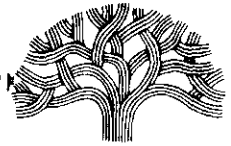


FILED  
OFFICE OF THE CITY CLERK  
CITY OF OAKLAND  
2004 FEB -5 PM 4:20  
FILED  
OFFICE OF THE CITY CLERK  
CITY OF OAKLAND  
FEB 11 PM 1:21



1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Auditor  
Roland E. Smith, CPA  
City Auditor

(510) 238-3378  
FAX (510) 238-7640  
TDD (510) 839-6451  
www.oaklandauditor.com

February 24, 2004

HONORABLE IGNACIO DE LA FUENTE, PRESIDENT  
AND MEMBERS OF THE CITY COUNCIL  
Oakland, California

President De La Fuente and Members of the City Council:

**SUBJECT: CITY AUDITOR'S QUARTERLY REPORT ON THE STATUS OF  
RECOMMENDATIONS FOR THE QUARTER ENDED JUNE 30, 2003**

---

Attached is a copy of the City Auditor's Quarterly Report on the Status of Recommendation for the Quarter Ended June 30, 2003. Included in the report is a listing of work-in-process by the City Auditor's Office. Also included is the latest tally of Good Government inquiries.

The purpose of this report is to inform the Council of areas where changes in procedures could result in better controls, greater efficiencies and reduced opportunities for the loss of City resources.

Prepared by:

MICHAEL KILIAN, CPA, CFS  
Chief Deputy City Auditor

Issued by:

ROLAND E. SMITH, CPA, CFS  
City Auditor

Attachments

Item: 5  
Finance & Management Cmte.  
February 24, 2004

**STATUS OF RECOMMENDATIONS  
 FOR QUARTER ENDED JUNE 30, 2003**

<b>Report Title/#: Business Tax Refund Audit; #02-039</b>			
<b>Report Date: April 29, 2003</b>			
<b>Background: To audit business tax refunds for compliance with the City's business tax ordinance section number 5.04.540.</b>			
<u>AUDITOR'S FINDING</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>	<u>IMPLICATIONS IF UNACHIEVED</u>
1. \$274,839 in business tax refunds charged to an expense account in error.	<ul style="list-style-type: none"> <li>Record business tax refunds as a reduction in the business tax income account.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Inaccurate accounting and financial reporting.</li> </ul>

<b>Report Title/#: Empowerment Zone/Enterprise Community Social Services Block Grant; #00-021</b>			
<b>Report Date: January 28, 2003</b>			
<b>Background: Compilation of financial data for the seven years ended June 30, 2002.</b>			
<u>AUDITOR'S FINDING</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>	<u>IMPLICATIONS IF UNACHIEVED</u>
1. Reimbursement requests submitted to the State Government are insufficient in amount and not timely.	<ul style="list-style-type: none"> <li>Submit reimbursement requests for a sufficient amount and on a timely basis.</li> <li>Transfer cost overdraft to the general fund.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented.</li> <li>Implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Costs not funded.</li> </ul>
2. Grant funds were not accounted for with separate fund numbers and therefore commingled.	<ul style="list-style-type: none"> <li>Do a reconciliation and account for grant funds with separate fund numbers.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Inaccurate accounting and financial reporting.</li> </ul>

<b>Report Title/#: Enhanced Enterprise Community Economic Development Initiative Grant; #01-051</b>			
<b>Report Date: January 28, 2003</b>			
<b>Background: Compilation of financial data for the seven years ended June 30, 2002.</b>			
<u>AUDITOR'S FINDING</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>	<u>IMPLICATIONS IF UNACHIEVED</u>
1. Grant funds were not accounted for with separate fund numbers and therefore commingled.	<ul style="list-style-type: none"> <li>Do a reconciliation and account for grant funds with separate fund numbers.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Inaccurate accounting and financial reporting.</li> </ul>

5  
**FINANCE & MANAGEMENT CMTE.**  
 FEB 24 2004

<b>Report Title/#: Enhanced Enterprise Community Revolving Loan and Housing &amp; Urban Development Section 108 Funds; #01-044</b>			
<b>Report Date: December 4, 2002</b>			
<b>Background: Compilation of financial data for the six years ended June 30, 2002.</b>			
<u>AUDITOR'S FINDING</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>	<u>IMPLICATIONS IF UNACHIEVED</u>
1. Loan funds were not accounted for with separate fund numbers and therefore commingled.	<ul style="list-style-type: none"> <li>Do a reconciliation and account for loan funds with separate fund numbers.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented</li> </ul>	<ul style="list-style-type: none"> <li>Inaccurate accounting and financial reporting.</li> </ul>

<b>Report Title/#: Review of the Lease Agreement Between the City of Oakland and the Clay Street Garage Corporation; #02 032</b>			
<b>Report Date: November 12, 2002</b>			
<b>Background: The Clay Street Garage Corp. manages and operates the City-owned Clay Street Garage.</b>			
<u>AUDITOR'S FINDING</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>	<u>IMPLICATIONS IF UNACHIEVED</u>
1. Electrical lighting retrofit, stairs and safety railing repair work needs to be done.	<ul style="list-style-type: none"> <li>Get retrofit and repair work done to reduce costs and improve safety.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented - lighting retrofit.</li> <li>Deferred – stairs and safety rail repair.</li> </ul>	<ul style="list-style-type: none"> <li>Expenditure increases and safety liability.</li> </ul>

<b>Report Title/#: OPD Community Oriented Policing Services (COPS) Grants Report; #03-008</b>			
<b>Report Date: October 22, 2002</b>			
<b>Background: To determine whether the City applied for and received available federal COPS grants, the type and amount of grants received and whether all grants were fully utilized.</b>			
<u>AUDITOR'S FINDING</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>	<u>IMPLICATIONS IF UNACHIEVED</u>
2. OPD did not spend all grant funds before the grants expired.	<ul style="list-style-type: none"> <li>Develop a comprehensive strategy to utilize grant funds before the expiration of the grants.</li> </ul>	<ul style="list-style-type: none"> <li>In process.</li> </ul>	<ul style="list-style-type: none"> <li>Reimbursement of COPS grant funds not utilized.</li> </ul>
3. OPD could not provide local matching funds for some grants.	<ul style="list-style-type: none"> <li>OPD continue to identify sources to support the City in providing matching funds.</li> </ul>	<ul style="list-style-type: none"> <li>In process.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of COPS grant funding.</li> </ul>

<b>Report Title/#:</b> Office of Parks & Recreation, Rotary Nature Center Operations Report; # 01-006			
<b>Report Date:</b> January 23, 2002			
<b>Background:</b> To determine whether the Office of Parks and Recreation (OPR) had implemented the many recommendations that the Office of the City Auditor had made during an audit of OPR in 1997.			
<u>AUDITOR'S FINDING</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>	<u>IMPLICATIONS IF UNACHIEVED</u>
1. OPR did not implement recommendations that we had made as a result of our audit in 1997.	<ul style="list-style-type: none"> <li>OPR should immediately implement at all its recreation centers the recommendations we made in our previous report, as well as the new recommendations we are making in this report.</li> </ul>	<ul style="list-style-type: none"> <li>In his March 23, 2003 memo to Robert Bobb, City Manager, Harry Edwards stated that all our recommendations had been implemented at the Rotary Nature Center. By email dated March 25, 2003, Narciso Bautista stated OPR had verified that the Rotary Nature Center had implemented all our recommendations. We consider all recommendations closed except #8.</li> </ul>	<ul style="list-style-type: none"> <li>Potential for misappropriation of funds collected, as well as improper payments and purchases.</li> </ul>
8 The Center made an unauthorized \$3,000 grant to an organization.	OPR should recover the unauthorized grant from the organization.	OPR unsuccessfully tried to contact the organization and has referred the matter to the City's Finance Agency for collection. This item is still open.	Improper payment.

<b>Report Title/#:</b> Equipment Stores Inventory as of June 30, 2001; #01 075			
<b>Report Date:</b> September 25, 2001			
<b>Background:</b> Inventory count at 5050 Coliseum Way and at 7101 Edgewater Drive			
<u>AUDITOR'S FINDING</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>	<u>IMPLICATIONS IF UNACHIEVED</u>
1. No inventory transactions entered into ORACLE Inventory System or in the MAXIMO Work Order Management System during fiscal year 2001 due to	<ul style="list-style-type: none"> <li>The Equipment Services Division, Financial Services Agency and Office of Information Technology should work together to resolve the problems with the</li> </ul>	<ul style="list-style-type: none"> <li>Soliciting proposals for implementation of a comprehensive fleet management system including software, services, parts inventory, maintenance and</li> </ul>	<ul style="list-style-type: none"> <li>Management does not know how many items are on hand, or should be on hand.</li> <li>Potential is high for inventory to be lost or stolen.</li> </ul>

<p>computer system problems.</p>	<p>ORACLE and MAXIMO systems.</p> <ul style="list-style-type: none"> <li>If necessary, an interim database should be developed to record inventory transactions pending operation of the ORACLE and MAXIMO systems.</li> </ul>	<p>support.</p> <ul style="list-style-type: none"> <li>To be implemented under the direction of Public Works Agency Equipment Services Division and the Information Technology Division.</li> <li>Request for Proposals (RFP) due by August 22, 2003.</li> </ul>	
----------------------------------	--	--	--

**Report Title/#: Franchise Fee Audit of AT&T Broadband and Internet Services; #99 021.2**

**Report Date: August 11, 2000**

**Background: Audit of cable television franchise fees for years ended December 31, 1996, 1997, and 1998.**

<u>AUDITOR'S FINDING</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>	<u>IMPLICATIONS IF UNACHIEVED</u>
<p><b>Franchise Fees</b></p> <p>1. Section 6.002 of the franchise agreement requires the Contractor to pay the City a franchise fee quarterly, not later than May 1, August 1, November 1 and February 1 for the preceding three month period ending respectively, March 31, June 30, September 30 and December 31 of each year.</p>	<ul style="list-style-type: none"> <li>Since the Contractor charges franchise fees to customers monthly, we recommend that the Office of the City Clerk consider, in negotiating with the Contractor for renewal of the agreement, require that the Contractor remit franchise fees to the City monthly instead of quarterly.</li> </ul>	<ul style="list-style-type: none"> <li>Negotiations with the City Clerk, City Attorney and AT&amp;T are in process.</li> </ul>	<ul style="list-style-type: none"> <li>Lost revenue to the City.</li> </ul>
<p><b>Underpaid Franchise Fees</b></p> <p>2. We found that the Contractor had underpaid the City \$162,623, including interest and penalties.</p>	<p>The Contractor should:</p> <ul style="list-style-type: none"> <li>Pay the City the \$162,623 due through December 31, 1998</li> <li>Calculate and pay the City any amounts due, including interest and penalties, for the period January 1, 1999 to date.</li> <li>Assure that in the future the franchise fees paid to the City are accurate.</li> </ul>	<ul style="list-style-type: none"> <li>The City Auditor has billed AT&amp;T for the \$162,623, plus interest and penalties up to December 31, 2000.</li> <li>Negotiations with the City Clerk, City Attorney and AT&amp;T are in process.</li> </ul>	<ul style="list-style-type: none"> <li>Underpaid franchise fee.</li> </ul>

**CITY AUDITOR'S WORK-IN-PROGRESS  
 AS OF JUNE 30, 2003**

<b>Job No.</b>	<b>Description</b>
99 034	Performance Audit of the Oakland Tow Car Association and Comparable Tow Car Associations in the Bay Area for Comparative Purposes
00 012	Review of the City's Management Contract on City Center Garage West for the FY 1998-1999
00 026	Review of Fixed Assets of Police, Fire and the Public Works Agency
00 063	Financial Audit of the Kids First! Program.
01 002	Report on the Measure K – Kid First! Base Amounts for FYE June 30, 1996, 1997, 1998, 1999 and 2000
01 003	Report on the Measure K – Kids First! Base Amount for FYE June 30, 2001 and June 30, 2002
01 015	OPR Administration
02 019	Grants Management Review
02 023	City-wide Cellular Phone Audit
02 026	Audit of Emergency Medical Services Retention Act of 1997 (Measure M) for Fiscal Years Ended June 30, 1999, 2000 and 2001
02 027	Audit of Paramedic Services Act of 1997 – Measure N, Fiscal Years 2000 and 2001
02 061	Measure G
02 071	Audit of Landscape & Lighting Assessment District for Fiscal Year Ended June 30, 2000
02 072	Audit of Landscape & Lighting Assessment District for Fiscal Year Ended June 30, 2001
02 080	AT&T Cable Franchise Fee Collection
02 086	Campaign Finance – Limited Public Finance Act
02 093	OPD –DNA Grant
02 107	Franchise Agreements
03 005	One Stop Capital Shop - Continuous
03 017	Oakland Raiders Surcharge
03 021	Landscape & Lighting Assessment District Program Review
03 033	Library Services Survey
03 040	U.S. Savings Bonds Deductions
03 055	Library Services Retention
03 060	Library Services Operation
03 073	ABC Security Extended Agreement
03 078	Oakland Base Reuse Authority
03 115	Police Property Room
03 118	Audit of Landscape & Lighting Assessment District for Fiscal Year Ended June 30, 2002
03 122	Oakland Commerce Corporation
03 126	East Bay Habitat for Humanity
03 127	Urban Creeks Council Contract

**CITY AUDITOR'S  
SPEAK OUT FOR GOOD GOVERNMENT PROGRAM**

A program which provides a fair, neutral and confidential process through which all employee and citizen complaints of wrongdoing, dereliction of duty and improper behavior are provided a thorough review for the purpose of satisfactorily resolving the complaint.

- A) **Total Number of Good Government Inquires  
from January 1, 2003 through June 30, 2003:** 5
- B) **Total Number of Good Government Inquires  
since Program Began in February of 2000:** 148

Item: 5  
Finance & Management Cmte.  
February 24, 2004