



March 18, 2008

**SUBJECT: Performance Audit Work Plans for FY 2008/2009 and
FY 2009/2010****REPORT IN BRIEF**

The City of Sunnyvale conducts a performance audit on each operating program every eight years to verify that reported performance data is complete, valid, and accurate. This report presents the auditing schedule for the final two years of the current eight year cycle. The proposed work plan (Attachment A) consists of 21 initial audits in FY 2008/2009 and 21 audits in FY 2009/2010.

There are two steps to developing audit work plans. First, programs are evaluated using a risk assessment tool (see Attachment B for rating scales). Then audits are grouped by department as much as possible to increase audit efficiency, and to minimize the impact that auditing tasks have on daily operations.

Normally, the departments with programs scoring highest on the risk assessment would be audited in FY 2008/2009 and the remaining departments would be audited in FY 2009/2010. However, the departments of Information Technology (ITD) and Human Resources (HR) are currently making significant changes to their FY 2008/2009 budget structures. Thus, the proposed schedule will replace the ITD and HR programs with programs from Public Works and the Office of the City Manager in FY 2008/2009. ITD and HR will be audited in the FY 2009/2010 schedule.

Cumulative audit progress and program details are split between Attachments A and C due to the citywide budget restructure in FY 2006/2007. Current audits being performed in FY 2007/2008 are listed at the top of Attachment A followed by the details for the proposed final two years of the auditing cycle. Attachment C lists previously audited programs converted into their FY 2006/2007 budget structures. Auditing progress in terms of the amount of budget reviewed during the eight year cycle is located at the bottom of Attachment A.

EXISTING POLICY

The Fiscal Sub-element of the General Plan includes the following policies:

- Long Range Goal – VII: To ensure accuracy and policy consistency in City processes and reporting through regular financial and performance audits of programs.
- Internal Control – G.2.5: Performance audits will be conducted regularly on a schedule set by Council to verify that the performance data reported by each department is complete, valid, and accurate.

Performance audits are performed on all operating programs over an eight year period.

DISCUSSION

Performance results audits review the measures and products in each program to ensure that budgetary and management decisions are based on valid and complete performance information. Fiscal years 2008/2009 and 2009/2010 are the final two years of the first eight year auditing cycle. This work plan (Attachment A) proposes 21 programs (637 measures and activities) be audited in FY 2008/2009 and 21 programs (558 measures and activities) be audited in FY 2009/2010.

The order in which programs are audited is determined by a risk assessment score and audit efficiency factors. The risk assessment scales (Attachment B) measure the risk of reporting errors occurring; the funding levels associated with programmatic budget decisions; the visibility/importance of the service to the public; and whether or not an audit has been requested by city management or Council. Audits are then grouped by department as much as possible to minimize the operational impact that auditing tasks have on program managers and to decrease auditor orientation time.

Normally, departments containing programs scoring the highest risk assessment points would be audited in FY 2008/2009 and the remaining departments would be audited in FY 2009/2010 to complete the eight year cycle. However, the Information Technology Department (ITD) and the Department of Human Resources (HR) are currently making significant changes to their budget structure for FY 2008/2009. To perform the audits on the new budget structures, the proposed work plan moves the HR and ITD audits to the FY 2009/2010 schedule.

The next highest scoring program is Program 740 – Purchasing & Payment of City Obligations in the Department of Finance. The purchasing officer retired at the end 2007 and recruitment to fill the position has been unsuccessful as

of February 2008. Due to this and an Optimal Staffing Study which is about to begin in the Department of Finance, the department will remain on the FY 2009/2010 auditing schedule. Programs in Public Works and the Office of the City Manager will be moved to FY 2008/2009 to fill in for the ITD and HR audits. It should be noted that the work on the Internal Audit program in the Department of Finance (Program 745) will be performed by an outside contract auditor in order to maintain independence.

Below are the audits proposed for the final two years of the auditing cycle:

<u>FY 2008/2009</u>	<u>FY 2009/2010</u>
<p><u>Department of Community Development</u> 230- Housing and Human Services 245- Neighborhood Preservation 247- Economic Development</p> <p><u>Department of Public Safety</u> 483- Community Safety Services (minus Animal Control & Emergency Services) 484- Personnel and Training Services 485- Investigation Services 486- Communication Services 487- Public Safety Management and Support 488- Records Management and Property Services</p> <p><u>Office of the City Manager</u> 725- Community Building, Civic Engagement & Volunteering 726- Intergovernmental Relations (IGR) 727- Policy Analysis and Citywide Process Improvement 728- Council – Appointed Advisory Boards & Commissions 735- Communications 736- Public Records & City Elections 739- City Council Budget & Clerical/Administrative Support to Council</p> <p><u>Department of Public Works</u> 254- Parking District Landscaping Mgmt. 255- Downtown Parking Dist. Parking Lots 303- City Property Management Services 306- Engineering Services 307- Capital Project Administration</p>	<p><u>Information Technology Department</u> 773- Central Information Technology Systems and Networks 774- Telecommunications Franchises and New Agreements 775- Office and Mail Systems 776- Wireless Communications Operations 777- Evaluate, Procure and Implement Major Computer Software 778- Maintain and Support Major Computer Software 779- Information Technology Department Management and Support Services</p> <p><u>Department of Finance</u> 710- Financial Management & Analysis 717- Payroll Administration 718- Finance Dept. Mgmt. & Support Services 719- Accounting & Financial Reporting 740- Purchasing & Payment of City Obligations 743- Budget Management 744- Treasury/Cash Management 745- Internal Audit (by outside consultant)</p> <p><u>Department of Human Resources</u> 755- Recruitment, Classification, and Compensation 757- Employee/Labor Relations and Employee Development 758- Employee Benefits, Human Resources Information Systems (HRIS), Workers' Comp, Safety and Wellness Administration 759- HR Department Public Information, Management and Support Services 786- City Liability & Property Administration</p> <p><u>Office of the City Attorney</u> 751- Comprehensive Legal Services</p>

Cumulative Audit Progress: The progress report in Attachment C converts the previous five years of audits into the new budget structures which began in FY 2006/2007. Seventeen programs (757 measures and activities) were audited by the end of FY 2006/2007. The 18 programs (576 measures and activities) currently being audited in FY 2007/2008 are listed at the top of Attachment A. Program details for the proposed final two auditing years are located below the details for the current year in Attachment A.

FISCAL IMPACT

The funds to carry out the audit plans will be included in the proposed FY 2008/2009 and FY 2009/2010 operating budgets. No additional funds are necessary if the scope of the audits remain the same.

CONCLUSION

Each year staff proposes a performance audit work plan for Council's consideration. Council can choose to approve or modify the work plan as desired.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

ALTERNATIVES

1. Adopt the performance audit work plan to audit 21 programs in FY 2008/2009 and 21 programs in FY 2009/2010.
2. Adopt a Council modified performance audit work plan to audit the remaining 42 programs in a different order.

RECOMMENDATION

Staff recommends Alternative #1.

Reviewed by:

Mary Bradley, Director of Finance
Prepared by: Sue English, Sr. Internal Auditor

Approved by:

Amy Chan
City Manager

Attachments

- A. Risk Assessment and Audit Work Plan Details
- B. Performance Audit Risk Assessment Rating Scales
- C. Performance Audit Progress Report

Performance Audits
Risk Assessment and Initial Audit Work Plan
 REVISED DECEMBER 3, 2007

				FY 2006/2007 BUDGET					Risk Assessment							
Dept.	Program #	Program Name	Budget	% of Operating Budgets for Audited Programs	# Program Meas.	# Activities	Total # Meas.	Financial (1)	Measures (2)	Mgmt Control Factors (3)		Visibility (4)		Total		
								A	A	A	B	A	B			
FY 2007/2008 WORK PLAN																
1	ED	535	Employment Services Provided to the General Public	1,770,445	0.8%	9	2	11	10	2	2	10	14	0	38	
2	ED	536	Employment Services Provided to Workforce Investment Act (WIA) Enrolled Participants	3,916,279	1.7%	7	3	10	20	1	2	10	8	0	41	
3	ED	537	Business Services	717,048	0.3%	9	2	11	5	2	2	10	8	0	27	
4	ED	538	Youth Services	695,631	0.3%	7	3	10	5	1	2	10	14	0	32	
5	ED	539	Enterprise Support	2,567,439	1.1%	13	10	23	20	3	2	10	0	0	35	
6	ED	542	Supplemental Grants - Staffed	274,162	0.1%	6	3	9	0	1	2	8	8	0	19	
7	ED	543	Supplemental Grants - Managed	832,968	0.4%	6	4	10	5	1	2	8	8	0	24	
8	OCM	526	Youth, Family and Child Care Resources	222,724	0.1%	7	15	22	0	3	0	10	14	0	27	
9	OCM	729	Office of the City Manager Department Management and Support Services	821,752	0.4%	10	2	12	5	2	0	0	14	0	21	
10	PR	601	Parks and Recreation Department Management and Support Services	670,674	0.3%	12	5	17	5	2	4	6	8	0	25	
11	PR	646	Arts and Recreation Programs and Operation of Recreation Facilities	8,168,563	3.6%	34	120	154	20	10	2	10	20	0	62	
12	PW	115	Transportation and Traffic Svcs	1,961,660	0.9%	11	31	42	10	5	0	6	20	0	41	
13	PW	117	City Streetlight System	880,674	0.4%	8	20	28	5	3	0	6	14	0	28	
14	PW	118	Pavement Operations	4,555,841	2.0%	16	66	82	20	9	2	4	20	0	55	
15	PW	216	Roadside and Median Right-of-Way Services	1,412,582	0.6%	12	48	60	10	6	2	4	14	0	36	
16	PW	217	Concrete Maintenance	1,086,142	0.5%	9	20	29	10	3	0	4	20	0	37	
17	PW	218	Street Tree Services	1,585,138	0.7%	11	25	36	10	4	2	8	20	0	44	
18	PW	302	Public Works Department Management and Support Services	598,049	0.3%	7	3	10	5	1	0	4	0	0	10	
TOTAL (18 Programs)				32,737,772	14.4%	194	382	576								
TOTAL Previously Reviewed (17 Programs)				147,527,556	64.7%			757								
CUMULATIVE TOTAL (35 Programs in 6 years)				180,265,327	79.1%			1,333								
6 Year Annual Average				30,044,221	13.2%			222								
PROPOSED WORK PLAN for FY 2008/2009																
1	CDD	230	Housing and Human Services	1,035,437	0.5%	9	19	28	10	3	4	6	14	50	87	
2	CDD	245	Neighborhood Preservation	785,083	0.3%	10	9	19	5	2	6	8	8	50	79	
3	CDD	247	Economic Development	774,181	0.3%	13	24	37	5	4	0	8	8	50	75	
4	DPS	483	Community Safety Services (Minus Animal Control and Emerg. Svcs Service Delivery Plans)	3,049,677	1.3%	34	40	74	20	8	4	6	20	0	58	
5	DPS	484	Personnel and Training Services (DPS)	2,230,281	1.0%	13	28	41	20	5	2	8	14	0	49	
6	DPS	486	Communication Services (DPS)	3,115,750	1.4%	22	9	31	20	4	2	8	14	0	48	
7	DPS	487	Public Safety Department Management and Support	5,387,418	2.4%	16	16	32	20	4	2	10	8	0	44	
8	DPS	485	Investigation Services (DPS)	5,701,384	2.5%	25	32	57	20	6	0	6	8	0	40	
9	DPS	488	Records Management and Property Services	1,946,134	0.9%	14	21	35	10	4	2	8	14	0	38	
10	HR	755	Recruitment, Classification, and Compensation	1,167,217	0.5%	9	12	21	10	3	6	10	14	0	43	
11	HR	758	Employee Benefits, Human Resources Information Systems (HRIS), Workers' Comp, Safety and Wellness Administration	1,649,404	0.7%	16	17	33	10	4	6	0	8	0	28	
12	HR	757	Employee/Labor Relations and Employee Development	732,211	0.3%	10	12	22	5	3	0	8	8	0	24	
13	HR	759	Human Resources Department Public Information, Management and Support Services	404,931	0.2%	11	9	20	0	2	6	6	8	0	22	
14	OCM	735	Communications	541,788	0.2%	13	17	30	5	3	0	8	14	0	30	
15	OCM	736	Public Records and City Elections	334,979	0.1%	11	15	26	0	3	10	0	14	0	27	
16	OCM	728	Council - Appointed Advisory Boards and Commissions	183,095	0.1%	9	10	19	0	2	10	0	8	0	20	
17	OCM	725	Community Building, Civic Engagement and Volunteering	506,613	0.2%	12	35	47	5	5	x	x	8	0	18	
18	OCM	727	Policy Analysis and Citywide Process Improvement	152,079	0.1%	7	11	18	0	2	0	10	0	0	12	
19	OCM	726	Intergovernmental Relations (IGR)	166,338	0.1%	7	11	18	0	2	0	10	0	0	12	
20	OCM	739	City Council Budget and Clerical/Administrative Support to Council	616,404	0.3%	4	3	7	5	1	0	0	0	0	6	

**Performance Audits
Risk Assessment and Initial Audit Work Plan**
REVISED DECEMBER 3, 2007

			FY 2006/2007 BUDGET					Risk Assessment							
Dept.	Program #	Program Name	Budget	% of Operating Budgets for Audited Programs	# Program Meas.	# Activities	Total # Meas.	Financial (1)	Measures (2)	Mgmt Control Factors (3)		Visibility (4)		Total	
								A	A	A	B	A	B		
ANNUAL TOTAL (20 Programs)			30,480,405	13.4%	265	350	615								
CUMULATIVE TOTAL (56 Programs in 7 years)			210,745,732	92.4%											
7 Year Annual Average			30,106,533	13.2%											
PROPOSED WORK PLAN for FY 2009/2010															
1	ITD	773	Central Information Technology Systems and Networks	2,195,705	1.0%	14	42	56	20	6	2	8	14	0	50
2	ITD	778	Maintain and Support Major Computer Software	1,483,437	0.7%	7	17	24	10	3	2	8	8	0	31
3	ITD	774	Telecommunications Franchises and New Agreements	46,857	0.0%	6	8	14	0	2	2	8	14	0	26
4	ITD	776	Wireless Communications Operations	418,408	0.2%	8	16	24	0	3	2	8	8	0	21
5	ITD	775	Office and Mail Systems	939,049	0.4%	7	18	25	5	3	2	8	0	0	18
6	ITD	777	Evaluate, Procure, and Implement Major Computer Software	479,894	0.2%	8	8	16	0	2	2	8	0	0	12
7	ITD	779	Information Technology Department Management and Support Services	298,726	0.1%	7	3	10	0	1	2	8	0	0	11
8	FIN	740	Purchasing & Payment of City Obligations	1,186,277	0.5%	14	24	38	10	4	2	6	20	0	42
9	FIN	743	Budget Management	649,249	0.3%	10	27	37	5	4	0	10	14	0	33
10	FIN	710	Financial Management and Analysis	620,507	0.3%	10	24	34	5	4	4	8	14	0	35
11	FIN	719	Accounting and Financial Reporting	659,426	0.3%	12	28	40	5	4	2	8	14	0	33
12	FIN	744	Treasury/Cash Management	679,456	0.3%	16	22	38	5	4	4	4	14	0	31
13	FIN	718	Finance Department Management and Support Services	935,928	0.4%	8	7	15	5	2	4	8	8	0	27
14	FIN	717	Payroll Administration	405,533	0.2%	11	27	38	0	4	0	0	14	0	18
15	DPW	307	Capital Project Administration	1,722,689	0.8%	9	12	21	10	3	0	8	8	0	29
16	DPW	255	Downtown Parking District Parking Lots	73,755	0.0%	6	17	23	0	3	2	4	14	0	23
17	DPW	254	Parking District Landscaping Management	86,761	0.0%	8	21	29	0	3	2	4	14	0	23
18	DPW	306	Engineering Services	849,718	0.4%	7	21	28	5	3	0	8	0	0	16
19	DPW	303	City Property Management Services	334,292	0.1%	8	9	17	0	2	0	0	8	0	10
20	OCA	751	Comprehensive Legal Services	1,776,572	0.8%	8	21	29	10	3	4	8	8	0	33
21	OCA	786	City Liability & Property Administration	1,151,833	0.5%	6	6	12	10	2	4	8	8	0	32
22	FIN	745	Internal Audits*	251,934	0.1%	4	8	12	0	2	0	10	0	0	12
			17,246,007	7.6%	194	386	580								Annual Avg
			147,527,556	64.7%	Previously Audited (From FY2001 to FY2007)										12.9%
			32,737,772	14.4%	Budget Amount Proposed for Review in FY2007/2008										13.2%
			30,480,405	13.4%	Budget Amount Proposed for Review in FY2008/2009										13.2%
			17,246,007	7.6%	Budget Amount Proposed for Review in FY2009/2010										12.5%
			227,991,739		Total Amount Audited										
			227,991,739	100%	Total Budget for Review**										
<p>* Arrangements will need to be made for an outside auditor to review the Internal Audits Program.</p> <p>** The work plan is developed by using the operating budgets of the programs reviewed. Support programs derive their budgets from allocated costs built into the budgets of other programs. The overall budget reflected here is larger than the actual budget due to this duplication. The operating budget for FY 2006/2007 was \$204,685,551.</p>															

Performance Audit Risk Assessment Rating Scales

Factors

(1) FINANCIAL

PART A: Budget

0	≤	550,000
5	550,001	1,000,000
10	1,000,001	2,000,000
20	>	2,000,000

(2) MEASURES

PART A: Number of Measures and Activities

- 0 Between 0 and 5
- 1 Between 6 and 10
- 2 Between 11 and 20
- 3 Between 21 and 30
- 4 Between 31 and 40
- 5 Between 41 and 50
- 6 Between 51 and 60
- 7 Between 61 and 70
- 8 Between 71 and 80
- 9 Between 81 and 90
- 10 Over 90

(3) MANAGEMENT CONTROL FACTORS

Part A: Percent of Staff Turnover to Number of Budgeted Positions (2 years)

- 0 Less than 1%
- 2 Greater than 1% but less than 10%
- 4 Greater than 10% but less than 20%
- 6 Greater than 20% but less than 30%
- 8 Greater than 30% but less than 50%
- 10 Greater than 50%

Part B: Percent of Open Positions to Number of Budgeted Positions (2 years)

- 0 Less than 1%
- 2 Greater than 1% but less than or equal to 10%
- 4 Greater than 10% but less than or equal to 20%
- 6 Greater than 20% but less than or equal to 30%
- 8 Greater than 30% but less than or equal to 50%
- 10 Greater than 50%

(4) VISIBILITY

PART A: Visibility of Program

- 0 Internal - No Direct Public Service
- 8 * Direct service to small population of self-selecting clients; with
 - * No service provided visible to the general public;
 - * Low to Medium strategic importance to City Operations
- 14 * Direct service to medium population of self-selecting clients;
 - * An indirect service that some residents may view (but not use) and may complain to Council if quality is lacking; or
 - * An internal program with strategic importance that may or may not receive media attention if quality was lacking.
- 20 * Direct service to all residents;
 - * A direct service to a large population of self-selecting residents;
 - * An indirect service that all residents view daily and may complain to Council if quality is lacking;
 - * A direct service to any size population (large or small) that is strategically important to City operations; or
 - * A strategically important internal program that would receive media attention if quality was lacking.

PART B: Audit Requested by City Management or Council

- 0 No
- 50 Yes

Performance Audit Progress Report

ATTACHMENT C

						FY 2006/2007 RESTRUCTURE					
Program #	Program Name	# of Program Outcome Meas.	# of Service Delivery Outcome Meas.	# of Activity Meas.	Total # of Meas. & Activities	Budget		# Program Meas.	# Activities	Total # Meas.	
Work Completed											
FY 2000/2001		Numbers from Report									
763	Provision of Vehicles and Motorized Equipment	17		6	23	2,472,793	1.1%	9	16	25	
522	525 - Columbia Neighborhood Center	30		13	43	666,485	0.3%	12	26	38	
FY 2003/2004											
453	Animal Control and Shelter Services		5	9	14	518,747	0.2%	-	-	-	
452	Office of Emergency Services		4	6	10	427,737	0.2%	-	-	-	
<i>Both are now Service Devlivery Plans in Program 483</i>											
FY 2004/2005											
481	Police Services	7	7	13	27	20,729,631	9.1%	25	14	39	
482	Fire Services	5	8	11	24	19,978,145	8.8%	17	11	28	
265	Neighborhood Parks and Open Space Management	5	13	23	41	6,402,796	2.8%	18	42	60	
243	Development Services	10	18	25	53	-		-	-	-	
<i>Divided into the Following Programs:</i>											
	242 - Land Use Planning					1,961,572	0.9%	13	14	27	
	243 - Construction Permitting					2,286,684	1.0%	18	16	34	
	246 - Comm. Dev Dept. Mgt & Support Svs					235,971	0.1%	6	2	8	
FY 2005/2006											
769	Facilities Services	8	21	27	56	3,671,150	1.6%	12	27	39	
342	313 - Water Supply and Distribution	8	16	17	41	17,425,270	7.6%	10	54	64	
322	Solid Waste and SMaRT Station	8	12	11	31	-		-	-	-	
<i>Divided into the Following Programs:</i>											
	323 - Solid Waste Management					26,176,291	11.5%	9	19	28	
	324 - Materials Recovery & Refuse Transfer					21,421,601	9.4%	7	7	14	
645	Golf Course Maintenance Operations and Golf Shop Services	7	46	52	105	3,005,692	1.3%	17	69	86	
FY 2006/2007											
342	Wastewater Management	10	42	110	162	-		-	-	-	
<i>Divided into the Following Programs:</i>											
	344 - Wastewater Treatment					10,178,771	4.5%	17	81	98	
	343 - Storm Water Collection System					274,391	0.1%	8	27	35	
	345 - Sanitary Sewer Collection					1,458,078	0.6%	13	39	52	
636	Library Collection Management	7	16	18	41	-		-	-	-	
637	Library Programs and Services	4	13	11	28	-		-	-	-	
638	Library Learning Environment	8	10	9	27	-		-	-	-	
<i>Divided into the Following Programs:</i>											
	610 - Borrower Svs/Circ of Library Materials					1,396,964	0.6%	8	7	15	
	611 - Library Svs for Adults					719,195	0.3%	7	7	14	
	612 - Library Svs for Children & Teens					623,574	0.3%	5	5	10	
	613 - Acquire Lib Materials for the Public					1,075,017	0.5%	7	9	16	
	614 - Tech Svs (Library)					229,551	0.1%	6	3	9	
	615 - Prepare Lib Materials for the Public					639,060	0.3%	7	7	14	
	616 - Outreach and Public Svs					80,685	0.0%	4	2	6	
	617 - Lib Dept Mgmt & Support Svs					649,259	0.3%	8	7	15	
	619 - Library Department-Wide Allocated Costs					1,116,567	0.5%				
720	Utility Billing, Collection, and Revenue Management	6	14	11	31	1,705,879	0.7%	16	30	46	
Measures/Activities Audited					757	147,527,556	64.7%				