CITY OF SACRAMENTO

Office of the City Auditor

CALIFORNIA

Jorge Oseguera, City Auditor

April 3, 2018

Honorable Members of the Budget and Audit Committee
915 I Street - Fifth Floor, New City Hall
Sacramento, CA 95814-2604

Honorable Members of the Budget and Audit Committee:

The Office of the City Auditor conducts performance audits and makes recommendations to strengthen accountability and improve the efficiency and effectiveness of City programs. In many cases, this involves verifying compliance with laws and regulations, identifying internal control weaknesses and failures, and assessing whether the City has acquired and used its resources efficiently. The office monitors the implementation of all audit recommendations, and reports on the status of all open audit recommendations every six months with a semiannual report. In accordance with the City Auditor's approved Fiscal Year (FY) 2017/18 Audit Plan, we prepared a report of the status of open recommendations for the six months ending December 31, 2017. To prepare this report, we met with department staff, reviewed documentation provided by departments, and performed testing to determine implementation progress.

We categorized recommendations by Auditee progress:

- Not started – The Auditee temporarily postponed implementing the audit recommendation or did not demonstrate sufficient progress toward implementing the recommendation.
- Started – The Auditee began implementing the recommendation, but considerable work remains.
- Partly Implemented – The Auditee satisfied some elements of the audit recommendation, but additional work and testing remains.
- Implemented – The Auditee provided documentation and the Auditor verified the satisfactory implementation of the audit recommendation.
- Dropped – The auditor recommends eliminating the recommendation since a change in circumstances rendered it unnecessary.
- ☑ – A checked box indicates notable new progress since the last semi-annual report towards implementing the recommendation.

One of the goals in performing audit work is to identify areas in which the City could reduce expenses or increase revenues. The Potential City Benefit and Recommendation Status shown in Exhibit 1 represents an estimate of possible financial benefits identified through our audit work. Some examples of benefits captured include identifying revenue the City should have collected, errors that led the City to overpay expenses, and potential savings by modifying practices or agreements.

As Exhibit 1 covers various types of potential benefits and relies on decisions and agreements that may or may not be made, it does not represent an expectation that the City will necessarily save or recover the full amount identified. For example, although the Audit of the Community Development Department identified $2.3 million in fees that the City did not collect, recovering those fees may prove difficult due to barriers to collection.

One of the measures by which we evaluate the effectiveness of our function is by identifying more in benefit for the City than the City incurs in audit cost. The Office of the City Auditor's budget for FY 2017/18 was approximately $835,000. Dividing the potential City benefit for FY 2017/18 by the adjusted Office's budget for FY 2017/18 (assumes audit resources split at 60 percent for performance audits and 40 percent for whistleblower investigations) results in $4.34 in identified potential benefit for every $1 of audit cost.

While many of our audits aim to identify financial benefits, they are not all solely focused on identifying savings. Sometimes they focus on areas that identify key benefits that are not easily quantifiable. For example, it could be difficult to quantify the value of increased residents' satisfaction with City services or the benefit of having policies in place that reduce the City's overall risk. We expect that most of our work will yield both financial and non-financial benefits. In cases in which the financial benefits are not easily quantifiable, we will include a narrative section in the Post Audit Recommendation Follow-up Report about potential non-financial benefits.

On behalf of the Auditor's Office, I would like to express my appreciation to the City staff members for their cooperation and assistance during our reviews.

Respectfully submitted,

Jorge Oseguera

Exhibit 1: Potential City Benefit and Recommendation Status

Report Title	Date Issued	Potential City Benefit	Estimated Realized Benefit	# of Rec's Made	Not Started	Started	Partly Implemented	Implemented	Dropped
2017-18 Audits									
Medical Marijuana Dispensaries	Oct 2017	$417,700	$879	20	0	18	2	0	0
Procurment for Services $25,000 or less	Sep 2017	$6,034	$ -	32	15	14	3	0	0
Utilities Inventory	Jul 2017	$663,500	$24,024	23	1	13	3	6	0
2016-17 Audits									
Diversity Assessment of Boards, Committees, and Commissions	Apr 2017			1	0	1	0	0	0
Fire Department Overtime Use	Feb 2017	$9,258,396		18	7	5	2	4	0
Risk Management Division	Nov 2016	$1,250,000	$535,031	17	0	3	1	12	1
Utilities Labor Reporting	Oct 2016	$998,100	$26,690	26	4	9	6	6	1
2015-16 Audits									
ESC Local Hiring	Feb 2016			8	0	0	0	8	0
City Master Vendor List	Dec 2015	$160,000	$4,820	19	0	5	6	8	0
SHRA	Sep 2015	Improve Service		14	0	0	3	9	2
Sexual Harassment Policy	Sep 2015	Reduce Liability		10	0	0	0	10	0
2014-15 Audits									
311 Call Center	May 2015	Improve Service		18	0	0	7	11	0
Sidewalk Repair Process	Nov 2014	$300,000		12	0	0	1	11	0
Wireless Communications	Aug 2014	$291,600	$20,000	18	0	2	11	5	0
Fire Inventory and Narcotics	Aug 2014	Reduce Liability		19	0	8	4	6	1
2013-14 Audits									
City Inventory Systems	Apr 2014	$288,000		12	0	0	7	5	0
Employee Supplemental Pay	Dec 2013	$336,000		17	0	2	4	11	0
2012-13 Audits									
Citywide Purchase Card Use	Oct 2012	Reduce Liability		14	0	0	8	6	0
Sacramento Regional Sports Education Foundation	Sep 2012	$400,000	$240,000	8	0	0	0	0	8
Audit of the Fire Prevention Program	Aug 2012		$1,150,000	22	0	0	0	22	0
2011-12 Audits									
Utility Billing Review	Jun 2012	$1,300,000	$12,307,097	11	0	0	0	11	0
AB 1825 Compliance	Jun 2012	Reduce Liability		9	0	0	0	9	0
Whistleblower Hotline Assessment	Feb 2012	Reduce Fraud		2	0	0	0	2	0
Fleet Management	Dec 2011	$6,100,000	$2,800,000	18	0	5	2	10	1
Municipal Golf Revenue and Expenditure Analysis	Sep 2011	$500,000	$500,000	0	0	0	0	0	0
Revenue Collections	Jul 2011	$3,600,000	$40,000	12	0	0	0	12	0
Citywide Policy and Procedures Assessment	Jul 2011	NA		22	0	0	14	7	1
2010-11 Audits									
DOU Operational Efficiency and Cost Savings Audit	Jun 2011	$8,641,000	$2,846,000	27	0	0	1	18	8
Audit of Employee Health and Pension Benefits	Apr 2011	$16,000,000	$7,470,000	28	0	0	5	22	1
Performance Audit of CDD	Oct 2010	$2,300,000		40	0	0	0	39	1
Total		**$52,810,330**	**$27,964,541**	**497**	**27**	**85**	**90**	**270**	**25**

Auditor Note: Yellow highlights indicate outstanding recommendations that warrant additional attention. Green highlights indicate an audit that has implemented all recommendations.

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Post Audit of the Audit of the City's Medical Marijuana Dispensaries

The audit of the City's Medical Marijuana Dispensaries contained three findings and made 20 recommendations to improve internal controls and strengthen oversight of the dispensaries. The audit was released in October 2017.

Since the release of the audit, Office of Cannabis Policy & Enforcement and the Revenue Division held a mandatory meeting with dispensary owners and managers to communicate the City's commitment in regulating the medical marijuana dispensaries. As shown in Exhibit 2, we designated two recommendations as partly implemented (90%) and 18 recommendations as started (90%).

Exhibit 2: Status of Audit Recommendations
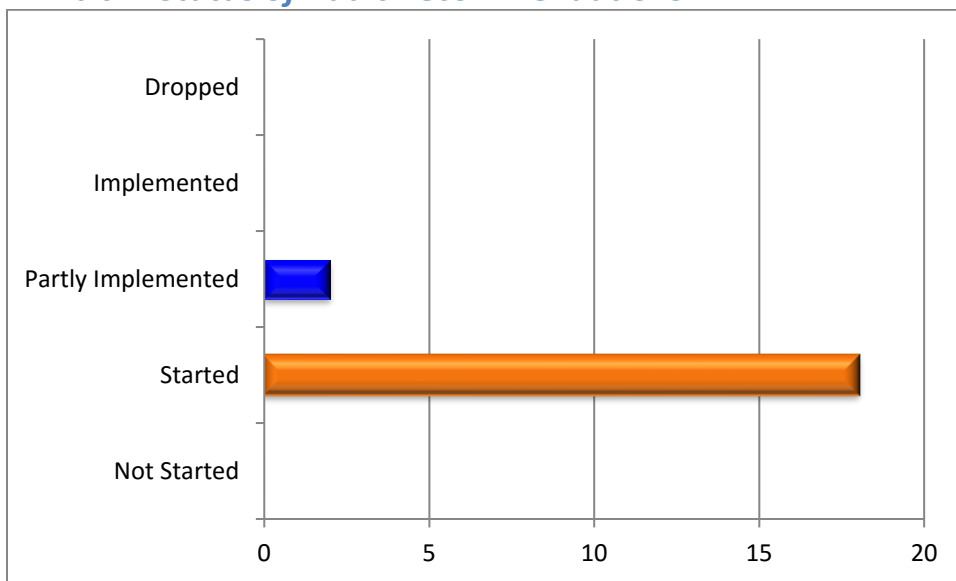
Finding 1: The Revenue Division Could Improve Its Monitoring of the Business Operations Tax (BOT) Collection Process to Better Detect Underreporting

#1 Determine why dispensaries failed to produce the requested financial and membership documentation and inspect the documentation for compliance with City Code.

☑ Started The Revenue Division in partnership with the Office of Cannabis Policy and Enforcement (OCP&E) informed all dispensaries in a correspondence dated October 16, 2017 to provide requested documents; including taxes for 2015 and 2016, operating budget for 2016 and 2017 and financial statements (specifically an income statement and/or profit and loss for 2016 and 2017). Records were to be produced by Thursday, November 30, 2017. To date, all records have been received except for missing documents from Greenstone Biomass. The failure to produce the records will deem a dispensary to be non-compliant and will affect their ability to sell medical and non-medical cannabis. The OCP&E is reviewing the financial documents to ensure compliance with City Code and notifying those dispensaries that are non-compliant. Furthermore, internal controls have been developed to monitor document production at the time of permit application or renewal.

#2 Consider imposing penalties to encourage compliance with document requests.
☑ Started The Revenue Division and the OCP&E have considered the ability to assess administrative penalties for non-compliance per Sacramento City Code §1.28. The OCP&E is compiling a list of violations with their corresponding penalties. Staff is working with the City Attorney, defining City Code, to include clear definitions of each penalty. Staff will include these changes in the next City Code Title 5 update being presented to Council by the end of April 2018.

#3 Develop a robust review process of the dispensaries' financial statements during the permit renewal process to identify red flags that may indicate potential underreporting of gross receipts.
☑ Started The OCP&E has created a Financial Statement Comparison form to be used during the application renewal process which will help identify discrepancies between the dispensaries' records. The OCP&E has begun to use these forms for the 2018 permit renewals and to date has reviewed 5 applications using these forms. Staff will continue to review financial records, compare to revenues reported via the BOT process and immediately address discrepancies with the dispensary for correction. This includes issuing a Notice of Underreported Gross Receipts stating the BOT amount due and may include issuance of administrative penalties or actions against their business operating permit.

#4 Perform observation tests of dispensaries to identify underreporting of gross receipts.
☑ Started The Revenue Division and the Office of Cannabis Policy and Enforcement met with MuniServices on October 12, 2017 and briefly discussed possibilities for observation tests. Consideration is being made for observation tests on an on-going basis, with the possibility to out-source. Revenue and the Office of Cannabis Policy and Enforcement have both discussed, with the City Auditor's Office, utilizing their expertise in performing observation tests. The Revenue Manager engaged the Office of the City Auditor in December 2017 to perform an observation test at a dispensary. The observation and data analysis methodologies were shared with Revenue and the Office of Cannabis Policy and Enforcement staff.

#5 Consider collecting monies owed from the dispensaries that underreport gross receipts.
☑ Started The Revenue Division has collected monies from those dispensaries found to have underreported gross receipts in the audit from MuniServices. Revenue considered collecting monies owed from the dispensaries that showed underreported gross receipts resulting from the City Auditor's observation tests. The Office of Cannabis Policy and Enforcement conducted its own financial review consisting of comparing the business' financial statements and tax returns and its reported gross receipts to the City. The Revenue Division sent a letter for collection of these underreported gross receipts dated February 7, 2018.

#6 Develop controls to ensure dispensaries' gross receipts are recorded monthly.
☑ Partly Implemented The Revenue Division developed procedures to ensure that dispensaries' gross receipts are recorded monthly which includes the running of reports in Bizlink, the business tax system, either on a bi-weekly or monthly basis and compared with the excel spreadsheet where payments are manually recorded and tracked. The Revenue staff member performing the comparison will also sign off and date when the verification was performed. Furthermore, the Revenue Division engaged the Office of the City Auditor on January 31, 2017 to observe a cannabis payment appointment to ensure the procedures are being followed.

#7 Establish a process to reconcile payments owed to payments received.
☑ Started Currently, the Revenue Division staff is in the process of reconciling business tax payments and reported gross receipts for the past five years, from November 2012 to November 2017 as per the City's retention schedule. On an on-going basis, payment will be reconciled on a bi-weekly or monthly basis per the procedures developed by the Revenue Division and will consist of using various resources such as BizLink, Track & Trace and the Point of Sale system. These tools will help determine the reported gross receipts compared to the payments made each month. Where disparity is found, staff will research to determine the reason for discrepancy.

#8 Implement controls to ensure complete reviews of MuniServices audit reports.
☐ Started The Revenue Division has created a review sign-off sheet for MuniServices audits to ensure the Office of Cannabis Policy and Enforcement has reviewed the audit and its findings. After review of the audit report, the Office of Cannabis Policy and Enforcement will report any monetary findings to the Revenue Division who will collect any under reported monies due. The Office of Cannabis Policy and Enforcement will follow up with each dispensary in writing and ensure any City Code compliance issues are rectified. The review sign-off form will be newly implemented upon completion of the MuniServicves audits being conducted during the weeks of February 12 and February 19, 2018.

The Revenue Division identified and collected a total of $879 by reviewing past MuniServices audit reports.

#9 Review and address MuniServices' audit findings regarding *River City Phoenix*.
☑ Started The Cannabis Policy and Enforcement staff met with the owners of River City Phoenix on July 26, 2017 to address the findings of the MuniServices audit, advise them of what records they need to maintain and explain they can only purchase product from collective members. A follow-up letter was mailed to the dispensary on October 16, 2017 requesting the inventory purchase records from October 2016 through September 2017. The City notified River City Phoenix in a letter dated January 24, 2018 of a follow up audit to be scheduled in February 2018 to allow MuniServices to review membership and inventory purchase records previously produced by MuniServices and conduct a site visit of the dispensary.

#10 Reevaluate the frequency of MuniServices audits to ensure appropriate coverage of the medical marijuana dispensaries in a timely manner.
☑ Started The Revenue Division and the Office of Cannabis Policy and Enforcement met with MuniServices on October 12, 2017 to discuss the frequency of dispensary audits. Audits for the remaining 14 dispensaries who have not yet been audited, are scheduled for February 2018. The department discussed having MuniServices conduct audits bi-annually for dispensaries. Staff will provide instructions to MuniServices of what the City would like audited and document the City's expectations for the scope of the audits. In addition, the Office of Cannabis Policy and Enforcement is currently exploring how to develop a risk-based audit system.

Finding 2: Medical Marijuana Dispensaries Are Not Complying with the City's Operating Requirements

#11 Assess the hours spent on dispensary inspections to determine whether CDD has adequate or excess resources.

☑ Started An evaluation of the inspection needs for dispensaries has been completed and a robust inspection process is now in place that includes the deletion of the Zoning Investigator position and the funding now being used for additional Code Enforcement Officers (CEO) that will be phased in as revenue allows. There are currently 2 FTE CEOs assigned to Cannabis Policy and Enforcement that spend 40 hours a week on theinspection of permitted as well as illegal cannabis businesses.

#12 Develop and memorialize, in a policy, a risk-based enforcement program that identifies high risk violations and implement a follow-up process to ensure violations are resolved in a timely manner.

☑ Started An enforcement plan, suitable for the cannabis industry specifically, is currently underway. Newly approved staffing resources will allow the Office of Cannabis Policy and Enforcement to monitor existing and planned cannabis businesses into the future. Staff will look to develop a risk-based enforcement strategy as resources become limited or otherwise necessitated. The Office of Cannabis Policy and Enforcement will be facilitating the use of the Automated Policy and Procedure System (APPS) to develop and capture a strategy that will ensure violations for non-compliance are addressed in a timely and appropriate manner.

Staff from various departments including Community Development, Finance, Information Technology and those who work in various capacities within the cannabis field met with ThirdWave consultants to work on a Cannabis Business Process Map designed to assist in capturing problems, impacts, solutions and benefits of the current processes involved in the cannabis program. The process mapping also included application intake, business tax payments, issuing administrative penalties, and other forms of enforcement. Additional meetings will be scheduled in March 2018 to finish developing the current process map including a robust enforcement program and comprehensive policy.

#13 Consider imposing penalties to encourage timely compliance with City Code.

☑ Started The Office of Cannabis Policy and Enforcement has begun issuing administrative penalties against permit holders for non-compliance in accordance with Sacramento City Code section §5.150.190. Violations of this code stipulated civil penalties of $250-$25,000 for each day of the violation. In addition, Chapter 1.28 General Penalty allows for the imposition of administrative fees. The Office of Cannabis Policy and Enforcement is compiling a list of violations and corresponding penalties.

#14 Engage the Office of the City Auditor to perform inspections at *All About Wellness* to assess whether the dispensary is complying with City Code and State laws.

☑ Partly Implemented The Revenue Division has followed up with All About Wellness regarding the City Auditor's audit of the Medical Marijuana Program. All About Wellness provided to the Revenue Division and the City Auditor the requested documents (January 2016 through March 2017) as requested in the original audit notice dated April 21, 2017. All About Wellness had also been informed that the City Auditor would conduct an unannounced site visit and the business is expected to allow all City staff on-site to conduct the audit. In December 2017, the Revenue Manager and City Auditors conducted an impromptu audit at All About Wellness in which All About Wellness complied with the auditor's

requests. The City Auditor is in the process of reviewing documentation and providing a follow up memo regarding All About Wellness.

#15 Reevaluate the language in the City Code, and if necessary, strengthen the Code to make it clear that the City has the legal right to enter and inspect dispensaries' property and financial records.
☑ Started The Office of Cannabis Policy and Enforcement and the City auditor engaged the City Attorney's Office on February 1, 2018 regarding the language of the current City Code, section §5.15.0180 and whether the City has legal right to enter and inspect dispensaries' property and financial records.

#16 Review and update the dispensaries' operating requirements to ensure consistent enforcement practices.
☑ Started The Office of Cannabis Policy and Enforcement has compiled a list of all conditions from the dispensaries' Conditional Use Permit (CUP). Those that have not met their CUP requirements will have those requirements added to the Business Operating Permit to ensure consistent conditions and enforcement practices. The newly added enforcement staff have begun regular scheduled inspections of all cannabis businesses (including dispensaries).

#17 Reevaluate and clarify City Code regarding the timeframe associated with discontinuance of use.
☑ Started City Code section §17.228.750 (D) which stated that the conditional use permit shall expire for discontinue of use after 30 days was removed by City Council on November 28, 2017. City Code section §5.150.270 (3) states that, the City Manager may immediately revoke the business permit of any cannabis business with a valid business permit that ceases to operate for 90 consecutive days or longer; state regulations set that timeframe at 30 days. Staff is working with the City Attorney's Office to determine if City Code needs to be changed and will include these changes in the next City Code Title 5 update being presented to Council by the end of April 2018. The Office of Cannabis Policy and Enforcement will draft written correspondence to the dispensaries to ensure consistency, comprehension and compliance with all City Code revisions.

#18 Follow up on *Community Health Solutions* to determine if the dispensary is operating.
☑ Started The Office of Cannabis Policy and Enforcement has had several conversations with the owner of Community Health Solutions. The dispensary is open on an appointment-only basis. The Revenue Division and the Office of Cannabis Policy and Enforcement will conduct an inspection of the dispensary and audit of its financial records to ensure it is operating and in compliance with City Code.

Finding 3: The Revenue Division Could Benefit from Improved Recordkeeping and More Thorough Reviews of Dispensary Permit Applications

#19 Strengthen controls over the permit renewal application approval process to ensure that all required documentation is obtained and retained for all applicants.
☑ Started The Revenue Division and the Office of Cannabis Policy and Enforcement are working to get the dispensary permit application on-line with Accela, which includes built in workflow and approval processes as well as control measures to ensure all required documents are uploaded before the final version of the application can be submitted. Accela is also a repository for required documents to ensure all necessary information is retained for all applicants. While staff is working to develop the on-line system for dispensary application renewal, a sign-off sheet has been created to use for hard-copy

applications submitted, which includes a check-off of required documents as well as a sign-off of those who review and approve the applications.

#20 Define and communicate to the dispensaries the documents needed to substantiate changes to dispensary management members, location, and entity name changes.
☑ Started The Revenue Division and the Office of Cannabis Policy and Enforcement are working with the City Attorney's Office to clarify the appropriate documentation for any owner or managing member changes, entity name changes or location changes. City staff will send written correspondence to dispensaries communicating the process of these changes; this information, notice of changes and applications will also be available on the City's cannabis webpage.

Post Audit Summary of the Audit of Procurement for Services $25,000 or less

The *Audit of Procurement for Services of $25,000 or Less* contained four findings and made 32 recommendations for improving the City's procurement programs and processes. The objective of this audit was to assess the effectiveness of the City's procurement processes and policies for professional and non-professional service contracts of $25,000 or less, and to determine whether existing controls were sufficient to ensure compliance with applicable laws and policies, and reduce risk to the City.

Since the audit's release in September 2017, the City has already started to make progress on many of the recommendations.

Exhibit 3: Status of Audit Recommendations
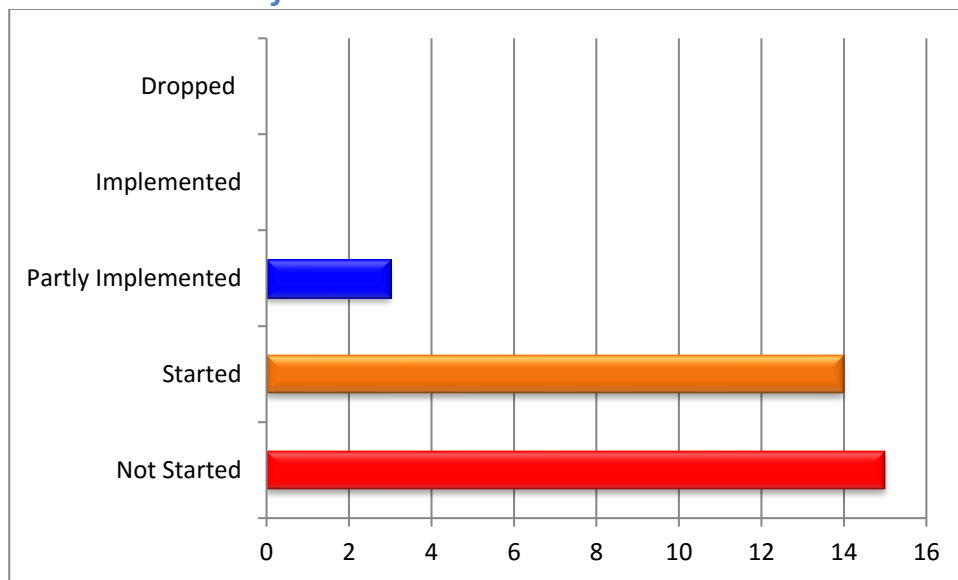
Finding 1: Procurement Guidance and Training were Insufficient to Ensure Employees Properly Procured Services on Behalf of the City

We recommend the Finance Department:

#1 Establish a code of conduct or other codified ethics, guidelines, and standards.
☑ Not started

#2 Update EBO policies, templates, and other guidance for accuracy and consistency.
☑ Started An analysis of current policies, procedures, and guidance is in progress.

#3 Develop processes to ensure EBO analysis and reports are completed as required by City policy.

☑ Started An analysis of current policies, procedures, and guidance is in progress.

#4 Determine the City's intent regarding bid protests and update policies, templates, and other guidance for consistency.

☑ Started An analysis of current policies, procedures, and guidance is in progress.

We recommend the Finance Department and the City Manager:

#5 Define and publish specific roles and responsibilities of procurement stakeholders.

☑ Partly Implemented Role-based access to ABCDs has been established. Further implementation is pending ABCD maturity and policy/procedure development.

#6 Establish and publish contract quality control and review procedures.

☑ Not started This recommendation will be addressed, in part, with digital signatures and eCAPS routing, once those measures are finalized.

We recommend the Finance Department and the City Clerk:

#7 Review and revise the routing cover sheet to ensure it accurately reflects value-added reviews and incorporate the routing requirements in City policy.

☑ Not started The Procurement Division is currently pursuing a digital signature, routing, and quality review solution to replace the paper cover/routing sheet.

#8 Develop information system controls to ensure contracts and supplements are correctly routed and reviewed before execution.

☑ Started The Procurement Division is currently assessing multiple digital signature options that should create an electronic workflow for routing.

#9 Review and revise procurement training programs to ensure they are consistent with established City Code and City policy.

☑ Not started The Procurement Division is currently reviewing City Code and policy for revisions. Once new procurement guidance is finalized, they will review and revise the procurement training program to reflect updated procedures.

#10 Consider requiring City employees with procurement responsibilities to complete applicable training before engaging in procurement activities.

☑ Partly Implemented Role-based access is established, and the Procurement Division plans to grant access to individual employees after they have completed applicable training. Currently, training is

required for purchase order requisition access, and more robust training/access requirements will phase in once a new procurement training program is in place.

#11 Develop information system controls to ensure contracts are not developed, executed, or managed by employees who have not received applicable training.

☑ Partly Implemented ABCDs contract modules are in currently in use, and access can be restricted. However, this recommendation will remain in progress until the ABCDs program is more mature and validated, and a new procurement training program is in place.

#12 Determine the intent and purpose of purchase orders, and clarify their requirements and use in City guidance and templates.

☑ Not started Pending policy reviews.

#13 Develop information system controls to ensure purchase orders and contract templates are used appropriately.

☑ Not started Pending policy reviews.

Finding 2: City Departments Did Not Ensure Contracts were Awarded and Executed in Accordance with City Code and City Policy

We recommend the Finance Department:

#14 Consider requiring the Procurement Division Manager to authorize all sole source procurement requests, in addition to those for non-professional services.

☑ Not started Pending policy reviews.

#15 Identify the authority delegated to approve sole source requests during the Procurement Division Manager's absence.

☑ Started The Procurement Manager will delegate sole source approval to procurement staff/category managers.

#16 Develop controls to ensure all requests for sole-sourcing are approved prior to awarding a sole source contract.

☑ Started Sole Source approval using eCAPS workflow is in development, and will be required prior to Procurement approving a sole source contract.

We recommend the City Manager:

#17 Consider a review of all currently active contracts signed by City Officers to determine the validity of those agreements and develop a plan to legitimize those agreements.

☑ <u>Started</u> The Office of the City Manager is in the process of identifying current active contracts signed by City Officers.

#18 Develop controls to ensure all contract signatories are authorized to sign contracts and supplements on behalf of the City.

☑ <u>Not started</u> This will most likely be part incorporated into the digital signature process.

We recommend the Finance Department:

#19 Consider conducting a review of active City contractors' tax certificate status to recover overdue taxes and penalties.

☑ <u>Not started</u> This recommendation requires coordination between the Procurement Division, Accounts Payable, and the Revenue Division.

#20 Develop controls to ensure contracts cannot be executed without a valid Business Operation Tax Certificate.

☑ <u>Not started</u> This recommendation requires coordination between the Procurement Division, Accounts Payable, and the Revenue Division.

#21 Develop controls to monitor Business Operation Tax Certificates for expiration throughout the contract period.

☑ <u>Not started</u> This recommendation requires coordination between the Procurement Division, Accounts Payable, and the Revenue Division.

Finding 3: City Departments Failed to Ensure Contracts were Managed in Accordance with City Code and City Policy

We recommend the Finance Department:

#22 Develop information system controls to ensure contract supplements are only executed if they are authorized in the contract and are only executed before the contract or supplement expires.

☑ <u>Not started</u> Pending eCAPS reconfiguration and IT research. Routing contracts through the Procurement Division for quality review may also help address this issue.

#23 Review the selection and approval thresholds to determine if they meet the City's procurement intent, and adjust thresholds if necessary.

☑ <u>Not started</u>

#24 Develop information system controls to ensure bids and contracts are initially written to the appropriate thresholds.

☑ Started eCAPS audit capabilities and controls are in development, and the Procurement Department will incorporate this into City staff training. Additionally, purchase orders and change requests will be reviewed by the Procurement Division.

#25 Develop information system controls to ensure contracts are not supplemented beyond the established thresholds without the appropriate selection and approval process.

☑ Started The automated workflow will include a Procurement Division review and approval process for supplements.

#26 Establish clear standards regarding periods of performance and develop information system controls to ensure bids and contracts include specific periods of performance.

☑ Started Every contract will require an end date in ABCDs.

#27 Revise contract forms to include a signature date.

☑ Started The digital signature solution will include an automatic date stamp. The Procurement Division is reviewing multiple digital signature software options.

#28 Develop information system controls to ensure contracts are fully executed prior to any service performance.

☑ Started New eCAPS routing/automated workflow is pending full ABCD implementation, and digital signature/dating is under review.

Finding 4: Internal Controls were Insufficient to Prevent Inappropriate Payments to Contractors

We recommend the Finance Department:

#29 Develop information system controls to ensure purchase orders are only authorized with a valid contract in place.

☑ Not started Pending policy review, training, and system control development.

#30 Develop information system controls to ensure invoices are not paid without a contract in place.

☑ Not started Requires coordination with Accounts Payable.

#31 Develop information system controls to ensure purchase orders stay within a contract's not-to-exceed limit.

☑ Started This issue may be addressed by the review and approval process under ABCDs. More information will be available as ABCDs matures.

#32 Develop information system controls to ensure employees do not authorize payments that exceed a contract's not-to-exceed limit.

☑ Started This issue may be addressed by the review and approval process under ABCDs. More information will be available as ABCDs matures.

Post Audit Summary of the Audit of the Department of Utilities Inventory

The Audit of the Department of Utilities Inventory contained four findings and made 23 recommendations aimed at improving compliance, decreasing risk, and improving processes related to the Department of Utilities inventory management. The audit was released in July 2017.

Since the audit's release, six recommendations have been fully implemented. The Department of Utilities has made notable progress in reducing the number of employees with access to the department's inventory warehouses, consolidating their inventory into fewer warehouses, and incorporating blind counts into the inventory count process. The progress for the recommendations made in this audit is shown in the exhibit below.

Exhibit 4: Status of Audit Recommendations
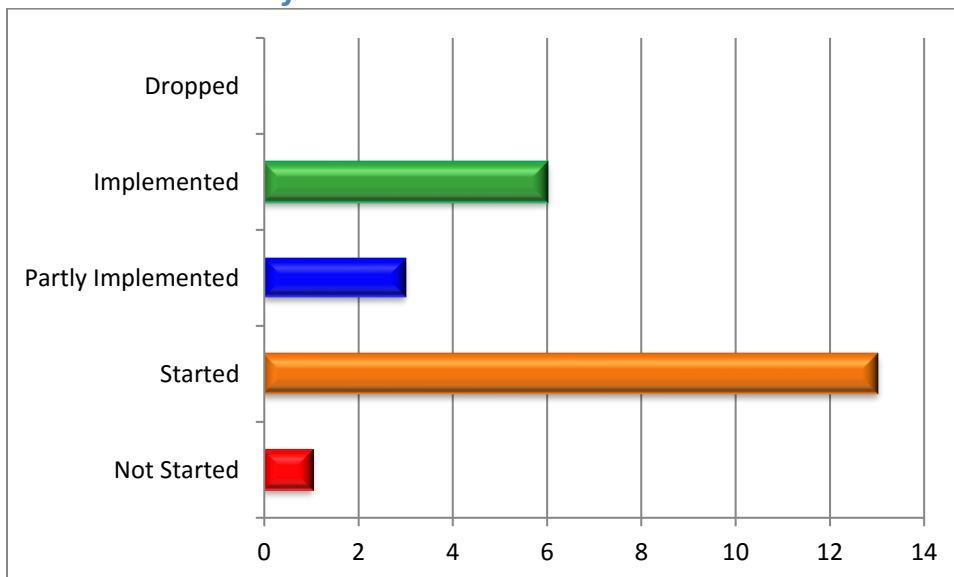
Finding 1: Strengthening the Physical Security of Department of Utilities Inventory Could Reduce the Risk of Fraud, Waste, and Abuse

#1 Review current inventory levels and determine the appropriate course of action to decrease the amount of old and stagnant inventory.

☑ [Partly Implemented](#) Logistics, with technical support from Water Distribution, conducted a top to bottom physical review and assessment of the stagnant parts provided by the Inventory Audit. The following methods have been used to decrease the amount of old and stagnant inventory: insurance stock, modification of existing parts, and scrap. 100 percent of parts have been reviewed and the appropriate course of action has been determined. To date, the department has received more than $13,200 for stagnant scrap parts and saved approximately $5,600 by modifying stagnant parts into other inventory items.

#2 Develop and implement strategies to optimize inventory levels in accordance with inventory policies.

☑ Partly Implemented Logistics has created a purchasing plan and is in the process of training staff. The purchasing plan consists of common inventory-management strategies including but not limited to: just-in-time method, materials requirement planning, establishing inventory minimum and maximum levels, optimizing order size, reducing supplier lead time, and inventory segmentation.

#3 Review the number and appropriateness of employees with access to the inventory warehouse and formalize which positions can be granted access to each warehouse in the inventory policies.

☑ Partly Implemented Logistics has completed its review of employee access to the warehouses. Only Logistics staff, repair supervisors, and critical on-call staff have access to warehouses that contain inventory. Building 22 access has been reduced considerable from 98 to 23 people. All the tools, equipment and inventory has been moved from Buildings 7 and 8 to Building 22. Yard 22 has been dramatically reduced from 345 to 148; Sump 36 is located in Yard 22, which accounts for the elevated number of on-call staff with access. Staff is reviewing Yard 22 and Sump 36 to determine the appropriate course of action; some possibilities include isolating Sump 36 with fencing and moving the inventory in Yard 22 to behind Building 18. The following figure illustrates the reduction in employee access to DOU warehouses since the audit's release.

Employee Access to Department of Utilities Warehouses

	Building 7	Building 8	Building 18	Building 22	Yard 22	35th Avenue	27th Street	NACY
■ Decmeber 2017	1	20	10	23	148	17	9	7
☐ Audit	63	35	12	98	345	21	12	9

Number of People
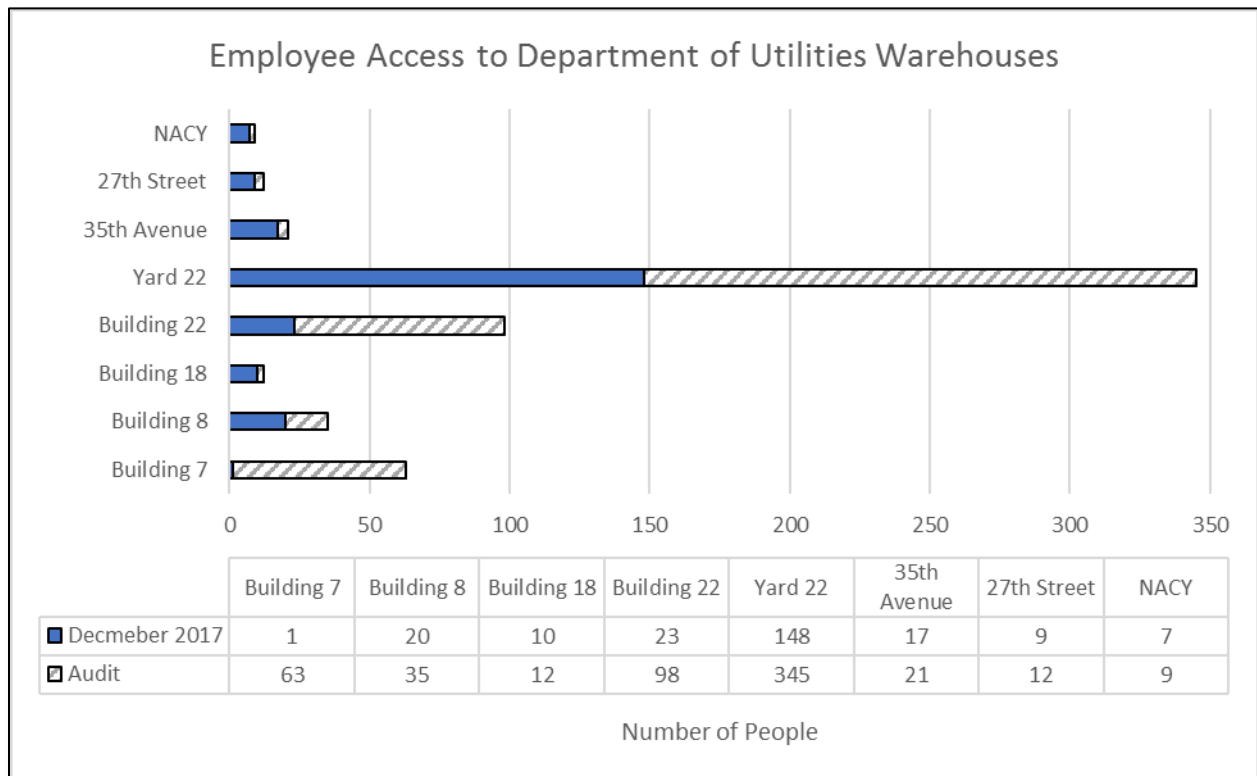
Source: Auditor generated based on warehouse access data.

#4 Establish and implement consistent procedures for the tracking of tools and equipment, including establishing and applying clear criteria for assigning asset identification numbers.

☑ Started A draft procedure has been written and is being finalized.

#5 Establish a policy that prohibits employees from borrowing City-owned tools and equipment for personal use and document employee acknowledgement.

☑ Started The policy has been approved by the DOU executive team and is currently in the process of being approved through APPS. Operations and Maintenance employees will be required to sign an acknowledgement of this policy through the DOU on-boarding process of new employees. Current employees will be required to acknowledge the policy in TargetSolutions.

#6 Develop a plan and establish a reasonable timeline for consolidating inventory into fewer warehouses.

☑ Implemented All financial inventory, tools, and equipment have been removed from Buildings 7 and 8. All financial inventory has been moved to Building 22. All tools and equipment from the Gold Room have been moved to the tool crib in Building 18. The following figure illustrates the consolidation efforts achieved by Logistics Services since the audit's release.

	Building 7	Building 8	Building 18	Building 22	Yard 22	35th Avenue	27th Street	NACY
■ Decmeber 2017	$-	$-	$-	$1,919,215	$242,696	$-	$-	$5,685
☐ Audit	$23,611	$474,968	$-	$759,532	$370,762	$209,480	$-	$950,702

Financial Inventory on Hand
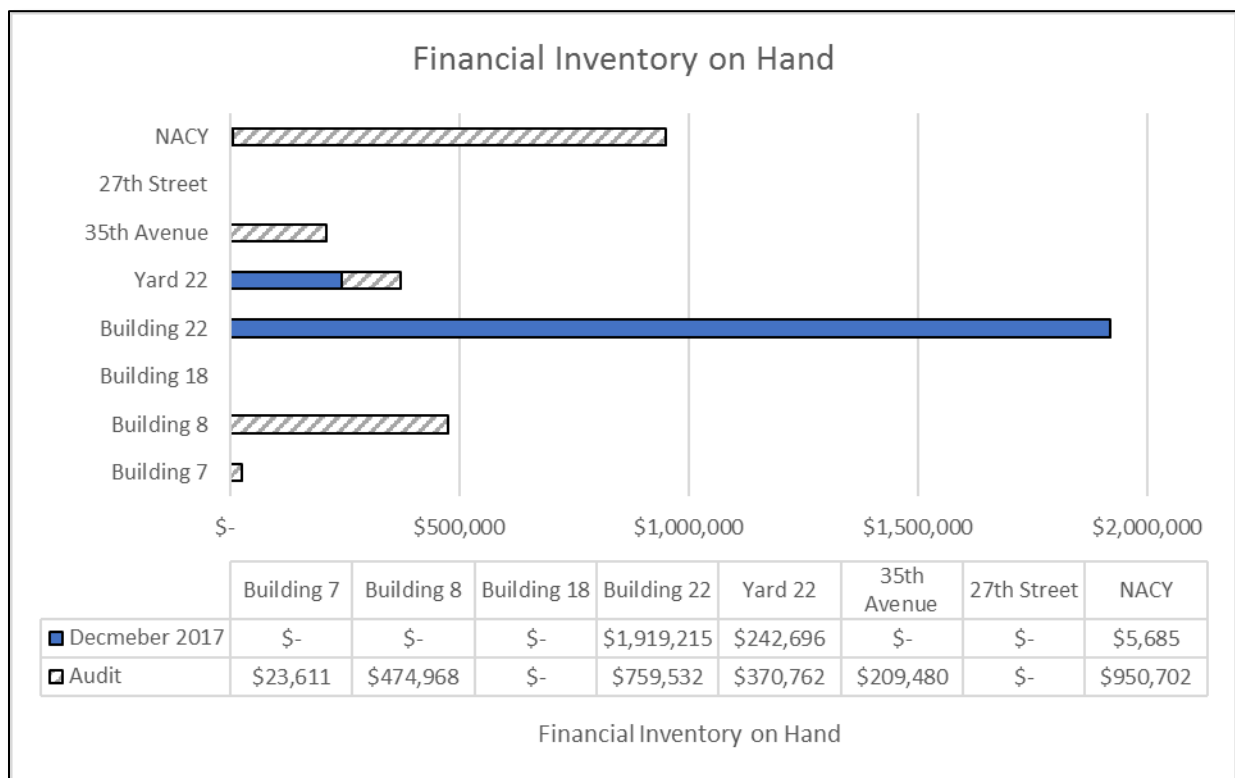
Note: Big Inventory was excluded from this analysis.
Source: Auditor generated based on reports from Cityworks.

Finding 2: While the Department of Utilities' Inventory Count Procedures Appear Robust, the Execution Breaks Down

#7 Develop a process to ensure all warehouses are included in the inventory counts.

☑ Started The DOU Inventory Control Policies are currently being updated to include a more detailed process.

#8 Add a procedure that requires all paperwork and necessary inventory transactions be processed in the inventory systems prior to the inventory count process.

☑ Implemented New Cut-off and Count Team Instructions which include improved cutoff guidelines have been prepared and incorporated in the DOU Inventory Policies and Procedures. Staff implemented these procedures during the year-end FY17 inventory count.

#9 Formalize specific count methodologies in a written policy.

☑ Started New Cut-off and Count Team Instructions which include improved cutoff guidelines have been prepared and incorporated in the DOU Inventory Policies and Procedures. Staff implemented these procedures during the year-end FY17 inventory count. The DOU Inventory Policies are currently being finalized with this new language.

#10 Consider incorporating blind counts into the inventory count process.

☑ Implemented All physical counts will be blind counts. This means that personnel conducting physical counts shall have no prior knowledge or access to the on-hand quantity balance in the inventory records. Procedure #5 of the Inventory Count Process states, "When physically counting the number of individually prices items in inventory, count each item and record the quantity of that item. Do not show any quantities on the count sheets except for the amounts recorded by the counters." Staff implemented these procedures during the year-end FY17 inventory count.

#11 Formalize a procedure for accurately recording inventory count adjustments in a written policy.

☑ Started A formalized procedure for accurately recording inventory count adjustments has been written and included in the Inventory Planning and Preparation section of the DOU Inventory Control Policies and Procedures. The DOU Inventory Policies are currently being finalized with this new language.

#12 Review staffing, workload, and distribution of work to optimize staffing resources.

☑ Started The Department of Utilities is currently reviewing staffing, workload, and distribution of work within the Logistics group to optimize staffing resources. As part of this review, a daily work routine is being prepared for warehouse staff.

#13 Add an additional step to the water meter serial number count that reconciles the Water Meter Receipt and Issue Log with Cityworks.

☑ Started The current policy has been updated to include an additional step to the water meter serial number count that reconciles the Water Meter Receipt and Issue Log with Cityworks. This policy is in the process of being finalized.

#14 Review, update, and enforce inventory policies related to the tracking of water meters.

☑ Started Logistics updated the Water Meter Tracking policy and is in the process of finalizing and approving the new policy language.

Finding 3: The Department of Utilities' Inventory Systems Contain Errors and Omissions

#15 Develop performance measures aimed at increasing data accuracy and publish accuracy rates for enhanced accountability.

☑ Started Logistics is currently developing four performance measures: 1) Inventory Accuracy Goal of 95%, this is the actual quantity on hand versus the system reporting; 2) Storage Utilization Percentage, which is the average occupied square foot versus the total storage capacity; 3) Monitoring the number of days parts are on hand to minimize slow moving and stagnant parts; and 4) Inventory Turnover Ratio, by showing how many times the warehouse inventory is sold and replaced over a period of time.

#16 Determine the key data fields for each inventory system and set minimum data requirements for inventory records.

☑ Started Logistics is currently reviewing the key data fields for each inventory system. Cityworks recently went through an upgrade and these new features need to be evaluated before any changes are made.

#17 Review and modify the account number field to more accurately identify the purpose for receiving or issuing inventory.

☑ Implemented Logistics reduced the account number fields from 163 to 27 while more accurately identifying the purpose for receiving and issuing inventory.

#18 Review the Cityworks FIFO issue with the Finance Department and Information Technology Department to develop a plan to ensure compliance with financial reporting guidelines.

☐ Not Started Since the release of the audit, there has been an upgrade to Cityworks. However, it appears that there may still be an issue with how Cityworks processes FIFO. Logistics Services is working with IT to note any other system issues with the upgrade. Once this is complete, Logistics Services will review the FIFO issue with the Finance and IT Departments.

#19 Work with DOU IT to produce inventory on hand reports that account for multiple unit prices of an item and use this report in the annual inventory reconciliation.

☑ Implemented DOU IT created a new inventory on hand report that accounts for multiple unit prices of inventory items. Access to the report was given to Fiscal Operations staff for use in the annual inventory reconciliation process.

#20 Review and adjust the process for tracking Big Inventory to ensure this inventory is accurately reflected on the financial statement of net position.

☑ Implemented Big Inventory has been entered into Maintenance Connection and will be tracked using this system.

Finding 4: The Department of Utilities Lacks Formal User Access Policies and Procedures Regarding Their Inventory Systems

#21 Establish a formal process to document the review and approval of new user access to the inventory systems.

☑ <u>Started</u> A new access form has been created and posted on IT's intranet for any new inventory access request. This will track all new inventory access requests and changes.

#22 Formalize logical access to the inventory systems in a written policy.

☑ <u>Started</u> A new process for reviewing and approving user access to the inventory systems has been implemented. However, logical access to the inventory systems has not been formalized in a written policy.

#23 Develop a process to review user accounts on a regular basis to ensure the number of users and their level of permission are commensurate with their responsibilities.

☑ <u>Started</u> The IT group for the Department of Utilities plans to review existing storeroom access accounts on an annual basis.

Post Audit Summary of the Diversity Assessment of Boards, Committees, and Commissions

On May 10, 2016, the City Council directed the City Auditor, with assistance from the Independent Budget Analyst, to conduct an assessment of the diversity of City of Sacramento employees and compare the results to the demographics of the City of Sacramento residents. On January 24, 2017, the City Council directed the City Auditor to assess the diversity of City of Sacramento boards, committees, and commissions and compare the results to the demographics of the City of Sacramento residents. The assessment was to include the City's board, committee, and commission members' demographics related to age, ethnicity, gender, and sexual orientation.

#1 Work with the City Attorney's office to determine how best to capture, document, and retain desired information regarding City and Non-City appointed board, commission, and committee members.

☑ Started According to the City Clerk's Office, they have been working with the vendor to improve the reporting function of the application module as it pertains to board and commission members. However, a high number of respondents continue to decline to state their preferences.

Post Audit Summary of the Audit of Fire Department Overtime Use

The *Audit of Fire Department Overtime Use* contained four findings and made eighteen recommendations aimed at improving the Fire Department's administration and use of overtime. During this audit engagement, we included an analysis of potential staffing options the Fire Department could consider implementing to increase operational efficiency.

The Fire Department has made progress towards hiring suppression employees to fill vacancies; however, some of the recommendations will likely need to be negotiated as part of the meet and confer process and may require more time to implement.

Of the 18 recommendations, 6 (33%) have been implemented or partly implemented.

Exhibit 5: Status of Audit Recommendations
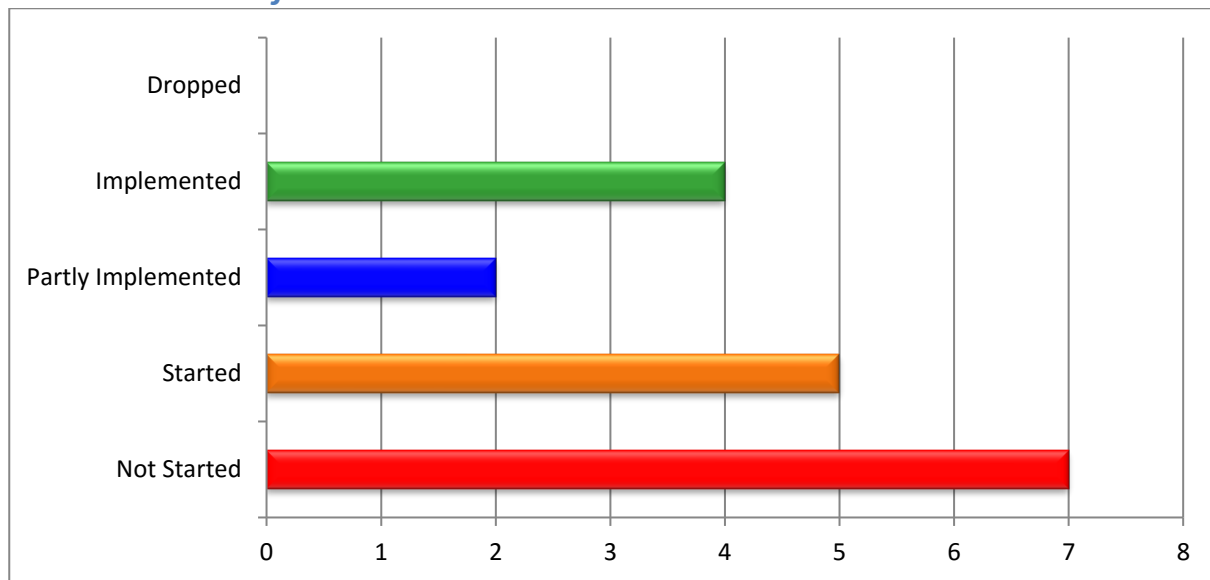
Finding 1: The Fire Department Has Relied on Increasing Levels of Overtime to Meet its Operational Needs

#2 Develop controls to ensure compliance with the 72-hour maximum work period outlined in the labor agreement.

☐ Partly Implemented The Fire Department has updated the roll call process and is working towards projecting and filling vacancies sooner. This process should help to limit instances where employees are asked to work more than the 72-hours without a break in service.

Finding 2: Negotiated Overtime and Incentive Provisions May Have Unintentionally Increased Payroll Costs

We recommend that the Human Resources Department:

#3 Renegotiate the requirement to fill vacancies using rank-for-rank.

☐ Not Started This item will likely need to be negotiated as part of the meet and confer process between management and labor. No progress has been made on this recommendation.

#4 Bring negotiated overtime provisions more in line with minimum FLSA requirements.

☐ Not Started This item will likely need to be negotiated as part of the meet and confer process between management and labor. No progress has been made on this recommendation.

#5 Negotiate that assignment pay not be provided to employees who do not work the shift the incentive was designed for.

☐ Not Started This item will likely need to be negotiated as part of the meet and confer process between management and labor. No progress has been made on this recommendation.

#6 Evaluate the necessity of Primary Paramedic Pay.

☐ Not Started This item will likely need to be negotiated as part of the meet and confer process between management and labor. No progress has been made on this recommendation.

Finding 3: The Fire Department Lacks Sufficient Controls Over the Administration and Use of Overtime

#7 Establish policies on the administration and use of overtime.

☐ Started According to the Fire Department, a draft policy is in progress.

#8 Document the purpose for overtime use in a consistent and retrievable format.

☐ Not Started No progress has been made towards this recommendation. Telestaff is in the process of being upgraded and the Fire Department expects the newer version will have enhanced capability for documenting the use and approval of overtime.

#9 Document supervisory approval of overtime use in a consistent and retrievable format.

☐ Not Started No progress has been made towards this recommendation. Telestaff is in the process of being upgraded and the Fire Department expects the newer version will have enhanced capability for documenting the use and approval of overtime.

#10 Provide guidance on the use of Special Duty pay, including the practice of providing rest time after returning from strike team deployment.

☑ Partly Implemented A draft policy has been developed to address Special Duty assignments.

#11 Develop, document, and enforce system access controls for Telestaff users.

☐ Started According to the Fire Department, system access has been reviewed and modified. However, a formal system access policy has not been drafted.

#12 Strengthen controls to monitor the use of timecodes to prevent and detect errors, fraud, and abuse.

☐ Started An Operations Coordinator works daily with the Roll Call officer to review the previous days roster for accuracy. However, this review process is not documented.

#13 Develop a process to ensure all relevant parties are using the same version of the Roll Call Staffing Manual.

☑ Implemented Roll Call Staffing Manual, Version 4.0 was emailed to all SFD staff on May 24, 2017. The Fire Department maintains the most current version of the Roll Call Manual in the common drive.

Finding 4: Implementing Alternative Staffing Methods Could Reduce Costs and Improve Service Delivery

#15 Consider modifying the Fire Department's medic staffing model to include medically qualified, non-firefighter paramedics and EMT's.

☐ Not Started This item will likely need to be negotiated as part of the meet and confer process between management and labor. No progress has been made on this recommendation.

#16 Consider reducing staffing from four-person crews to three-person crews on select engines.

☑ Started The Fire Department is performing a cost study to examine the benefits and drawbacks of reducing staffing from a four-person crew to a three-person crew.

#17 Consider incorporating peak-demand ambulance units into the current staffing model.

☐ Started The Fire Department is currently staffing up to three peak-demand ambulance units per day, when staff are available. The Department continues to work towards a more permanent deployment model.

Post Audit Summary of the Audit of the City's Risk Management Division

The *Audit of the City's Risk Management Division* contained three findings and made 17 recommendations to improve the administration of the Risk Management Division. The audit, which was released in November 2016, was designed to assess how well the City's Risk Management Division is handling, accounting for, and reporting public liability and loss recovery.

Of the 17 recommendations, 12 (71%) have been implemented, 1 (6%) is partly implemented, 3 (17%) have been started, and 1 (6%) was dropped.

Exhibit 6: Status of Audit Recommendations
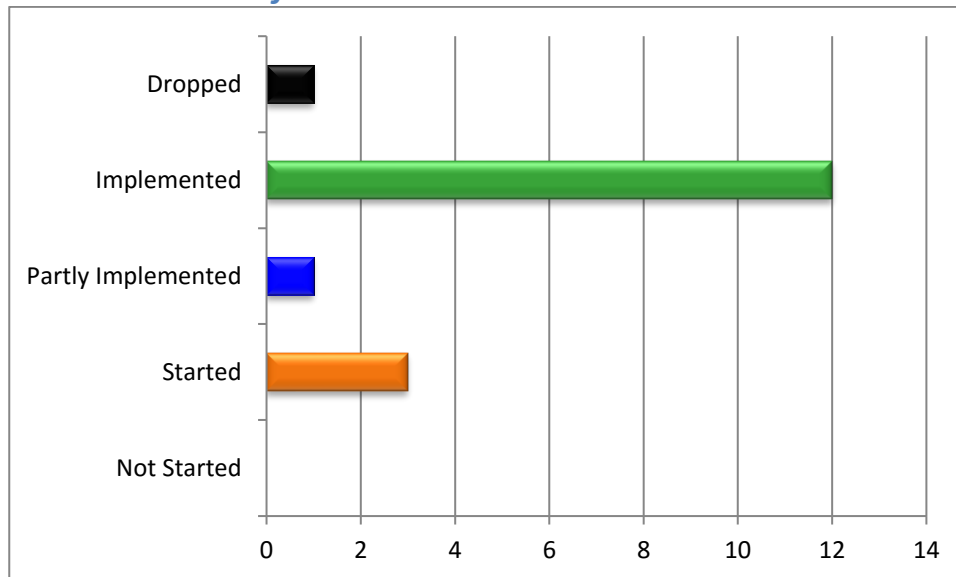
Finding 1: Some Transactions in the Two Risk Management Funds May be Inconsistent with Proposition 218 Requirements

#1 Continue to develop a system to reconcile health premium invoices to actual amounts deducted in payroll to ensure the General Liability and Auto Liability fund does not subsidize health benefit costs.

☐ Partly Implemented According to the Human Resources (HR) and Finance Departments, staff utilize the deduction register queries in eCAPS to reconcile health bills and deductions for active employees. The review of retiree medical enrollment has been completed and as of June 30, 2017, the City has begun to self-bill for retiree medical bills. Staff is now working on reviewing the dental and vision enrollment to prepare to implement the self-billing process for these bills. It is unknown at this time what effect self-billing has had on the risk funds. According to the Risk Management Division, there were no updates to this recommendation during this reporting period due to staff vacancies and Open Enrollment.

Finding 3: The City May Reduce Risk and Liability by Making Improvements to Some Programs and Policies

#10 Increase contributions at a greater rate than currently planned until the actuarially calculated contribution amounts for each fund can be made each fiscal year.

☑ Implemented In FY2015/16 resources were available at year-end in the General Fund, so the required contribution to the GL&AL fund was made. The FY2016/17 General Fund budget for GL&AL contributions was $12 million, however, the actuarially determined contribution was $13.6 million. Resources were available at the end of FY2016/17 and an additional $1.6 million in General Fund resources were transferred to meet the required contribution. The FY2017/18 Proposed Budget and the 5-year forecast include increasing contributions to maintain funding consistent with Council's adopted Risk Management Funding and Reserve Policy.

#13 Consider monitoring the drivers' licenses of all employees that drive City vehicles or receive City vehicle allowances.

☐ Started All employees who operate commercial vehicles are currently enrolled in the California Department of Motor Vehicles (CA DMV) drivers' license pull notice system. The draft Transportation Policy includes the following requirement for non-commercial drivers: "Employees who drive at least weekly on City business, with a class C license, will be enrolled in CA DMV pull notice at the time of hire or in accordance with terms of collective bargaining agreements." The HR Risk Management Division will implement pull notice monitoring for these non-commercial drivers upon adoption of the Transportation Policy.

#15 Continue to pursue establishing pre-employment screenings for all classifications in the City to reduce the risk of hiring undesirable applicants.

☑ Implemented Beginning January 1, 2018, all new hires and re-hires are required to be fingerprinted and go through a criminal background check through the Department of Justice as part of their conditional offer of employment.

#16 Continue to work towards implementing the updated draft of the Transportation Policy to increase the insurance requirement of employees driving their personal vehicles for City business.

☐ Started HR will continue to work towards implementing the updated draft of the Transportation Policy.

#17 Work together to develop a monitoring mechanism to ensure employees maintain the required minimum insurance coverage when receiving a vehicle allowance.

☐ Started Public Works Fleet Management and HR Risk Management staff recommend conducting a 25% random sample annually to verify that requirements for maintaining automobile insurance are met by employees who receive mileage reimbursements or automobile allowances. HR Risk Management staff will implement this verification process upon adoption of the $100,000/$300,000/$50,000 insurance limits recommended in the draft Transportation Policy. The policy also contains requirements to monitor employees' personal insurances.

Post Audit Summary of the Audit of the Department of Utilities Labor Reporting

The Audit of the Department of Utilities Labor Reporting contained four findings and made 26 recommendations aimed at improving compliance, achieving potential cost savings, and improving processes related to the Department of Utilities labor reporting practices. The audit was released in October 2016. Since the audit's release, six recommendations have been fully implemented and progress has been made towards implementing fifteen other recommendations. The progress for the recommendations made in this audit is shown in the exhibit below.

Exhibit 7: Status of Audit Recommendations
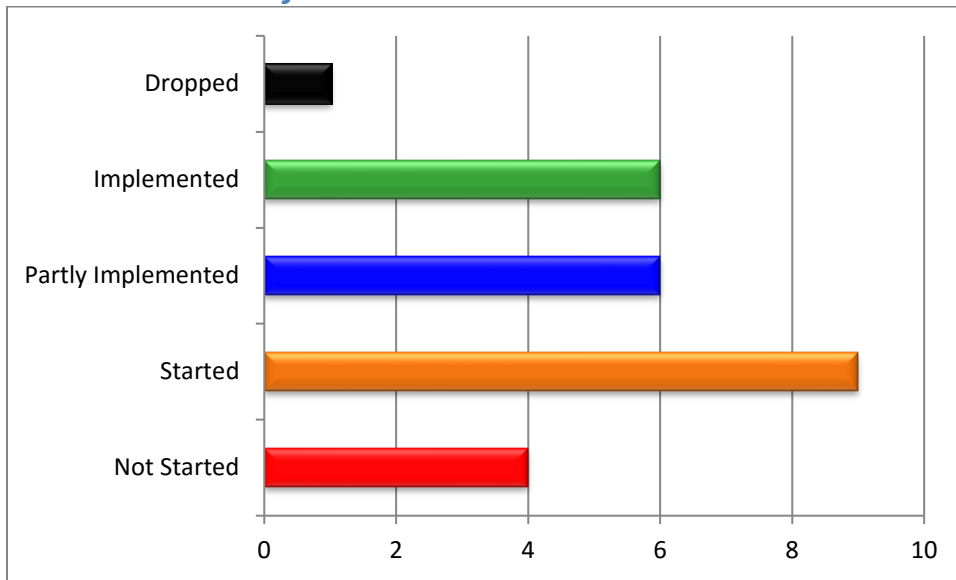
Finding 1: Lack of Interfund Reimbursements for Some Department of Utilities Costs May Be Inconsistent with the Cost Allocation Requirements of Proposition 218

#1 Establish cycles to regularly review and update the program code master web file, including reviewing transfer methodology and deactivating appropriate program codes in eCAPS.

☑ Partly Implemented All inactive program codes have been deleted from eCAPS. The master file has been updated. The file will be updated on an annual basis during the fiscal year-end process. At this time, any program codes not in use will be deleted.

#2 Develop written policies and procedures for processing interfund reimbursements.

☑ Partly Implemented The Department of Utilities received a final report from the consultant in August 2017. The report specifically addresses the audit recommendations and includes procedures for the automated and interfund processes. The department has formally adopted these policies and procedures.

#4 Consider negotiating with Local 447 so that when employees work out-of-class they do not earn more than the top salary of the higher classification.

☑ Implemented Article 11.2 has been revised to state that employees will receive 5% or Step 1, whichever is greater, but not to exceed the top step of the higher classification. The new labor agreement with Local 447 was approved by Council in January 2018.

#5 Review the appropriate employee job classifications and labor agreements to determine whether out-of-class pay is appropriate for serviceworkers working as utilities locators.

☑ Implemented The current Serviceworker job specification states "Locate, excavate, tap, and repair water lines, sewer lines, and storm drain facilities." If these were the only utilities the Serviceworker is locating, the employee should not be paid out-of-class pay. However, DOU also marks utilities for the Public Works Department, such as street lighting, traffic sensors, etc.; this entitles them to out-of-class pay.

#6 Establish interfund reimbursement methodology for employees who perform work for multiple funds.

☑ Implemented Program code 14038 is established and interfund reimbursements are being processed. The final report from the consultant indicates that the established reimbursement methodology for employees performing work for multiple funds is appropriate.

Finding 2: Compliance with Labor Agreements and Department Policies Can Be Improved and Opportunities for Cost Savings Through Renegotiation Exist

#7 Provide labor agreement training to City employees, supervisors, and upper management on a continuous basis.

☐ Not Started The department will work with Labor Relations to secure training following the 2017 labor negotiations that are currently in progress. It is anticipated that the remaining labor agreements will be approved by Council in January 2018. Labor Relations has begun setting meetings with PAR contacts, managers, and supervisors throughout the City to go over changes in labor agreements.

#8 Review the existing employee user access to pay types and restrict access to only those pay types for which an employee is eligible.

☑ Started The Finance Department has started reviewing drop down pay options and is in the process of testing potential changes. Due to staffing changes work on this has been delayed, but changes to the PEPRA out-of-class employees should be implemented in February.

#9 Consider negotiating into all labor agreements clear language defining when an employee receives out-of-class pay.

☑ Started The Human Resources and Finance departments will work on this item in 2018, as there have been recent PERS changes regarding OOC.

#10 Establish Citywide policies and procedures for assigning employees out-of-class.

☑ Started The Human Resources and Finance departments will work on this item in 2018, as there have been recent PERS changes regarding OOC.

#11 Review current labor agreement overtime definitions with employees and timesheet approvers.

☐ Not Started The department will work with Labor Relations to secure training following the 2017 labor negotiations that are currently in progress. It is anticipated that the remaining labor agreements will be approved by Council in January 2018. Labor Relations has begun setting meetings with PAR contacts, managers, and supervisors throughout the City to go over changes in labor agreements.

#12 Work with the various labor unions to negotiate overtime pay to be consistent with the FLSA minimum requirements.

☑ Started Sick leave was removed from the calculation of overtime. Removing sick leave from the calculation was the direction agreed upon for negotiations. No other changes are being made at this time.

#13 Review and update the Standby policy and review the policy with supervisors and employees responsible for approving timesheets.

☐ Not Started The department is working with Labor Relations to review and update the Standby policy. The department expects this to be finalized by February 2018. Upon finalization, the policy will be disseminated and implemented.

#14 Review and update all Department of Utilities internal policies related to labor reporting.

☐ Partly Implemented The Department of Utilities has not entered any new policies through the APPS process since the most recent update. A team has been assembled to analyze the current policies and prioritize their submittal to the APPS process. This review is anticipated to be complete by the end of the fiscal year 2018.

Finding 3: There are System Users with Unnecessary or Excessive Levels of Access to Department of Utilities Systems that May Create Potential Conflicts of Interest or Inconsistencies in the Timesheet Approval Process

#15 Establish a method to keep track of employee familial relations to prevent potential conflicts of interest.

☑ Implemented The Department of Utilities has complied with the Human Resources Department's request to disseminate the policy and disclosure forms. The majority of DOU employees have acknowledged the policy in TargetSolutions. The Human Resources Department has collected all nepotism disclosure forms and will be meeting with unions in early 2018 to relocate employees who are in violation of the policy.

#16 Reclassify the Utility time reporting groups and limit the number of employees with the authority to approve timesheets.

☑ Started The time reporting groups working group completed their analysis and scrub of the current eCAPS data in October 2017 and identified a substantial number of groups to propose for elimination. Prior to implementing changes to eCAPS, the working group will (1) prepare recommendations as to appropriate time reporting groups and timesheet approvers, taking into consideration the department's reorganization being implemented in Spring 2018 and (2) will provide those recommendations to the

DOU Executive Team for their review and approval. Once that approval is received, the working group will work with IT to implement the recommendations.

#17 Establish policies and procedures for the monthly or quarterly reconciliation of Maintenance Connection and eCAPS timesheets.

☑ Started The department is in the process of refining a report for this process. Procedures are still in development. The department expects the procedures to be finalized in early fiscal year 2019.

#19 Establish policies and procedures for the use of Maintenance Connection as a timekeeping system.

☐ Partly Implemented The Electronic CMMS Timesheet Policy is awaiting approval from Labor Relations. Once the policy is approved by all required parties, it will be implemented.

#20 Enforce segregation of duties so that timesheet approvers either enter _or_ approve timesheets.

☐ Partly Implemented The Timesheet Segregation of Duties policy was approved by the DOU Executive Team and has been with the City Attorney's Office since May 9, 2017. DOU staff contacted the attorney assigned to the policy to inquire as to its status and received no response. DOU contacted the attorney again on December 21, 2017 to inquire as to the status and to emphasize the time sensitive nature to implement this audit recommendation.

Finding 4: The Finance Department Uses an Excessive Number of Time Reporting Codes and Earn Codes as well as Complex Calculation Methodologies and Distribution Methods for Supplemental Pay that May Not Align with Labor Agreements or Tax Laws

#21 Establish clear definitions for the frequency of payment for all incentives and allowances in all labor agreements.

☑ Started The Finance Department has reviewed the recent MOU changes approved through labor negotiations with the various units and will begin making the appropriate changes in the system.

#22 Consider negotiating consistent frequencies of payment for incentives and allowances across the labor agreements.

☑ Dropped The Human Resources Department worked with Payroll to fix incentive items that were being paid incorrectly in comparison to the labor agreement language. According to the Human Resources Department, now that the items are corrected, there should be no confusion on when items are paid.

#23 Adjust the process for distributing the tool allowance to employees so that it is in compliance with current tax laws, if necessary.

☑ Partly Implemented The Human Resources Department has renegotiated the tool allowance for the Building Trades and Machinists to comply with tax law. The updated labor agreement for the Building and Construction Trades Council was approved by Council in January 2018. The Finance Department anticipates that this new process will be implemented by the end of the fiscal year.

#24 Review the labor agreements and update the calculation methodology for the appropriate supplemental pay types so that they are compounded correctly, if necessary.

☐ Started No progress was made during the reporting period.

#25 Review and update which pay types should have compounding pay components.

☐ Started No progress was made during the reporting period.

#26 Establish written policies and procedures for periodically reviewing and updating the earn codes and time reporting codes, checking for duplicates and active earn codes that should be deactivated.

☐ Not Started Due to staffing changes in the Finance Department, Payroll Division work on this has been delayed. The first priority of the department is to implement changes necessary to address time reporting codes and allowances. Work on written policies and procedures will be performed once these pay issues have been addressed.

Post Audit Summary of the Audit of City's Master Vendor File

The *Audit of the City's Master Vendor File* contained four findings and made nineteen recommendations to improve the City's Master Vendor File. The audit, which was released in December 2015, assessed the controls over the Master Vendor File and identified areas of risk.

Since the audit's release, the Finance Department has made progress towards implementing many of the audit recommendations by conducting training with City staff and by working with the City's Information Technology (IT) Department to enhance Master Vendor File system controls.

However, the Finance Department has recently experienced employee turnover in key positions. This will likely delay the implementation of some of the recommendations until the positions have been filled.

Of the 19 recommendations, 14 (74%) have been implemented or partly implemented.

Exhibit 8: Status of Audit Recommendations
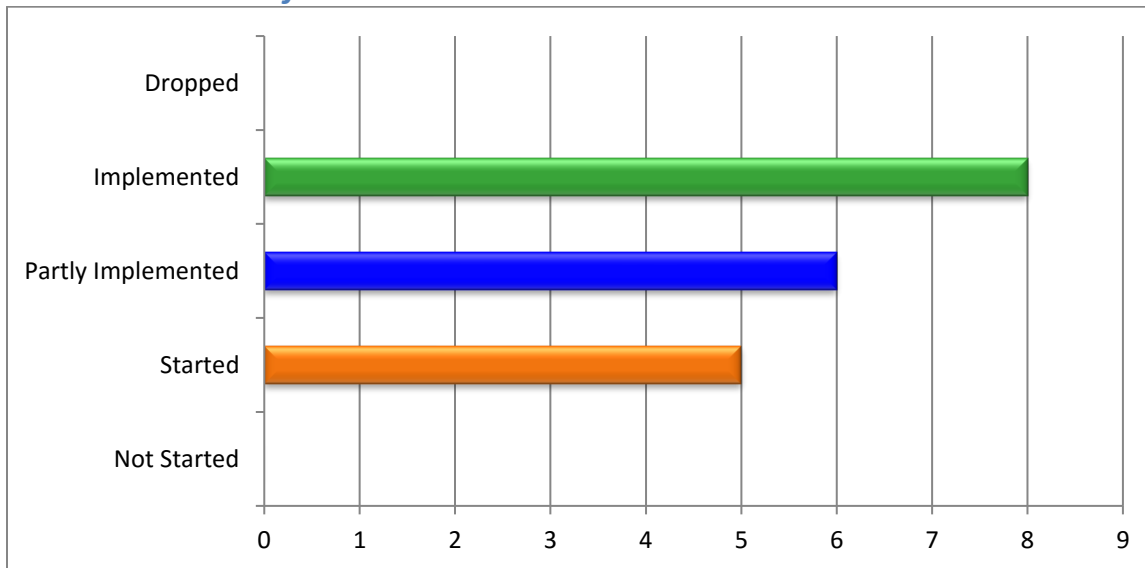
Finding 2: City employees with incompatible duties had access to the Master Vendor File

#6 Develop a process to review user accounts on a regular basis to ensure the number of users and their level of permission is commensurate with their responsibilities.

☐ Partly Implemented Finance is developing a process to review user accounts on a regular basis to ensure the number of users and their level of permission is commensurate with their responsibilities. In February 2017, the Accounting Division analyzed user profiles and modified 12 users' access rights to match their level of responsibility. This process will be incorporated into the policies and procedures currently under development.

#7 Establish a formal process for review and approval of new user access and memorialize the process in a policy.

☐ Partly Implemented Finance is in the process of establishing a formal process for review and approval of new user access and incorporating that process in the policies and procedures currently under development. A new Security Requisition Request form with workflow approval process will dramatically change the process currently in use.

Finding 3: The City should improve controls over the Master Vendor File to increase data integrity and prevent fraud

#8 Verify the legitimacy of new vendors before adding them to the Master Vendor File.

☐ Started A new process that will allow potential vendors to conduct business with the City of Sacramento will be added with the implementation of ABCDs. Potential vendors will be required to supply appropriate details of their business and appropriate tax forms before acceptance by City staff. Procedures will be incorporated once ABCDs comes on line in the Fall of 2018.

#11 Review the change reports on a regular basis to detect errors.

☐ Started As part of the implementation noted in #9 and #10 above, Finance will memorialize the frequency and methodology for documenting a formal review of the Supplier Audit Log in their policies and procedures.

#12 Require all TIN's in the eCAPS system be limited to 9 digits.

☐ Partly Implemented Finance requires all TIN's be limited to 9 digits. Finance reviewed this recommendation with City departments at the fiscal year-end close kick-off and training workshop in June. These procedures will be incorporated into the policies and procedures currently under development.

#13 Perform a TIN matching review on a regular basis to identify and correct errors.

☐ Partly Implemented   Finance has begun quarterly TIN matching processes.

#14 Restrict the use of special characters in vendor names.

☐ Partly Implemented   Finance prohibits the use of special characters in vendor names and expects that this requirement will be easier to maintain with the implementation of ABCDs and the new vendor portal. Finance plans to incorporate this recommendation into their policies and procedures by December 2018.

#15 Develop guidelines for a Master Vendor File standard naming convention.

☐ Started Finance is in the process of developing policies and procedures to address maintenance of the Master Vendor File and expects to publish the guidance by December 2018.

#16 Develop policies and procedures that guide employees and provide direction on all major aspects of maintaining and protecting the Master Vendor File.

☐ Started Finance is in the process of developing policies and procedures to address maintenance of the Master Vendor File and expects to publish the guidance by December 2018.

Finding 4: Prohibited vendors with potential conflicts of interest conducted business with the City

#18 Develop and document more robust and frequent methods of searching the Master Vendor File for vendors that could potentially represent conflicts of interest.

☐ Partly Implemented Finance routinely checks new vendor requests for potential conflict of interest and is in the process of developing improved procedures for searching the Master Vendor File. Finance plans to have this new process documented and in place by December 2018.

#19 Provide training on City Code 2.16.010 Prohibition on City Employee Interest in City Contract to City employees responsible for selecting vendors.

☐ Started Finance is developing web-based training for the City's executive team and all City employees responsible for vendor selection.

Post Audit Summary of the Audit of the Sacramento Housing and Redevelopment Agency (SHRA)

The *Audit of the Sacramento Housing and Redevelopment Agency* was completed by consultant Harvey M. Rose Associates, LLC on behalf of the Auditor's Office. The audit, which was released in September 2015, assessed SHRA's funding and project selection practices. In addition, the audit reviewed the relationships between SHRA and its affiliated non-profits. The audit contains four findings and makes fourteen recommendations aimed at improving transparency and accountability. Two of the consultant's recommendations were not adopted by the City Council; however, the remaining twelve recommendations were accepted.

Since the audit's release, SHRA has made measurable progress towards implementing many of the recommendations. Most notably, SHRA has amended the bylaws of one of its non-profits (SHARP) to reduce the potential for the appearance of favoritism. In addition, SHRA published a 2016 Multi-Family Loan Application Schedule in order to increase transparency of the agency's project selection and funding practices. To date, SHRA has implemented or partly implemented twelve of the recommendations. SHRA expects to have made progress on all recommendations by mid-2018.

Exhibit 9: Status of Audit Recommendations
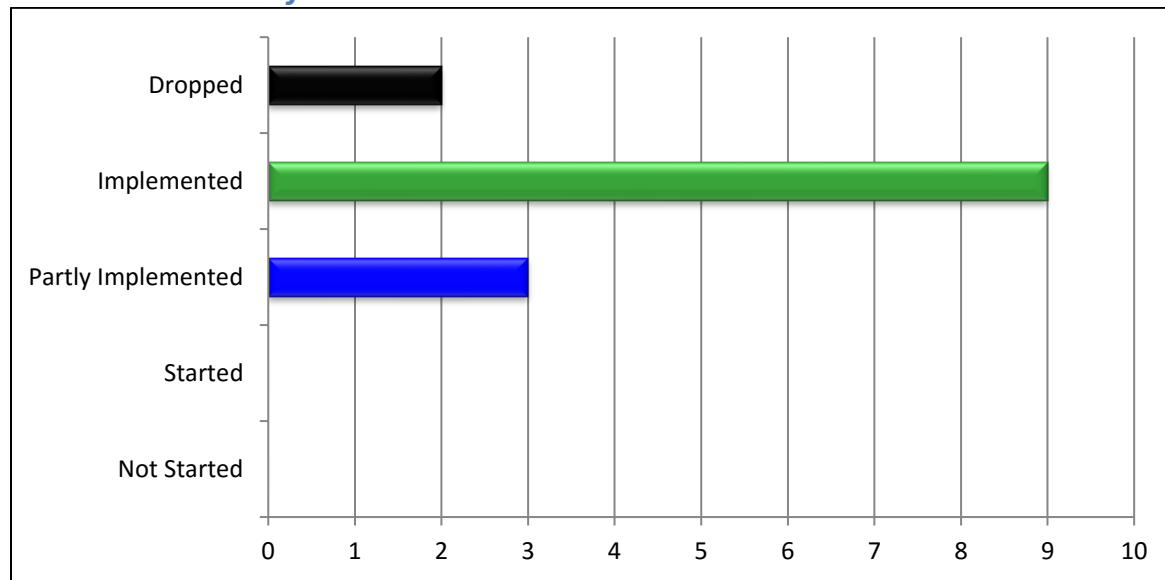
Finding 1: SHRA's Funding Practices and Project Selection Should Be More Transparent

#2 Request calendaring of Multifamily Lending priorities for discussion by the City Council prior to any changes.

☐ Partly Implemented According to SHRA, the first in a series of stakeholder meetings was held in January 2017. On September 12, 2017 staff released draft revised Policies. After incorporating public comment, staff released a second draft of the Policies on October 11, 2017. A Sacramento Housing and

Redevelopment Commission workshop was held to receive public comments on October 25, 2017.   Staff anticipates releasing a third draft of the Polices in early 2018.

#3 Clarify in its Multifamily Lending Policies how projects meeting the same priority status will be evaluated for funding selection.

☐ Partly Implemented According to SHRA, the first in a series of stakeholder meetings was held in January 2017. On September 12, 2017 staff released draft revised Policies. After incorporating public comment, staff released a second draft of the Policies on October 11, 2017. A Sacramento Housing and Redevelopment Commission workshop was held to receive public comments on October 25, 2017.   Staff anticipates releasing a third draft of the Polices in early 2018.

#4 Publish project selection criteria as part of the annual public noticing process, and consider assigning a point system to evaluate competing projects.

☐ Partly Implemented In 2016 SHRA began publishing project submission with deadline information as part of the annual budget process. In addition, submission criteria is posted on the SHRA website and updated annually. The first in a series of stakeholder meetings was held in January 2017. On September 12, 2017 staff released draft revised Policies. After incorporating public comment, staff released a second draft of the Policies on October 11, 2017. A Sacramento Housing and Redevelopment Commission workshop was held to receive public comments on October 25, 2017.   Staff anticipates releasing a third draft of the Polices in early 2018.

Post Audit Summary of the Audit of City's 311 Call Center

The Audit of the City's 311 Call Center contained two findings and made eighteen recommendations to enhance the operations and improve the performance of the City's 311 Call Center for the public. The audit, which was released in May 2015, evaluated internal controls, tested the accuracy of Siebel Customer Relationship Management system, and assessed the Call Center's ability to meet its performance measures.

Since the audit's release, the 311 Call Center has worked towards implementing the recommendations made in the audit. During the reporting period of June 2017 to December 2017, the 311 Call Center made slow progress with implementation of audit recommendations due to the recruitment for the 311 Call Center Manager. As shown in Exhibit 10, we designated 11 recommendations implemented (61%), and seven recommendations partly implemented (39%).

Exhibit 10: Status of Audit Recommendations
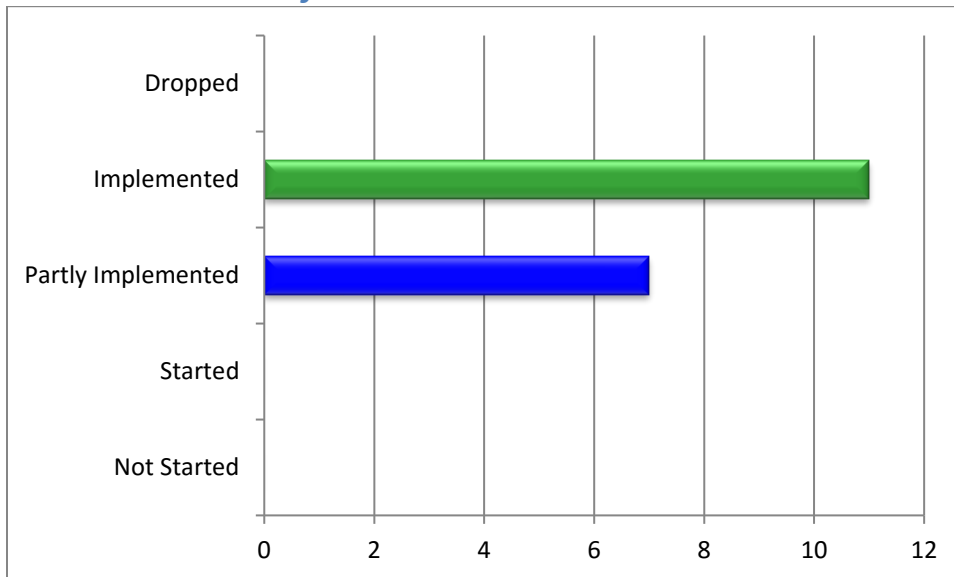
Finding 1: The Call Center is Unable to Meet Its Current Service Level Goals

#1 Review 311 Call Center staffing levels and ensure it is staffed to meet service level goals.
☐ Partly Implemented The Division is actively recruiting for the 311 Call Center Manager position. Once the position is filled, the new manager will reassess the staffing levels in the 311 Call Center.

#7 Evaluate supervisor-to-agent and support staff-to-agent levels and consider increasing the number of supervisory and support staff in the 311 Call Center to be more in line with similarly sized 311 Call Centers.
☐ Partly Implemented The Division is actively recruiting for the 311 Call Center Manager position. Once the position is filled, the new manager will reassess the number of supervisory and support staff in the 311 Call Center.

Finding 2: Additional Technological Enhancements May Help the 311 Call Center Improve Performance

#9 Enhance the City's mobile application to provide additional services and information for citizens to utilize.

☐ Partly Implemented The City is partnering with the County of Sacramento to develop one combined smartphone application to improve the reporting of requests on a regional basis. This will improve response in areas that lie along the City/County border, and will improve the response for residents who live in one jurisdiction and travel to the other jurisdiction for work or play. The revised application is currently being developed by the County of Sacramento to coincide with the launch of their new CRM system. Due to this future partnership, development in the existing 311 smartphone app has been postponed.

#10 Consider other technological advances that may reduce call volume and increase the number of requests processed through self-service means.

☐ Partly Implemented The 311 Division will be adding chat and self-service functions as part of the CRM upgrade by March 2018. These new functions will allow customers the ability to utilize technology to contact 311 Call Center. In addition, the Division continues to explore chatbot technology to reduce call volume.

#15 Integrate data from Cisco, Siebel or new CRM system, and Witness to better analyze 311 Call Center data and develop processes to improve customer service.

☐ Partly Implemented The 311 Division is working with the IT Department to build an in-house solution that will integrate data from Cisco, OSC, and Verba. The integration will allow the 311 Division to develop processes to improve customer service.

#16 Address the limitations of the Customer Relationship Management system integration with the new Customer Relationship Management system and ensure agents utilize the integration while processing CIS-related service requests.

☐ Partly Implemented The CRM integration with CIS has been implemented and agents are instructed to use the integration when possible. The 311 Division is monitoring integration usage and will report the results at the next recommendation follow-up period.

#18 Develop a process with City departments utilizing escalation forms that allows the 311 Call Center to follow up on previous requests.

☐ Partly Implemented We continue to investigate ways to move this process from email, which limits the ability to easily get a status, to one which provides tracking of status and the response provided. When our new Oracle Service Cloud partner comes on board this year we will be working with them to find the best possible method for closing this gap.

Post Audit Summary of the Audit of City's Sidewalk Repair Process

The Audit of the City's Sidewalk Repair Process contained four findings and identified as much as $300,000 in revenue the City could recover if fees were increased. The audit, which was released in November 2014, included 12 recommendations and evaluated internal controls, tested the accuracy of utility service charge bills, and assessed the City's ability to recover amounts billed.

Since the publication of the audit, the Department of Public Works (Public Works) has made progress towards implementing all 12 of the recommendations, and only one remains open and in progress. The progress is shown in the exhibit 11 below.

Exhibit 11: Status of Audit Recommendations
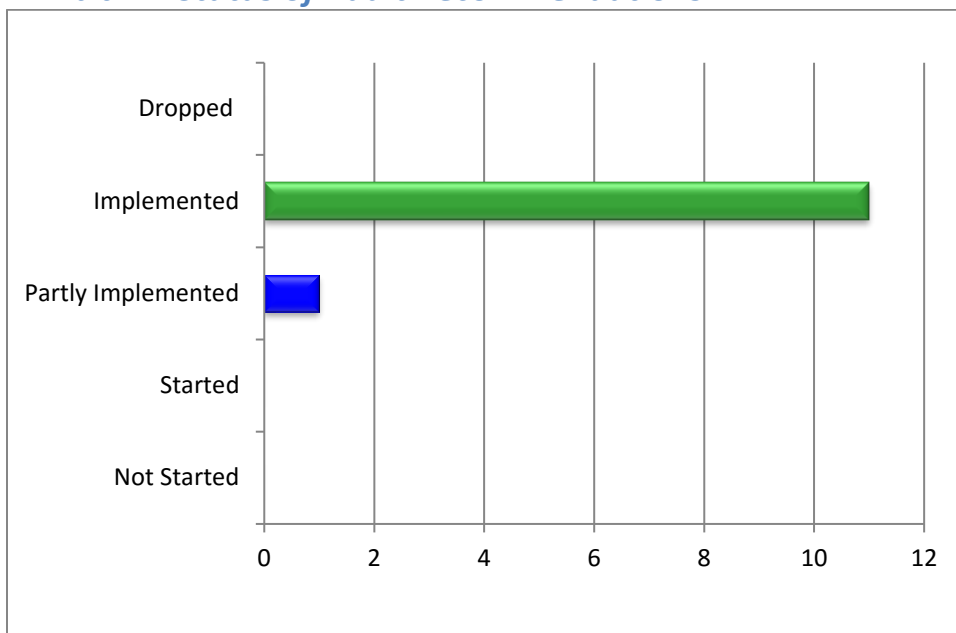
Finding 3: Opportunities Exist to Enhance the Sidewalk Repair Process

#4 Continue to work towards reducing the backlog of sidewalk repairs to six months.

☑ Partly Implemented Due to Prevailing Wage legislation that significantly increased contractor costs, and other factors beyond the control of the City, efforts to reduce the backlog to six months are no longer realistic. The Office of the City Auditor and the Department of Public Works are in agreement to adjust this recommendation to a more realistic and sustainable goal of a one-year work order backlog. Efforts to reduce the backlog to one year were slowed by State legislation and accompanying budget issues, however Public Works is in the process of adjusting operations to continue reduction efforts. The current repair backlog averages approximately 2 ½ years, with some work orders dating as far back as February 2015. Based on this and the limited resources available, we anticipate a backlog reduction to 12-18 months will not occur for least another 1-2 years.

Finding 4: Public Works Could Benefit From Leveraging the Use of the 7i System

#10 Make changes to the system as necessary and establish policies and procedures for these information requirements.

☑ Implemented Public Works has worked with the Information Technology (IT) Department to create a new entry method for new sidewalk repair work order that greatly reduces the amount of time spent by employees by eliminating fields that are not relevant to the sidewalk process. This new entry method appears to be complete and is in use.

Post Audit Summary of the Audit of Citywide Wireless Communications

The *Audit of Citywide Wireless Communications* contained three findings and made 18 recommendations for improving the City's administration of its citywide wireless communication devices. By performing this assessment, we sought to identify ways to reduce the City's cost of providing wireless communication devices to employees. By improving how the City's wireless device program is administered, the City may save nearly $300,000.

Since the audit's release in August 2014, the City's Information Technology Department has worked towards implementing the audit's recommendations. During the reporting period of June 2017 to December 2017, the status of recommendations did not change from the previous reporting period. Implementation of the recommendations has been slow due to coordination efforts with other City departments to make appropriate changes to wireless communication devices. In addition, the IT Department has developed a Mobile Device Policy that designates the roles and responsibilities of department heads and their designees to review and make changes to mobile plans as necessary. However, due to a recent California Supreme Court ruling stating that texts and emails sent by public employees on their personal devices or accounts are a matter of public record if they deal with official business, the IT Department is updating the Mobile Device Policy to incorporate the State's ruling. As shown in exhibit 12, we designated 5 recommendations implemented (28%), 11 recommendations partly implemented (61%), and 2 recommendations as started (11%).

Exhibit 12: Status of Audit Recommendations
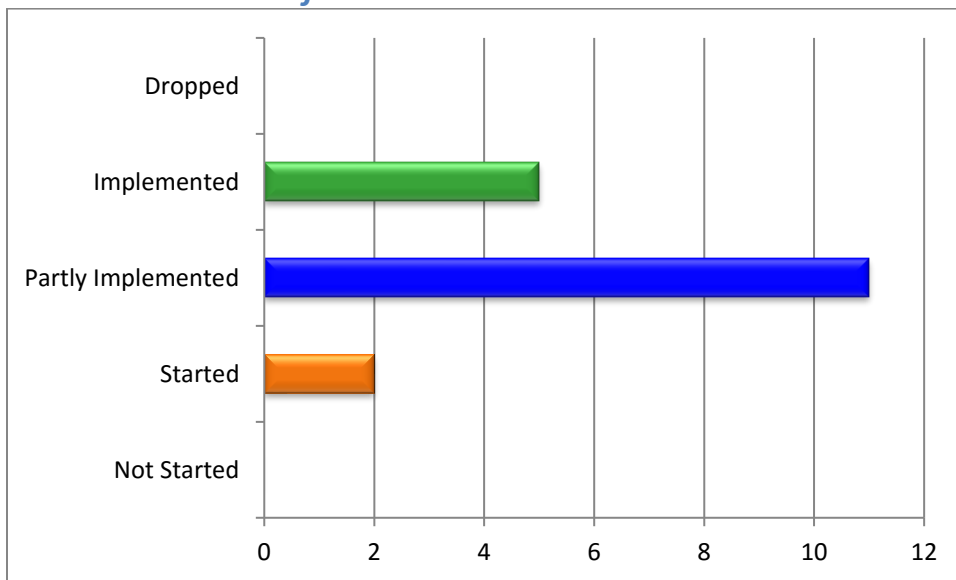
Finding 1: Improving How the City's Wireless Device Program is Administered Could Potentially Save the City $291,600 and Decrease the Risk of Abuse

#1 Establish controls to monitor overage charges.
☐ Partly Implemented The Information Technology (IT) Department implemented a mobile management application, NexTEM, to monitor wireless overage charges. In addition, the IT Department also sends monthly bills and quarterly usage details (including zero usage and overage changes) to departments for review. Department heads or their designees are responsible for reviewing monthly charges and making appropriate plan changes as required in the Mobile Device Policy.

#2 Develop testing mechanisms and protocols for detecting and eliminating excessive personal use.
☐ Partly Implemented IT implemented a mobility management application to monitor monthly wireless charges. In addition, monthly bills and quarterly wireless usage details are available for management review. The IT Department has developed a Mobile Device Policy assigning department heads or their designees responsibility for reviewing and approving monthly vendor charges. Also, the IT Department implemented the Mobile Device Management solution that will provide better controls in monitoring, inventory, and securing the City's mobile devices.

#7 Consider cancelling or suspending services for devices not being used.
☐ Partly Implemented The IT Department is currently working with departments to review and update wireless device inventory as required. The IT Department provides monthly bills and quarterly 'Low or No Usage' reports to departments for their review. We found that the amount and cost of zero-use devices increased from the audit period to calendar year 2017.

#9 Assign responsibility for monthly review of device use.
☐ Partly Implemented Department heads or their designees will be responsible for reviewing monthly charges and making appropriate plan changes as required in the Mobile Device Policy.

#10 Perform analysis on the City's lines to ensure devices are in the most cost effective plans.
☐ Partly Implemented Most departments have already taken steps to review monthly bills and optimization reports and make changes to suggested plans. IT will continue to produce optimization reports and work with other departments on a quarterly basis to review them.

Finding 2: Wireless Device Policies are Insufficient

#11 Continue to develop and implement formal policies and procedures to reflect operational changes and advances in wireless device technology and security.
☐ Partly Implemented The IT Department has developed formal policies and procedures as part of the Mobile Device Policy.

#12 Develop a process to review policies on an ongoing basis so they remain up-to-date.
☐ Partly Implemented The IT Department will review and update the formal policy on an annual basis once it has been finalized and implemented.

#13 Establish how best to exercise authority over the City's wireless communication devices.

☐ Partly Implemented Roles and responsibilities of all players in the management of the City's wireless communication devices will be delineated in the formal Mobile Device Policy.

#14 Update and utilize the wireless communication device request form for all employees issued City devices. The request form should include a written justification for the device, anticipated use, and plan type with supervisory approval and stored for as long as the employee is assigned the device.

☐ Started The IT Department developed a wireless communication request form. The request form is also addressed in the Mobile Device Policy.

#15 Submit a new wireless communication device request form for all existing employees with City-issued devices.

☐ Started The IT Department developed a wireless communication device request form to provide to existing employees with City-issued devices. The request form is also addressed in the Mobile Device Policy.

#16 Define responsibilities and develop policies to govern telecom liaisons.

☐ Partly Implemented Roles and responsibilities of all players in the management of the City's wireless communication devices will be delineated in the formal Mobile Device Policy.

#17 Department management should review changes made by telecom liaisons to ensure they are appropriate.

☐ Partly Implemented Alerts are now sent to management when changes are made in the Mobile Device Management system. Wireless communication device request form will help prevent inappropriate orders. The IT Department also sends monthly charges to departments for review. Responsibility for reviewing changes and charges are assigned in the Mobile Device Policy.

Finding 3: Inventory Records are Incomplete and Inconsistent

#18 Update inventory records and ensure complete and up-to-date inventory is maintained.

☐ Partly Implemented The IT Department continues to utilize the KACE system to manage all IT hardware equipment inventory and is currently selecting a random sample of 400 inventory items every quarter and tracking the items down to ensure inventory information is up-to-date.

Post Audit Summary of the Audit of the Fire Department Inventory System and Narcotics

The *Audit of Fire Department Inventory System and Narcotics* contained three findings and made 19 recommendations aimed at improving the accuracy and accountability of the Fire Department's Emergency Medical Services (EMS) inventory systems. The audit, which was released in August 2014, provided both a high-level assessment of the newly acquired Operative IQ inventory management system and a comprehensive analysis of the existing narcotics inventory system.

A Medical Supply Working Group (MSWG) was established in October 2017 to establish consistent policies and provide guidance on the Department's inventory management.

Of the 19 recommendations, 10 (53%) have been implemented or partly implemented. One recommendation was dropped.

Exhibit 13: Status of Audit Recommendations
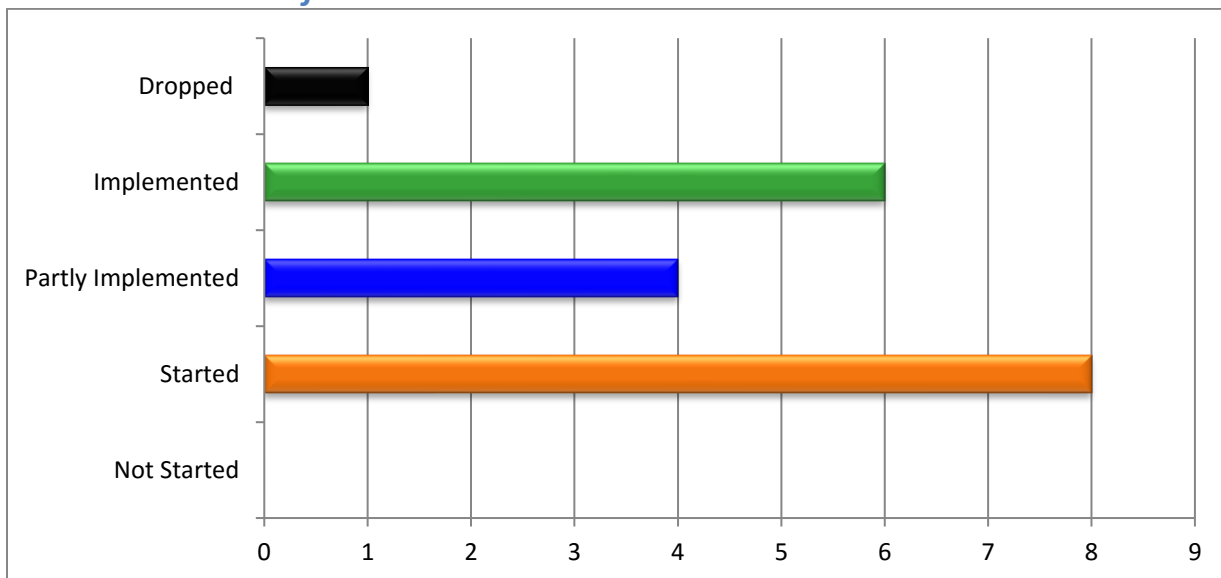
Finding 1: The Fire Department should implement inventory management best practices to improve accountability and accuracy

#1 Assign responsibility for managing inventory and develop policies to provide clear and consistent direction.

☑ Partly Implemented A Medical Supply Working Group (MSWG) was established in October 2017 to develop consistent policies and guidance on the Department's inventory management.

#2 Establish performance goals to determine if the system is functioning properly.

☑ Started The MSWG is working towards developing par levels for counting and maintaining inventory, but has not yet established specific performance goals for the inventory system.

#3 Determine a schedule for regular and random inventory counts to ensure accuracy and identify outages.

☐ Started Inventory processes, including quarterly cycle counts and random counts, are still being developed and tested.

#4 Require supervisory approval of inventory count adjustments and document the cause of the variance.

☐ Started The Fire Department has hired some shopkeepers in the Logistics Division to help manage inventory. Inventory processes are still being developed and tested.

#5 Develop a mechanism to track discarded or expired medication.

☑ Partly Implemented   Expiration dates for some supplies are being recorded in the electronic inventory system. Policies are still being drafted.

#6 Develop a process to track actual usage of supplies.

☐ Started Inventory processes are still being developed and tested.

#7 Work with the IT Department to implement system access best practices, including the concept of "least privileges."

☑ Partly Implemented The Fire Department is working to reorganize some system access levels; however, additional work still needs to be completed.

#8 Develop a formal process for approving new user access and changes to access levels.

☑ Started A formal access policy has not yet been established. Staff are in discussions on how to implement this recommendation and plan to draft an access policy.

#9 Perform ongoing reviews of system access.

☑ Partly Implemented Some system access reviews have been completed. However, an ongoing process has not yet been developed for ensuring ongoing system access reviews. Logistics and IT staff are in discussions on how to implement this recommendation and plan to include the results in the access policy.

#10 Determine which standard reports will be run by management on a regular basis to monitor and assess the overall system health, accuracy, and cost effectiveness.

☑ Started Some key reports have been created to monitor inventory ordering and supply levels.

#11 Set up automatic delivery of key reports.

☑ Started Some key reports have been created to monitor inventory ordering and supply levels.

Finding 2: Recordkeeping and monitoring of narcotics should be strengthened to safeguard against fraud, waste, and abuse

#14 Perform reconciliations of the narcotics tracking sheet to ensure they are all accounted for from delivery to disposal.

☑ Started The Fire Department has started performing some reconciliations, but additional work remains.

Post Audit Summary of the Audit of City Inventory Systems Part 1 of 2 Information Technology Department

The *Audit of City Inventory Systems – Part 1 of 2 Information Technology Department* contained two findings and identified as much as $288,000 in unaccounted for computers. The audit, which was released in April 2014, assessed the inventory systems used by the IT Department to track computer equipment. The audit included 12 recommendations designed to improve the accuracy and accountability of the inventory systems.

Since the audit's release, the IT Department has made significant progress towards implementing the recommendations. Most notably, the IT Department drafted a Citywide *Information Technology Hardware Inventory Policy* that identifies those responsible for managing inventory and outlines minimum requirements for maintaining inventory records. However, the policy is still in the process of being formally adopted.

The IT Department has performed a review of user access and started conducting self-assessments aimed at improving the reliability of the inventory records. Of the 12 recommendations, 5 (42%) have been implemented and 7 (58%) have been partly implemented.

Exhibit 14: Status of Audit Recommendations
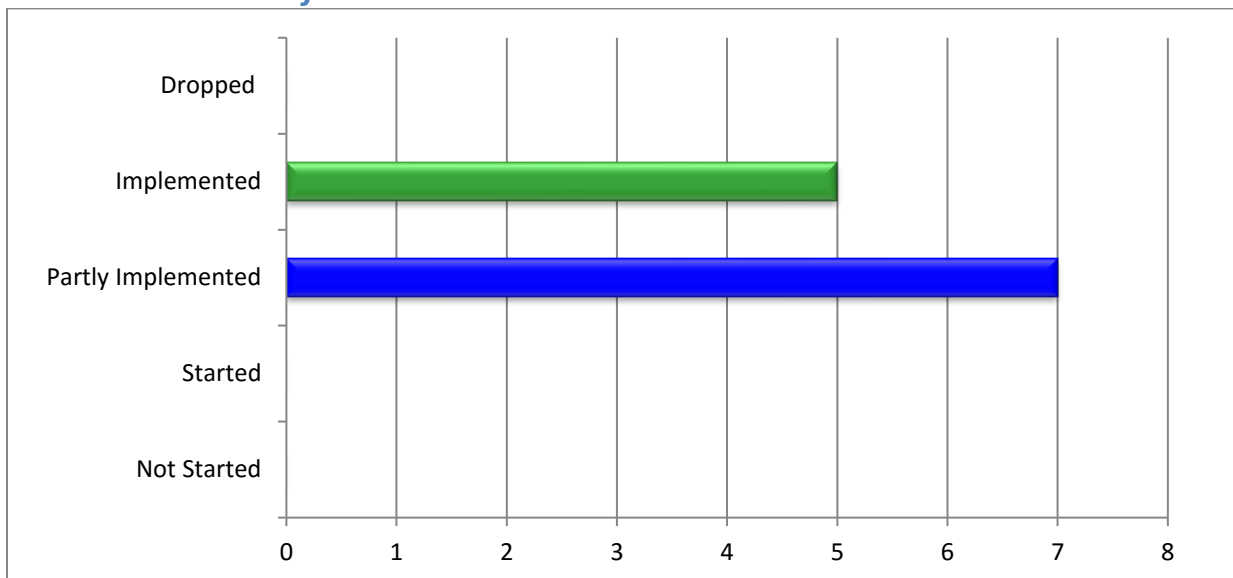
Finding 1: The Information Technology Department's inventory system contains significant errors and omissions

#1 Assign responsibility for managing the IT inventory system to the Chief Information Officer.

☐ Partly Implemented The Chief Information Officer has assumed responsibility for the IT inventory system. However, City Department Directors are still responsible for maintaining accountability and control of IT assets located in their respective departments. A Citywide *Information Technology Hardware Inventory Policy* is in the final stages of formal adoption.

#2 Establish goals and performance measures to increase data accuracy to at least 95 percent.

☐ Partly Implemented A goal of 95% accuracy has been established by the Citywide *Information Technology Hardware Inventory Policy* and performance toward that goal is being measured quarterly. This policy is in the final stages of formal adoption.

#3 Develop standardized policies and procedures for inventory management and provide training to staff.

☐ Partly Implemented *IT Hardware Inventory Procedures* have been developed for internal use by the IT Department to complement the Citywide *Information Technology Hardware Inventory Policy* mentioned in recommendation #1. A training plan was developed and completed for all IT staff responsible for the acquisition and management of the City's IT hardware inventory. Training includes standardized procedures, performance measures, and clearly defined staff roles and responsibility.

#4 Develop minimum data requirements for inventory records including model number, physical location, status, assignment, cost, and purchase date.

☐ Partly Implemented The following required fields for inventory have been identified in the Citywide *Information Technology Hardware Inventory Policy*: Asset Tag Number, Asset Type, Assigned to, Department Org Unit, Location, Manufacture, MAC Address (VOIP phones), Model Name/Number, Name, Purchase Date, Cost, Serial Number/Unique Identifier, Status, and Warranty Dates (if applicable.) This policy is in the final stages of adoption.

#6 Determine why inventory records are not always updated when employees separate from the City and implement a solution.

☐ Partly Implemented According to the IT Department, procedures and workflows have been put in place to remove system access and collect/reassign city owned IT equipment to a prospective employee or departmental representative. IT has begun performing quarterly reviews of employee separations.

#7 Develop a process to ensure all new IT hardware purchases are recorded in the inventory system.

☐ Partly Implemented The *Information Technology Hardware Inventory Policy* addresses the updated procedures for recording new purchases including the data fields listed in Recommendation #4. Quarterly self-audits are being performed to measure accuracy.

Finding 2: The Information Technology Department's inventory system has an excessive number of users with the ability to modify and delete inventory records

**#12 Formalize logical access to the inventory system in a written policy.**

☐ Partly Implemented IT has developed logical access in KACE system to specify the roles and the access level for each user group and perform audits and controls on an annual basis to ensure conformity. This is covered in the *Information Technology Hardware Inventory Policy*, currently in the final phases of formal adoption.

Post Audit Summary of the Audit of City Employee Supplemental Pay

The *Audit of City Employee Supplemental Pay* contained four findings and identified just over $400,000 in potential savings. The audit, which was released in December 2013, included 17 recommendations and evaluated the various types of supplemental pay, including incentives, allowances and overtime, specified in labor contracts, employment agreements, and in the City Charter.

Since the publication of the audit, the Fire, Finance, Human Resources, and Police Departments made progress towards implementing all 17 of the recommendations. As shown in Exhibit XX, we designated 11 recommendations implemented (65%), 4 recommendations partly implemented (23%), and 2 recommendations as started (12%).

Exhibit 15: Status of Audit Recommendations
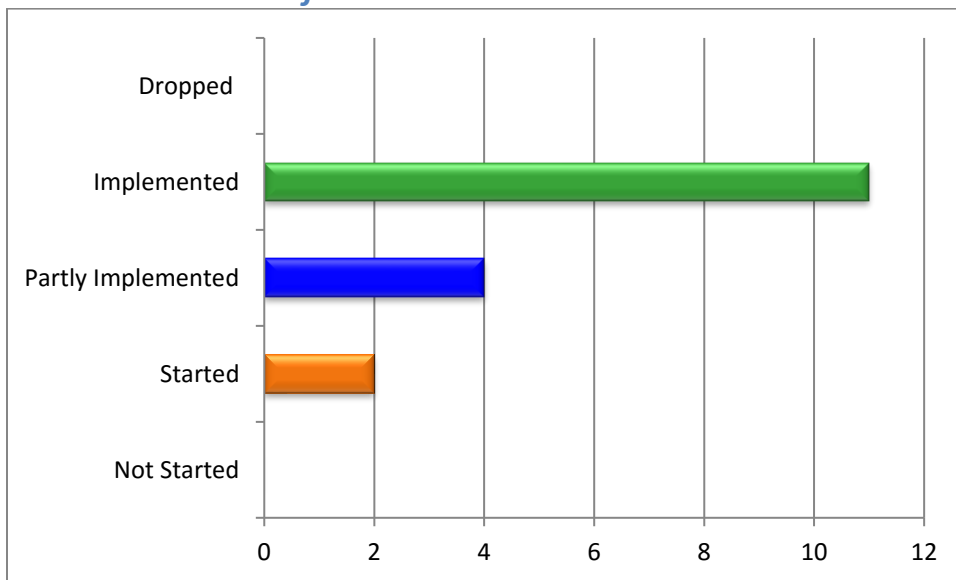
Finding 2: The City Could Reduce its Costs by an Estimated $336 Thousand annually if it Discontinued Compounding the Paramedic Incentive

We recommend that the Human Resources Department:

#8 Negotiate a change in the Paramedic Incentive to discontinue compounding with other incentives.
☐ Started Currently, the Paramedic Incentive is the only incentive that is compounded, resulting in an estimated $336,000 per year in costs to the City. According to the Fire Department, Fire Management and Labor met on December 10, 2015 with the intent to calendar a date that included Labor Relations in the discussion regarding the recommendation. The Department is working with all parties to set a date. The labor contract term pertaining to this recommendation is four years and therefore will not be up for discussion again until 2018.

Finding 3: Controls Over Employee Time Reporting Must be Improved

We recommend that the Fire Department:

#9 Create a policy and procedure for recording supervisor approval of individual employee time.
☐ Partly Implemented According to the Fire Department, City IT has met with Kronos and plans to implement fixes to move Telestaff to version 6.0. In addition, the Department is working with City IT to determine the ability to use Telestaff's interface with eCAPS in order to utilize eCAPS' supervisor approval process. It is anticipated that one of these approaches will provide supervisors the ability to record approvals in a time keeping system. Once the approach has been determined, an implementation plan will need to be developed which will include testing, updating policy and procedures, employee training, and deployment.

#10 Discontinue allowing any employee to have administrative access to both Telestaff software and server, and create a policy to prevent it in the future.
☐ Partly Implemented The practice of employees having administrative access to both the Telestaff software and server has been discontinued. The Department has requested assistance from City IT to develop an administrative access policy.

#11 Develop controls to monitor the activity of those provided with administrative rights to Telestaff.
☐ Started According to the Fire Department, City IT has met with Kronos and plans to implement fixes to move SFD Telestaff to version 6.0. The previous upgrade did not provide the functionality needed. Future iterations will allow a more tiered access to administrative controls. The Department has requested assistance from City IT to develop a change control policy.

We recommend that the Police Department:

#13 Evaluate whether the hardcopy form currently required is still the best method for approving overtime or if another method would be more efficient.
☐ Partly Implemented The Police Department's hardcopy overtime approval form is no longer used or required. Further, the policies and procedures were updated as recommended. The Police Department provided us with two finalized policies regarding overtime. The Time Charging policy is updated and should be finalized soon.

#14 Update its policies and procedures for any changes in the overtime approval method.
☐ Partly Implemented The Police Department's hardcopy overtime approval form is no longer used or required. Further, the policies and procedures were updated as recommended. The Police Department provided us with two finalized policies regarding overtime. The Time Charging policy is updated and should be finalized soon.

Post Audit Summary of Citywide Purchase-Card Use

The *Audit of Citywide Purchase-Card Use* contained three findings and identified purchase card transactions that violated City policies. The audit, which was released in October 2012, included 14 recommendations to improve purchase program controls and administration. To evaluate the progress in implementing recommendations, we first requested a self-assessment from the Department and asked for evidence to support progress.

Since the publication of the audit, Procurement Services has drafted a comprehensive Purchasing Card Policy and Program Handbook. During the reporting period of June 2017 to December 2017, Procurement Services is working with the Human Resources Department to deliver the P-card training to cardholders and approvers. As shown in Exhibit 16, we designated 6 recommendations implemented (43%), and 8 recommendations partly implemented (57%). Nearly all of the recommendations are in the final stages being implemented, pending formal adoption of the revised Purchasing Card Policy and Program Handbook.

Exhibit 16: Status of Audit Recommendations
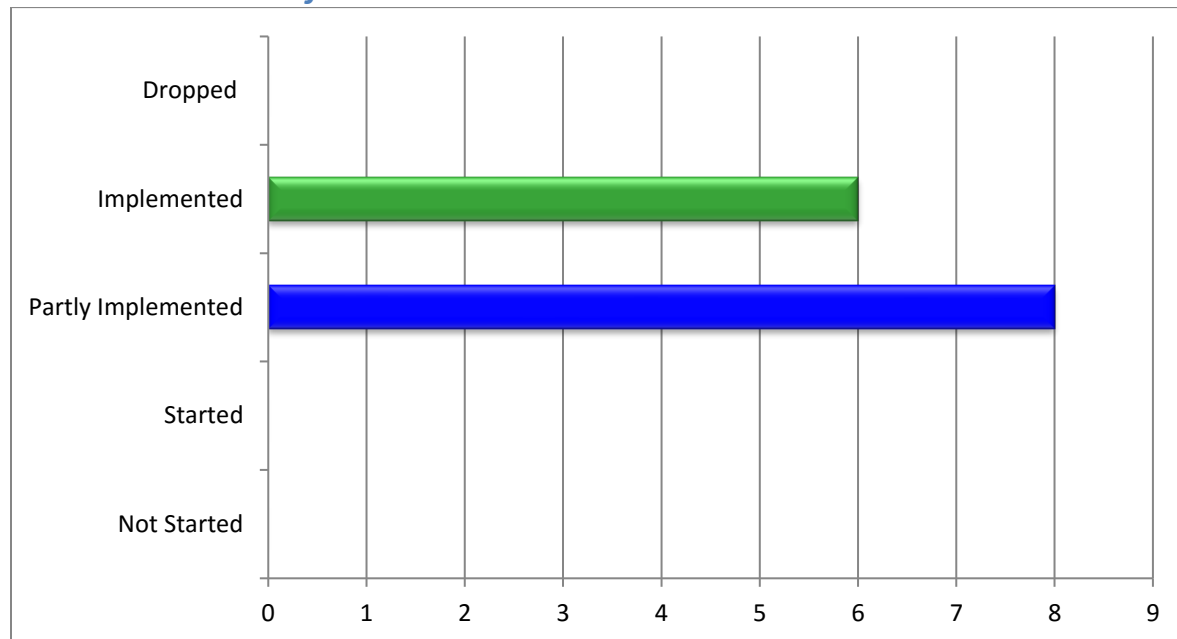
Finding 1: While transactions reviewed did not reveal extensive personal purchases, some charges violated policy and lacked complete support

#3 Establish a consistent form and guidance to departments for processing lost receipt justifications.

☐ Partly Implemented A Missing Receipt Form is available to City employees via the Procurement Department's intranet. The City's Purchasing Card Policy and Program Handbook has been revised to include instructions on reporting missing receipts.

Finding 2: The purchase card program lacked complete policy guidance and oversight

#5 Update the Purchasing Card Policy to make it consistent with other City policies.

☐ Partly Implemented The Purchasing Card Policy and Program Handbook, pending formal adoption, has been updated to be consistent with other City policies.

#6 Create an authoritative document that clearly states what types of purchasing card transactions are allowable and prohibited, and distribute it to all cardholders and approving officials.

☐ Partly Implemented The Purchasing Card Policy and Program Handbook, pending formal adoption, will serve as the authoritative document that clearly identifies what types of p-card transactions are allowable and prohibited.

#7 Ensure that the document is updated annually to reflect policy changes.

☐ Partly Implemented The Purchasing Card Policy and Program Handbook, pending formal adoption, is designed to be reviewed annually by the Procurement Manager and P-Card Administrator.

#8 Provide mandatory annual purchasing card-use training for cardholders, and require them to sign a form agreeing to program terms and acknowledging their responsibilities.

☐ Partly Implemented The Purchasing Card Policy and Program Handbook, pending formal adoption, sets annual training requirements and requires that cardholders sign a form acknowledging their responsibilities. Procurement Services is working with the Human Resources Department to implement the annual P-Card training to users through Target Solutions.

#9 Provide mandatory annual purchasing card-approval training for approving officials, and require them to sign a form agreeing to program terms and acknowledging their responsibilities.

☐ Partly Implemented The Purchasing Card Policy and Program Handbook, pending formal adoption, will set annual training requirements for P-card approvers. Procurement Services is working with the Human Resources Department to implement the annual P-Card training to users through Target Solutions.

#10 Perform occasional surprise audits of purchasing card transactions and present any concerns to respective departments and the City Manager's Office.

☐ Partly Implemented Procurement Services performed four Citywide transaction reviews during Fiscal Year 2016. All questionable transactions were identified and forwarded to the Finance Operations Manager for review and investigation. The Purchase Card Policy and Program Handbook, pending formal

adoption, will require all receipts to be submitted to Finance for storage in CCM. Access to all receipts will allow for more efficient reviews of cardholder activity.

#12 Strengthen controls that are already in place and consider adding controls that are in line with best practices.

☐ Partly Implemented The Purchasing Card Policy and Program Handbook, pending formal adoption, specifies strengthened controls and additional clarification regarding prohibited uses of P-cards. The policy will provide updated and consistent information to program participants. In addition, staff is conducting quarterly reviews of P-card transactions

Post Audit Summary of the Audit of Utility Billing

The Audit of City Utility Billing was released in June 2012 and included 11 recommendations. The audit evaluated internal controls, tested the accuracy of utility service charge bills, and assessed the City's ability to recover amounts billed. The audit contained seven findings and identified an estimated $1.3 million in potential additional revenue. Since the publication of the audit, the Department of Utilities has implemented all 11 of the recommendations. According to the Department of Utilities, implementing the audit's recommendations has allowed the department to collect over $12 million net additional revenue since the release of the audit. The department projects an estimated $6.6 million annually in additional revenue associated with the parcels identified in the audit; this has already been accounted for in the department's annual budget. It should be noted that the revenue derived from any new development associated with these parcels subsequent to the release of the audit is included in these figures; this could potentially have been captured during the department's normal course of business.

Exhibit 17: Status of Audit Recommendations
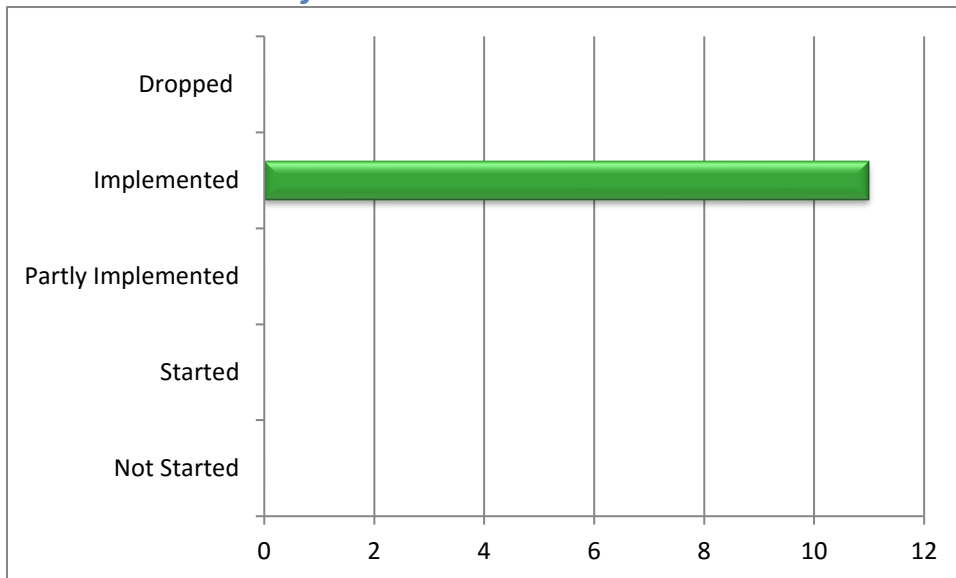
Finding 1: Preparation of Residential Commercial Bills are Highly Accurate, but Improvements are Needed to Ensure All Eligible Parcels are Properly Billed for Storm Drainage

#2 Review parcels without CIS accounts, determine which are the same street address as an existing account and receiving City services, and set up accounts for those parcels.

☑ Implemented Of the 14,641 parcels identified in the audit, all parcels (100%) have been completed. This includes reviewing each parcel and setting up utility accounts for parcels that receive benefit of any utility service but are not currently billing. A total of 7,566 parcels have been setup and are being billed for one or more City utility service. The following table illustrates the net amount billed for these parcels since the release of the audit.

Table 1: Additional Net Revenue Billed Since Release of Audit Associated with the 7,566 Parcels

Service	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18*	Grand Total
Storm Drainage	$596,787	$615,856	$1,019,283	$1,472,270	$2,084,372	$1,436,335	**$7,224,903**
Regional Sanitation**	$30,834	$116,801	$240,640	$312,028	$455,728	$307,336	**$1,463,366**
Wastewater	$21,830	$85,828	$174,157	$209,985	$305,906	$224,561	**$1,022,267**
Solid Waste	$86,647	$113,895	$203,082	$267,458	$416,492	$349,674	**$1,437,248**
Water	$59,099	$171,536	$338,386	$484,981	$753,523	$692,690	**$2,500,214**
Total	**$795,197**	**$1,103,916**	**$1,975,547**	**$2,746,721**	**$4,016,021**	**$3,010,596**	**$13,647,999**

Source: Auditor generated based on information provided by the Department of Utilities' Billing Services group.
Note 1: It should be noted that various services have experienced rate increases over the past six fiscal years.
*Revenues displayed in this column represent a partial fiscal year - the first half of FY 2017-18.
**It should be noted that Regional Sanitation is a pass-through account. The department bills customers on behalf of the Sacramento Regional County Sanitation District per the existing Master Interagency Agreement.

As seen in the table above, since the release of the audit, the Department of Utilities has billed over $13.6 million in additional net revenue associated with these parcels. Of this, the department has collected approximately $12.3 million. The department projects an estimated $6.6 million annually in revenue associated with these parcels. It should be noted that the revenue derived from any new development associated with these parcels subsequent to the release of the audit is included in these figures; this could potentially have been captured during the department's normal course of business.

As the department has been steadily implementing this recommendation over the past six fiscal years, the revenue the department has generated from these accounts has been automatically incorporated into the department's normal budgeting process. While this cannot be seen as a specific line item in the budget, Table 1 illustrates the significant benefit the department has achieved as a result of implementing this audit recommendation.

# Post Audit Summary of the Audit of City Light-Duty Vehicle Use

The *Audit of City Light-Duty Vehicle Use* contained three findings and identified as much as $6.1 million in one-time and future benefits, with most of these benefits generated through avoided vehicle replacement. The audit, which was released in December 2011, included 18 recommendations and covered vehicle use, Fleet information, and take-home vehicles. During the audit, Fleet Management was located within the Department of General Services. However, in April 2015, the Department of General Services was disbanded and Fleet Management was shifted to the Department of Public Works.

To evaluate Fleet Management's progress in implementing the audit recommendations, we first requested a self-assessment from the department and asked for evidence to support progress. We reviewed this information, worked with department staff, and requested additional evidence as needed.

We determined that Fleet Management has made significant progress towards implementing many of the recommendations since the audit's release. Most notably, Fleet Management worked with the City Manager's Office to request that all City departments turn in vehicles that had historically received little use. This effort led to the turning in of 136 vehicles. Of those, Fleet sold 89 vehicles and shifted 47 within the City to better optimize efficient use. Fleet estimated that removing the 89 vehicles and not replacing them with new vehicles will save the City about $2.8 million.

In addition to making recommendations to Fleet Management, this report also included some recommendations to the City Manager's Office, City Attorney's Office, and Department of Finance. Of the 18 recommendations, we found work had already begun on all of them. Of the 18 recommendations, 12 have been implemented or partially implemented (67%.)

Exhibit 18: Status of Audit Recommendations
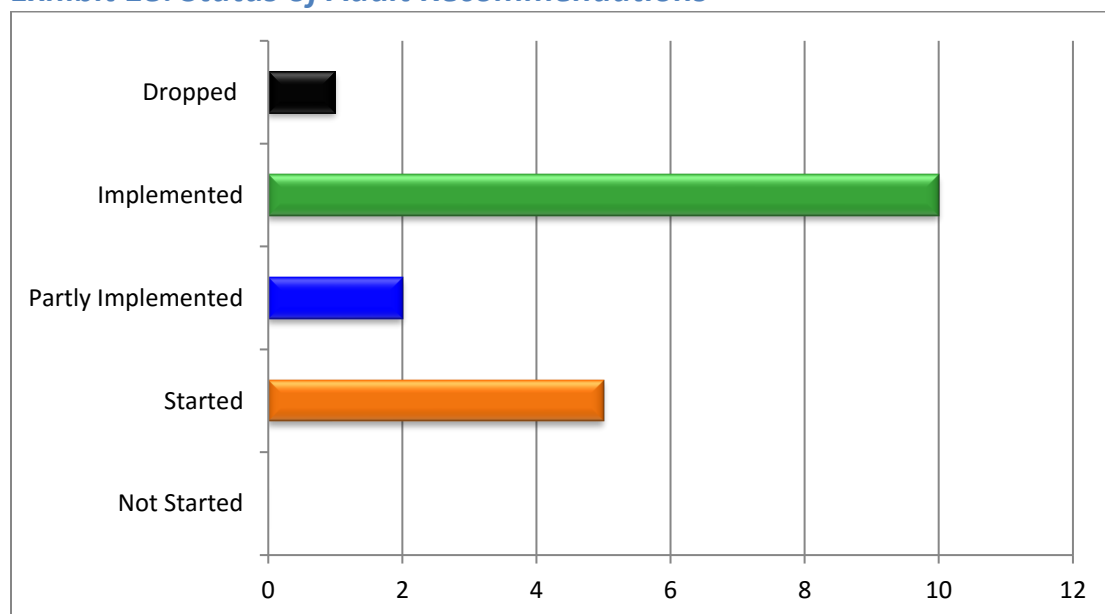
Finding 1: Removing and not replacing the City's light-duty vehicles that were driven less than 6,000 miles per year could yield more than $5 million in one time and future benefits, with most of these benefits generated through avoided vehicle replacement

#2 Conduct a review of replacement standards in order to ensure that the time and mileage requirements are realistic and set efficient targets.

☐ Partly Implemented Fleet hired a consultant to develop a Comprehensive Asset Management Replacement Solution to provide ongoing review and evaluation of equipment replacement criteria. The consultant hired by Fleet Management did not provide services comprehensive enough to meet the requirements of the audit recommendation. Since that time, the software company that provides the City with fleet management software has developed a module called CAM that is expected to provide the analytics needed to meet the audit recommendation requirements.

Finding 3: The lack of a detailed City take-home vehicle policy has allowed the City to approve almost 250 take-home vehicles, resulting in a substantial cost

#10 Revise the City's transportation policy to consolidate City direction and enhance criteria for allocating take-home vehicles.

☑ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

#11 Require employees who receive a take-home vehicle to maintain a log of call back events.

☑ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

#12 Review the details of the undocumented arrangements with Police and advise City Council about its options.

☑ **Dropped** According to the City Manager's Office, the City decided not to negotiate a change to how Police take-home vehicles are assigned and used during the 2017 negotiations with the Police Union.

#13 Work towards incorporating into all City labor agreements language that clearly states the City's rights and authority over vehicle assignments and removals.

☑ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be

circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

#14 Enforce the current take-home vehicle distance limitation that restricts take-home vehicle assignments to employees that live within thirty-five (35) air miles from the freeway interchange at W-X, 29th-30th Streets.

☑ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

#15 Work towards reducing the allowable distance for assigning a take-home vehicle so as to promote reasonable response times to emergency call backs.

☑ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

#18 Work with the Attorney's Office to determine if the City is accurately reporting the IRS liability.

☐ Partly Implemented The Finance Department has worked with the City Attorney's Office to ensure that the City is accurately reporting the IRS liability associated with take-home vehicles. The Department updated its process after the audit to provide all IRS opportunities (3) to employees to accurately report their IRS liability. The Transportation Policy is currently being updated and policy language will reflect this process.

Post Audit Summary of the Audit of Citywide Policies and Procedures

The *Audit of Citywide Policies and Procedures* contained three findings and made 22 recommendations for improving the City's administration of its citywide policies and procedures. By performing this assessment, we sought to identify ways to reduce time spent by employees looking for or explaining policies and procedures, and to reduce risk to the City in case of inconsistent direction. With an adequate policy manual, City employees will be better able to act effectively, decisively, fairly, legally and consistently.

Since the audit's release in July 2011, the City established an implementation team representing the City Manager, City Clerk and City Attorney. The Department of Finance, Revenue Division issued AP-2300 Cash Handling Policy in May 2012. The City Manager issued AP-1002 Whistleblower Protection in October 2012. In addition, City management issued an RFP for a revamped website to include citywide policies. In late 2012, the City Manager's Office convened a working group of Charter Officers and select department staff to develop a comprehensive digital solution to the findings of the Audit Report.

Full publication of updated policies had been delayed due to requests from City labor unions to meet and confer over policies potentially impacting working conditions. Due to meetings with City labor unions, progress had stalled since June 2013. During this reporting period, from July 2017 to December 2017, the City continued to work on the recommendations made in the audit report. As shown in Exhibit 19, we designated 7 recommendations implemented, 14 recommendations partly implemented, and are in agreement with the Office of the City Clerk to drop one recommendation no longer applicable.

Exhibit 19: Status of Audit Recommendations
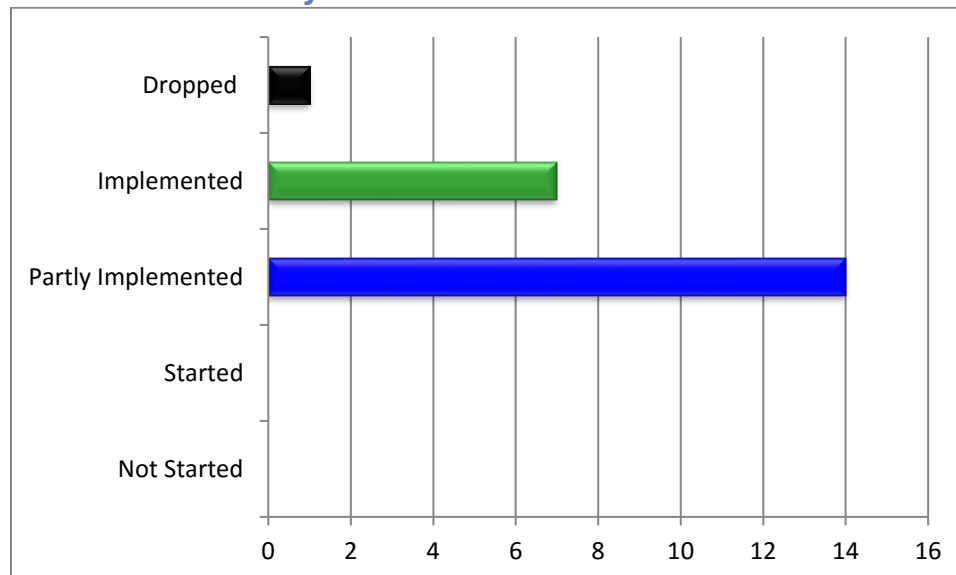
Finding 1: While the City has a System for Establishing Policies & Procedures, It is Generally Circumvented

#2 Develop a control to ensure that documents referred to in Administrative Policies exist and are accessible for policy users before approving the policy

☐ Partly Implemented The APPS policy is updated to ensure all attachments referred to in a policy document are available, and that the Administrative Policy Coordinator will not approve a policy document unless all referenced documents are included at the time the policy is submitted. The City Manager's office is actively working with department staff to formalize policies and procedures with submission into APPS for management and to ensure all referenced documents exist and are accessible for policy users. The APPS manager continues to meet with existing and new employees to review the APPS policy and clarify the structure and the requirement for readable, complete policies and procedures. Recently reviewed and new policies are now packaged with a table of contents with appropriate fillable forms included as an attachment for effective and complete delivery including attachments and appropriate bookmarks as needed. The next priority is to incorporate ADA compliant "Alt" tags on all PDF documents; this is expected to be an ongoing project.

The City is also migrating intranet pages from the CityNet platform to Nexus (Sitecore), which will provide external role-based access to applicable documents for City employees. Additionally, efforts are in progress to transition department policies to the City's website, similar to how Citywide policies are stored.

The APPS database is receiving an upgrade this fall with some elements we have identified that will be added.

#5 Update *AP-1001* to clearly describe the mechanism for updating Administrative Policies

☐ Partly Implemented The Automated Policy and Procedure System policy has been updated to clearly describe the mechanism for updating policies and procedures in APPS, Phase I. Consistent with the Automated Document Review System (ADRS), the City Manager's Office developed a video tutorial, which includes illustrations, to assist staff with the creation and updating of administrative policy and procedure documents. With the advent of APPS, the review process has been refined to include a two-week review and comment period for all departments and review/approval by all Charter Officers to ensure all employees understand the rules and expectations that govern their work. Updating of Administrative Policies will be described when the new platform, K-2 Business Process Management (BPM), is implemented. It is in the final stages of testing and User Training is scheduled for the second week of August 2016. IT and the APPS manager are currently developing video tutorial training materials for reference.

APPS is currently in Phase II development, which will provide enhanced collaboration and allow the APPS manager to usher exceptions through the workflow with notations. Additionally, policies requiring executive approval will be delivered through the digital signature application. Once these enhancements are complete and sustainable, the APPS policy will be updated to reflect new procedures.

The APPS database is receiving an upgrade this fall with some elements we have identified that will be added.

#7 Formally document the roles, responsibilities and processes of area experts.

☐ Partly Implemented The City will ensure area experts' roles and responsibilities are incorporated into policies and procedures. The City has begun identifying the responsible department and individual for each policy or procedure in APPS. Additionally, the Automated Policy and Procedure System policy states, "If a policy or procedure document does not provide sufficient information, questions should be directed to the contact listed as responsible for the subject matter." The APPS manager is able to assist subject matter experts in migrating existing policies into the proper format and identifying subject matter contacts. The APPS manager also provides guidance in document structure and lead discussions with appropriate stakeholders about the archiving of out-of-date information. The APPS manager meets with new employees responsible for managing citywide and departmental policies for knowledge transfer of how to manage and distribute documents properly.

This is an ongoing project as City staff are learning to contact the APPS manager regarding development and distribution of citywide and departmental policies and procedures.

#8 Analyze roles and access privileges of area experts to determine whether any are incompatible with others, to ensure segregation of duties and prevent conflicts of interest.

☐ Partly Implemented The City is incorporating the roles and responsibilities of area experts into existing policy and procedure documents via the APPS transition while taking care to evaluate incompatibility, ensure segregation of duties, and prevent conflicts of interest. The City Manager's office has assigned an APPS Manager to collaborate with department staff on all citywide policies and procedures. The APPS Manager also facilitates the use of APPS for Departmental and Division level policies. The Automated Policy and Procedure System policy was rewritten to require the APPS Manager to ensure no subsequent policy or procedure is published without a review for these same issues. The APPS manager continues to review updated policies and procedures for conflict and collaborates with department contacts to remove redundancies with citywide, departmental and division level policies. Providing an overview to new employees of APPS and policy and procedure structure and delivery mechanisms is an ongoing APPS manager activity.

The City APPS manager is developing a Citywide training course through CityYou on "Effective Policy/Procedure Writing and Management". The first session presented by the City's Information Security Officer and APPS Manager is planned for early summer 2017.

Finding 2: The Inventory of Citywide Policies Could be More Complete and Organized

#9 Evaluate the divisions of Support Services and determine if the policies currently in place are adequate and where additional policies are needed.

☐ Partly Implemented The new Human Resources Department Director is taking an active role in updating and developing citywide policies and procedures. The City Manager's office has assigned an APPS Manager to continue to collaborate with all department staff to review and update/retire current citywide policies. During this collaboration, additional policy and procedure needs are identified. The APPS Manager is currently working with the Department of Utilities and the Fire Department on updating their departmental policies in APPS and continues to work with departmental staff to refine

existing policy and procedures documents and identification of those that need to be written, reviewed, approved, and released to the appropriate staff. This process is expected to be an ongoing effort.

#10 Strengthen the language in *AP-1001* to require department directors and division managers who manage citywide processes to establish Administrative Policies over key operational areas.

☐ Partly Implemented The new APPS platform was built to facilitate, create and manage citywide, department and division policies. The Automated Policy and Procedure System policy language requires department directors to establish policies and procedures over key operational areas and to facilitate the receipt and understanding of appropriate citywide, departmental, and division level policies and procedures. In addition, the release of policies and procedures through the Learning Management System (Target Solutions) identifies clearly the responsibilities of all City staff. The APPS manager continues to work with new department directors and division managers to encourage the formalization of internal policies and procedures including worksheets and tutorials. The inclusion of the Fire Department's operational policy documents in APPS is an example of this success.

#11 Assess the inventory of outside policies and procedures and determine whether they should be incorporated or retired.

☐ Partly Implemented The City's web team has launched a new City website. Existing policies are housed in the Citywide Content Management (CCM) system and published to the intranet or website. All updated and current policies and procedures are on the City website at http://portal.cityofsacramento.org/City-Hall/Policies-and-Procedures. Archived policies may be accessed by contacting the City Clerk's Office. The APPS team conducted a review of the 250 documents identified by the audit to determine if they can be incorporated into existing policies, discarded, or developed into individual policy or procedure documents. The APPS manager continues to monitor the City's policy and procedure webpage with updates as approved. This process is expected to be an ongoing effort. The Fire Department has currently retired some of the more severely outdated policies and are consolidating multiple policies of similar topics into one. This process is expected to take 12 to 18 months for the over 300 remaining policy documents. The APPS manager is on alert for citywide informal policy documents that are uncovered.

#12 Assess whether the City should develop policies to address some of the policy areas owned by other cities and noted in Exhibit 13.

☐ Partly Implemented The City Manager's Office evaluated the examples provided in the Audit report. Many of the policies identified have been implemented since the City Auditor's Report was issued. Other policies have been drafted and are in the process of being finalized. Additional policies will be considered per direction from the City Manager. The APPS manager continues to recommend subject matter issues that may be appropriate for a formal policy and procedure document. The City Manager and Charter Officer staff actively identify issues and processes in need of policy/procedure documentation. The most recent examples of success are the City Hall Complex policy and the Space Planning policy.

We recommend that the City Manager and City Clerk:

#13 Revisit how Administrative Policies and related documents are housed in CCM.

☐ Partly Implemented The City's new Automated Policy and Procedure System policy document notes that all current citywide policies and procedure documents shall be published to the CCM. CCM provides the source documents for posting of City policies and procedures to the City's new website. All currently approved Policies (APIs) are available in CCM and on the City website or intranet. The system is in place to update newly approved policy and procedure documents in CCM. Documents identified as policies or procedures in nature are transitioned into APPS.

#14 Update *PR-1001-01* to include a clear description of how Administrative Policies and Procedures are integrated and accessed in CCM.

☐ Partly Implemented The City's new Automated Policy and Procedure System policy document notes that all current citywide policies and procedure documents shall be published to CCM. CCM will provide the source documents for posting of City policies and procedures to the City's new website. The City Manager's office continues to refine the Automated Policy and Procedure System policy to accurately reflect the most current processes. The APPS policy and procedures are likely to be updated with the migration to the new BPM tool. After video tutorial and training material is finalized, it will be incorporated into the APPS policy.

#17 Design a control to ensure outdated policies and procedures are removed from CityNet and the City's public website.
☐ Partly Implemented The updated Automated Policy and Procedure System policy requires the APPS Manager to archive policy and procedure documents when new documents are published to the CCM. The procedure also notes that archived policy and procedure documents are available by request via the City Clerk's Office. CityNet no longer houses any Policies and Procedures. The City's public website contains the most current policies and procedures. The APPS manager continues to add policies and procedures, such as the Council Rules of Procedure, to the website as they are identified.

City staff continues to review and update Citywide policies and procedures as time allows and necessity requires. Recently a City Hall Complex policy was written and published taking applicable information from existing ordinances/resolutions, outdated memos and building rules. This will likely be an ongoing project until all outdated polices are reviewed and revised.

 # 18 Change the department owners of policies to reflect correct owners.
☐ Partly Implemented APPS provides a single point of accountability for each policy and procedure document including name, title, department, telephone number and email address. The department owners of all the current policies and procedures have been corrected. Many policies and procedures are in the process of being updated and will reflect correct owners. As the APPS manager is notified of end of city service, policies and procedures are updated with appropriate contact information. An example of this update is the retirement and appointment of the current HR Director and the resignation of the support services manager. The older policies that have not yet been updated are referred to the department director or division manager. The HR Director is currently the contact person on all HR policies. A note is added to each HR policy.

The goal of the APPS Manager is to identify correct contact information on existing policies in old formats during the next quarter.

#21 Ensure department directors and division managers regularly review the policy repository to ensure only, and all, their current policies are posted.

☐ Partly Implemented The APPS design provides a digital solution to the recommendation. Department directors and division managers and other key staff responsible for policy review will be notified by the APPS system when a policy or procedure document requires their review. A digital review and approval process will ensure policy and procedure documents remain current. The City Manager's office has assigned an APPS Manager to continue to collaborate with all department staff to review and update/retire current citywide policies. The City Manager's office has assigned an APPS Manager to continue to collaborate with all department staff to review and update/retire current citywide policies.

The standard is that all Citywide policies and procedures (before final approval) are forwarded to the City's executive team for review. Any comments are referred to the authoring department for follow-up before the policy is Approved by charter offices and finalized. This will likely be an ongoing project until all outdated policies are reviewed and revised by the responsible departments. During the revision process, review timelines can be associated with policies to ensure timely reviews occur in the future.

Finding 3: A Long-Established Tradition of Undocumented Processes Hinders Some Directors' Efforts to Establish Department-Specific Policies and Procedures

#22 Reinforce management's expectation that all department operations policies and procedures be put in place and kept up to date.

☐ Partly Implemented APPS is intended to manage the creation, review, editing and publication of citywide, departmental, and division level policies and procedures. The City Manager's office has assigned an APPS Manager to collaborate with department staff on all citywide policies and procedures. The APPS Manager also facilitates the use of APPS for departmental and division level policies. Currently Department of Utilities and the Fire Department are actively transitioning their departmental policies and procedures into APPS. The Fire Department has successfully added over 300 departmental policies to APPS and will begin the review and update process in the new APPS system. While the Fire Department and the Department of Utilities continue to work toward transitioning their policies, efforts continue to made to ensure other departments are also working toward this goal.

Post Audit Summary of the Department of Utilities Operational Efficiency and Cost Savings Audit

The *Department of Utilities Operational Efficiency and Cost Savings Audit* contained seven findings and identified $8.6 million of potential savings in FY 2011-12. The audit, which was released in June 2011, was an objective examination of the Utilities Department to evaluate whether the department was managing and/or utilizing resources in a responsive, economical and efficient manner.

In addition to recommendations directly related to the seven key findings, the audit included further opportunities for operational efficiencies and cost savings that the Utilities may want to explore. Since the publication of the audit, the Utilities Department has made progress towards implementing all of the remaining recommendations. The department's progress is shown in the exhibit below.

Exhibit 20: Status of Audit Recommendations
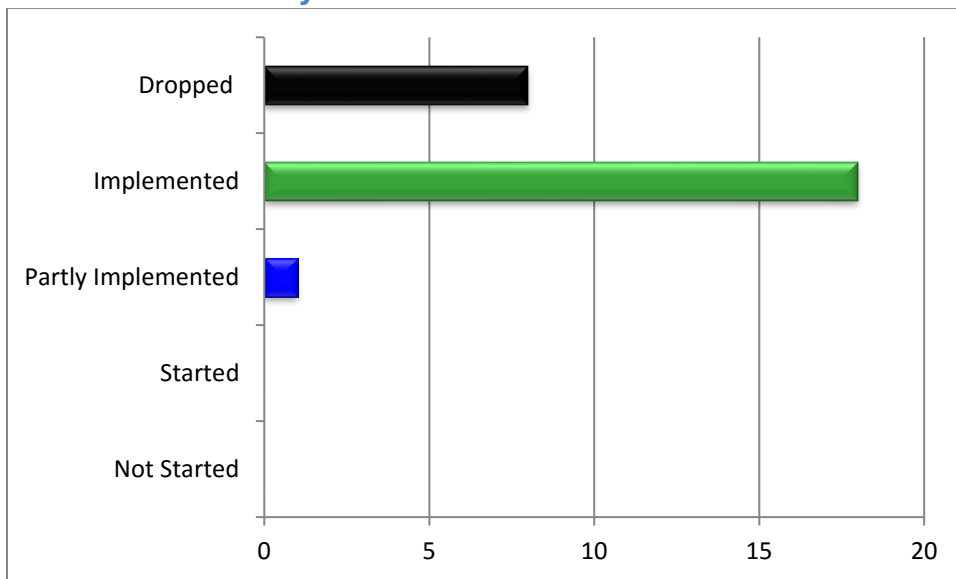
Additional Operational Efficiencies and Cost Savings

**#12 Accelerate completion of the Computerized Maintenance Management Systems (CMMS).**
☑ Partly Implemented Since the last update, DOU rolled out a small pilot which identified and resolved system issues. DOU plans to roll out another pilot with the Water Distribution group to determine if any final system issues are identified and can be resolved. While full implementation was not achieved during the follow-up period as expected, the system appears to be ready for full implementation pending the results of the Water Distribution pilot.

Post Audit Summary of Employee Health and Pension Benefits

The *Audit of Employee Health and Pension Benefits* contained five findings and identified as much as $16 million in possible overpayments and potential City savings. To date, the City has recovered approximately $476,000 in overpayments. The audit, which was released in April 2011, included 28 recommendations and covered the administration of health benefits; health premium amounts and cost sharing; pension payments and cost sharing; retiree-health obligations; and general benefit cost containment options.

During the reporting period of June 2017 to December 2017, there was no notable progress due to multiple staff vacancies and the work required for the Annual Open Enrollment period. As shown in exhibit 21, we designated 22 recommendations implemented (81%) and 5 recommendations partly implemented (19%). One recommendation was dropped as it was not adopted during negotiations with Local 522.

Exhibit 21: Status of Audit Recommendations
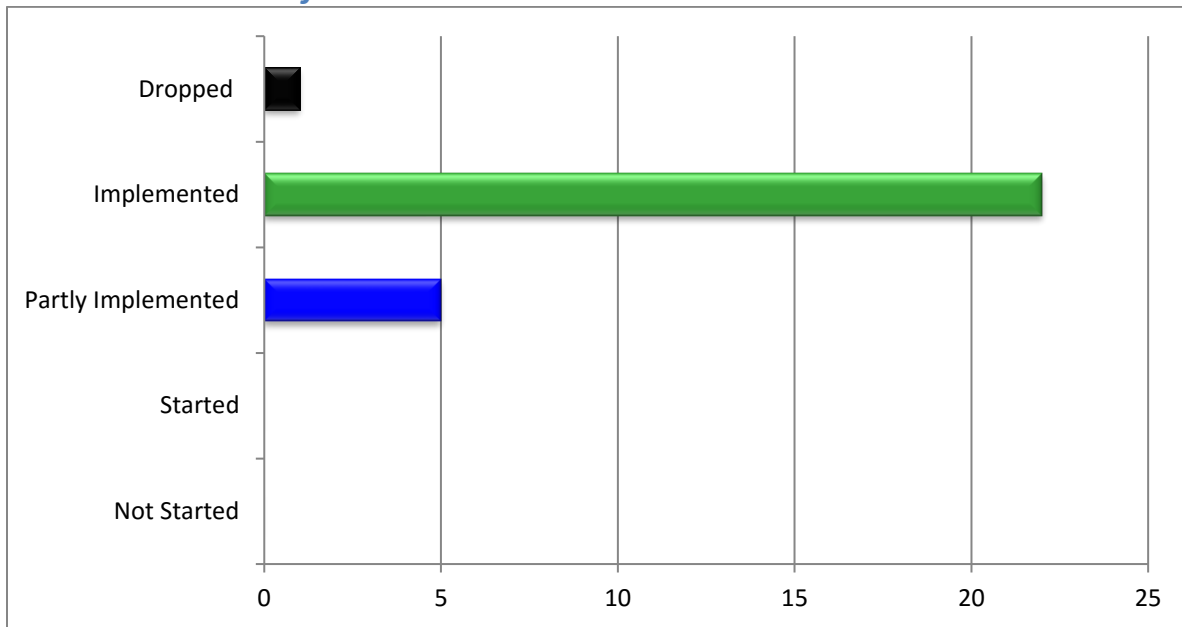
Finding 2: The City's Current Methods For Determining Premium Amounts And Shares Need Improvement

#13 Report to City Council how the City's premium amounts compare with those paid by area governments.

☐ Partly Implemented Human Resources is evaluating how best to provide comparison data in a format that is both informative and relevant.

Finding 4: City Payments Towards Retiree-Health Costs Are Growing and The Way the City Pays for These Benefits Could Result in Overpayments

#21 Continue pursuing options to reduce retiree health costs.

☐ Partly Implemented The department continues to pursue options to reduce retiree health costs through negotiations with labor unions.

#23 Continue work to implement the self-billing method for retiree health benefits.

☑ Partly Implemented Human Resources has implemented a self-billing method for retiree medical bills. The department is in the process of implementing a similar billing method for dental and vision bills.

Finding 5: Rising Benefit Costs Require The City To Evaluate Cost Containment Options Like Those That Other Governments Employee And Best Practices Recommend

#25 Continue plans to implement a wellness program that includes assessing the program's impact.

☑ Partly Implemented Monthly Wellness Newsletters are now distributed to City employees and posted on the City's Wellness webpage. HR is working with departments to establish Wellness Champions. In addition, HR is tracking the number of fitness center discounts provided to City employees. HR met with Western Health Advantage regarding their free wellness classes that can be offered to City employees. Western Health Advantage added an Active and Fit membership to their plan subscribers for 2018.

#28 Create and manage a strategic health-care plan.

☐ Partly Implemented HR is working to create a strategic health-care plan by actively negotiating health benefit premiums and performing verification of dependents to ensure only eligible dependents are enrolled in the City's heath plan. Additionally, the City has added a high deductible health plan in 2014.