



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

July 15, 2003

**The Honorable City Council
Attn: Finance Committee
Palo Alto, California**

Auditor's Office Quarterly Report as of June 30, 2003

RECOMMENDATION

The City Auditor's Office recommends the Finance Committee reviews and recommends to the City Council acceptance of the Auditor's Office Quarterly Report as of June 30, 2003.

SUMMARY OF RESULTS

In accordance with the Municipal Code, the City Auditor prepares an annual work plan for approval by the City Council, and issues quarterly reports to the City Council describing the status and progress towards completion of the work plan. The purpose of this report is to provide the City Council with a status report on the activities of the Office for the quarter ending June 30, 2003, and to summarize our 2002-03 Audit Work Plan accomplishments.

We issued the following reports to the City Council during 2002-03:

- Report on the Status of Audit Recommendations (September 2002)
- Analysis of the Long Range Financial Plan (December 2002)
- Comments on Proposed Service Agreement with the City of Sunnyvale to Provide Animal Sheltering and Associated Services (December 2002)
- Maze & Associates' Audit of the City of Palo Alto's Financial Statements as of June 30, 2002 and Management Letter (December 2002)
- Service Efforts and Accomplishments Report 2001-02 (January 2003)
- Recommendation for Approval of Contract Streamlining Recommendations (February 2003)
- Audit of Code Enforcement (March 2003)
- Quarterly informational reports on Palo Alto sales tax receipts (November 2002, February 2003, May 2003)
- Annual Audit Work Plan and quarterly progress reports (August 2002, December 2002, April 2003, July 2003)

We continue to ensure audit quality by thoroughly referencing each statement of fact in our audit reports. We have just received word that our report "An Assessment of Utility Risk Management Procedures" won honorable mention for best performance audit report from the National Association of Local Government Auditors in the small audit shop category. We are also proud to report that the Association of Government Accountants has selected our SEA report for review as part of a new Certificate of Excellence in SEA Reporting, and I have been asked to serve as a volunteer evaluator as part of that program.

Our revenue audits are yielding benefits to the General Fund. The City received **\$355,456** in the current fiscal year as a result of our in-house and contracted audits – exceeding our goal of

\$235,000 in audit recoveries for the year. This includes \$320,535 in sales tax, \$27,776 in transient occupancy tax, and \$7,145 in documentary transfer tax (an additional \$2,101 in property tax, and potentially more than \$1 million in telephone utility users tax has been identified, but not collected).

The following projects are in process:

- Audit of the Planning Process (started March 2003)
- Audit of Overtime Usage (started March 2003)
- Audit of Cable Franchise Fees and Customer Service Provisions (started June 2003)
- Controls Review of the Enterprise Resource Planning System (on-going)
- Audits of sales, property, and utility users' tax revenues (on-going)

The following projects have not been started and are proposed to be carried-over into next year:

- Golf course cash controls
- Customer satisfaction survey (to be incorporated into the SEA report)
- Audit of contract contingency fees
- Review of the Workers' Compensation program

Information on the status of each assigned project is attached (pages A-1 through A-6). On behalf of the Auditor's Office, I would like to express my appreciation to City staff for their cooperation and assistance during our reviews.

Respectfully submitted,

Sharon W. Erickson
City Auditor

Attachments:

A. City Auditor Project Status as of June 30, 2003