CITY OF PALO ALTO
OFFICE OF THE CITY AUDITOR

05

October 29, 2007

The Honorable City Council
Palo Alto, California

Finance Committee Recommendation to Approve City Auditor's Fiscal Year 2007 - 08 Work Plan

At its meeting on October 16, 2007, the Finance Committee unanimously recommended the City Council approve the City Auditor's Fiscal Year 2007 - 08 Work Plan. Minutes of the meeting are attached.

Respectfully submitted,

Sharon W. Erickson

Sharon W. Erickson
City Auditor

Attachments

CITY OF PALO ALTO
OFFICE OF THE CITY AUDITOR

October 16, 2007

Honorable City Council
Attention: Finance Committee
Palo Alto, California

City Auditor's Fiscal Year 2007-08 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 2007-08 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 2007-08.

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 purpose of the model is to help prioritize audit work. It compares the following ten factors: proposed 2007-08 expenditures, three-year expenditure trend, fund type, proposed five-year capital expenditures, estimated 2007-08 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 model are attached (see Attachment A).

DISCUSSION OF PROPOSED AUDIT ASSIGNMENTS

The list of proposed assignments for fiscal year 2007-08 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. We welcome your comments and suggestions.

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 this 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.

3. **Meeting attendance** – To facilitate communication and coordination of efforts, the City Auditor attends:

   - City Manager's weekly executive staff meetings.
   - *Utility Risk Oversight Committee* – Since issuance of our *Assessment of Utility Risk Management Procedures* in Jul-2002, the City Auditor has acted as an advisor to the Utility Risk Oversight Committee.
   - *<NEW> Refuse hauling contract request for proposals committee* – As recommended in our *Audit of the Palo Alto Sanitation Company Contract*, the City Auditor is acting as an advisor to the City Manager's interdepartmental committee to assist in the request for proposal process. Target completion date: Jun-2008.

REVENUE AUDITS:

4. **Sales tax allocation reviews** (on-going) – Sales tax represents about 15 percent, or $22 million, of projected General Fund revenue for 2007-08. We contract with MuniServices (MMC) 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. The MuniServices contract expires in Mar-2008, and we will be conducting a request for proposals for sales tax audit and information services. Target completion date: on-going.

5. **<NEW> Property tax allocation review** – Property tax represents about 15% of General Fund revenues, or about $22 million per year. This is one of our periodic reviews to ensure that regular and supplemental property tax allocations are accurate. MuniServices last audited property tax allocations in 2005.

FINANCIAL AUDITS AND PROCEDURAL REVIEWS:

6. **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, 2007 financial statements: Dec-2007.

7. **Review of ethics policies** (in process) – The purpose of this project is to review procedures for ascertaining and handling potential conflicts of interest among city employees, and assess the need for an ethics policy. Target date: TBD.

8. **<NEW> Controls review of SAP upgrade and Utilities module implementation** – The implementation of the SAP upgrades over the next 15 months will affect the City's business

operations. As we did with the original SAP implementation, the Auditor's Office will monitor the implementation, review proposed new workflows, and provide advice to ASD on the adequacy of controls in the new system. Target completion date: TBD.

PERFORMANCE AUDITS AND SPECIAL PROJECTS:

9. **Infrastructure report card** (in process) – The purpose of this project is 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. Target completion date: TBD.

10. **Annual Service Efforts and Accomplishments (SEA) Report** (in process) – This will be the 6th 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 completion date: Dec-2007.

11. **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: TBD.

12. **Audit of ambulance billing and revenue collection** (carryover from FY 2006-07) – The Palo Alto Fire Department responds to between 3,000 to 4,000 medical/rescue calls, and transports between 2,000 to 3,000 individuals annually. The purpose of this review is to assess the overall efficiency and cost effectiveness of ambulance billing and collections. Target date: TBD.

13. **Police community survey** (carryover from FY 2006-07) – The Auditor's Office will conduct a second survey of drivers of vehicles that are stopped to determine how they feel they were treated during the stop, and a comparison survey of persons requesting service. Target date: TBD.

14. **Wastewater Treatment Fund** (carryover from FY 2006-07) – 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 $20 million, proposed expenditures of $21 million, a $45 million five-year capital plan, and 70 full-time equivalent employees, 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.

15. **<NEW> Audit of purchasing card transactions** – 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.

Other projects considered but NOT included on the FY 2007-08 work plan

Our proposed work plan supports one of the City Council's Top 4 priorities (sustainable budget), and addresses one of the top 5 areas targeted by the citywide risk assessment model (wastewater treatment fund). There are 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 (in alphabetical order):

- *Building permit fee collections*
- *Cash handling*
- *Disaster and emergency preparedness*
- *Employee compensation and benefits*
- *Fire Department dispatch and response times*
- *Impacts of new housing*
- *Labor relations*
- *Public records requests*
- *Public safety facilities*
- *Public Works infrastructure contract management*
- *Sewer system maintenance and repairs*
- *Survey of Utilities employees*
- *Water Utility*

Next Steps

After discussing the proposed Work Plan with the Finance Committee, we will ask the City Council to approve the FY 2007-08 Work Plan in November. Meanwhile, we are continuing work on carryover items from the FY 2006-07 Work Plan.

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 (those quarterly reports are forwarded to the City Council for acceptance). 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,

Sharon W. Erickson

Sharon W. Erickson
City Auditor

Attachment A: Citywide risk assessment model

Attachment A

CITY-WIDE RISK ASSESSMENT

REF. NUM.	CITY DEPARTMENT	CITY PROGRAM/Potential audit subject	2007-08 PROPOSED EXPEND	SCORE	THREE YEAR EXPEND TREND	SCORE	FUND TYPE	SCORE	2007-12 FIVE-YEAR CAPITAL EXPEND	SCORE	2007-08 PROPOSED REVENUE	SCORE	THREE YEAR REVENUE TREND	SCORE	2007-08 NO. OF STAFF	SCORE	BEG. FUND BALANCE	SCORE	AUDIT REQUEST	SCORE	DATE OF LAST AUDIT
	RELATIVE WEIGHTS OF FACTORS			5		5	5			1		5		1		5		1		5	
98	PWD	WASTEWATER TREATMENT FUND	21,014,766	9	16%	2	SPEC	3	45,400,000	7	20,045,360	9	3%	3	70	7	13,594,000	8	2002	10	
126	HR/ASD	RETIREE HEALTH BENEFIT FUND	6,894,833	7	92%	10	SPEC	3		0	6,894,833	7	-42%	9		0	26,505,000	9	2002	10	1995-Retiree health
87	UTILITIES	WATER FUND	33,129,190	10	37%	8	SPEC	3	62,927,000	8	26,671,248	9	24%	3	45	6	19,245,000	8		0	
84	UTILITIES	WASTEWATER COLLECTION FUND	14,982,443	8	14%	1	SPEC	3	18,366,000	5	15,443,652	8	9%	3	25	4	14,509,000	8	2007	10	
125	HR/ASD	GENERAL BENEFITS AND INSURANCE FUND	40,350,000	10	0%	1	SPEC	3		0	40,350,000	10	0%	3	4	1	3,669,000	6	2002	10	1995-Retiree health
99	PWD	WASTEWATER OPERATIONS	14,021,215	8	14%	1	SPEC	3	45,400,000	7	1,001,200	4	-35%	8	56	7		0	2002	10	
79	UTILITIES	GAS FUND	47,614,564	10	31%	8	SPEC	3	36,508,000	6	47,462,980	10	28%	4	48	6	13,214,000	8		0	2002-Util risk mgmt
86	UTILITIES	WASTEWATER COLLECTION SYSTEM	12,845,528	8	22%	6	SPEC	3		0	878,000	3	244%	5	24	4		0	2007	10	
75	UTILITIES	ELECTRIC DISTRIBUTION SYSTEM	19,651,615	8	40%	9	SPEC	3	45,575,000	7	1,399,572	4	14%	3	74	7		0		0	
72	UTILITIES	ELECTRIC FUND	127,717,210	10	17%	2	SPEC	3	47,550,000	7	114,021,109	10	-7%	1	111	9	161,268,000	10		0	2002-Util risk mgmt
90	UTILITIES	WATER DISTRIBUTION SYSTEM	15,564,517	8	99%	10	SPEC	3	62,927,000	8	1,078,000	4	109%	5	35	5		0		0	
101	ASD	CPA EXTERNAL SERVICES	1,226,405	4	43%	9	SPEC	3		0	1,243,170	4	47%	4	6	1	43,000	1	2002	10	
81	UTILITIES	GAS DISTRIBUTION SYSTEM	10,583,248	8	73%	10	SPEC	3	36,508,000	6	635,000	3	39%	4	36	5		0		0	
103	CROSS-DEPT	DEVELOPMENT CENTER SERVICES	6,284,791	7	47%	9	SPEC	3		0	7,317,911	7	28%	4	26	4		0		0	
35	CSD	COMMUNITY SERVICES DEPT	21,212,083	9	9%	1	GEN	10		0	7,551,915	7	10%	3	146	9		0	2003	10	2006-Class revenue
109	PLANNING	DEVMT IMPACT FEE FUNDS	702,000	3	125%	10	SPEC	3		0	714,000	3	22%	3		0	1,331,000	4	2007	10	
110	PLANNING	HOUSING IN-LIEU FUNDS	895,000	3	75%	10	SPEC	3		0	909,000	3	-2%	1		0	2,465,000	5	2003	10	
54	PLANNING	PLANNING AND COMM ENVIRONMT DEPT	10,137,298	8	8%	1	GEN	10		0	6,820,848	7	21%	3	54	6		0	2005	10	2003-Devmt Review
56	PLANNING	BUILDING DIVISION	3,815,666	6	24%	6	GEN	10		0	5,104,291	6	18%	3	23	4		0	2003	10	2003-Devmt Review
95	PWD	STORM DRAINAGE FUND	8,587,271	7	199%	10	SPEC	3	13,712,000	4	6,607,016	7	15%	3	10	1	3,100	1		0	
58	POLICE	POLICE DEPT	27,980,528	9	15%	1	GEN	10		0	5,139,244	6	7%	3	166	9		0		0	
38	CSD	OPEN SPACE AND PARKS	6,160,766	7	8%	1	GEN	10		0	475,434	2	-12%	1	39	5		0	2003	10	
62	POLICE	TRAFFIC SERVICES	1,849,173	4	29%	7	GEN	10		0	615,900	3	-5%	1	9	1		0	2002	10	
119	ASD	TECHNOLOGY FUND	14,808,426	8	39%	8	SPEC	3	11,158,000	4	12,784,271	8	72%	5	30	5	5,834,000	6		0	2004-SAP in proces
100	PWD	WASTEWATER TMT - ENVIRONMENTAL COMPL	2,752,781	5	36%	8	SPEC	3		0	0	0	0%	0	14	2		0	2002	10	
52	LIBRARY	COLLECTION AND TECHNICAL SERVICES	1,802,702	4	20%	6	GEN	10		0	67,000	1	820%	5	11	2		0	2005	10	
14	CITYWIDE	SALARIES AND BENEFITS	89,853,757	10	8%	1	GEN	10		0		0	0%	0	1,076	10		0	2003	10	2004-Span of contro
66	PWD	PUBLIC WORKS DEPARTMENT	13,225,483	8	17%	2	GEN	10		0	3,228,479	6	46%	4	71	7		0		0	1996-Heavy vehicles
76	UTILITIES	COMMERCIAL TELECOMMUNICATION	697,198	3	-16%	3	SPEC	3	1,550,000	2	2,420,956	5	50%	5	2	1		0	2007	10	
37	CSD	CUBBERLEY AND HUMAN SERVICES	3,516,072	6	4%	1	GEN	10		0	123,085	2	185%	5	16	3		0	2001	10	
48	HR	EMPLOYEE/LABOR RELATIONS	884,525	3	40%	9	GEN	10		0	0	0	0%	0	6	1		0	2001	10	
43	FIRE	EMERGENCY RESPONSE	15,923,757	8	13%	1	GEN	10		0	2,067,944	5	12%	3	95	8		0		0	
60	POLICE	TECHNICAL SERVICES	6,441,881	7	23%	6	GEN	10		0	1,178,249	4	10%	3	39	5		0		0	
107	CROSS-DEPT	YOUTH PROGRAMS	10,593,875	8	6%	1	SPEC	3		0	3,179,783	6	7%	3	65	7		0		0	
169	PWD	Construction project budget monitoring	11,472,000	8	NA	3	CAP	5	51,292,000	7		0	0%	0		0		0	2001	10	
111	MANAGER	SPECIAL DISTRICT FUNDS (PARKING)	1,197,000	4	-15%	3	SPEC	3		0	1,082,000	4	1%	3		0	882,000	3	2005	10	
47	HR	HUMAN RESOURCES DEPARTMENT	2,703,023	5	7%	1	GEN	10		0	6,000	1	-89%	10	16	3		0	2001	10	
117	PWD	VEHICLE FUND - REPLACEMENTS/ADDITIONS	3,832,935	6	33%	8	SPEC	3		0	3,231,870	6	39%	4	3	1		0	2005	10	2007-In process
65	POLICE	PARKING SERVICES	1,229,901	4	13%	1	GEN	10		0	2,020,000	5	13%	3	9	1		0	2001	10	
39	CSD	RECREATION AND GOLF	6,047,124	7	10%	1	GEN	10		0	5,461,928	6	9%	3	48	6		0	2001	10	2006-Park maintena
33	ASD	TREASURY	1,594,461	4	16%	2	GEN	10		0	370,900	2	4355%	5	13	2	364,551	2	2003	10	1994-Recreation cas
78	UTILITIES	ELECTRIC RESOURCE MANAGEMENT	72,006,053	10	26%	7	SPEC	3		0	6,266,661	7	-25%	6	7	1		0		0	2002-Util risk mgmt
69	PWD	TREES	2,348,054	5	15%	2	GEN	10		0	27,000	1	56%	5	15	2		0	2001	10	
116	PWD	VEHICLE REPLACEMENT AND MAINTENANCE	7,619,333	7	16%	2	SPEC	3	5,990,000	3	6,609,899	7	15%	3	16	3	1,553,000	4	2005	10	2007-In process
108	CROSS-DEPT	EMERGENCY PREPAREDNESS	1,113,670	4	24%	6	SPEC	3		0	0	0	0%	0	5	1		0	2006	10	
91	PWD	REFUSE FUND	31,063,010	10	12%	1	SPEC	3	2,700,000	2	29,848,730	9	19%	3	35	5	11,568,000	8		0	2004-ESC review
53	LIBRARY	PUBLIC SERVICES	4,287,336	6	21%	6	GEN	10		0	170,730	2	23%	3	45	6		0	2001	10	2007-Library operati
176	UTILITIES	Utility billing system		0	0%	0	SPEC	3		0	226,279,965	10	NA	3		0		0	2002	10	
127	PWD	CIP - CAPITAL FUND	11,472,000	8	-23%	3	CAP	5	51,292,000	7		0	0%	0	20	4	12,826,000	8	2005	10	2005-Contract contir
120	ASD	TECHNOLOGY FUND - CLIENT SERVICES	4,451,075	6	-5%	3	SPEC	3		0	10,157,753	8	134%	5	10	2		0		0	
6	CITYWIDE	CHARGES FOR SERVICES		0	0%	0	GEN	10		0	20,383,000	9	10%	3		0		0	2003	10	
59	POLICE	FIELD SERVICES	12,049,134	8	15%	1	GEN	10		0	323,095	2	7%	3	69	7		0	2006	10	2006-Car stop surve
96	PWD	STORM DRAIN - SYSTEM IMPROVEMENTS	5,703,059	6	988%	10	SPEC	3	13,712,000	4	250	1	NA	3	3	1		0		0	
174	UTILITIES	Electric undergrounding program	2,300,000	5	NA	3	CAP	5	25,745,000	6		0	0%	0		0		0	2001	10	

Attachment A

CITY-WIDE RISK ASSESSMENT

REF. NUM.	CITY DEPARTMENT	CITY PROGRAM/Potential audit subject	2007-08 PROPOSED EXPEND	SCORE	THREE YEAR EXPEND TREND	SCORE	FUND TYPE	SCORE	2007-12 FIVE-YEAR CAPITAL EXPEND	SCORE	2007-08 PROPOSED REVENUE	SCORE	THREE YEAR REVENUE TREND	SCORE	2007-08 NO. OF STAFF	SCORE	BEG. FUND BALANCE	SCORE	AUDIT REQUEST	SCORE	DATE OF LAST AUDIT
20	CITYWIDE	ALLOCATED CHARGES	13,493,060	8	14%	1	GEN	10		0		0	0%	0		0		0	2003	10	
68	PWD	SIDEWALKS	2,056,000	5	NA	3	CAP	5	8,100,000	3		0	0%	0	0	0		0	2001	10	
92	PWD	REFUSE - SOLID WASTE	7,004,884	7	40%	8	SPEC	3	2,700,000	2	3,286,919	6	-1%	1	22	4		0		0	2004-ESC review
7	CITYWIDE	PERMITS AND LICENSES		0	0%	0	GEN	10		0	6,044,000	7	29%	4		0		0	2003	10	
51	LIBRARY	LIBRARY DEPARTMENT	6,484,289	7	14%	1	GEN	10		0	266,890	2	32%	4	56	7		0	2005	10	2007-Library operati
36	CSD	ARTS AND SCIENCES DIVISION	4,397,063	6	10%	1	GEN	10		0	1,461,468	4	8%	3	41	6		0		0	
42	FIRE	FIRE DEPT	22,867,806	9	13%	1	GEN	10		0	10,148,146	8	8%	3	127	9		0		0	2007-In process
171	PWD	Intrastructure contracting process	11,472,000	8	NA	3	CAP	5	51,292,000	7		0	0%	0		0		0	2002	10	2002-Timeliness
5	CITYWIDE	OTHER TAXES AND FINES		0	0%	0	GEN	10		0	8,181,000	7	-12%	1		0		0	2007	10	
85	UTILITIES	WASTEWATER COLLECT - MKTG AND FINANCI	211,256	2	-50%	4	SPEC	3		0	0	0	0%	0	2	1		0	2007	10	
70	PWD	STRUCTURES AND GROUNDS	5,407,577	6	18%	2	GEN	10	18,423,000	5	890,040	3	12%	3	23	4		0	2005	10	2007-In process
157	PLANNING	Building and devmt fees		0	0%	0	GEN	10		0	4,400,000	6	NA	3		0		0	2003	10	
41	CSD	GOLF COURSE	3,188,576	6	10%	1	GEN	10		0	3,312,000	6	9%	3		0		0	2006	10	2004-Golf cash hanc
64	POLICE	ANIMAL SERVICES	1,657,051	4	16%	2	GEN	10		0	1,002,000	4	6%	3	13	2		0	2007	10	2003-Animal Svcs
25	CLERK	CITY CLERK'S OFFICE	1,439,666	4	69%	10	GEN	10		0	1,950	1	25%	3	7	1		0		0	1994-Records
27	MANAGER	CITY MANAGER'S OFFICE	2,001,733	5	49%	9	GEN	10		0		0	0%	0	12	2		0		0	
118	PWD	VEHICLE FUND - OPERATIONS AND MAINTENA	3,648,705	6	14%	1	SPEC	3		0	3,188,654	6	-4%	1	14	2		0	2005	10	2007-In process
159	PLANNING	Shuttle services	335,000	2	NA	3	GEN	10		0		0	0%	0		0		0	2002	10	
22	CITYWIDE	TRANSFER TO INFRASTRUCTURE	8,677,023	7	40%	8	GEN	10		0		0	0%	0		0		0		0	
104	CROSS-DEPT	PARKING PROGRAM	2,287,240	5	11%	1	SPEC	3		0	2,124,212	5	6%	3	16	3		0		0	
106	CROSS-DEPT	TRAFFIC MANAGEMENT AND SAFETY	4,760,450	6	3%	1	SPEC	3		0	968,366	3	4%	3	23	4		0		0	
77	UTILITIES	ELECTRIC - PUBLIC BENEFIT FUNDS	2,370,001	5	-18%	3	SPEC	3		0	2,520,000	5	10%	3	5	1		0		0	
15	CITYWIDE	CONTRACT SERVICES	10,408,562	8	20%	6	GEN	10		0		0	0%	0		0		0		0	
16	CITYWIDE	SUPPLIES AND MATERIALS	3,573,441	6	32%	8	GEN	10		0		0	0%	0		0		0		0	
44	FIRE	ENVIRONMENTAL SAFETY MANAGEMENT	2,366,306	5	19%	2	GEN	10		0	1,343,078	4	-4%	1	13	2		0		0	
71	PWD	ENGINEERING	2,048,796	5	8%	1	GEN	10		0	1,474,500	4	84%	5	15	2		0		0	
82	UTILITIES	GAS - PUBLIC BENEFIT PROGRAMS	462,929	2	384%	10	SPEC	3		0	0	0	0%	0	1	1		0		0	
102	CROSS-DEPT	CUBBERLEY COMMUNITY CENTER	2,058,065	5	12%	1	SPEC	3		0	2,287,500	5	-20%	2	9	1		0		0	
122	ASD	TECHNOLOGY FUND - PROJECT MGMT AND AF	3,455,508	6	25%	7	SPEC	3		0	1,912,329	4	-14%	1	12	2		0		0	2004-SAP in proces
88	UTILITIES	WATER - RESOURCE MANAGEMENT	8,125,116	7	17%	2	SPEC	3		0	75,000	1	131479%	5	1	1		0		0	
124	ASD	PRINTING AND MAILING FUND	1,391,657	4	18%	2	SPEC	3		0	1,424,714	4	2%	3	5	1	459,000	2		0	
97	PWD	STORM DRAIN - OPERATIONS AND MAINTENAN	1,366,638	4	28%	7	SPEC	3		0	0	0	0%	0	6	1		0		0	
55	PLANNING	PLANNING AND TRANSPORTATION DIVISION	5,486,970	6	-2%	3	GEN	10		0	1,716,557	4	31%	4	29	4		0		0	2003-Devmt Review
132	ASD	Reserve for encumbrances		0	0%	0	GEN	10		0		0	0%	0		0	10,814,000	8	2005	10	
2	CITYWIDE	PROPERTY TAX		0	0%	0	GEN	10		0	22,034,000	9	17%	3		0		0	2007	10	2005-Property tax
144	ASD	Contracting/procurement practices		0	0%	0	GEN	10		0		0	0%	0		0	61,300,000	10	2003	10	1998-Purchase orde
26	COUNCIL	CITY COUNCIL	189,529	2	33%	8	GEN	10		0		0	0%	0	9	1		0		0	
128	PWD	CIP - BUILDINGS AND FACILITIES	3,009,000	6	-49%	4	CAP	5	18,423,000	5		0	0%	0		0		0	2005	10	2007-In process
83	UTILITIES	GAS - RESOURCE MANAGEMENT	27,332,949	9	24%	6	SPEC	3		0	0	0	0%	0	3	1		0		0	2002-Util risk mgmt
114	PLANNING	CDBG FUND	800,524	3	-13%	3	SPEC	3		0	800,524	3	-13%	1	1	1		0		0	
49	HR	EMPLOYMENT/EMPLOYEE DEVELOPMENT	873,491	3	-13%	3	GEN	10		0	6,000	1	-93%	10	5	1		0		0	
23	ATTORNEY	CITY ATTORNEY'S OFFICE	2,745,805	5	7%	1	GEN	10		0	85,000	1	70%	5	12	2		0		0	
134	CITYWIDE	Complaint handling		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10	
135	CITYWIDE	Public/private partnership effectiveness		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10	
136	CITYWIDE	Quality control initiative		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10	
137	CITYWIDE	Follow-thru on council actions		0	0%	0	GEN	10		0		0	0%	0		0		0	2003	10	
138	ASD	Accounts receivable		0	0%	0	GEN	10		0		0	0%	0		0		0	2007	10	
139	ASD	Accounts payable		0	0%	0	GEN	10		0		0	0%	0		0		0	2007	10	
140	ASD	Cash handling		0	0%	0	GEN	10		0		0	0%	0		0		0	2007	10	
142	ASD	Certification of impact measures		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10	
143	ASD	Contract management/vendor performance		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10	1995-ContractAdmin
145	ASD	Employee phone bill reimbursements		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10	
148	ASD	IT strategic plan implementation review		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10	
149	ASD	Purchasing cards		0	0%	0	GEN	10		0		0	0%	0		0		0	2007	10	
150	ASD	Reimbursements for mandated services		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10	
154	FIRE	EMS staffing		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10	
155	FIRE	Ambulance transport programs		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10	

Attachment A
CITY-WIDE RISK ASSESSMENT

REF. NUM.	CITY DEPARTMENT	CITY PROGRAM/Potential audit subject	2007-08 PROPOSED EXPEND	SCORE	THREE YEAR EXPEND TREND	SCORE	FUND TYPE	SCORE	2007-12 FIVE-YEAR CAPITAL EXPEND	SCORE	2007-08 PROPOSED REVENUE	SCORE	THREE YEAR REVENUE TREND	SCORE	2007-08 NO. OF STAFF	SCORE	BEG. FUND BALANCE	SCORE	AUDIT REQUEST	SCORE	DATE OF LAST AUDIT
156	FIRE	Fire Dept services to Stanford		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10	
161	POLICE/FIRE	Emergency personnel training and turnove		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10	
162	POLICE/FIRE	Emergency response/notification systen		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10	
163	POLICE	Noise ordinance enforcement		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10	
164	POLICE	Police school services		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10	
165	POLICE	Proactive enforcement of taxi cabs		0	0%	0	GEN	10		0		0	0%	0		0		0	2003	10	
166	POLICE	Reimbursements for traffic citations		0	0%	0	GEN	10		0		0	0%	0		0		0	2002	10	
170	PWD	Downtown public restrooms		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10	
173	UTILITIES	Utilities department staff survey		0	0%	0	CAP	5		0		0	0%	0		0		0	2007	10	
172	PWD	Home hazardous waste recycling contrac		0	0%	0	SPEC	3		0		0	0%	0		0		0	2001	10	
175	UTILITIES	Water inventory management		0	0%	0	SPEC	3		0		0	0%	0		0		0	2001	10	
152	CROSS-DEPT	Employee paid time off		0	0%	0		0		0		0	0%	0		0		0	2007	10	
153	CROSS-DEPT	Public records requests		0	0%	0		0		0		0	0%	0		0		0	2007	10	
158	PLANNING	Impacts of jobs-housing imbalance		0	0%	0		0		0		0	0%	0		0		0	2006	10	
1	CITYWIDE	SALES TAX		0	0%	0	GEN	10		0	22,045,000	9	9%	3		0		0	2001	10	2007-Ongoing
115	ASD	DEBT SERVICE FUNDS	1,216,000	4	0%	1	SPEC	3		0	1,216,000	4	-2%	1		0	162,000	2		0	
130	PWD	CIP - STREETS AND SIDEWALKS	3,615,000	6	11%	1	CAP	5	20,182,000	6		0	0%	0		0		0	2002	10	2006-Street mainten
147	ASD	Expense account reimbursements		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10	1998-Travel expens
17	CITYWIDE	GENERAL EXPENSE	9,910,136	7	15%	2	GEN	10		0		0	0%	0		0		0		0	
45	FIRE	TRAINING AND PERSONNEL	2,210,219	5	16%	2	GEN	10		0	0	0	0%	0	13	2		0		0	
50	HR	RISK MANAGEMENT AND EMPLOYEE BENEFIT!	613,528	3	-12%	3	GEN	10		0	0	0	0%	0	4	1		0	2005	10	2005-Workers comp
73	UTILITIES	ELECTRIC - GENERAL/ADMIN	1,874,443	4	-11%	3	SPEC	3		0	0	0	0%	0	11	2		0		0	
80	UTILITIES	GAS - CUSTOMER MKTG AND FIN SVCS	1,162,453	4	-5%	3	SPEC	3		0	62,080	1	0%	0	9	1		0		0	
123	ASD	TECHNOLOGY FUND - PROJECTS	5,349,711	6	538%	10	SPEC	3		0	0	0	0%	0	0	0		0		0	2004-SAP in proces
67	PWD	STREETS	2,390,842	5	23%	6	GEN	10	11,832,000	4	321,832	2	39%	4	13	2		0		0	2005-Street mainten
9	CITYWIDE	RENTAL INCOME		0	0%	0	GEN	10		0	13,037,000	8	6%	3		0		0		0	
11	CITYWIDE	CHARGES TO OTHER FUNDS		0	0%	0	GEN	10		0	10,650,000	8	13%	3		0		0		0	
13	CITYWIDE	OPERATING TRANSFERS-IN		0	0%	0	GEN	10		0	17,207,000	8	12%	3		0		0		0	
3	CITYWIDE	TRANSIENT OCCUPANCY TAX		0	0%	0	GEN	10		0	6,985,000	7	9%	3		0		0	2006	10	2006-TOT audit
4	CITYWIDE	UTILITY USERS TAX		0	0%	0	GEN	10		0	9,402,000	7	7%	3		0		0	2001	10	2006-Telephone UU
131	PWD	CIP - MISCELLANEOUS	2,140,000	5	NA	3	CAP	5	5,140,000	3		0	0%	0		0		0		0	
129	PWD	CIP - PARKS AND OPEN SPACE	1,602,000	4	0%	3	CAP	5	7,549,000	3		0	0%	0		0		0	2005	10	2006-Park maintena
74	UTILITIES	ELECTRIC - CUSTOMER MKTG AND FINANCIAL	1,707,944	4	0%	1	SPEC	3		0	63,520	1	14%	3	12	2		0		0	
19	CITYWIDE	FACILITIES AND EQUIPT PURCHASES	513,777	3	-87%	5	GEN	10		0		0	0%	0		0		0		0	
89	UTILITIES	WATER - MKTG AND FINANCIAL SVCS	1,263,422	4	10%	1	SPEC	3		0	58,400	1	-1%	1	9	1		0		0	
32	ASD	REAL ESTATE	511,947	3	5%	1	GEN	10		0	3,400	1	127%	5	3	1		0	2002	10	2007-Airport
29	ASD	ADMINISTRATIVE SERVICES DEPT	7,374,374	7	12%	1	GEN	10		0	380,300	2	2050%	5	51	6		0		0	2007-SAP payroll
21	CITYWIDE	OPERATING TRANSFERS-OUT	2,030,166	5	16%	2	GEN	10		0		0	0%	0		0		0		0	
63	POLICE	PERSONNEL SERVICES	1,022,813	4	18%	2	GEN	10		0	0	0	0%	0	5	1		0		0	
34	ASD	BUDGET	954,299	3	0%	3	GEN	10		0	0	0	0%	0	6	1		0		0	
40	CSD	HUMAN SERVICES CONTRACTS	1,235,702	4	-1%	3	GEN	10		0		0	0%	0		0		0		0	
12	CITYWIDE	OTHER REVENUE		0	0%	0	GEN	10		0	1,432,000	4	-67%	10		0		0		0	
8	CITYWIDE	RETURN ON INVESTMENT		0	0%	0	GEN	10		0	2,191,000	5	909029%	5		0		0		0	
57	PLANNING	ECONOMIC DEVELOPMENT	201,516	2	-15%	3	GEN	10		0	0	0	0%	0	1	1		0		0	
113	MANAGER	PALO ALTO BUSINESS IMPROV DISTRICT	160,000	2	4%	1	SPEC	3		0	164,000	2	4%	3		0	71,000	1		0	
121	ASD	TECHNOLOGY FUND - INFRASTRUCTURE SER'	1,552,132	4	-34%	4	SPEC	3		0	714,189	3	38%	4	8	1		0		0	2004-SAP in proces
105	CROSS-DEPT	SPECIAL EVENTS	275,639	2	2%	1	SPEC	3		0	63,500	1	3%	3	1	1		0		0	
46	FIRE	RECORDS AND INFORMATION MANAGEMENT	929,481	3	7%	1	GEN	10		0	0	0	0%	0	6	1		0		0	
18	CITYWIDE	RENTS AND LEASES	725,058	3	19%	2	GEN	10		0		0	0%	0		0		0		0	1997-MacArthurPark
112	PLANNING	TRAFFIC MITIG/PARKING IN-LIEU FUNDS	0	0	0%	0	SPEC	3		0	548,000	3	NA	3		0	1,454,000	4		0	
141	ASD	Cell phone usage		0	0%	0	GEN	10		0		0	0%	0		0		0	2001	10	2003-Self audit
94	PWD	REFUSE - STREET SWEEPING	1,865,369	4	6%	1	SPEC	3		0	138,551	2	-35%	8	12	2		0		0	2004-ESC review
10	CITYWIDE	REVENUE FROM OTHER AGENCIES		0	0%	0	GEN	10		0	118	1	-87%	10		0		0		0	
93	PWD	REFUSE - COLLECTION, HAULING AND DISPOS	15,280,389	8	12%	1	SPEC	3		0	25,000	1	-97%	10	1	1		0		0	2007-PASCO contra
61	POLICE	INVESTIGATIONS AND CRIME PREVENTION	3,294,342	6	9%	1	GEN	10		0	0	0	0%	0	20	4		0		0	2005-Property room
31	ASD	PURCHASING	1,301,406	4	13%	1	GEN	10		0	6,000	1	-23%	6	10	2		0		0	2005-Contract contir
24	AUDITOR	CITY AUDITOR'S OFFICE	886,994	3	1%	1	GEN	10		0	235,000	2	-74%	10	4	1		0		0	2005-Peer review

Attachment A

CITY-WIDE RISK ASSESSMENT

REF. NUM.	CITY DEPARTMENT	CITY PROGRAM/Potential audit subject	2007-08 PROPOSED EXPEND	SCORE	THREE YEAR EXPEND TREND	SCORE	FUND TYPE	SCORE	2007-12 FIVE-YEAR CAPITAL EXPEND	SCORE	2007-08 PROPOSED REVENUE	SCORE	THREE YEAR REVENUE TREND	SCORE	2007-08 NO. OF STAFF	SCORE	BEG. FUND BALANCE	SCORE	AUDIT REQUEST	SCORE	DATE OF LAST AUDIT
146	ASD	Duplicate payments		*0*	*0%*	*0*	GEN	*10*		*0*		*0*	*0%*	*0*		*0*		*0*		*0*	
167	POLICE	Strategic plan implementatior		*0*	*0%*	*0*	GEN	*10*		*0*		*0*	*0%*	*0*		*0*		*0*		*0*	
160	POLICE	Confidential funds		*0*	*0%*	*0*	GEN	*10*		*0*		*0*	*0%*	*0*		*0*		*0*	2006	*10*	2007-Annual audit
151	CROSS-DEPT	Conflict of interest policies and forms 70C		*0*	*0%*	*0*		*0*		*0*		*0*	*0%*	*0*		*0*		*0*	2005	*10*	2007-In process
30	ASD	ACCOUNTING	2,145,613	*5*	*8%*	*1*	GEN	*10*		*0*	0	*0*	*0%*	*0*	19	*3*		*0*		*0*	2007-SAP payroll
28	MANAGER	PUBLIC COMMUNICATION	253,751	*2*	*4%*	*1*	GEN	*10*		*0*	0	*0*	*0%*	*0*	2	*1*		*0*		*0*	2004-Public Comm
168	PWD	Capital projects contingency fees		*0*	*0%*	*0*	CAP	*5*		*0*		*0*	*0%*	*0*		*0*		*0*		*0*	2005-Contract contir
133	ASD	Cable Joint Powers Authority		*0*	*0%*	*0*	SPEC	*3*		*0*		*0*	*0%*	*0*		*0*		*0*		*0*	2005-Comcast

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

REF. NUM.	CITY DEPARTMENT	CITY PROGRAM/Potential audit subject	2007-08 PROPOSED EXPEND	SCORE	THREE YEAR EXPEND TREND	SCORE	FUND TYPE	SCORE	2007-12 FIVE-YEAR CAPITAL EXPEND	SCORE	2007-08 PROPOSED REVENUE	SCORE	THREE YEAR REVENUE TREND	SCORE	2007-08 NO. OF STAFF	SCORE	BEG. FUND BALANCE	SCORE	AUDIT REQUEST	SCORE	DATE OF LAST AUDIT

SCORING TABLES

PROPOSED EXPENDITURES ($)	
No expenditures	*0*
Less than 100,000	*1*
Less than 500,000	*2*
Less than 1,000,000	*3*
Less than 2,000,000	*4*
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*

NUMBER OF STAFF (FTE's)	
None	*0*
less than 10	*1*
10 or more	*2*
15 or more	*3*
20 or more	*4*
30 or more	*5*
40 or more	*6*
55 or more	*7*
75 or more	*8*
100 or more	*9*
500 or more	*10*

5-YEAR CAP BUDGET	
Zero/none	*0*
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*
less than 60,000,000	*7*
less than 100,000,000	*8*
less than 150,000,000	*9*
150,000,000 or more	*10*

LAST AUDIT	
2007	*0*
2006	*1*
2005	*2*
2004	*3*
2003	*4*
2002	*5*
2001	*6*
2000	*7*
1999	*8*
1998	*9*
PRIOR	*10*

FUND TYPE
General
Capital
Special/enterprise

AUDIT REQUEST
Audit not requested
Audit requested

THREE YEAR EXPENDITURE TREND (% Change)	
Decrease of more than 50%	*5*
Decrease of 50% or less	*4*
Decrease of 25% or less	*3*
No change	*0*
Increase of less than 15%	*1*
Increase of less than 20%	*2*
Increase of less than 25%	*6*
Increase of less than 30%	*7*
Increase of less than 40%	*8*
Increase of less than 50%	*9*
Increase of 50% or more	*10*
Not available/new program	*3*

BEGINNING FUND BAL	
Zero	*0*
less than 100,000	*1*
less than 500,000	*2*
less than 1,000,000	*3*
less than 2,000,000	*4*
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*

ESTIMATED REVENUES	
Zero/none	*0*
less than 100,000	*1*
less than 500,000	*2*
less than 1,000,000	*3*
less than 2,000,000	*4*
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*

THREE YEAR REVENUE TREND	
Decrease of more than 50%	*10*
Decrease of 50% or less	*9*
Decrease of 40% or less	*8*
Decrease of 30% or less	*7*
Decrease of 25% or less	*6*
Decrease of 20% or less	*2*
Decrease of 15% or less	*1*
No change	*0*
Increase of less than 25%	*3*
Increase of less than 50%	*4*
Increase of 50% or more	*5*
Not available/new program	*3*

SCORE	RAW SCORE	TOTAL SCORE
5	100	380
10	68	253
10	65	238
10	65	234
10	60	221
10	54	219
10	58	215
5	60	213
10	49	210
10	51	200
5	57	198
10	53	198
10	46	195
10	49	190
10	44	189
1	50	188
10	46	187
10	45	186
4	49	183
4	49	183
10	46	183
10	48	178
10	46	176
10	46	176
3	50	175
10	38	175
10	48	170
3	44	170
10	47	169
10	42	167
10	47	165
10	43	165
10	45	163
10	45	163
10	38	163
10	43	162
10	40	161
10	50	160
0	38	159
10	44	158
1	44	158
10	47	157
5	39	156
10	45	155
0	42	155
10	34	155
3	44	153
0	43	153
10	36	153
2	47	150
10	37	150
10	42	148
1	42	148
10	38	147
10	39	146

SCORE	RAW SCORE	TOTAL SCORE
10	39	145
10	36	143
3	34	143
10	41	139
0	41	139
10	40	138
0	40	138
5	38	137
10	38	136
10	30	135
0	43	133
10	39	133
3	39	133
4	39	133
10	39	133
10	36	130
0	29	126
10	35	125
10	35	125
10	30	123
10	30	123
10	30	123
10	34	120
10	34	120
10	34	116
10	37	115
10	26	115
10	27	112
3	26	111
10	29	110
10	29	110
10	25	110
4	35	109
10	38	108
2	34	108
9	39	105
10	31	105
0	30	105
5	24	105
10	24	101
10	38	100
10	34	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100

Attachment A
CITY-WIDE RISK ASSESSMENT

SCORE	RAW SCORE	TOTAL SCORE
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	30	100
10	25	100
10	23	100
10	23	100
10	20	100
10	20	100
10	20	100
0	32	98
10	25	98
1	29	96
9	29	95
10	29	95
10	29	95
2	29	95
10	22	95
10	22	95
3	22	95
2	35	93
10	31	93
10	31	93
10	31	93
1	31	93
1	31	93
10	26	93
1	26	93
10	24	93
10	28	90
10	21	86
0	31	85
0	31	85
10	27	85
10	27	85
10	27	85
10	27	85
10	34	80
10	30	80
10	26	80
10	22	79
3	22	79
10	21	78
10	25	75
10	25	75
10	23	72
4	24	70
3	23	68
10	31	65
0	24	65
2	23	65
2	26	56
2	29	55

Attachment A
CITY-WIDE RISK ASSESSMENT

SCORE	RAW SCORE	TOTAL SCORE
10	*20*	*50*
10	*20*	*50*
0	*20*	*50*
0	*10*	*50*
0	*19*	*45*
3	*17*	*35*
2	*7*	*10*
2	*5*	*10*

S C O R E	RAW SCORE	TOTAL SCORE
10		
5		
3		
0		
10		

FINANCE COMMITTEE
MINUTES

Regular Meeting
October 16, 2007

1. Oral Communications 2
2. Discussion of Council's Top 4 Priority "Sustainable Budget" (CMR:387:07) 2
3. Adoption of a Resolution to Authorize the City Manager to Purchase Electricity Capacity Products from Members of the Northern California Power Agency in an Amount Not to Exceed $4 Million (CMR:381:07) 2
4. Report on the Status of Audit Recommendations 2
5. City Auditor's Fiscal Year 2007-08 Work Plan 2
6. Auditor's Office Quarterly Report as of September 30, 2007 3
7. Discussion for Future Meeting Schedules and Agendas 3

ADJOURNMENT 3

Chairperson Morton called the meeting to order at 7:03 p.m. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Beecham, Klein, Morton (chair), Mossar

Absent: None

1. Oral Communications

None.

2. Discussion of Council's Top 4 Priority "Sustainable Budget" (CMR:387:07)

MOTION: Council Member Morton moved, seconded by Beecham, that the Finance Committee recommend to the City Council the Sustainable and Long Term Budget return as a Study Session in Early 2008.

MOTION PASSED 4-0.

3. Adoption of a Resolution to Authorize the City Manager to Purchase Electricity Capacity Products from Members of the Northern California Power Agency in an Amount Not to Exceed $4 Million (CMR:381:07)

MOTION: Council Member Mossar moved, seconded by Morton, that the Finance Committee recommends the City Council adopt a Resolution to authorize the City Manager to purchase electricity capacity products from members of the Northern California Power Agency (NCPA) to meet the CAISO tariff requirements in an amount not to exceed $4 million annually.

MOTION PASSED 4-0.

4. Report on the Status of Audit Recommendations

MOTION: Council Member Beecham moved, seconded by Mossar to continue audit report to the December 5, 2007 meeting and request the City Manager's office to attend for explanation.

MOTION PASSED 4-0.

5. City Auditor's Fiscal Year 2007-08 Work Plan

MOTION: Council Member Mossar moved, seconded by Beecham, that the Finance Committee recommend to the City Council approval of the City Auditor's Fiscal Year 2007-08 Work Plan.

MOTION PASSED 4-0.

6. Auditor's Office Quarterly Report as of September 30, 2007

MOTION: Council Member Mossar moved, seconded by Morton, that the Finance Committee recommendrem to the City Council acceptance of the Auditor's Office Quarterly Report as of September 30, 2007.

MOTION PASSED 4-0.

7. Discussion for Future Meeting Schedules and Agendas

December 5, 2007
December 11, 2007

ADJOURNMENT: The meeting adjourned at 9:10 p.m.