLIFE	513,348	3	-7%	3	GEN	10		0		0	0%	0	3	1		0 2001	10	10	37	190
56	PLANNING	PLANNING AND COMM ENVIRONMT DEPT	8,765,974	7	3%	1	GEN			0	5,201,870	6		5	53	6		0	0 2003-Devmt Revie		37	188
73	PWD	ENGINEERING	1,914,516	4	23%	6	GEN			0	1,071,700	4		5 6	15	3		0	0	10	42	184
87 35	CROSS-DEPT CSD	Traffic Mgmt and Safety ARTS AND CULTURE	5,025,953 2,994,577	6 5	12% 9%	1	SPEC GEN			0	1,150,156 1,067,564	4	2070	6	27 26	4 4		0	0	10 10	34 37	181 178
99	ASD	PRINTING AND MAILING FUND	1,385,213	4	48%	9	SPEC			0	1,338,619	4		4	5	1	686,000	3	0	10	38	168
57	PLANNING	PLANNING	3,809,369	6	21%	6	GEN			0	1,194,569	4		5	26	4	220,000	0	0 2003-Devmt Revie		37	167
105	PWD	CIP - STREETS AND SIDEWALKS	3,262,000	6	NA	3	CAP	5	14,878,000	4	,	0		ō		0		0 2002	10 2005-In process	0	28	167
107	ASD	Reserve for encumbrances		0	0%	0				0		0		0		0	14,023,000	8 2005	10	10	38	166
30	ASD	ADMINISTRATIVE SERVICES DEPT	6,344,322	7	-5%	3	GEN	10		0	57,300	1	22%	3	51	6		0	0 2001-Payroll	4	· 34	163

Attachment A CITY-WIDE RISK ASSESSMENT

RI NI	EF. JM. DEPARTMENT	PROGRAM/CATEGORY	S C 2005-06 PROPOSED R EXPEND E	YEA	R O	FUND TYPE	• • •	2005-10 (FIVE-YEAR (CAPITAL F EXPEND E	PRO	S 2005-06 2POSED R EVENUE E	TH Y REVE	REE C EAR C NUE R END E	2005-00 NO. O	FR	BEG. FUND	S C O R AUDIT E REQUEST	S C O R DATE OF LAST E AUDIT	S C O R E	RAW SCORE	TOTAL SCORE
70 59	PWD PLANNING	SIDEWALKS TRANSPORTATION	0 1,538,988	0 0 4 -16	% 0 % 3		5 10	9,801,000	3		0		0 (0		0 2001	10	10	28	155
59 52	HR	RISK MGMT AND EMPLOYEE BENEFITS		4 -16 3 28			10		0	,	3 1		0 5			0 0 2005	0 10 2005-Workers com	10 0	36 31	154 152
109		Complaint handling			% O		10		0		0		0	Ö		0 2001	10 2003-44018618 COM	10	30	150
110		Public/private partnership effectiveness			% 0		10		0		0	- /-	0	0		0 2001	10	10	30	150
111		Quality control initiative			% 0		10		0		0	0 / 0	0	0		0 2002	10	. 10	30	150
112		Follow-thru on council actions Certification of impact measures			% 0 % 0		10 10		0		0 -	• /-	0	0		0 2003 0 2002	10 10	10 10	30	150
110		Contract management/vendor performance			% 0		10		0		0		0	0		0 2002	10 1995-ContractAdmi	10	30 30	150 150
118	B ASD	Employee phone bill reimbursements		0 0	% 0	GEN	10		Ō		Ō		0	ō		0 2001	10	10	30	150
12		IT strategic plan implementation review			% 0		10		0		0		0	0		0 2002	10	10	30	150
12: 12:		Reimbursements for mandated services		-	% 0		10		0		0	• / •	0	0		0 2001	10	10	30	150
124		EMS staffing Ambulance transport programs		0 0	% 0 % 0		10 10		0		0		0	0		0 2002 0 2002	10 10	10 10	30 30	150 150
12		Fire Dept services to Stanford			% 0		10		0		0		0	Ö		0 2002	10	10	30	150
120	PLANNING	Building and devmt fees		0 0	% 0	GEN	10		0		0	0%	0	0		0 2003	10	10	30	150
12		Shuttle services			% 0		10		0		0	• , •	0	. 0		0 2002	10	10	30	150
129		Confidential funds			% 0 % 0		10 10		0		0	•	0	0		0 2003	10	10	30	150
13		Emergency personnel training and turnover Emergency response/notification system			% 0 % 0		10		0		0		0	0		0 2001 0 2002	10 10	10 10	30 30	150 150
13		Noise ordinance enforcement			% 0		10		Ö		Ō		0	ō		0 2002	10	10	30	150
13		Police school services			% 0		10		0		0		0	0		0 2002	10	10	30	150
134		Proactive enforcement of taxi cabs			% 0		10		0		0		0	0		0 2003	10	10	30	150
13		Property room Reimbursements for traffic citations			% 0 % 0		10 10		0		0	0,0	0	0		0 2003 0 2002	10 10	10 10	30 30	150 150
14		Downtown public restrooms			% 0 % 0		10		0		0		0	0		0 2002	10	10	30	150
83	CROSS-DEPT	Cubberly Community Center	2,601,272	5 13			3		0 2	,242,730	5		3 9	1		0	0	10	28	150
22	ATTORNEY	CITY ATTORNEY'S OFFICE		5 15			10		0	00,000			3 13			0	0	10	33	146
6 3	POLICE CITYWIDE	INVESTIGATIONS/CRIME PREVENTION OTHER TAXES AND FINES		6 1152 0 0	% 10 % 0		10 10		0 6				3 22	. 4		0	0 2005-Property room	0	34	142
11:		Contract contingencies			% 0 % 0		10		0 6		0 -		0	0		0 2001	0 10 1997-Change order	10 8	34 28	140 140
14		Electric undergrounding program			% O		5		0		0		0	ő		0 2001	10	10	25	140
13		Construction project budget monitoring			% 0	· · ·	5		0		0	• / 0	0	0		0 2001	10	10	25	140
14		Public works and utility construction project coor			% 0	•	5		0		0		0	0		0 2001	10	10	25	140
21 14	CITYWIDE B PWD	OPERATING TRANSFERS-OUT Home hazardous waste recycling contract	6,572,356	7 -28 0 0	% 4 % 0		10 3		0		0		0	0		0 0 2001	0 10	10 10	31 23	138 136
14		Water inventory management			% 0		3		0		0		0	Ö		0 2001	10	10	23	136
14	UTILITIES	Utility billing system		0 0	% 0	SPEC	3		0		0	0%	0	0		0 2002	10	10	23	136
65	POLICE	POLICE PERSONNEL SERVICES	937,630	3 -26			10		0	,			5 5			0	0	10	34	135
9	CITYWIDE CITYWIDE	RENTAL INCOME OPERATING TRANSFERS-IN			% 0 % 0		10				8 8		3	0		0	0	10	31 31	135 135
13 11		Contracting/procurement practices			% 0 % 0		10 10		0 15	, ,	0		0	0		0 2003	10 1998-Purchase ord	10 7	27	135
12		Expense account reimbursements			% 0		10		ō		Ō		Ō	ō		0 2001	10 1998-Travel expens	7	27	135
12:		Conflict of interest policies and forms 700			% 0		0		0		0		0	0		0 2005	10	10	20	130
12		Impacts of jobs-housing imbalance			% 0		0		0		0		0	0		0 2001	10	10	20	130
8 15	CITYWIDE	RETURN ON INVESTMENT CONTRACT SERVICES	9,340,938		%0 %1	GEN GEN	10 10		0 2	,215,000	5 -		8 0	0		0	0	10 10	33 28	129 129
17	CITYWIDE	GENERAL EXPENSE			% 1		10		0		0		0	Ö		0	0	10	28	129
11	CITYWIDE	CHARGES TO OTHER FUNDS		0 0	% 0	GEN	10		0 8	,924,000	7	1%	3	0		0	0	10	30	128
42	CSD	Golf Course			% 1		10			, ,	6	•	3	0		0	0 2004-Golf cash har	1	27	127
24	CLERK PLANNING	CITY CLERK'S OFFICE CDBG FUND	022,0.2		% 1	~	10 3		0	0,.00			5 6			0	0 1994-Records	10	31 26	126 126
95 45	FIRE	ENVIRONMENTAL SAFETY MANAGEMENT		3 N 4 16		SPEC	10		0	-	3		3 ·			0	0	10 10	26 28	126
89	CROSS-DEPT	Emergency Preparedness		4 43			3		0		o		0 !			0	0	10	27	122
96	ASD	DEBT SERVICE FUNDS	.,,	4 -7			3		0	,	2		1	0	1,528,000	4	0	10	27	122
16	CITYWIDE	SUPPLIES AND MATERIALS	-,, -		% 1		10		0		0		0	0		0	0	10	27	121
46 54	FIRE LIBRARY	TRAINING AND PERSONNEL COLLECTION AND TECH SERVICES	1,982,445 1,539,659		% 1 % 1		10 10		0		0		0 10			0	0	10 10	27 27	119 119
19	CITYWIDE	FACILITIES AND EQUIPT PURCHASES		3 39			10		0		0		0	0		0	0	10	31	118
90	PLANNING	DEVMT IMPACT FEE FUNDS	312,000	2 1	A 3	SPEC	3		0	,	3	NA	3	0	682,000	3	0	10	27	117
26	MANAGER	CITY MANAGER'S OFFICE	1,100,001		% 1		10		0		0		0 9			0	0	10	26	112
41	CSD	Human Services contracts	1,250,402	4 P	A 3	GEN	10		0		0	0%	0	0		0	0	10	27	111

Attachment A CITY-WIDE RISK ASSESSMENT

REF. NUM. DEPAR	TMENT PROGRAWCATEGORY	2005-06	S S S C THREE C C C YEAR O O R EXPEND R FUND R TREND E TYPE F		S	OF R BEG. FUND R AUDIT	S S C C C C O O N TOTAL ST E AUDIT F SCORE SCORE
31 ASD 47 FIRE 113 ASD 66 POLICE 23 AUDITO 94 MANAC 25 COUNC 141 PWD 50 HR 86 CROSS 27 MANAC 12 CITYW 29 ASD 18 CITYW 3 CITYW 3 CITYW 3	DR CITY AUDITOR'S OFFICE PALO ALTO BUSINESS IMPROV DISTRICT CIL CITY COUNCIL Intrastructure contracting process EMPLOYMENT S-DEPT Special Events EGR ECONOMIC DEVELOPMENT DDE OTHER REVENUE ACCOUNTING ING TRAFFIC MITIG/PARKING IN-LIEU FUNDS CIP - MISCELLANEOUS IDE RENTS AND LEASES	859,503 929,683 1,473,208 836,646 154,000 163,846 518,980 234,164 219,497 1,961,099 0 326,000	3 -1% 3 GEN 10 3 -13% 3 GEN 10 0 0% 0 GEN 10 4 12% 1 GEN 10 3 19% 2 GEN 10 2 NA 3 SPEC 2 -39% 4 GEN 10 0 0% 0 CAP 5 3 4% 1 GEN 10 2 -47% 4 SPEC 2 -18% 3 GEN 10 0 0% 0 GEN 10 0 0% 0 SPEC 3 16% 3 GEN 10	2,276,000	0 0 0 0% 0 0 0 0% 0 0 0 0% 0 0 0 0% 0 0 0 916,112 3 3% 3 0 235,000 2 191% 5 0 158,000 2 NA 3 0 0 0% 0 0 0 0% 0 0 0 0% 0 0 0 0% 0 0 1,721,000 4 -9% 1 0 0 0% 0 0 1,721,000 4 -9% 1 0 0 0% 0 0 583,000 3 NA 3 2 0 0% 0	6 1 0 0 0 0 2001 13 2 0 0 0 0 2001 13 2 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	0 10 27 110 0 10 27 110 10 2003-Self audit 2 22 110 0 2003-Animal Svcs 2 25 109 0 2001-Review 4 27 106 0 10 24 106 0 10 27 105 10 2002-Timeliness 3 18 105 0 10 25 104 0 10 25 104 0 10 25 104 0 10 25 104 0 10 26 102 0 10 25 101 0 2001-Payroll 4 23 99 0 10 24 96 0 10 22 95 0 1997-MacArthurPai 8 24 93
32 ASD 10 CITYW 1 CITYW 2 CITYW 119 ASD 137 POLICE 28 MANAC 108 ASD 138 PWD	PURCHASING IDE REVENUE FROM OTHER AGENCIES IDE SALES TAX IDE PROPERTY TAX IDE UTILITY USERS TAX Duplicate payments E Strategic plan implementation	246,138	0 0% 0 GEN 10 1 -5% 3 GEN 10 0 0% 0 SPEC 3		0 6,173,000 7 11% 3 0 6,000 1 5% 3 0 204,000 2 1-16% 2 0 19,036,000 8 9% 3 0 16,986,000 8 20% 3 0 8,341,000 7 14% 3 0 0 0% 0 0 0 0% 0 0 0 0% 0 0 0 0% 0 0 0 0% 0	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	0 2002-TOT review 3 23 93 0 2005-Contract cont 0 23 91 0 2005-Contract cont 0 24 90 0 2004-Ongoing 1 22 90 0 2004-Ongoing 1 22 90 0 2005-In process 0 20 78 0 10 20 70 0 10 20 70 0 2004-Public Comm 1 17 57 0 2005-In process 0 6 12 0 2005-Contract cont 0 5 10
1	OSED EXPENDITURES (\$) enditures	0	NUMBER OF STAFF (FTE	's) 0	5-YEAR CAP BUDGET Zero/none 0	LAST AUDIT 2005 0	FUND TYPE General 10
Less the Less the Less the	an 100,000 an 500,000 an 1,000,000 an 2,000,000 an 3,000,000 an 6,000,000	1 2 3 4 5	less than 10 10 or more 15 or more 20 or more 30 or more 40 or more	1 2 3 4 5 6	less than 1,000,000 1 less than 5,000,000 2 less than 10,000,000 3 less than 15,000,000 4 less than 20,000,000 5 less than 40,000,000 6	2004 1 2003 2 2002 3 2001 4 2000 5 1999 6	Capital 5 Special/enterprise 3 AUDIT REQUEST
Less the	an 10,000,000 an 20,000,000 an 30,000,000 000 or more	7 8 9 10	55 or more 75 or more 100 or more 500 or more	7 8 9 10	less than 60,000,000 7 less than 100,000,000 8 less than 150,000,000 9 150,000,000 or more 10	1998 7 1997 8 1996 9 PRIOR 10	Audit not requested 0 Audit requested 10
Decrea Decrea Decrea No char Increas	e of less than 15%	5 4 3 0	BEGINNING FUND BAL Zero less than 100,000 less than 500,000 less than 1,000,000 less than 2,000,000	0 1 2 3 4	ESTIMATED REVENUES Zero/none	THREE YEAR REVENUE TREND Decrease of more than 50% Decrease of 50% or less Decrease of 40% or less Decrease of 30% or less Decrease of 25% or less	10 9 8 7 6
Increas Increas Increas Increas Increas	e of less than 20% e of less than 25% e of less than 30% e of less than 40% e of less than 50% e of 50% or more illable/new program	2 6 7 8 9 10 3	less than 3,000,000 less than 6,000,000 less than 10,000,000 less than 20,000,000 less than 30,000,000 30,000,000 or more	5 6 7 8 9	less than 3,000,000 5 less than 6,000,000 6 less than 10,000,000 7 less than 20,000,000 8 less than 30,000,000 9 30,000,000 or more 10	Decrease of 20% or less Decrease of 15% or less No change Increase of less than 25% Increase of less than 50% Increase of 50% or more Not available/new program	2 1 0 3 4 5 3