October 20, 2009

Honorable City Council
Attention: Finance Committee
Palo Alto, California

City Auditor's Fiscal Year 2010 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 (FY) 2010 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 FY 2010.

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. The model, called the "Citywide Risk Assessment," helps prioritize audit work by comparing the following ten factors: proposed 2010 expenditures, three-year expenditure trend, fund type, proposed five-year capital expenditures, estimated 2010 revenue, three-year revenue trend, number of staff (budgeted full time equivalents), fund balance, audit requests, and date of last audit. The results of the Citywide Risk Assessment are attached (see Attachment A).

DISCUSSION OF PROPOSED AUDIT ASSIGNMENTS

The list of proposed assignments for FY 2010 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. Our proposed work plan supports one of the City Council's Top 3 priorities -- Civic Engagement (through the Service Efforts and Accomplishments Report). As we complete individual audit projects, we also look for opportunities to assess progress in areas of City Council priorities.

Of the top ten highest risk areas identified by our Citywide Risk Assessment, the Utilities Department had the highest risk (six of ten). This audit was first included in last year's workplan, and the Auditor's Office selected a consultant with Utilities auditing expertise to begin this audit during the current fiscal year. The Planning & Community Development Department was the highest scoring General Fund program in the risk assessment, and the proposed workplan includes a recommendation to add this to our performance audit projects.

We welcome your comments and suggestions to help ensure we prioritize our work plan to meet the City Council's needs. We have included an outline summary of the work plan, along with the affected City departments (See Attachment B). Following is a description of each of the projects.

AUDIT ADMINISTRATION, FOLLOW-UP, AND OTHER RESPONSIBILITIES:

1. **Annual Audit 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 the annual work plan.

2. **Annual 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. We also meet with departments mid-year to discuss progress towards implementing open audit recommendations.

REVENUE AUDITS:

3. **Sales Tax Allocation Reviews** (on-going) – Sales tax represents about 14 percent, or $20 million, of projected General Fund revenue for 2009-10. We contract with MuniServices for quarterly sales tax audit and information services, and we also conduct sales tax audits in-house. The purpose of these audits is to identify misallocations of local sales tax. In addition, MuniServices prepares the quarterly sales tax information reports that are provided to the City Council as information items. Target date: on-going

4. **Alternative Fuel Tax Credit Recoveries (NEW)** – As part of the Auditor's Office continuous revenue monitoring efforts and preliminary findings from the vehicle audit, the Auditor's Office is initiating revenue recoveries from the Federal government's alternative fuel tax program, which is in effect through December 31, 2009.

FINANCIAL AUDITS AND PROCEDURAL REVIEWS:

5. **Annual External Financial Audit** (contracted audit service) – The City Charter requires that the City Council engage an independent certified public accounting firm (currently Maze & Associates) to conduct an annual external audit. Target date for completion of the audit of the June 30, 2008 financial statements: Dec-2009

6. **Controls Review of SAP Upgrade and Utilities Module Implementation** (on-going) – The City's SAP upgrade is occurring in two phases – Phase I on Employee Self-Service/Management Self-Service was completed July 2008. Phase II on Utilities billing is nearing completion. The Auditor's Office has reviewed general controls throughout the upgrade. Target date: Nov - 2009

7. **SAP Account Sampling (NEW)** – The City has implemented the SAP system and upgrades to serve as an enterprise management system for a variety of key financial information and transactions including payroll, utility billing and financial transactions. The purpose of these reviews will be to sample accounts within the SAP system to test for internal controls and efficiencies. Target date: TBD

8. **American Reinvestment and Recovery Act (ARRA) monitoring (NEW)** – President Obama signed the ARRA in February 2009, providing approximately $787 billion in federal stimulus grant funds, including $144 billion for state and local fiscal relief. The ARRA requires unprecedented accountability and transparency of the grant funds. The Auditor's Office will identify best practices and internal controls to share with departments receiving ARRA funds. Target date: on-going

PERFORMANCE AUDITS AND SPECIAL PROJECTS:

9. **Annual Service Efforts and Accomplishments (SEA) Report** (in process) – This will be the 8th 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 date: Jan-2010

10. **Audit of Vehicle Replacement and Maintenance Fund** (in process) – The purpose of this review is to evaluate economy, efficiency and effectiveness of fleet and equipment replacement and maintenance operations. Target date: Fall-2009

11. **Citywide Cash Handling** (in process) - on July 7, 2008, the City Council voted to have the City Auditor study Citywide cash handling and travel reimbursements, oversight procedures, and the City Auditor's history of audits on cash services. Target date: Feb-2010

12. **Prospective Analysis of Bond Measure Proceeds** (in process) – Through the 2008 voter-approved Measure N, the City is preparing to issue general obligation bonds to rebuild the Mitchell Park Library and adjacent community center, and renovate the Main and Downtown libraries. This audit will prospectively evaluate controls for the use of the general obligation bond funds to ensure the funds are used efficiently and in compliance with federal regulations for the use of tax-exempt bond funds. Target date: Spring-2010

13. **Audit of Purchasing Card Transactions** (carryover from FY 2008-09) – The purpose of this audit is to determine the adequacy of controls over purchasing card transactions, and to assess compliance with existing guidelines and procedures. Target date: TBD

14. **Utilities Department** (carryover from FY 2008-09, consultant selected) – Several of the highest risk areas identified in the Citywide Risk Assessment pertain to the Utilities Department. This audit will conduct a preliminary survey of the Utilities Department and develop an audit scope to identify opportunities for improvements in efficiency and effectiveness. Target Date: TBD

15. **Wastewater Treatment Fund** (carryover from FY 2008-09) – The Regional Water Quality Control Plant provides services to Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto. With proposed revenues of $22 million, proposed expenditures of $20 million, this is one of the areas consistently targeted by our annual citywide risk assessment model. The purpose of our audit would be to review the cost-sharing agreements and allocation of charges to partner agencies. Target date: TBD

16. **Planning and Community Development Permit Process (NEW)** – According to the 2007-08 SEA Report, Planning and Community Development revenue increased 68%, the number of inspections increased 71%, and the number of building permits issued decreased 6%. The Department has also implemented the new Green Building program and certifications. This audit will focus on the efficiency and effectiveness of the permit process.

Next Steps

After discussing the proposed Work Plan with the Finance Committee, we will ask the City Council to approve the FY 2010 Work Plan in November. Meanwhile, we are continuing work on carryover items from the FY 2008-09 Work Plan. The City Auditor also plans to review the work plan with the City Council mid-year for appropriate revisions and updates.

As audit work proceeds, we issue quarterly reports describing the status and progress towards completing each of the approved assignments. The quarterly reports are issued to the City Council and discussed at the Finance Committee. Generally, audit reports are heard at the committee level (either by the Finance Committee or the Policy and Services Committee) unless the item is considered to be of interest to the full City Council.

Respectfully submitted,

Lynda Flores Brouchoud

Lynda Flores Brouchoud
City Auditor

Attachment A: Citywide Risk Assessment Model
Attachment B: FY 2010 Work Plan Summary

Attachment A
Citywide Risk Assessment

REF. NUM.	CITY DEPARTMENT	CITY PROGRAM/ Potential audit subject	2009-10 PROPOSED EXPEND	SCORE	THREE YEAR EXPEND TREND	SCORE	FUND TYPE	SCORE	2010-14 FIVE- YEAR CAPITAL EXPEND	SCORE	2009-10 PROPOSED REVENUE	SCORE	THREE YEAR REVENUE TREND	SCORE	2009-10 NO. OF STAFF	SCORE	BEG. FUND BALANCE	SCORE	AUDIT REQUEST	SCORE
	RELATIVE WEIGHTS OF FACTORS			5		5		5		1		5		1		5		1		5
1	UTILITIES	WATER FUND	50,819,348	10	53%	10	SPEC	10	52,609,000	7	66,026,634	10	148%	5	47	6	22,092,000	9		0
2	PWD	WASTEWATER TREATMENT FUND	20,458,269	9	2%	1	SPEC	10	12,350,000	4	21,987,403	9	5%	3	70	7	13,843,000	8	2002	10
3	UTILITIES	WATER DISTRIBUTION SYSTEM	32,583,185	10	109%	10	SPEC	10	24,309,000	6	35,682,000	10	3210%	5	36	5		0		0
4	UTILITIES	WASTEWATER COLLECTION FUND	16,380,916	8	9%	1	SPEC	10	20,477,000	6	15,987,783	8	4%	3	26	4	12,437,000	8	2007	10
5	HR/ASD	GENERAL BENEFITS AND INSURANCE FUND	44,614,400	10	11%	1	SPEC	10		0	44,614,400	10	11%	3	5	1	3,285,000	6	2002	10
6	PLANNING	HOUSING IN-LIEU FUNDS	2,690,000	5	201%	10	SPEC	10		0	2,434,000	5	168%	5		0	9,600,000	7	2003	10
7	UTILITIES	ELECTRIC FUND	137,079,000	10	7%	1	SPEC	10	46,850,000	7	129,944,000	10	14%	3	109	9	156,424,000	10		0
8	UTILITIES	FIBER OPTIC FUND	1,576,500	4	126%	10	SPEC	10	2,000,000	2	2,990,159	5	24%	3	6	1		0	2007	10
9	HR/ASD	RETIREE HEALTH BENEFIT FUND	6,702,182	7	-3%	3	SPEC	10		0	6,702,182	7	-3%	1	5	1	29,756,000	9	2002	10
10	UTILITIES	GAS FUND	45,853,012	10	-4%	3	SPEC	10	31,075,000	6	45,924,898	10	-3%	1	49	6	17,901,000	8		0
11	PLANNING	PLANNING AND COMM ENVIRONMT DEPT	9,865,369	7	-3%	3	GEN	10		0	5,639,364	6	-17%	2	50	6		0	2009	10
12	PWD	CIP - CAPITAL FUND	67,421,000	10	488%	10	CAP	5	130,425,000	9		0	0%	0	.	0	16,493,000	8	2005	10
13	CITYWIDE	OPERATING TRANSFERS-IN		8	NA	10	GEN	10		0	19,664,000	8	14%	3		0		0		0
14	CSD	COMMUNITY SERVICES DEPT	21,882,847	9	3%	1	GEN	10		0	7,864,698	7	4%	3	146	9		0	2003	10
15	UTILITIES	WASTEWATER COLLECTION SYSTEM	14,408,486	8	12%	1	SPEC	10		0	721,000	3	-18%	2	24	4		0	2007	10
16	CITYWIDE	SALARIES AND BENEFITS	92,717,073	10	3%	1	GEN	10		0		0	0%	0	1,055	10		0	2003	10
17	CSD	CUBBERLEY AND HUMAN SERVICES	3,363,930	6	-4%	3	GEN	10		0	167,941	2	36%	4	17	3		0	2001	10
18	UTILITIES	ELECTRIC DISTRIBUTION SYSTEM	18,980,797	8	-3%	3	SPEC	10	29,805,000	6	918,210	3	-34%	8	77	8		0		0
19	PLANNING	BUILDING DIVISION	3,128,814	6	-18%	3	GEN	10		0	4,137,200	6	-19%	2	18	3		0	2009	10
20	PWD	REFUSE FUND	36,494,836	10	17%	2	SPEC	10	7,650,000	3	37,083,123	10	24%	3	38	5	5,887,000	6		0
21	ASD	TREASURY	1,577,305	4	-2%	3	GEN	10		0	2,900	1	-99%	10	12	2	364,669,000	10	2003	10
22	CSD	RECREATION AND GOLF	6,131,866	7	1%	1	GEN	10		0	5,540,098	6	1%	3	51	6		0	2001	10
23	CROSS-DEPT	YOUTH PROGRAMS	11,658,130	8	10%	1	SPEC	10		0	3,266,529	6	3%	3	72	7		0		0
24	FIRE	EMERGENCY RESPONSE	17,614,356	8	11%	1	GEN	10		0	2,078,579	5	1%	3	94	8		0		0
25	PWD	TREES	2,334,270	5	-1%	3	GEN	10		0	67,500	1	150%	5	14	2		0	2001	10
26	POLICE	PARKING SERVICES	1,268,173	4	3%	1	GEN	10		0	2,090,000	5	3%	3	10	1		0	2001	10
27	POLICE	FIELD SERVICES	13,401,085	8	11%	1	GEN	10		0	306,900	2	-5%	1	70	7		0	2006	10
28	PWD	PUBLIC WORKS DEPARTMENT	13,500,625	8	2%	1	GEN	10		0	2,927,371	5	-9%	1	65	7		0		0
29	UTILITIES	SUPPORT SERVICES (MKTG AND FINANCIAL SVCS)	288,569	2	37%	8	SPEC	10		0	0	0	0%	0	2	1		0	2007	10
30	LIBRARY	LIBRARY DEPARTMENT	6,385,037	7	-2%	3	GEN	10		0	339,080	2	27%	4	54	6		0	2005	10
31	UTILITIES	GAS DISTRIBUTION SYSTEM	6,408,786	7	-39%	4	SPEC	10	27,461,000	6	690,000	3	9%	3	37	5		0		0
32	PWD	VEHICLE FUND - OPERATIONS AND MAINT.	4,471,094	6	23%	6	SPEC	10		0	4,045,160	6	20%	3	15	2		0	2005	10
33	UTILITIES	(DSM)	3,031,003	6	28%	7	SPEC	10		0	3,131,000	6	24%	3	6	1		0		0
34	ASD	TECHNOLOGY FUND	10,662,724	8	-28%	4	SPEC	10	5,225,000	3	10,017,391	8	-22%	6	31	5	19,592,000	8		0
35	MANAGER	SPECIAL DISTRICT FUNDS (PARKING)	1,330,000	4	11%	1	SPEC	10		0	1,148,000	4	6%	3		0	751,000	3	2005	10
36	PWD	VEHICLE REPLACEMENT FUND	4,855,070	6	-36%	4	SPEC	10	670,000	1	7,492,857	7	13%	3	16	3	17,492,000	8	2005	10
37	PLANNING	Fund)	83,000	1	-88%	5	SPEC	10		0	769,000	3	8%	3		0	402,000	2	2007	10
38	CSD	OPEN SPACE AND PARKS	6,402,545	7	4%	1	GEN	10		0	579,441	3	22%	3	36	5		0	2003	10
39	LIBRARY	PUBLIC SERVICES	3,871,195	6	-10%	3	GEN	10		0	207,880	2	22%	3	42	6		0	2001	10
40	CROSS-DEPT	DEVELOPMENT CENTER SERVICES	6,307,759	7	0%	1	SPEC	10		0	6,194,848	7	-15%	2	27	4		0		0
41	POLICE	TRAFFIC SERVICES	1,882,320	4	2%	1	GEN	10		0	452,500	2	-27%	7	9	1		0	2002	10
42	CITYWIDE	CHARGES FOR SERVICES		0	0%	0	GEN	10		0	20,238,000	9	-1%	1		0		0	2003	10
43	CITYWIDE	ALLOCATED CHARGES	14,316,318	8	6%	1	GEN	10		0		0	0%	0		0		0	2003	10
44	PWD	STORM DRAINAGE FUND	5,623,536	6	-35%	4	SPEC	10	9,651,000	3	5,650,626	6	-14%	1	10	1	4,482,000	6		0

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Citywide Risk Assessment

REF. NUM.	CITY DEPARTMENT	CITY PROGRAM/ Potential audit subject	2009-10 PROPOSED EXPEND	SCORE	THREE YEAR EXPEND TREND	SCORE	FUND TYPE	SCORE	2010-14 FIVE-YEAR CAPITAL EXPEND	SCORE	2009-10 PROPOSED REVENUE	SCORE	THREE YEAR REVENUE TREND	SCORE	2009-10 NO. OF STAFF	SCORE	BEG. FUND BALANCE	SCORE	AUDIT REQUEST	SCORE
	RELATIVE WEIGHTS OF FACTORS			5		5		5		1		5		1		5		1		5
45	CSD	GOLF COURSE	3,301,561	6	4%	1	GEN	10		0	3,310,170	6	0%	1		0		0	2006	10
46	PWD	CIP - BUILDINGS AND FACILITIES	5,291,000	6	77%	10	CAP	5	15,716,000	5		0	0%	0		0		0	2005	10
47	PWD	COMP.	2,937,508	5	7%	1	SPEC	10		0	0	0	0%	0	14	2		0	2002	10
48	CITYWIDE	OTHER TAXES AND FINES		0	0%	0	GEN	10		0	5,640,500	6	-31%	8		0		0	2007	10
49	CITYWIDE	PERMITS AND LICENSES		0	0%	0	GEN	10		0	6,176,481	7	2%	3		0		0	2003	10
50	FIRE	FIRE DEPT	25,166,408	9	10%	1	GEN	10		0	10,645,094	8	5%	3	127	9		0		0
51	POLICE	ANIMAL SERVICES	1,731,726	4	5%	1	GEN	10		0	1,146,500	4	14%	3	13	2		0	2007	10
52	POLICE	TECHNICAL SERVICES	6,651,516	7	3%	1	GEN	10		0	1,195,317	4	1%	3	39	5		0		0
53	ASD	TECHNOLOGY FUND - CLIENT SERVICES	4,568,670	6	3%	1	SPEC	10		0	7,231,706	7	-29%	7	11	2		0		0
54	LIBRARY	COLLECTION AND TECHNICAL SERVICES	1,802,899	4	0%	0	GEN	10		0	67,000	1	0%	0	11	2		0	2005	10
55	PLANNING	Building and devmt fees		0	0%	0	GEN	10		0	4,200,000	6	561%	5		0		0	2003	10
56	UTILITIES	WATER - RESOURCE MANAGEMENT	11,098,454	8	37%	8	SPEC	10		0	0	0	0%	0	2	1		0		0
57	UTILITIES	ELECTRIC RESOURCE MANAGEMENT	82,692,775	10	15%	1	SPEC	10		0	8,039,252	7	28%	4	8	1		0		0
58	CSD	ARTS AND SCIENCES DIVISION	4,624,411	6	5%	1	GEN	10		0	1,482,218	4	1%	3	39	5		0		0
59	CROSS-DEPT	CUBBERLEY COMMUNITY CENTER	2,029,052	5	-1%	3	SPEC	10		0	3,623,466	6	58%	5	8	1		0		0
60	POLICE	POLICE DEPT	29,998,316	9	7%	1	GEN	10		0	5,191,217	6	1%	3	167	9		0		0
61	PWD	STRUCTURES AND GROUNDS	5,844,113	6	8%	1	GEN	10		0	985,944	3	11%	3	24	4		0	2005	10
62	PWD	ADDITIONS	895,237	3	-77%	5	SPEC	10		0	3,240,097	6	0%	3	1	1		0	2005	10
63	ASD	ADMINISTRATIVE SERVICES DEPT	6,761,297	7	-12%	3	GEN	10		0	3,134,341	6	724%	5	44	6		0		0
64	ATTORNEY	CITY ATTORNEY'S OFFICE	2,568,560	5	-6%	3	GEN	10		0	1,159,170	4	1264%	5	12	2		0		0
65	HR	EMPLOYEE/LABOR RELATIONS	893,862	3	1%	1	GEN	10		0	0	0	0%	0	4	1		0	2001	10
66	COUNCIL	CITY COUNCIL	296,300	2	56%	10	GEN	10		0	97,869	1	13%	3	9	1		0		0
67	PWD	ENGINEERING	1,696,630	4	-17%	3	GEN	10		0	1,032,350	4	-30%	7	10	2		0		0
68	PWD	REFUSE - SOLID WASTE	7,647,381	7	9%	1	SPEC	10	7,650,000	3	2,516,919	5	-23%	6	24	4		0		0
69	CITYWIDE	PROPERTY TAX		0	0%	0	GEN	10		0	25,912,000	9	18%	3		0		0	2007	10
70	HR	HUMAN RESOURCES DEPARTMENT	2,836,891	5	5%	1	GEN	10		0	0	0	0%	0	16	3		0	2001	10
71	PLANNING	ECONOMIC DEVELOPMENT	460,946	2	129%	10	GEN	10		0	0	0	0%	0	1	1		0		0
72	ASD	PRINTING AND MAILING FUND	1,411,480	4	-1%	3	SPEC	10		0	1,337,613	4	-4%	1	4	1	203,000	2		0
73	FIRE	ENVIRONMENTAL SAFETY MANAGEMENT	2,497,508	5	6%	1	GEN	10		0	1,253,588	4	-7%	1	13	2		0		0
74	ASD	Contracting/procurement practices		0	0%	0	GEN	10		0		0	0%	0		0	117,200,000	10	2003	10
75	CROSS-DEPT	SPECIAL EVENTS	337,000	2	22%	6	SPEC	10		0	133,000	2	109%	5	1	1		0		0
76	UTILITIES	WATER - CUSTOMER SUPPORT SERVICES (MKTG AND FINANCIAL SVCS)	1,546,222	4	22%	6	SPEC	10		0	58,400	1	0%	0	9	1		0		0
77	PWD	CIP - STREETS AND SIDEWALKS	2,261,000	5	-9%	3	CAP	5	10,830,000	4		0	0%	0		0		0	2002	10
78	CITYWIDE	UTILITY USERS TAX		0	0%	0	GEN	10		0	11,250,000	8	20%	3		0		0	2001	10
79	ASD	Reserve for encumbrances		0	0%	0	GEN	10		0		0	0%	0		0	8,357,000	7	2005	10
80	PLANNING	PLANNING AND TRANSPORTATION DIVISION	5,649,513	6	3%	1	GEN	10		0	1,502,164	4	-12%	1	30	4		0		0
81	CITYWIDE	OTHER REVENUE		0	0%	0	GEN	10		0	101,874,773	10	7014%	5		0		0		0
82	CITYWIDE	TRANSIENT OCCUPANCY TAX		0	0%	0	GEN	10		0	7,000,000	7	0%	3		0		0	2006	10
83	PWD	CIP - PARKS AND OPEN SPACE	679,000	3	-41%	4	CAP	5	5,595,000	3		0	0%	0		0		0	2005	10
84	PWD	STORM DRAIN - SYSTEM IMPROVEMENTS	1,816,299	4	-68%	5	SPEC	10	9,651,000	3	0	0	0%	0	3	1		0		0
85	ASD	DEBT SERVICE FUNDS	1,221,000	4	0%	1	SPEC	10		0	1,221,000	4	0%	3		0	1,406,000	4		0
86	CITYWIDE	SALES TAX		0	0%	0	GEN	10		0	19,650,000	8	-11%	1		0		0	2001	10
87	UTILITIES	ELECTRIC-CUSTOMER SUPPORT SERVICES (MKTG AND FINANCIAL SVCS)	1,703,400	4	0%	3	SPEC	10		0	55,520	1	-13%	1	13	2		0		0
88	ASD	Accounts receivable		0	0%	0	GEN	10		0		0	0%	0		0		0	2007	10

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	RELATIVE WEIGHTS OF FACTORS			5		5		5		1		5		1		5		1		5
89	ASD	Cash handling		0	0%	0	GEN	10		0		0	0%	0		0		0	2008	10
90	ASD	Contract management/vendor performance		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10
91	ASD	Expense account reimbursements		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10
92	ASD	IT strategic plan implementation review		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10
93	ASD	Purchasing cards		0	0%	0	GEN	10		0		0	0%	0		0		0	2007	10
94	ASD	Reimbursements for mandated services		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10
95	CITYWIDE	Complaint handling		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10
96	CITYWIDE	CONTRACT SERVICES	9,075,564	7	-13%	3	GEN	10		0		0	0%	0		0		0		0
97	CITYWIDE	Follow-thru on council actions		0	0%	0	GEN	10		0		0	0%	0		0		0	2003	10
98	CITYWIDE	Public/private partnership effectiveness		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10
99	CLERK	CITY CLERK'S OFFICE	1,512,286	4	5%	1	GEN	10		0	527,296	3	26941%	5	7	1		0		0
100	CROSS-DEPT	EMERGENCY PREPAREDNESS	0	0	0%	0	SPEC	10		0	0	0	0%	0	0	0		0	2006	10
101	CROSS-DEPT	Employee paid time off		0	0%	0		0		0		0	0%	0		0		0	2007	10
102	CROSS-DEPT	Public records requests		0	0%	0		0		0		0	0%	0		0		0	2007	10
103	FIRE	EMS staffing		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10
104	FIRE	Fire Dept services to Stanford		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10
105	PLANNING	Shuttle services		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10
106	POLICE	Noise ordinance enforcement		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10
107	POLICE	Police school services		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10
108	POLICE	Proactive enforcement of taxi cabs		0	0%	0	GEN	10		0		0	0%	0		0		0	2003	10
109	POLICE	Reimbursements for traffic citations		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10
110	POLICE/ FIRE	Emergency personnel training and turnover		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10
111	POLICE/ FIRE	Emergency response/notification system		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10
112	PWD	Construction project budget monitoring			0%	0	CAP	5		0		0	0%	0		0		0	2001	10
113	PWD	Downtown public restrooms		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10
114	PWD	Home hazardous waste recycling contract		0	0%	0	SPEC	10		0		0	0%	0		0		0	2001	10
115	PWD	DISPOSAL	19,871,160	8	30%	8	SPEC	10		0	25,000	1	0%	0	1	1		0		0
116	UTILITIES	GAS - DEMAND-SIDE MANAGEMENT (DSM) (PUBLIC BENEFIT PROGRAMS)	581,001	3	26%	7	SPEC	10		0	0	0	0%	0	0	0		0		0
117	UTILITIES	Utilities department staff survey		0	0%	0	CAP	5		0		0	0%	0		0		0	2007	10
118	UTILITIES	Water inventory management		0	0%	0	SPEC	10		0		0	0%	0		0		0	2001	10
119	CITYWIDE	GENERAL EXPENSE	10,192,501	8	3%	1	GEN	10		0		0	0%	0		0		0		0
120	CITYWIDE	RETURN ON INVESTMENT		0	0%	0	GEN	10		0	12,342,079	8	463%	5		0		0		0
121	CITYWIDE	SUPPLIES AND MATERIALS	3,546,939	6	-1%	3	GEN	10		0		0	0%	0		0		0		0
122	HR	BENEFITS	636,821	3	4%	1	GEN	10		0	0	0	0%	0	5	1		0	2005	10
123	MANAGER	CITY MANAGER'S OFFICE	2,397,210	5	20%	2	GEN	10		0	0	0	0%	0	11	2		0		0
124	CITYWIDE	RENTAL INCOME		0	0%	0	GEN	10		0	13,659,764	8	5%	3		0		0		0
125	PWD	STORM DRAIN - OPERATIONS AND MAINT.	1,595,681	4	17%	2	SPEC	10		0	12,000	1	NA	3	6	1		0		0
126	CITYWIDE	CHARGES TO OTHER FUNDS		0	0%	0	GEN	10		0	10,643,000	8	0%	1		0		0		0
127	ASD	REAL ESTATE	617,174	3	14%	1	GEN	10		0	3,400	1	0%	0	3	1		0	2002	10
128	CITYWIDE	OPERATING TRANSFERS-OUT	1,128,274	4	-44%	4	GEN	10		0		0	0%	0		0		0		0
129	CITYWIDE	TRANSFER TO INFRASTRUCTURE	9,900,212	7	14%	1	GEN	10		0		0	0%	0		0		0		0
130	CSD	HUMAN SERVICES CONTRACTS	1,110,452	4	-25%	4	GEN	10		0	0	0	0%	0		0		0		0
131	FIRE	TRAINING AND PERSONNEL	2,528,858	5	14%	1	GEN	10		0	0	0	0%	0	13	2		0		0
132	POLICE	PERSONNEL SERVICES	1,018,100	4	0%	3	GEN	10		0	0	0	0%	0	5	1		0		0
133	UTILITIES	ELECTRIC - GENERAL/ADMIN	1,477,588	4	-21%	3	SPEC	10		0	0	0	0%	0	6	1		0		0

Attachment A
Citywide Risk Assessment

REF. NUM.	CITY DEPARTMENT	CITY PROGRAM/ Potential audit subject	2009-10 PROPOSED EXPEND	SCORE	THREE YEAR EXPEND TREND	SCORE	FUND TYPE	SCORE	2010-14 FIVE- YEAR CAPITAL EXPEND	SCORE	2009-10 PROPOSED REVENUE	SCORE	THREE YEAR REVENUE TREND	SCORE	2009-10 NO. OF STAFF	SCORE	BEG. FUND BALANCE	SCORE	AUDIT REQUEST	SCORE
	RELATIVE WEIGHTS OF FACTORS			5		5		5		1		5	-	1		5		1		5
134	UTILITIES	GAS - RESOURCE MANAGEMENT	27,990,752	9	2%	1	SPEC	10		0	0	0	0%	0	3	1		0		0
135	PLANNING	CDBG FUND	802,259	3	0%	1	SPEC	10		0	802,259	3	0%	3		0		0		0
136	ASD	BUDGET	883,525	3	-10%	3	GEN	10		0	0	0	0%	0	5	1		0		0
137	CITYWIDE	REVENUE FROM OTHER AGENCIES		0	0%	0	GEN	10		0	3,160,484	6	2578%	5		0		0		0
138	HR	EMPLOYMENT/ EMPLOYEE DEVELOPMENT	792,184	3	-9%	3	GEN	10		0	0	0	0%	0	5	1		0		0
139	UTILITIES	GAS - CUSTOMER SUPPORT SERVICES (MKTG AND FINANCIAL SVCS)	1,226,738	4	6%	1	SPEC	10		0	62,080	1	0%	0	9	1		0		0
140	ASD	Cell phone usage		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10
141	FIRE	MANAGEMENT	1,032,759	4	11%	1	GEN	10		0	0	0	0%	0	6	1		0		0
142	PWD	CIP - MISCELLANEOUS	2,997,000	5	0%	0	CAP	5	12,324,000	4		0	0%	0		0		0		0
143	PWD	REFUSE - STREET SWEEPING	2,002,263	5	7%	1	SPEC	10		0	177,977	2	28%	4	12	2		0		0
144	ASD	APP	3,559,572	6	3%	1	SPEC	10		0	1,647,329	4	-14%	1	13	2		0		0
145	CITYWIDE	FACILITIES AND EQUIPT PURCHASES	472,104	2	-8%	3	GEN	10		0		0	0%	0		0		0		0
146	UTILITIES	Utility billing system processing		0	0%	0	SPEC	10		0	263,377	2	-100%	10		0		0	2002	10
147	ASD	TECHNOLOGY FUND - PROJECTS	1,011,245	4	-81%	5	SPEC	10		0	551,617	3	NA	3	0	0		0		0
148	MANAGER	PALO ALTO BUSINESS IMPROV DISTRICT	160,000	2	0%	0	SPEC	10		0	162,000	2	-1%	1		0	112,000	2		0
149	PLANNING	TRAFFIC MITIG/PARKING IN-LIEU FUNDS	0	0	0%	0	SPEC	10		0	631,000	3	15%	3		0	1,777,000	4		0
150	ASD	Accounts payable		0	0%	0	GEN	10		0		0	0%	0		0		0	2007	10
151	CITYWIDE	RENTS AND LEASES	740,486	3	2%	1	GEN	10		0		0	0%	0		0		0		0
152	POLICE	INVESTIGATIONS AND CRIME PREVENTION	3,578,625	6	9%	1	GEN	10		0	0	0	0%	0	19	3		0		0
153	PWD	STREETS	2,500,123	5	5%	1	GEN	10	10,830,000	4	278,832	2	-13%	1	14	2		0		0
154	ASD	SVCS	1,523,237	4	-2%	3	SPEC	10		0	586,739	3	-18%	2	7	1		0		0
155	ASD	PURCHASING	1,276,376	4	-3%	3	GEN	10		0	6,000	1	0%	0	10	1		0		0
156	ASD	ACCOUNTING	1,757,444	4	-18%	3	GEN	10		0	0	0	0%	0	13	2		0		0
157	CROSS-DEPT	Conflict of interest policies and forms 700		0	0%	0		0		0		0	0%	0		0		0	2005	10
158	MANAGER	PUBLIC COMMUNICATION	209,335	2	-18%	3	GEN	10		0	0	0	0%	0	1	1		0		0
159	ASD	Duplicate payments		0	0%	0	GEN	10		0		0	0%	0		0		0		0
160	ASD	Employee phone bill reimbursements		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10
161	CROSS-DEPT	PARKING PROGRAM	0	0	0%	0	SPEC	10		0	0	0	0%	0	0	0		0		0
162	CROSS-DEPT	TRAFFIC MANAGEMENT AND SAFETY	0	0	0%	0	SPEC	10		0	0	0	0%	0	0	0		0		0
163	FIRE	Ambulance transport programs		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10
164	POLICE	Confidential funds		0	0%	0	GEN	10		0		0	0%	0		0		0	2006	10
165	POLICE	Strategic plan implementation		0	0%	0	GEN	10		0		0	0%	0		0		0		0
166	AUDITOR	CITY AUDITOR'S OFFICE	998,519	3	13%	1	GEN	10		0	755,215	3	221%	5	4	1		0		0
167	PWD	Capital projects contingency fees		0	0%	0	CAP	5		0		0	0%	0		0		0		0
168	CROSS-DEPT	ENVIRONMENTAL SUSTAINABILITY	25,285,674	9			GEN	10		0	27,620,291				58					
169	MANAGER	ADMIN AND CITY MANAGEMENT	2,066,677	5			GEN				0				9					
170	MANAGER	SUSTAINABILITY	121,198	2			GEN				0				1					
171	PWD	WASTEWATER TMT - OPERATIONS	14,255,062	8			GEN	10			0	0			55					

***** END OF LISTING *****

Attachment B

CITY AUDITOR'S FY 2010 WORK PLAN SUMMARY

AUDIT ADMINISTRATION, FOLLOW-UP, AND OTHER RESPONSIBILITIES

1. Annual audit work plan and quarterly status reports
2. Annual audit recommendation status report

REVENUE AND FINANCIAL AUDITS/PROCEDURAL REVIEWS:

In process

3. Sales tax allocation reviews
4. External financial audit
5. Controls review of SAP upgrade (including Utility billing)

New for FY 2010

6. Alternative Fuel Tax recoveries
7. SAP Account Sampling
8. ARRA Monitoring

PERFORMANCE AUDITS AND SPECIAL PROJECTS:

In process

9. Annual Service Efforts and Accomplishments (SEA) report *
10. Audit of vehicle replacement and maintenance (PWD)
11. Citywide Cash Handling
12. Prospective Analysis of Bond Measure Proceeds

Carried over from FY 2008-09 Work Plan

13. Utilities Department
14. Wastewater treatment plant cost allocations (PWD)
15. Audit of purchasing card transactions (Citywide/ASD)

New for FY 2010

16. Planning and Community Environment Department Permit Processing

* Related to Council's Top 3 Priorities