

# Office of the City Auditor

## 2010 Annual Report

### The City Administration's Report Card for 2010

Audits & Special Reports	Release Date	Audit Recommendations	Administration Agreement	Grade
East Oakland Multipurpose Senior Center	May	4	100%	<b>A+</b>
Parking CARRS Request for Proposal	June	5	100%	<b>A+</b>
Management Systems: RPP	June	10	85%	<b>B</b>
Revenue and Costs: RPP	June	7	79%	<b>C+</b>
Policies and Analysis: RPP	June	7	57%	<b>F</b>
Measure Q: FY 2007-08 & FY 2008-09	September	4	88%	<b>B+</b>
CEDA Loans Receivables	November	17	62%	<b>D</b>
PWA-IDAP Accounts Receivables	December	7	14%	<b>F</b>

NOTE: At the time these audits and special reports were released, the Administration agreed to implement the corresponding percentage of report recommendations to address the identified system and operational deficiencies. The City Auditor performs follow-up audits to determine if the Administration has sufficiently implemented these recommendations. The public financing performance audits of the Sean Sullivan and Nancy Nadel campaigns, as well as the Police and Fire Retirement System Pension Funding Options High Impact Report are not included in this report card because these recommendations do not apply to the City Administration.

RPP=Residential Parking Permit    CARRS=Citation Administration Revenue and Reconciliation System    IDAP=Illegal Dumping Abatement Program

The report card above shows, at a glance, how we employed our resources in 2010 in support of good government, as well as how well the City Administration addressed the findings of our audits and special reports.

In 2010, the City Administration met the public's call for greater accountability with mixed success. Generally, agreement had been on a downward slide throughout the year. However, as we begin 2011, we are optimistic that our follow-up audits will show a renewed commitment by the Administration to strengthen internal controls, improve government operations and regain public trust.

Now more than ever, Oakland needs its City leaders to step up and deliver an accountable and results-based City government. As we tackle tremendous budget deficits for the next several years, Oakland must turn these mounting obstacles into successful opportunities.

We will continue to report back to you on the Administration's progress.

You'll also find in this annual report:

1. **Our Office's Nine-to-One Fiscal Impact:** for every \$1 spent on the Office of the City Auditor's operations, we identified \$9 in future savings, lost revenue or waste.
2. **Minimum Funding Requirements:** in May 2010, the City Attorney issued a legal opinion stating that any cuts that eliminate existing auditor positions would be in violation of the City Charter.
3. **Master Fellows Program Brings New Opportunities:** the City Auditor's Master Fellows Program is providing incredible opportunities for advanced degree students while bringing in new talent and energy into the City.
4. **Fraud, Waste + Abuse Prevention Program:** now into its second year, this successful program continues to exceed national statistics on reporting suspected fraud, waste or abuse.

## Our Fiscal Impact - Every Dollar Counts!



Amidst these tough financial times, the Office of the City Auditor continues to demonstrate its clear fiscal value to Oakland residents. In 2010, for every \$1 spent on our operations, my Office identified \$9 in future savings, lost revenue or waste.

For example, two recent performance audits on the City's loan receivables in the Community and Economic Development Agency and accounts receivables in the Public Works Agency's Illegal Dumping Program identified approximately \$15 million in receivables that will never be realized as revenue and must be written off as a result of insufficient oversight by the City Administration.

Additionally, the Residential Permit Parking performance audit series identified approximately \$225,000 in revenue that the City Administration had not yet invoiced or collected from third party entities.

It is through the impact of our audits that greater accountability is realized. In these unprecedented times when the City faces an estimated budget deficit of more than \$10 million for the current fiscal year, \$46 million for next year and \$62 million the following year – we must ensure that every dollar counts.

## Auditor's Budget Must Meet Minimum Funding Requirement

As the smallest department in the City, any cut has a disproportionately negative impact on our Office's ability to meet our Charter-mandated duties. In 2010, the City Auditor's Office was impacted by two separate funding cuts from City Council. The first cut of \$200,830 occurred in March 2010, followed by a second cut of \$183,464 in June 2010 – resulting in a nearly \$400,000 reduction.

Due to these unsustainable cuts, Auditor Ruby requested City Attorney Russo quantify his legal opinion from 2006 that concluded the City Council must provide minimum funding for the City Auditor's Office to meet its Charter-mandated duties.

In May 2010, the City Attorney issued a legal opinion stating that any cuts that eliminate existing auditor positions would be in violation of the City Charter. In light of this legal determination, the City Auditor's Office will continue to operate its staffing levels in accordance with the minimum funding requirements.

## Master Fellows Program Brings New Opportunities

In 2010, the City Auditor's Office launched the Master Fellows Program, which aims to provide a meaningful volunteer experience while simultaneously increasing the research and analytical capacity of the City Auditor's Office and bringing in new talent and energy into the City of Oakland.

The program is designed for individuals seeking greater or first time performance audit experience in the public sector. At the conclusion of the program, successful fellows have a finalized audit for his or her professional portfolio, letter of recommendation and certificate of completion.

The Office of the City Auditor would like to acknowledge **Maria Elena Guadamuz** and **Nathan Stalnaker** for their incredible service to our Office and the City of Oakland and for their contribution to the PWA-IDAP Accounts Receivables and the CEDA Loans Receivables Performance Audits.

We are now accepting applications to the 2011 Master Fellows Program. To apply or learn more about the program, visit our "Careers" section of our website, [www.oaklandauditor.com](http://www.oaklandauditor.com).

## Fraud, Waste + Abuse Prevention Program (FW+A)

**STAND  
FOR OUR  
CITY UP**



**Fraud, Waste + Abuse  
Prevention Program  
of the Oakland City Auditor**

In January 2009, the Whistleblower Protection Act, sponsored by Auditor Ruby and authored by Assemblymember Sandré Swanson, went into effect. This law protects whistleblowers in local government who expose fraud, waste or abuse.

As a function of FW+A, we operate a 24 hour/7 day a week confidential hotline that takes reports of possible fraud, waste, abuse or misuse of City resources. This program fosters the highest standard of ethical behavior and acts as a deterrent against fraud, waste or abuse in Oakland.

In its second year, FW+A received 136 tips – more than an 11 percent increase from the program's first year and more than a 700 percent increase from before this program's implementation. Additionally, 57 percent of all tips received on the hotline came from Oakland City employees - exceeding the national average by nearly ten percent.

The FW+A Report (Volume Three: July 1 - December 31, 2010) will be released in the coming month.

To report suspected fraud, waste or abuse in Oakland, call the hotline: 888-329-6390 - or - report it online at [www.oaklandauditor.com](http://www.oaklandauditor.com).

**Courtney A. Ruby, CPA, CFE**

Office of the City Auditor

[cityauditor@oaklandnet.com](mailto:cityauditor@oaklandnet.com) ♦ [www.oaklandauditor.com](http://www.oaklandauditor.com)

(510) 238-3378 OFFICE ♦ 1 Frank H. Ogawa Plaza, 4<sup>th</sup> Floor, Oakland, CA 94612 ♦ (510) 238-7640 FAX