



## City Council Staff Report

**From: City Manager**

**Report Type: CONSENT CALENDAR**

**Lead Department: City Auditor**

**Meeting Date: January 22, 2024**

Report #:2312-2401

### **TITLE**

Approval of the Office of the City Auditor's Wastewater Treatment Plant Agreement Audit Report as Recommended by Policy & Services Committee (CEQA Status - Not a Project)

### **RECOMMENDATION**

The Policy and Services Committee and the City Auditor recommend that the City Council approve the Wastewater Treatment Plant Agreement Report.

### **BACKGROUND**

Baker Tilly, in its capacity serving as the Office of the City Auditor (OCA), performed a citywide risk assessment that assessed a wide range of risk areas, including strategic, financial, operational, compliance, technological, and reputation risks. The purpose of the assessment was to identify and prioritize risks to develop the annual audit plan.

During the FY2022 risk assessment (CMR #13914)<sup>1</sup>, the OCA identified risks associated with wastewater treatment plant operations.

The committee members approved the attached Wastewater Treatment Plant Agreement Audit Report at the Policy and Services Committee meeting on December 12, 2023<sup>2</sup>.

**MOTION:** Mayor Kou moved, seconded by Chair Tanaka, to approve the Wastewater Treatment Plant Agreement Audit Report and recommend the City Council accept the report.

**MOTION PASSED: 2-0**

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<sup>1</sup> City Council, April 4, 2022; Agenda Item #7; SR #13914,  
<https://portal.laserfiche.com/Portal/DocView.aspx?id=59414&repo=r-704298fc&searchid=19b80104-3ced-4de0-a251-f79f84662303>

<sup>2</sup> Policy & Services Committee, December 12, 2023, Agenda Item #4, SR #2310-2182,  
<https://cityofpaloalto.primegov.com/meetings/ItemWithTemplateType?id=3774&meetingTemplateType=2&compiledMeetingDocumentId=8676>

## **ANALYSIS**

The objectives of this review were to:

- 1) Determine whether adequate controls are in place and working effectively to ensure that costs related to the wastewater treatment plant are properly accounted for and allocated.
- 2) Determine whether adequate controls are in place and working effectively to ensure the compliance with contracts and regulations.

The OCA interviewed City employees and reviewed 39 Regional Water Quality Control Plant (RWQCP) contracts and amendments the City manages. The OCA also reviewed the transactions and documents in the audit period (from July 1, 2020, to May 30, 2022) for control testing, such as billing and compliance monitoring activities.

The attached report summarizes the analysis, audit findings, and recommendations.

## **FISCAL/RESOURCE IMPACT**

The timeline and resource needs for implementation of management's corrective action plans are identified by management within the attached report.

## **STAKEHOLDER ENGAGEMENT**

The OCA worked primarily with the Public Works Department and the Administrative Services Department and engaged with additional stakeholders, including the City Manager's Office and the City Attorney's Office, as necessary.

## **ENVIRONMENTAL REVIEW**

Environmental review is not applicable to this activity.

## **ATTACHMENTS**

Attachment A: OCA - Wastewater Treatment Plant Agreement

## **APPROVED BY:**

Adriane D. McCoy, City Auditor