CITY OF SACRAMENTO   Office of the City Auditor

CALIFORNIA   Jorge Oseguera, City Auditor

October 4, 2016

Honorable Members of the 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 semi-annual report. In accordance with the City Auditor's approved 2015/16 Audit Plan, we prepared a report of the status of open recommendations for the six months ending June 30, 2016. 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[1] 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 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.

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[1] Audits that are undergoing this process for the first time do not include a box.

As the benefits noted in Exhibit 1 cover 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 City Auditor's Office's budget for Fiscal Year 2015/16 was approximately $582,000. Dividing the potential City benefit for 2015/16 by the adjusted Office's budget for Fiscal Year 2015/16 (assumes audit resources split at 60 percent for performance audits and 40 percent for whistleblower investigations) results in $0.46 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
2015-16 Audits									
Entertainment and Sports Center	Feb 2016	Ensure Performance		8	0	0	5	3	0
City Master Vendor List	Dec 2015	$160,000		19	5	7	2	5	0
SHRA	Sep 2015	Improve Service		14	4	0	3	5	2
Sexual Harassment Policy	Sep 2015	Reduce Liability		10	1	0	3	6	0
2014-15 Audits									
311 Call Center	May 2015	Improve Service		18	0	2	6	10	0
Sidewalk Repair Process	Nov 2014	$300,000		12	0	2	4	6	0
Wireless Communications	Aug 2014	$291,600	$20,000	18	0	2	11	5	0
Fire Inventory and Narcotics	Aug 2014	Reduce Liability		18	4	6	1	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	$180,000	8	0	0	0	0	8
Audit of the Fire Prevention Program	Aug 2012		$28,000	22	0	0	0	22	0
2011-12 Audits									
Utility Billing Review	Jun 2012	$1,300,000	$613,000	11	0	0	1	10	0
AB 1825 Compliance	Jun 2012	Reduce Liability		9	0	0	0	9	0
Whistleblower Hotline Assessment	Feb 2012	Reduce Fraud		2	0	1	0	1	0
Fleet Management	Dec 2011	$6,100,000	$2,800,000	18	0	6	2	10	0
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	17	5	0
2010-11 Audits									
DOU Operational Efficiency and Cost Savings Audit	Jun 2011	$8,641,000	$2,846,000	27	0	0	2	17	8
Audit of Employee Health and Pension Benefits	Apr 2011	$16,000,000	$7,470,000	28	0	2	4	21	1
Performance Audit of CDD	Oct 2010	$2,300,000		40	0	0	3	36	1
Total		$ 40,216,600	$ 14,497,000	359	14	30	83	211	21

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Post Audit Summary of the Audit of the Golden1 Center Local Hiring and Business Involvement

The Audit of the Golden1 Center Local Hiring and Business Involvement contained two findings and made eight recommendations improve performance of local hiring and business involvement and increase community impact on the Golden1 Center project. The audit, which was released in February 2016, evaluated the project's local hiring and business involvement performance and reviewed the processes for monitoring project achievements.

Since the audit's release, the Sacramento Downtown Arena, LLC has worked towards implementing the recommendations made in the audit. During the reporting period of January 2016 to June 2016, Sacramento Downtown Arena, LLC and its partners have worked towards implementing the audit recommendations. As shown in Exhibit X, we designated 3 recommendations implemented (38%) and 5 recommendations partly implemented (62%).

Exhibit 2: Status of Audit Recommendations
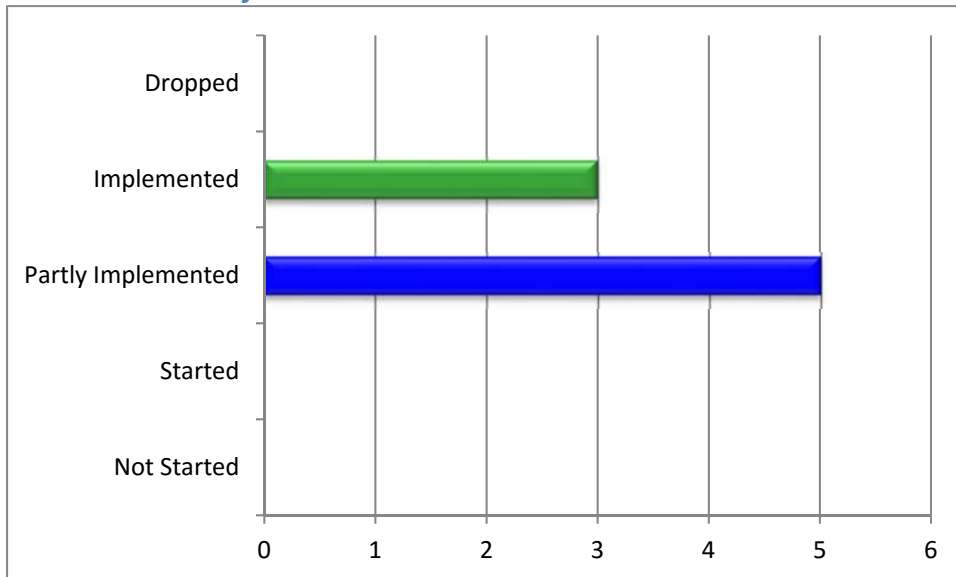
Finding 1: Sacramento Downtown Arena, LLC appears to be on track to meet the Golden1 Center project's local hiring and business involvement goals

#1 Continue to work together to ensure performance goals are being met.

☑ Implemented Sacramento Downtown Arena, LLC and its partners have continued to make progress on local hiring and business involvement goals. The final results will be reviewed during the Office of the City Auditor's follow-up audit of the Golden1 Center's Local Hiring and Business Involvement. During this recommendation follow-up period, the Program reported the following statistics:

Program Category	Goal	Achievement to Date	Calculations as of:
Worker Programs			
a) Local Hire: Journey-Level	60% of Journey-Level	72%	May 11, 2016
b) Local Hire: Apprentices	70% of Apprentices	84%	May 11, 2016
Apprentice Hours	20% of Total Project Hours	20%	May 11, 2016
Priority Apprentice Program			
a) By Priority Zip Code/Priority Worker Criteria	50 Priority Apprentices	57	June 1, 2016
b) By Priority Worker Criteria & New	20 Priority Apprentices	21	June 1, 2016
Total Priority Apprentices	70 Priority Apprentices	78	June 1, 2016
Business Programs			
Local Business	60% of Biddable Budget	74%	February 2016
Small Business	20% of Biddable Budget	20%	September 2015
Local Small Business	75% of Small Business	92%	September 2015

Sources: SETA, DCM.

#2 Instruct the Office of the City Auditor to verify performance measures identified in this audit were met at the conclusion of the project.

☑ Implemented The Mayor and City Council provided this direction to the City Auditor's Office at the March 1, 2016 City Council Meeting. The Sacramento City Council approved the City Auditor's Fiscal Year 2017 Audit Plan on May 3, 2016 which included a follow-up audit of the Golden1 Center's Local Hiring and Business Involvement.

Finding 2: Although the Priority Apprentice Program appears to be on track to meet its goals, improvements to the program may result in a greater impact to the community

#3 Continue to work towards meeting the priority apprentice goal of 70 for the Golden1 Center project.

☑ Implemented Sacramento Downtown Arena, LLC reported that a total of 78 individuals have been classified as Priority Apprentices on the Golden1 Center as of June 1, 2016. We reviewed a sample of 10 priority apprentices and found documentation has improved. All individuals identified as priority apprentices will be reviewed during our follow-up audit of the Golden1 Center's Local Hiring and Business Involvement.

#4 Confirm the priority status of individuals by reviewing official documentation rather than relying on applicants' self-attestation.

☑ Partly Implemented Since the City Auditor's Report, SETA and DCM have implemented several process improvements, including a new form that includes the Priority Apprentice, Employer/Contractor and Union Representative signatures. No Priority Apprentice is counted toward the PAP goals unless two of the three signatures are confirmed. SETA has confirmed the priority status of individuals by

obtaining additional verification from either the employer, the local union and in some cases the pre-apprenticeship schools, to confirm that the candidate meets the priority apprenticeship standard. Self-attestation is only used to verify status as a last resort. We reviewed a sample of 10 priority apprentices and found documentation has improved.

#5 Review the list of existing priority apprentices and ensure the proper documentation is retained for each priority apprentice to document the priority apprentice criteria are met.

☑ Partly Implemented SETA supported the Auditor's recommendation and has subsequently reviewed the list of existing priority apprentices and obtained additional documentation to verify all individual barriers such as Cal-Win Reports that verify proof of cash aid, food stamps, and/or public assistance. In addition, SETA has obtained reports to verify ex-offender status, and letters from temporary housing programs to verify homeless status. We reviewed a sample of 10 priority apprentices and found documentation has improved.

#6 Ensure those identified as meeting the priority worker criteria live within the City of Sacramento and meet at least two of the barriers criteria.

☑ Partly Implemented As of January 2016, SETA reported that 16 individuals have met these criteria, indicating that the Program is on track to reach the goal of 20 by October 2016. Since January, SETA has ensured that those identified as meeting the priority worker criteria live within "limits" of the City of Sacramento and have at least two verifiable barriers.

#7 Work together to identify priority apprentices dispatched to the Golden1 Center project and not rely on DCM to identify apprentices that meet the priority zip code criteria during their cursory review of payroll records.

☑ Partly Implemented SETA, DCM, the Sacramento-Sierra Building Trades Council along with the local unions have been working together to identify and pre-screen potential priority workers. We recognize that the flow of documentation of these efforts may not have met the traditional City audit format, but this was done to facilitate participation and information sharing. Our goal continues to be to enhance documentation while still seeking to maintain simple and streamlined pathways to the project. To this end, those identified by the local unions as priority workers have been referred to SETA to complete the priority worker intake process, prior to being indentured. This process allows SETA to obtain all necessary documentation before the priority apprentice is dispatched out to work. Participants are only counted as priority apprentices after the documentation process has been completed.

#8 Consider establishing a reasonable minimum threshold of hours worked before an individual can be identified as a priority apprentice.

☑ Partly Implemented DCM is tracking and reporting the total number of hours worked by each priority apprentice so that totals can be itemized based on an 80-hour minimum threshold.

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.

Of the 19 recommendations, 7 (37%) have been implemented or partly implemented.

Exhibit 3: Status of Audit Recommendations
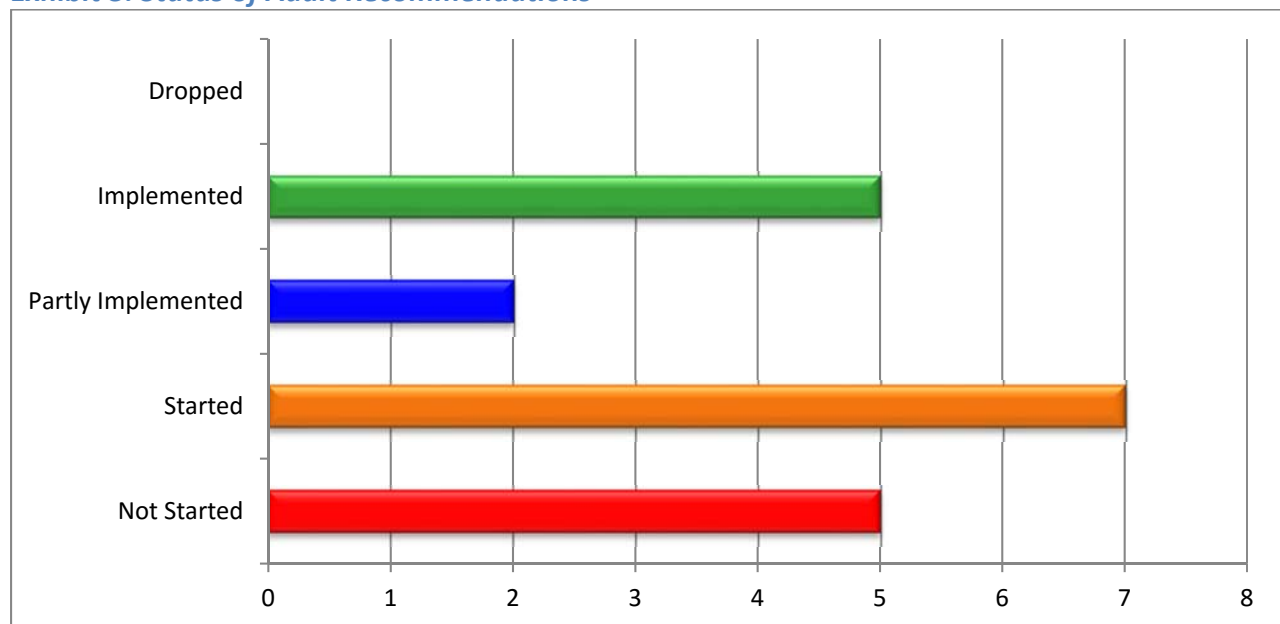
Finding 1: We identified instances of prompt payment discounts not being fully realized, employees failing to identify vendor billing errors, and questionable spending decisions by City Departments

#1 Develop an ongoing monitoring process to ensure the City realizes discounts for which they are eligible.

☑ Started Finance is developing a formal monitoring process to ensure the City realizes negotiated prompt payment discounts using PeopleSoft discount tracking functionality. The City's Accounts Payable (AP) Automation project, expected to be deployed in September 2016, will incorporate new procedures to identify invoices with prompt payment discounts as soon as the invoice is received from the vendor.

#2 Consider the residual value of assets when determining whether it is more cost effective to rent or purchase vehicles and equipment.

☑ Implemented The Parks and Recreation Department recently purchased 6 new vehicles to replace vehicles that were being rented.

#3 Develop policies that direct employees on their responsibilities for reviewing and approving invoices and provide training that reinforces the significant of these responsibilities.

☑ Implemented In May 2016, the City's Fleet Division provided training to City employees on the significance of comparing amounts charged by vendors on invoices to contracted amounts. Finance provided training to City employees on the significance of comparing vendor invoices to contracted amounts at its training workshop in June.

Finding 2: City employees with incompatible duties had access to the Master Vendor File

#4 Enforce segregation of duties by restricting access to allow only the ability to either enter or approve changes to the Master Vendor File.

☑ Implemented Finance worked with the Information Technology (IT) Department to restrict access to allow only the ability to either enter or approve changes to the Master Vendor File.

#5 Revoke system access from employees that do not require access to the Master Vendor File to perform their job duties.

☑ Implemented Finance, in coordination with the IT Department, revoked system access from employees that do not require 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.

☑ Started 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. 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.

☐ Not Started Finance plans to establish a formal process for review and approval of new user access and incorporate that process in the policies and procedures currently under development. Finance has scheduled a meeting with the IT Department in July to begin developing the new process.

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 Finance reviewed this recommendation with City departments at a training workshop in June and will work to develop procedures to verify the legitimacy of new vendors before adding them to the Master Vendor File.

#9 Establish a process that records requests for additions or changes to the Master Vendor File and maintains them in an accessible format.

☐ Not Started Finance plans to improve the current process for documenting Master Vendor File change requests and incorporate that process into the policies and procedures currently under development.

 # 10 Develop an eCAPS report that records changes to the Master Vendor File, including when the change was made and by whom.

☑ Started Finance is reviewing the Supplier Audit Log reports available in the upgraded PeopleSoft Version 9.2 financial system (eCAPS) and will configure and deploy the report with assistance from the IT Department, or will work with IT to develop a custom report(s), that record requests for additions or changes to the Master Vendor File.

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

☐ Not Started Finance plans to implement this recommendation after the change reports noted in Recommendation #10 have been configured.

 # 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.

☑ Started Finance has begun quarterly TIN matching processes.

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

☑ Partly Implemented Finance reviewed this recommendation with City departments at the training workshop in June 2016. Finance plans to incorporate this recommendation into the policies and procedures currently under development.

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

☑ Started Finance reviewed this recommendation with City departments at a training workshop in June. Finance plans to incorporate this recommendation into the policies and procedures currently under development.

 # 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 Master Vendor File maintenance and expects to publish the guidance in fiscal year 2016/17.

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

#17 Deactivate vendors that are in violation of City Code 2.16.010 Prohibition on City Employee Interest in City Contract.

☑ Implemented Finance has deactivated the three vendors identified during the audit and will continue to deactivate vendors found to be in violation of the City Code.

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

☐ Not Started Finance plans to improve the procedures for searching the Master Vendor File for vendors that could present potential conflicts of interest.

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

☐ Not Started Finance plans to develop training for the City's Executive Team and other 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 eight of the recommendations. SHRA expects to have made progress on all recommendations by late 2016.

Exhibit 4: Status of Audit Recommendations
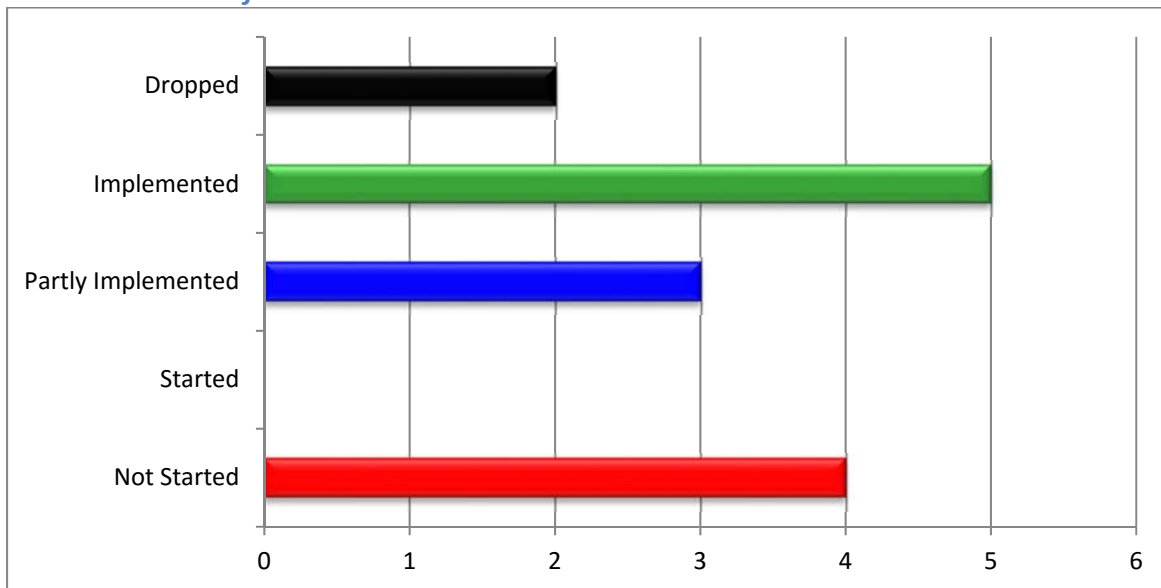
Finding 1: SHRA's Funding Practices and Project Selection Should Be More Transparent

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

☐ Not Started SHRA's Multifamily Lending and Mortgage Revenue Bond Policies, adopted by the City Council in 2009, outline lending priorities and evaluation criteria. SHRA plans to begin stakeholder outreach to revise these polices in early 2016. Revised policies will then be presented to the City Council for approval by third quarter 2016.

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

☐ Not Started SHRA's Multifamily Lending and Mortgage Revenue Bond Policies, adopted by the City Council in 2009, outline lending priorities and evaluation criteria. SHRA plans to begin stakeholder outreach to revise these polices in early 2016. Revised policies will then be presented to the City Council for approval by third quarter 2016.

#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 SHRA published the existing selection criteria, as approved in the SHRA's Multifamily Lending and Mortgage Revenue Bond Policies, as part of the 2016 Action Plan. SHRA plans to begin stakeholder outreach to revise the polices in early 2016. Revised policies will then be presented to the City Council for approval by third quarter 2016.

#7 Work with TCAC to identify an external Local Reviewing Agency to make recommendations on Housing Authority projects.

☑ Partly Implemented SHRA presented a recommendation to the Budget and Audit Committee on June 9, 2016 wherein SHRA recommended, along with TCAC's support, that SHRA continue to serve as the Local reviewing Agency for Housing Authority projects. The Budget and Audit Committee approved the recommendation. SHRA plans to take a staff report with this recommendation to the full City Council in the fourth quarter of 2016.

Finding 2: SHRA Could Improve Reporting on Affiliated Nonprofits' Financial Information to the City Council, and Better Segregate Staff Responsibilities from their Role on the Affiliated Nonprofits' Boards

#9 Calendar SHRA's CAFR for discussion at the Budget and Audit Committee.

☐ Not Started SHRA will not have the opportunity to implement this recommendation until fourth quarter 2016.

#10 Request that SHRA present detailed financial information on the nonprofit corporations during the annual CAFR presentation.

☐ Not Started SHRA will not have the opportunity to implement this recommendation until July or August of 2016.

Finding 4: SHRA Should Consider Adopting Reporting and Budgeting Practices Similar to Those of City Departments

#13 Consider requesting the SHRA Executive Director provide midyear budget reports in a similar format as provided by the City's Finance Department for City departments. Council should also consider requesting end-of-year reports from SHRA on project funding, status, and remaining fund availability for all multifamily developments.

☐ Partly Implemented SHRA included the 2015 Affordable Housing Production Report as well as the Anticipated Funding Availability Schedule as part of the budget presentation and plans to continue including these reports in future budgets. SHRA also plans to provide mid-year budget reports during the third quarter of 2016.

Post Audit Summary of the Audit of City's Sexual Harassment Policy

The Audit of the City's Sexual Harassment Policy contained one finding and made ten recommendations to strengthen the City's Sexual Harassment Prevention practices. The audit was released in September 2015. We have listed the status of the recommendations below.

Exhibit 5: Status of Audit Recommendations
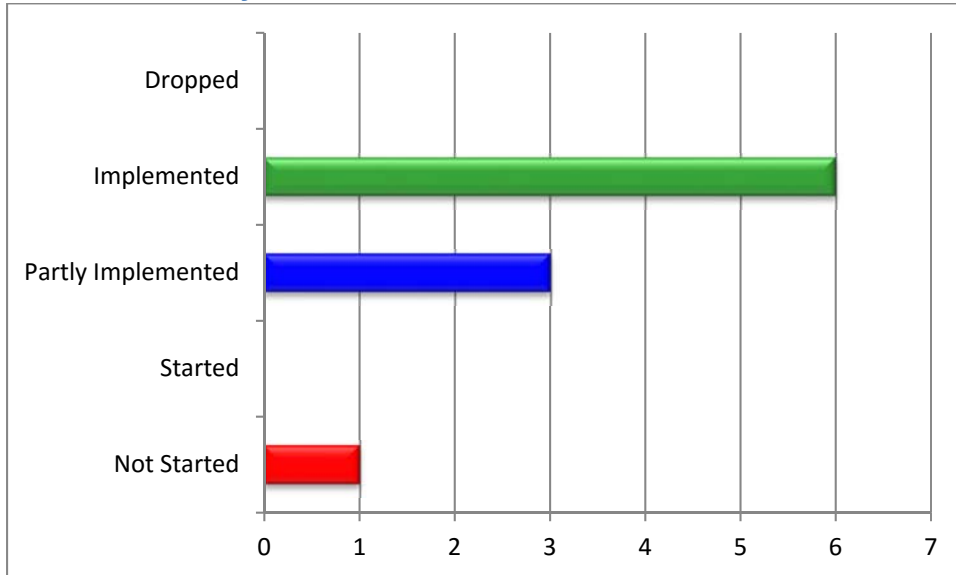
#1 Update the City's Sexual Harassment Policy to address the observations noted in the policy review section on page one.

☐ Partially Implemented The City's Sexual Harassment Policy has been integrated into the City's Equal Opportunity Policy. The policy has been reviewed and approved by the unions and is currently in final formatting at the City Clerk's Office. We will consider this recommendation implemented once the policy is finalized by the City Clerk.

#2 Improve controls to better identify City Supervisors and track their compliance with training requirements.

☐ Partially Implemented HR/Risk Management and IT are discussing the integration of the City's learning management system, Target Solutions, with eCAPS. They are exploring automating the identification of new employees, promotions, and transfers.

According to HR/Risk Management, all employees in a Supervisory class will complete AB 1825 training, whether or not they currently supervise other employees.

#4 A) Update the Internal Discrimination Complaint Resolution Guide to specifically incorporate Sexual Harassment. B) The guide also needs to be updated to address complaints regarding appointed or elected officials.

☐ Partially Implemented The City's Sexual Harassment Policy and Discrimination Complaint Resolution Procedure have been updated and integrated into the City's Equal Opportunity Policy. The policy has been reviewed and approved by the unions who requested to meet, and the policy will be forwarded to the City Clerk's Office for final formatting. We will consider this recommendation implemented once the policy is finalized by the City Clerk.

#7 Encourage non-supervisory employees to complete Sexual Harassment prevention training.

☐ Partially Implemented A Sexual Harassment Awareness training class is available for non-supervisory employees in Target Solutions. The City's next City U class schedule in August 2016 will contain information encouraging employees to enroll in the class.

#10 The City should consider if supervisor training should be provided to individuals who temporarily or regularly assume a supervisory role.

☑ Not Started Employees temporarily or regularly assigned supervisory roles will be assigned AB 1825 training by their department. HR is developing a strategy to alert departments of this requirement.

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 January 2016 to June 2016, the 311 Call Center made significant progress towards implementing the recommendations made in the audit. The 311 Call Center launched a new Customer Relationship Management system and knowledge base and enhanced supervision of agents. As shown in Exhibit X, we designated ten recommendations implemented (56%), six recommendations partly implemented (33%), and two recommendations started (11%).

Exhibit 7: Status of Audit Recommendations
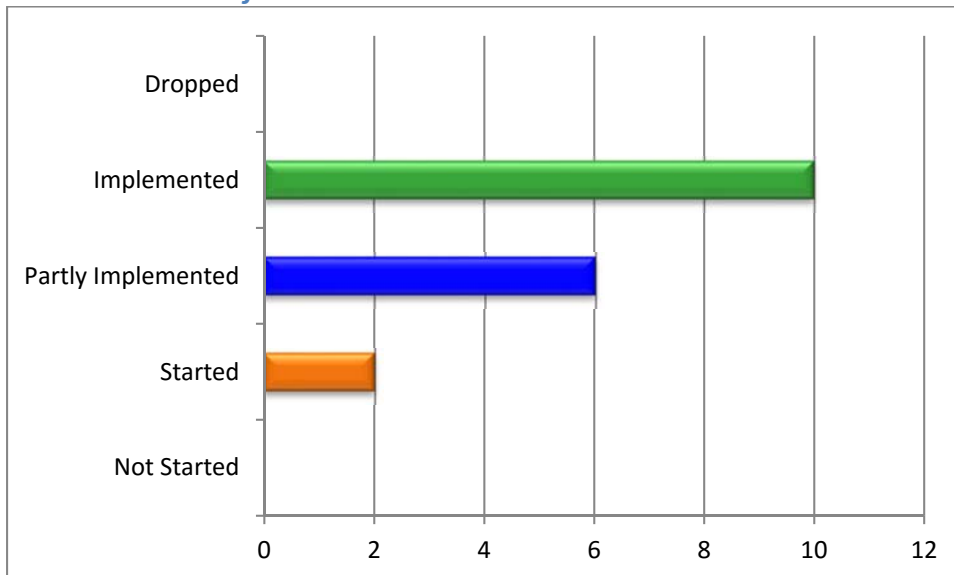
Finding 1: The Call Center is Unable to Meet Its Current Service Level Goals

#1 Review 311 Call Center staffing levels and ensure it is staffed to meet service level goals.

☐ Partly Implemented The 311 Call Center hired two additional 311 agents and an additional 311 specialist in April 2015. These additional positions have allowed the 311 Call Center to answer an additional 2,000 calls per month compared to 2014. Beginning in fiscal year (FY) 2017, 311 will be on-boarding four additional 311 agent positions. The primary purpose of these positions is to provide support for the Parking Enforcement dispatch function and handle calls/online requests related to parking. These additional agents will also help to expand the pool of available overtime and help improve the service provided to residents.

With the recent launch of the new Customer Relationship Management (CRM) system, the 311 Call Center needs to better understand how this will affect call volumes, average handle times, and availability before creating any additional requests for staff. The system launched on April 30, 2016, and there is an adjustment period for agents to learn and become familiar with any new system. After about three to four months of the new system, the Call Center will be in a better place to craft a request for additional staffing based upon the new normal.

#2 Perform an analysis to determine the cause of the lower than predicted service levels and make changes as necessary.

☑ Implemented The 311 Call Center has completed an analysis to determine the cause of the lower than predicted service levels. The causes of the difference in the expected service level identified in the audit report and the actual performance (an 8 percentage point difference, 39% audit expected compared with 31% actual) was due to constraints of the forecasting software and averaging of call data. The forecasted service level compiled for the Audit of the 311 Call Center relied upon the CC-Modeler system, which has a number of limitations that make doing a forecast for a large period difficult. The method the Auditor's Office used to forecast FY 2014 had to make a number of assumptions that resulted in giving a best-case scenario which differs from the actuals. The 311 Call Center's analysis found the following factors may have caused the variance:
- The audit scenarios did not take into account staff shortages when positions were open
  - Through the audit timeframe, the 311 Division had open positions due to staff accepting positions within other Departments or for long-term leaves of absence.
- Leave time was underestimated in the audit scenarios
  - The audit assumed 2 Full Time Equivalent (FTE) positions in dispatch from 8am-4pm. There is no accounting for agent time in dispatch outside of these hours as a designated agent is not assigned to dispatch work. Dispatch in 311 will take agent's out of the load during the 4pm-12am period at random intervals of varying length as the needs of field crews dictate. This can have a large impact as it is a reduction of staff by 50% when a swing-shift agent is in dispatch.
- The audit assumed leave time of 1 FTE (8 hours) from 8am-4pm. Actual average daily leave during FY14 was 16.6 hours.
  - Even with assuming that all OT during FY 2014 was to replace leave time (which it was not) the net leave time was 10.24 hours per day.
- All variability was smoothed out of the data by looking at results on an average of each quarter (average handle time and daily call volumes).

This grouping of data by the audit team was caused by a constraint of the forecasting software. Even with these constraints, the audit came close to matching the reality of the 311 Call Center. For example, the forecasting software allowed flat Average Handle Time (AHT) for the entire day. AHT was as much as 12% higher than the daily average during peak call times. Any increase in the average time to handle a call will result in increased hold times.

#4 Regularly evaluate agent performance and meet with agents to review performance and provide coaching to ensure agents meet service, quality, and efficiency goals.

☑ Implemented The 311 Supervisor has regularly met with agents since October 2015 to provide feedback, take suggestions on process improvements, and work to improve performance. With a single

Supervisor, meetings may not occur monthly due to sickness or vacation. Feedback during the month of May 2016 was not tracked due to the launch of the CRM system, as the Call Center leadership was occupied with system improvements and helping agents learn and understand the new system.

#5 Perform customer surveys to understand the perceptions of callers and include customer surveys in agent performance reviews.

☑ Implemented The 311 Call Center performs email surveys for users who request services through email. Additionally, the 311 Call Center contracted with Verizon Wireless to perform automated phone surveys to better understand the customer experience. Surveys began April 27, 2016 and agents began receiving their individual scores in June 2016. Comments from customers are shared in one-on-one meetings with the supervisor. Survey scores are only used as an indicator for agent performance due to the inherent variability of the sample size for an individual agent.

#6 Actively supervise agents to ensure they are processing requests efficiently and working productively.

☑ Implemented The 311 Supervisor duties have been realigned to better allow for direct employee supervision and feedback. The 311 Customer Service Specialists have been assigned the task of monitoring the queue in real-time to ensure employees receive the support they need and are working in a productive manner.

#7 Evaluate supervisor-to-agent and support staff-to-agent levels and consider increasing the number of supervisory and support staff I the 311 Call Center to be more in line with similarly sized 311 Call Centers.

☐ Partly Implemented Based upon research of other 311 Call Centers and call center industry best practices, the 311 Call Center was able to add an additional 311 Supervisor position for the 2017 fiscal year. This will bring the Supervisor-to-agent ratio into the target range at 1:13. The Call Center will build a business case to support the addition in future budget cycles of another support staff member to bring the support staff closer in line with the target 1:8.

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

#8 Develop an online directory similar to a Knowledge Base that allows citizens to research information to answer questions relating to the City.

☑ Implemented The Citizen Knowledge base was launched on April 30, 2016 and contains over 200 articles. Work continues to add more information to the system and the Information Technology Department has a project to modify the website search system to bring in the 311 Knowledge Base articles and include those in search results.

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

☑ Started Discussion has started on a potential replacement for the smartphone app in conjunction with the County of Sacramento. The 311 Call Center is in preliminary stages of the app redesign project. The Call Center will be releasing a Request for Proposal to help identify what features should be included, how to build the user interface, and help the next version of the app be even more successful than the current version. The Call Center is currently planning to work with the County of Sacramento to develop a single app that can be used by both City and County residents for submitting service requests and searching the knowledge base.

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

☑ Partly Implemented With the launch of the new CRM system, the Call Center has built a middleware system that allows us to automate transactions from start to finish from the website. In the initial launch of this they have automated the following transactions that no longer require an agent to review: Animal Care Adoption questions, Barking Dog Complaint, Homeless Camp Forms, Parking Enforcement Requests, Monthly Garage Availability forms, Shopping Carts, High Weeds, Street Vendors, Unauthorized signs or banners, and Graffiti complaints. The following online transactions will be moved to an automated workflow by the end of July 2016: Sidewalk complaints, Street Light complaints, Traffic Signal complaints, Animal Care Activities, Water Use Complaints, and Animal Care Found Animal Reports. The following transactions (which make up over 20% of our total transactions, and the majority of our online requests) are planned to be automated before the end of 2016: Household Junk, Illegal Dumping, Missed garbage service, Appliance and e-waste Collection, and Neighborhood Code Compliance.

The Call Center has continued discussions with Natural Language IVR vendors to find a cost-effective way to create a user-friendly front-end to the Call Center that will allow users to create service requests solely through automated means without needing to speak with an agent. They began an RFP process in January 2016 and reviewed a number of responses. Based upon the responses, the Call Center decided to focus on web automation and revisit an IVR upgrade in calendar year 2017. This will also allow them to have better automation in place from CRM to downstream systems to leverage when they do an IVR upgrade. The Call Center will evaluate a natural language IVR launch by the City of Dallas later this year to see their experience, and have a better idea of real-world results from a natural language launch. In discussions with the Dallas 311 team at the 311 conference this year, there are many similarities between what they plan to launch, and what the Sacramento 311 Call Center would launch.

#11 Work with other City departments to assign liaisons to update the 311 Call Center Knowledge Base on a regular basis.

☑ Implemented Subject Matter Experts have been assigned for the partner divisions and they have reviewed the initial articles posted in the knowledge base. The 311 Call Center has created a process for ensuring that articles are reviewed and updated on a regular basis.

#12 Establish formal policies and procedures for updating the Knowledge Base and communicating changes to customer service agents.

☑ Implemented The 311 Call Center has created a policy for updating agents on changes or additions to the knowledge base. The Knowledge Base Administrator will send 311 staff a weekly email with an overview of articles added, removed and updated.

#13 Consider utilizing the Siebel CRM Knowledge Base and ensure the new CRM system has a functional and integrated Knowledge Base that will be utilized.

☑ Partly Implemented The Oracle Service Cloud CRM features a robust knowledge base that allows for easy search by 311 agents and an easy ability to share the results of that search with residents. Agents have access to the knowledge base articles and use them to provide information through email. Agents can add these articles either as links in an email response, or as the full text of the article. The 311 Call Center focused on adding articles for external users in the initial launch and plan to add in internal articles over time. Once there are more internal articles added to the knowledge base, this recommendation will be implemented.

#14 Work towards upgrading the current Siebel Customer Relationship Management system.
☑ Implemented The City entered into a contract with Oracle to provide a next generation CRM system, and with AmberLeaf Partners for the implementation of the CRM. The project kicked off in December 2015 and Siebel CRM was replaced with Oracle Service Cloud on April 30, 2016.

#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.

☑ Started The City is in the process for procuring a replacement system for Witness.

#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 CIS integration was built as part of the initial launch of Service Cloud with a few limitations. Those limitations are mainly limited to complaints where there is not a valid service address in CIS. This affects a small number of service types (primarily illegal dumping calls where there is no service). The Call Center has engaged the CIS team to modify their web services to allow Service Cloud to add field activities to the fictitious premise account. The date is currently to be determined. For service types where the integration works, agents are utilizing the integration on 83 percent of requests. For requests for service (Household Junk, Appliances, Missed Service, etc.) the Call Center is processing 87% through the integration.

#17 Provide agent training on new system upgrades and integrations to ensure agents utilize changes made for efficiency.

☑ Implemented Agents received training on the new system prior to the April 2016 launch. Ongoing training will be provided as new features are added to Service Cloud. Training will either be provided in a team meeting setting, or during one-on-one sessions with the 311 Supervisor.

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

☑ Partly Implemented Escalation forms are now entered through the CRM system. The Call Center is developing a process to track their completion for updates to customers.

Post Audit Summary of the Audit of the 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. The progress is shown in Exhibit 5 below.

Exhibit 8: Status of Audit Recommendations
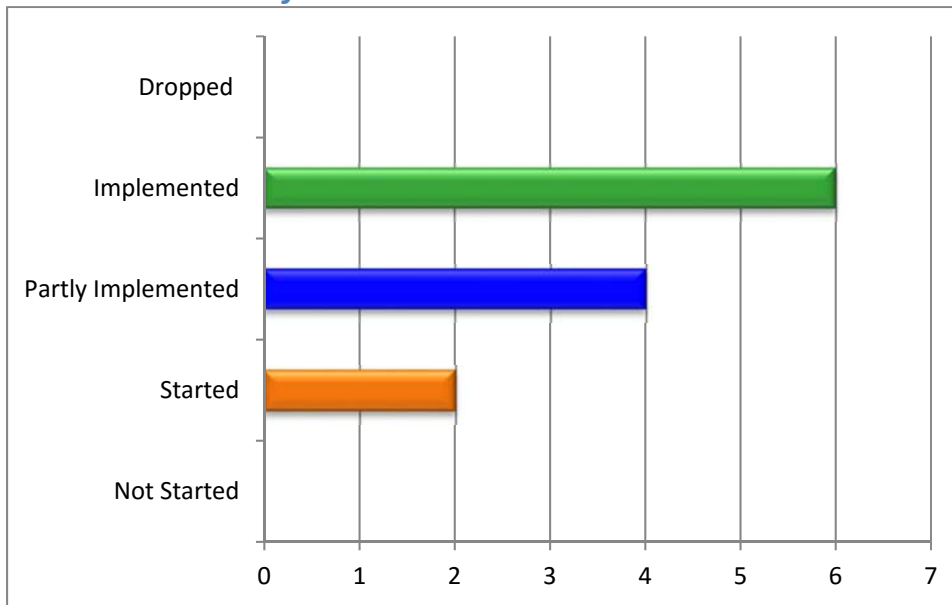
Finding 1: The City's Sidewalk Repair Process is Performing Well in Key Areas and Is Using Practices Comparable to Those of Other Local Governments

Finding 2: Some Local Governments Use Special Programs to Address Defective Sidewalks

#2 Evaluate the sidewalk repair programs of other local governments and determine if the City would benefit from pursuing similar strategies.

☐ Partly Implemented Public Works has looked into special programs of other local governments. For example, Public Works found that the City of Fairview, Oregon, has a very informative and comprehensive handbook that is provided to residents describing the sidewalk repair process in detail. Public Works is in the process of revising a similar document currently provided to property owners with the repair notification letters, to include similar detail as Fairview's. In addition, Public Works is planning to expand the sidewalk repair information provided on its website. Public Works plans to evaluate other special programs, such as requiring sidewalk inspections during the sale of a home, in the next year.

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 Since publication of the audit, Public Works has successfully reduced the backlog to one year. Public Works set a tentative completion goal of June 2016 for reducing the backlog to six months. Public Works will re-evaluate at that time whether it is a sustainable objective.

#6 Create a monitoring method for the City's sidewalk repair collection efforts. Once the method is in place, evaluate efficiency opportunities on a regular basis.

☐ Started Public Works is working on establishing a monitoring process with the Revenue Division for the collection efforts. This process will include meeting with the Revenue Division on a regular basis to discuss and evaluate collections efforts.

#7 Create a policy and procedure outlining the criteria for temporary sidewalk repairs.

☐ Started Public Works is in the process of drafting the criteria and plans to work closely with the City Attorney's Office before finalizing the new policy and procedure.

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

#9 Evaluate the sidewalk repair process and determine what information should be recorded in the 7i system;

☐ Partly Implemented Public Works is working to build consistency in the comments and other sidewalk repair fields used in the 7i system. Public Works has worked with the Information Technology (IT) Department to eliminate non-relevant fields in the 7i system. In addition, Public Works is training all users to enter comments in the same section of work orders so that all comments are easily visible and in chronological order.

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

☐ Partly 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. Further, Public Works is also taking steps to monitor user rights. Public Works has also identified two employees as super users.

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 January 2016 to June 2016, the status of most of the recommendations remained the same as the prior 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 Information Technology Department is awaiting finalization of its drafted Mobile Device Policy to implement many of the recommendations. As shown in Exhibit 9, we designated five recommendations implemented (28%), eleven recommendations partly implemented (61%), and two recommendations as started (11%).

Exhibit 9: Status of Audit Recommendations
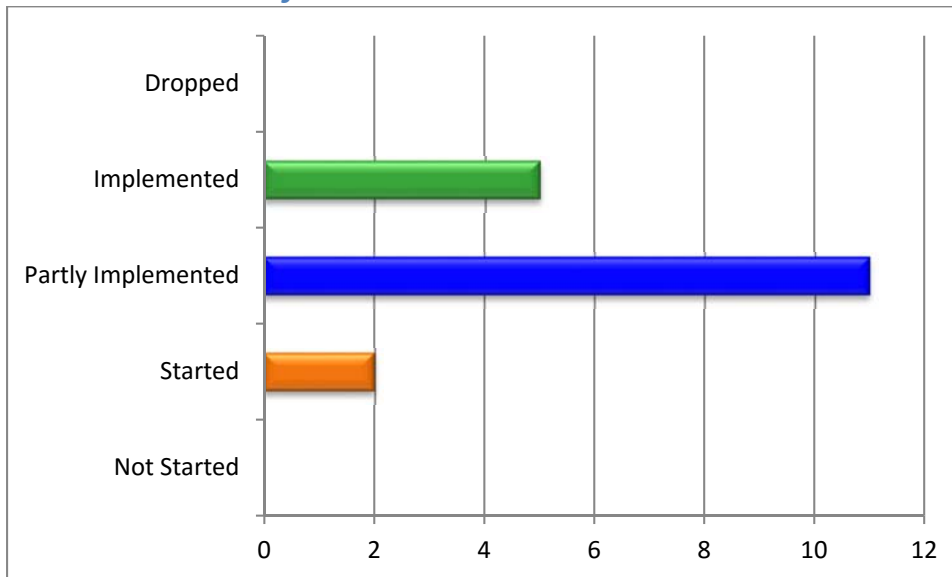
Finding 1: Improving How the City's Wireless Device Program is Administered Could Potentially Save the City $291,600 and Decrease the Risk of Abuse

#1 Establish controls to monitor overage charges.

☐ Partly Implemented The Information Technology (IT) Department has assigned departmental mobile liaisons with the responsibility of reviewing monthly charges and making appropriate plan changes. In addition, IT implemented a mobility management application to monitor wireless overage charges.

Departmental mobile liaisons have access to the mobility application to actively manage departmental wireless charges. The IT Department has developed a draft Mobile Device Policy assigning department heads or their designees responsibility for reviewing and approving monthly vendor charges. The IT Department is also currently looking into a Mobile Device Management system that will provide better controls in monitoring, inventory, and securing the City's mobile devices. There were no changes to this recommendation during this reporting period.

#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 wireless usage details are available for management review. The IT Department has developed a draft Mobile Device Policy assigning department heads or their designees responsibility for reviewing and approving monthly vendor charges. The IT Department is also currently looking into a Mobile Device Management system that will provide better controls in monitoring, inventory, and securing the City's mobile devices. There were no changes to this recommendation during this reporting period.

#7 Consider cancelling or suspending services for devices not being used.

☐ Partly Implemented The IT Department is currently working with departments to review, update, and review wireless device inventory as required. The IT Department provides 'Low or No Usage' reports to departments for their review. We found there are still a significant number of devices that had no use during June 2015 and more review and cancellations need to be done before this recommendation can be implemented. There were no changes to this recommendation during this reporting period.

#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 drafted Mobile Device Policy. There were no changes to this recommendation during this reporting period.

#10 Perform analysis on the City's lines to ensure devices are in the most cost effective plans.

☐ Partly Implemented Some departments have already taken steps to review optimization reports and make changes to suggested plans. IT will continue to work with other departments to ensure reports are utilized. Many plans have been changed to the consumption plan and the IT Department is working with other departments to change plans on other cell phones. There were no changes to this recommendation during this reporting period.

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 and is currently waiting for approval to implement the Wireless Device Policy. There were no changes to this recommendation during this reporting period.

#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. There were no changes to this recommendation during this reporting period.

#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 currently under management review. There were no changes to this recommendation during this reporting period.

#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 has started the process of creating a wireless communication request form. The form is currently in the design and testing phase. The request form is also addressed in the Mobile Device Policy currently that has been drafted. There were no changes to this recommendation during this reporting period.

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

☐ Started The IT Department is currently in the process of creating a wireless communication device request form to provide to existing employees with City-issued devices. There were no changes to this recommendation during this reporting period.

#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 policy currently under management review. There were no changes to this recommendation during this reporting period.

#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. The IT Department also sends monthly charges to departments for review. Responsibility for reviewing changes and charges are assigned in the drafted Mobile Device Policy. There were no changes to this recommendation during this reporting period.

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 has decided to continue utilizing KACE to manage all IT hardware equipment inventory. The IT Department informed us they are currently selecting a random sample of 400 inventory items every quarter and tracking the items down to ensure inventory information is up-to-date. Review of KACE inventory records found there is still work to be done to ensure inventory is complete and up-to-date. There were no changes to this recommendation during this reporting period.

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 system and a comprehensive analysis of the existing narcotics inventory system. 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 audit's release, the Fire Department has made some organizational changes that resulted in a reinstatement of the *Logistical Support Division*. This restructuring had resulted in delays in the implementation of many of the audit recommendations. However, with the *Logistical Support Division* now in place, the Fire Department expects to resume progress on implementing the audit recommendations.

Of the 19 recommendations, 7 (39%) have been implemented or partly implemented. One recommendation was dropped.

Exhibit 10: Status of Audit Recommendations
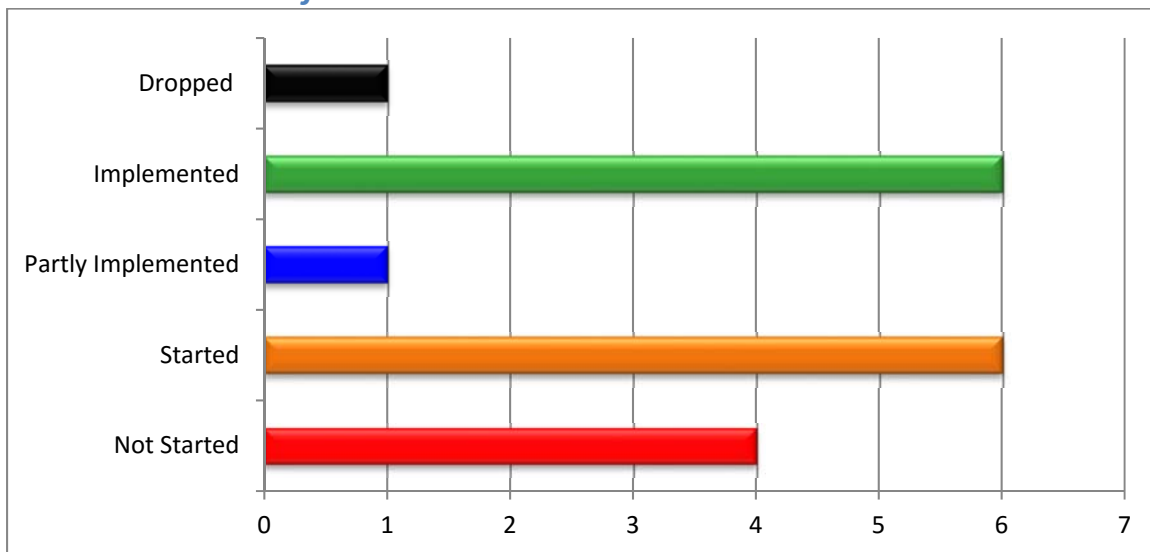
Finding 1: The Fire Department should implement inventory management best practices to improve accountability and accuracy

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

☐ Started The Fire Department has made some organizational changes and is in the process of determining how this will affect inventory management. The Department is currently working to hire a shopkeeper to help manage inventory.

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

☐ Not Started The Fire Department is working towards developing controls over 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 The Fire Department has made some organizational changes and is in the process of determining how this will affect inventory management. The Department is currently working to hire a shopkeeper to help manage inventory.

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

☐ Started The Fire Department has made some organizational changes and is in the process of determining how this will affect inventory management. The Department is currently working to hire a shopkeeper to help manage inventory.

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

☐ Started The Fire Department has made some organizational changes and is in the process of determining how this will affect inventory management. The Department is currently working to hire a shopkeeper to help manage inventory.

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

☐ Started According to the Fire Department, a mechanism for implementing this recommendation has been identified in the EMS Patient Care Report (PCR) system but a process and policy on how this will be carried out is still being developed.

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

☐ Started The Fire Department has worked 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.

☐ Not Started A formal access policy has not yet been established. Logistics and IT staff are in discussions on how to implement this recommendation and plan to draft an access policy.

#9 Perform ongoing reviews of system access.

☐ Not Started An ongoing process has not yet been developed for ensuring regular 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.

☐ Not Started According to the Fire Department, no reports are currently being run to monitor inventory.

#11 Set up automatic delivery of key reports.

☐ Not Started According to the Fire Department, no reports are currently being run to monitor inventory.

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

#13 Perform regular reconciliations of on hand narcotics inventories.

☑ Implemented The Fire Department is conducting regular reconciliations of narcotics.

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

☐ Partly Implemented The Fire Department has begun conducting reconciliations of the narcotics tracking sheets. However, the reconciliations are not being performed on a consistent basis.

Finding 3: A random drug and alcohol testing program could be implemented to further enhance controls over narcotics

#19 Consider implementing a random drug and alcohol testing program.

☑ **Dropped** The Fire Department determined that their current process does not contain any apparent deficiencies and that the labor union is not in support of implementing a random drug and alcohol testing program. As the department considered the issue, but opted not to implement the recommendation, we are dropping it from the list.

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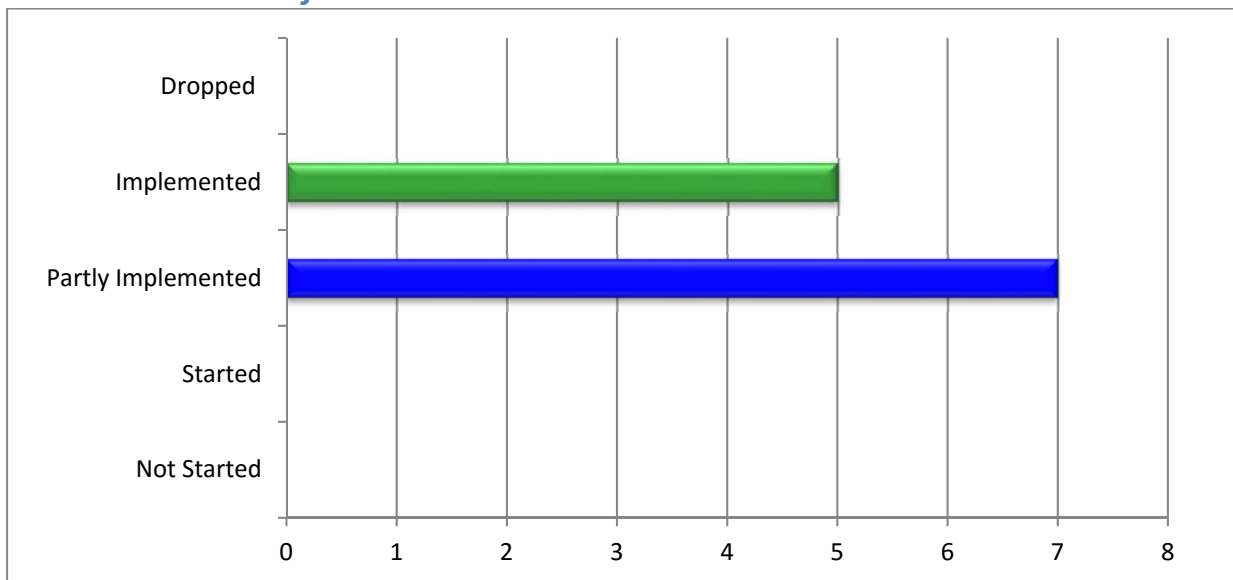
Finding 1: The Information Technology Department's inventory system contains significant errors and omissions

#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 performed a review of employee separations from January through March 2016.

#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. The progress is shown in exhibit 12 below.

Exhibit 12: Status of Audit Recommendations
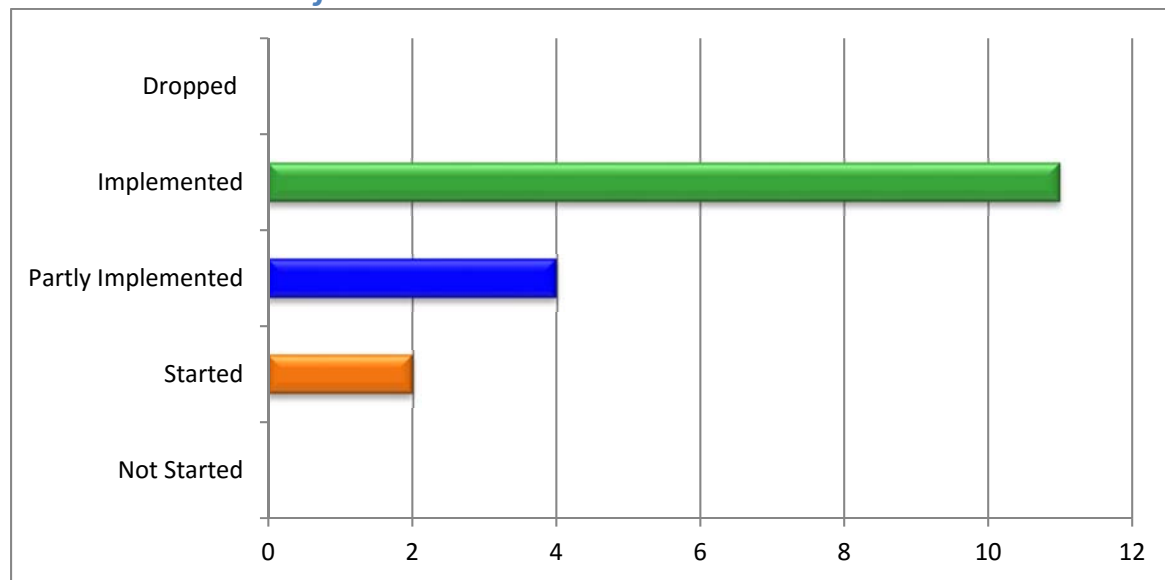
Finding 2: The City Could Reduce its Costs by an Estimated $336 Thousand annually if it Discontinued Compounding the Paramedic Incentive

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, A newer version of Telestaff has been installed that, when fully integrated, will give the department full functionality and control of all processes. The policy addressing this recommendation currently still needs to be reviewed with staff and senior staff for approval. There were no changes to this recommendation during this reporting period.

#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. A formal policy is still in the development phase. The Fire Chief has created a Policy Working Group that has been tasked with, organizing existing, creating new and removal of outdated policies. There were no changes to this recommendation during this reporting period.

#11 Develop controls to monitor the activity of those provided with administrative rights to Telestaff.

☐ Started According to the Fire Department, they are in the process of upgrading their Telestaff System. They started at Version 2.4, are currently at Version 2.9, and they expect by late spring 2016 to have upgraded the system to Version 4.0. Upon reaching this goal, they expect the Department will have full functionality and control of all Telestaff processes. Since the prior follow up report, the Fire Department's Information Technology Division has been moved under a new Deputy Chief. As a result of this change they have removed the design authorities from all non-essential personnel. At the same time they have started work with Kronos (a contractor) to provide fulltime technical support of their application developer and roll call staff within Telestaff. They expect this will assist in ensuring the software is being administered as efficiently as possible. Part of this efficiency is implementing a change control policy which will be reviewed and signed by the Fire Chief. They plan to continue to update with each significant upgrade or efficiency. There were no changes to this recommendation during this reporting period.

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 draft form of these policies with the changes is currently in the approval process. It is projected that the revisions will be assigned and completed before the next audit period.

#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 draft form of these policies with the changes is currently in the approval process. It is projected that the revisions will be assigned and completed before the next audit period.

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 Handbook. Of the 14 recommendations, we determined Procurement Services has implemented or partly implemented all 14 recommendations (100%). Nearly all of the recommendations are in the final stages being implemented, pending formal adoption of the revised Purchasing Card Policy and Handbook.

July 1, 2013 the Procurement Services Division began reporting to the Finance Department. Prior to this, the Procurement Services Division reported to the Department of General Services (DGS.) In April 2016, the City switched its purchase card vendor from Bank of America to JP Morgan Chase.

Exhibit 13: Status of Purchase-Card Use Recommendations
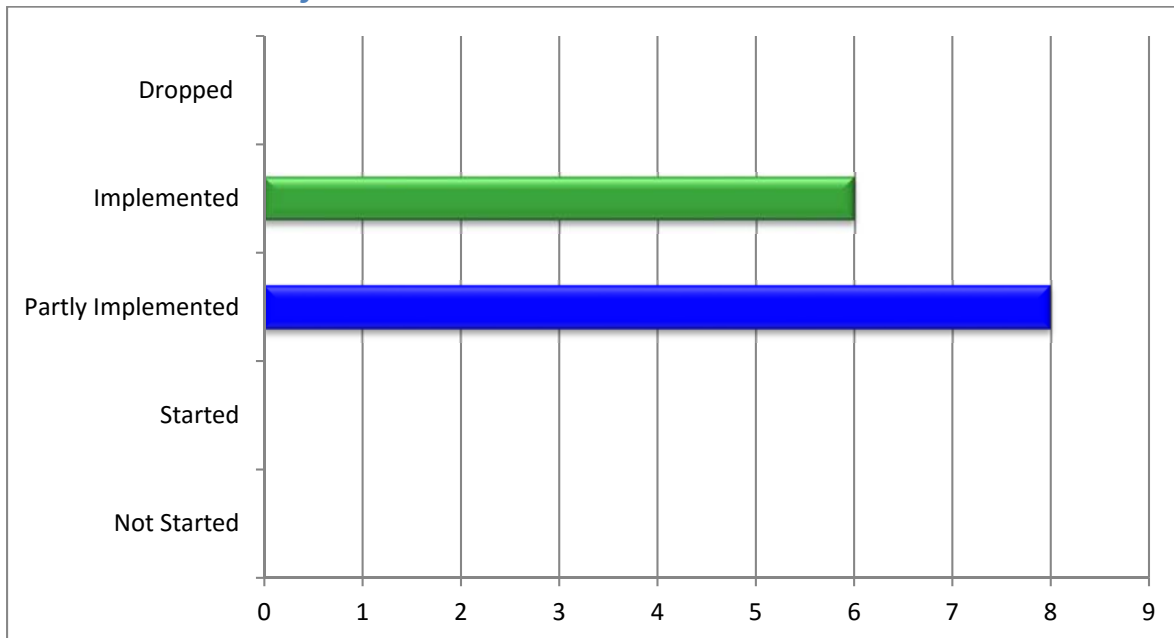
Finding 1: While transactions reviewed did not reveal extensive personal purchases, some charges violated policy and lacked complete support

#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 has been revised to include instructions on reporting missing receipts and the policy is expected to be finalized in 2016.

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 are in the process of being finalized and are expected to be distributed in 2016.

#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 document, which is expected to be distributed in 2016 will serve as the authoritative document.

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

☐ Partly Implemented The Purchasing Card Policy is in draft form and is expected to be distributed in 2016. The policy will be set up for annual review in the City's Automated Policy and Procedure System (APPS).

#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, which is expected to be finalized in 2016, sets annual training requirements and requires that cardholders sign a form acknowledging their responsibilities. Purchase Card use training started in 2014 through the City's CityYou program. Training for new cardholders and receipt of a signed acknowledgement form is now part of the process when a new card is issued.

#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 draft Purchasing Card document, which is expected to be finalized in 2016 will set annual training requirements. Purchase Card training started in 2014 through the City's CityYou program. A standard form acknowledging Approving Official program responsibilities will be developed in conjunction with training specific to approvers.

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

☐ Partly Implemented According to the Finance Department, Procurement staff performed transaction reviews during the first half of fiscal year 2016. Transaction reports were also provided to various departments in response to their requests. Questionable items were identified and forwarded to the Finance Operations Manager for review. The Purchase Card Policy 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 draft Purchasing Card document specifies strengthened controls. Staff has begun conducting regular reviews of purchase transactions and forwarding questionable transactions to the Finance Operations Manager. The Purchase Card Policy is expected to be issued in 2016.

Finding 3: The City's credit limit exceeds $2 million per month and the City could reduce risk by limiting the number of cardholders and establishing more comprehensive controls

#14 Review merchant categories and block purchases from certain categories for all users as a default, but allow for an exception process based on departments' requirements.

☑ Implemented Upon completion of the transition to the new card servicer JP Morgan Chase, Procurement Services set up merchant category blocks to help prevent fraudulent and prohibited transactions. Procurement staff also reviewed the list of merchant categories used by the City to determine if additional categories should be blocked. Procurement Services reviews and approves exceptions to the blocked merchant codes on a case-by-case basis.

Post Audit Summary of the Audit of the Fire Prevention Program

The *Audit of the City's Fire Prevention Program* contained three findings and made 22 recommendations for improving the compliance, effectiveness and accounting of the City's Fire Prevention Program. By performing this assessment, we sought to assess the completeness and accuracy of the fire data management system, inspection documentation and related practices, and the adequacy of its cash controls. With strong systems in place, the Fire Department is better equipped to help prevent fires and reduce the impact of fires that do occur.

Since the audit's release in August 2012, we have been working with the Acting Fire Marshal to assess adequate implementation of the adopted recommendations. Steps taken toward implementation of the recommendations since the release of the audit include working with City IT and the software vendor to improve the database, working with Citygate Associates for assistance in developing policies and procedures, and creating a Memorandum of Agreement (MOA) with other City Departments. During the reporting period of January 2016 to June 2016, the Fire Department worked towards implementing the remaining recommendations. As shown in Exhibit 14, we designated all 22 recommendations as implemented (100%).

Exhibit 14: Status of Fire Prevention Audit Recommendations
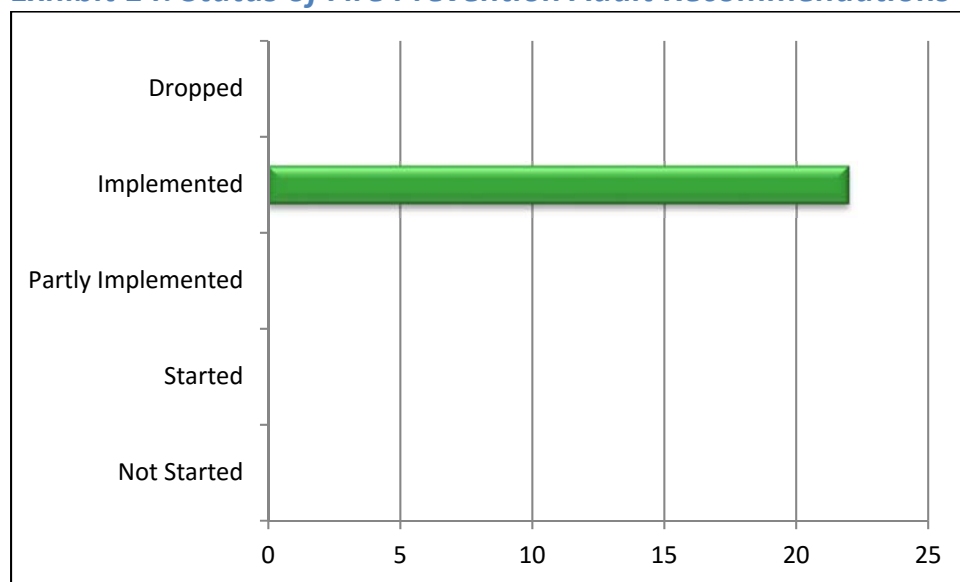
Finding 1: The Fire Department Needs to Formalize its Processes in order to Improve its Fire Prevention Program

#4 Work with the City Clerk to evaluate their records, establish consistent records requirements and establish controls to ensure compliance with California regulations and the City's retention schedule.

☑ Implemented Fire Prevention has completed steps to ensure that they follow the City's Clerk's polices. Inspection information is updated into FDM in a timely manner and verified by Senior Fire

Prevention Officers (FPO). Files are kept electronically or by hardcopy for the life of the building. Items that will be shredded are cataloged and documented. Fire Prevention is working on completing scanning of older plans. Forms utilized by the FPOs now have the right retention period identified.

#5 Explore making changes to the Accela system to better track the issuance and approval of construction permits required by the California Fire Code.

☑ Implemented Fire Prevention explored changing the Accela database but preferred to address this recommendation through new policies and procedures. Fire Prevention and the Community Development Department (CDD) created a Memorandum of Agreement stating that CDD will send all building plans to the Fire Department for review (in the past, the Fire Department was not sent all of the building plan projects). Assigned staff will review the project scope and assign the plan to be reviewed by a Fire Plan Reviewer. If a project does not meet the criteria for a fire review, the plan will be sent back to CDD informing them that a Fire Department review is not required. Once the review is approved and completed, the plans and a completed fire inspection card are given to CDD. CDD will issue the approved plans and fire inspection card to the customer. The card outlines the required fire inspections needed for the project to be signed off prior to the issuance of the certificate of occupancy by CDD.

Finding 3: The Fire Data Management System Lacks Accuracy, is Not Managed Efficiently, and is Not Being Used to its Fullest Potential.

#16 Develop a control to test the FDM database system for accuracy and completeness on a regular basis.

☑ Implemented A program has been created to transfer data from the Revenue Division's BizLink database and capture new businesses for the FDM database. As new businesses enter the BizLink database, the system cross-references existing businesses in FDM. If a business is not found in FDM, the program adds the business to a query for importing into FDM. New businesses are added from the BizLink database every quarter. This new program has helped to increase the Division's productivity and efficiency as FPOs no longer need to be sent out to vacant properties to verify if a new business has started. Fire Prevention has also developed processes to test the FDM system on a monthly basis to cross reference properties with known property use codes and ensure all required properties are being inspected.

#17 Work with the City's IT Department to determine how best to improve the completeness and accuracy of the FDM data.

☑ Implemented A program has been created to transfer data from the Revenue Division's BizLink database and capture new businesses for the FDM database. As new businesses enter the BizLink database, the system cross-references existing businesses in FDM. If a business is not found in FDM, the program adds the business to a query for importing into FDM. New businesses are added from the BizLink database every quarter. This new program has helped to increase the Division's productivity and efficiency as FPOs no longer need to be sent out to vacant properties to verify if a new business has started. Fire Prevention has also developed processes to test the FDM system on a monthly basis to cross reference properties with known property use codes and ensure all required properties are being inspected.

#18 Determine how to streamline the maintenance of inspection and permit related data within its FDM database.

☑ Implemented Fire Prevention has been working continuously with PSIT to purge the FDM database of all erroneous data and to verify the validity of the remaining data. Through new policies and programs, FDM has been enhanced from the importing of new business data to the gathering for fire inspection and permit information. The Memorandum of Agreement with the Revenue Division and the automated transfer of fire permit billing information to the customer, via the Revenue Division, has streamlined the entire process.

#19 Use the GISA licenses it has procured to automate the importation of inspection and permit related data.

☑ Implemented The number of active GISA licenses have been reduced in half and are used by the Fire Information Technology Division as a resource to create programs for FDM data. However, GISA is a mapping tool and not used for importation of inspection and permit related data.

Post Audit Summary of the Audit of Utility Billing

The Audit of City Utility Billing contained seven findings and identified as much as $1.3 million in potential additional revenue. The audit, which was released in June 2012, included 11 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 Utilities (Utilities) has made progress towards implementing all 11 of the recommendations. We determined that the department has implemented or partly implemented all 11 recommendations. The division's progress is shown in the exhibit below.

Exhibit 15: Status of Audit Recommendations
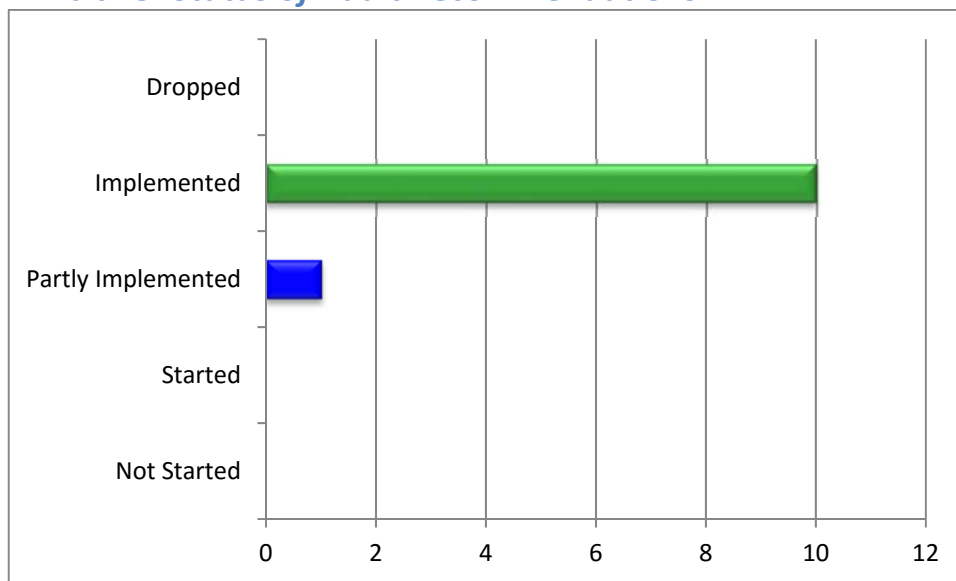
Finding 1: Preparation of Residential Commercial Bills are Highly Accurate, but Improvements are Needed to Ensure All Eligible Parcels are Properly Billed for Storm Drainage

#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.

☑ Partly Implemented Approximately 14,000 parcels have been identified as being in the County's parcel database, and not having a unique account reflected in the City's billing system. Currently, 58% of the inspected parcels have been worked and updated. The department has worked and completed more than 8,300 (57%) of the total parcels. With the recent hires, the Department of Utilities will continue to have dedicated staff to work the project with projected completion date of December 2016.

Post Audit Summary of the Assessment for Establishing a Whistleblower Hotline

The *Assessment for Establishing a Whistleblower Hotline* contained one finding and estimated that the City's loss to fraud, waste, and abuse could total several million dollars each year. The report, which was released in February 2012, contained four recommendations and covered the potential benefits of establishing a hotline, results of an employee survey, information about other cities' hotlines, and cost estimates to establish a Sacramento hotline.

Report recommendations were made to the City Council in March 2012 to seek its guidance. Council voiced support for establishing a whistleblower hotline and directed the City Attorney's Office, City Manager's Office and Office of the City Auditor to begin implementing a whistleblower hotline program.

In response to Council's direction, the Office of the City Auditor began receiving and investigating whistleblower complaints. In December 2012, the City Auditor released the first Whistleblower Hotline activity report.

In addition to Council's general direction to begin implementing the whistleblower hotline program, Council directed the City Attorney's Office and City Manager's Office to take specific steps towards implementation.

#2 Direct the City Attorney and City Manager to establish a Citywide Code of Ethics.

☑ Started Staff from both offices have discussed parameters for moving forward and plan additional meetings. The Good Governance Ad Hoc Committee presented their final report and recommendations to the City Council in September 2015. Included in the good governance recommendations was direction to the City Clerk to work with the City Attorney to draft an Ethics Code, establish an Office of Compliance, and draft an ordinance implementing an Ethics Commission.

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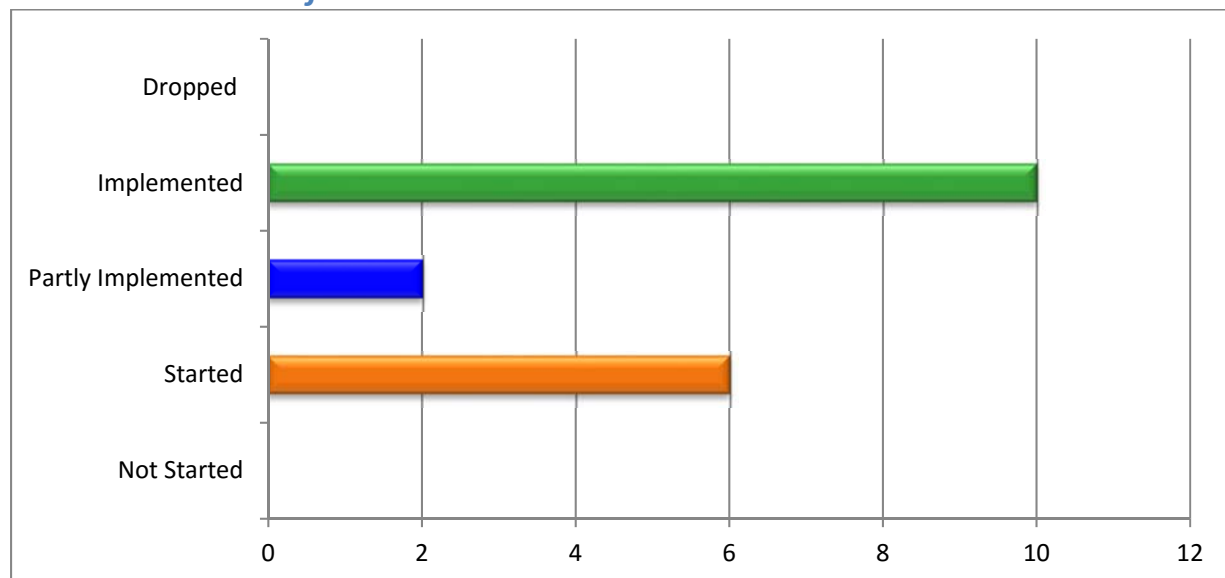
Finding 1: Removing and not replacing the City's light-duty vehicles that were driven less than 6,000 miles per year could yield more than $5 million in onetime and future benefits, with most of these benefits generated through avoided vehicle replacement

#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.

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

We recommend that the City Manager's Office:

#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. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

#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. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

We recommend that the City Attorney's Office:

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

☐ [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. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

We recommend that the City Manager's Office:

#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. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

#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. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

#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. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

We recommend the Finance Department:

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

☐ Partly Implemented The City Attorney's Office performed its legal review and recommended updating the City Employees Transportation policy. The Finance Department is working with Fleet and the Chair of the Vehicle Review Committee to update the policy language.

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 January 2016 to June 2016, the City continued to work on the recommendations made in the audit report. As shown in Exhibit 17, we designated 5 recommendations implemented (23%) and 17 recommendations partly implemented (77%).

Exhibit 17: Status of Audit Recommendations
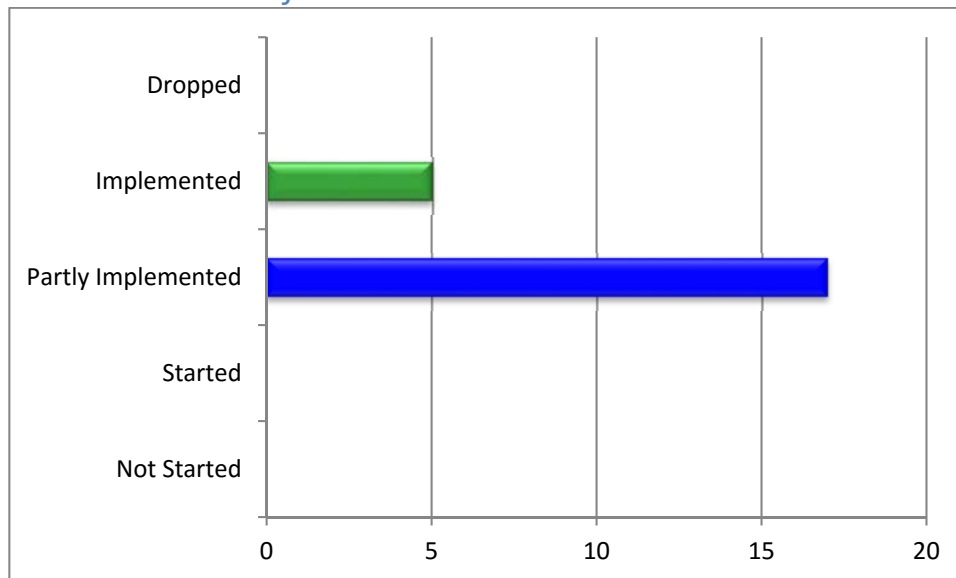
Finding 1: While the City has a System for Establishing Policies & Procedures, It is Generally Circumvented

#1 Establish a control to ensure that e-mailed memorandums that establish or change citywide processes are incorporated into the official body of Administrative Policies and procedures.

☑ Implemented The Automated Policy and Procedure System (APPS) working group has rewritten AP-1001 (renamed Automated Policy and Procedure System policy) to reflect the APPS system design. The language of the new policy document includes a statement that all e-mailed memorandums that establish or change citywide processes will be incorporated into the body of administrative policies and procedures via the APPS system. The City Manager's office is actively working with department staff to formalize policies and procedures with submission into APPS for management and delivery through the City's Learning Management System (Target Solutions) for employee review and acknowledgement. This process has many stakeholders and is expected to be an ongoing effort. The APPS manager continues to outreach to department directors and managers as emails are discovered that reflect policy or procedure statements; coaching is provided to authors regarding the process for adding the information to existing policies and procedures or the development of new ones. Having an APPS manager oversee citywide policies and procedures has provided the opportunity to capture email and memorandum documents into the appropriate APPS format. It also ensures that the policy/procedure documents are properly packaged, reviewed and released.

#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.

#4 Establish a time frame for periodic review of established Administrative Policies and procedures and incorporate it into *AP-1001*.

☑ Implemented The new APPS requires a review frequency be provided for each policy and procedure. APPS will automatically send an email 60 days prior to the review date to the document's contact person to inform them of the pending review deadline. Follow-up emails are sent to the individual responsible for the policy or procedure every thirty days until the individual reviews the policy or procedure in APPS. Because APPS will track the approval date for each document, queries may be made to determine performance and establish future performance benchmarks. The City Manager's office is actively

working with department staff to formalize policies and procedures with submission into APPS for management. This management includes an automated email alert to assigned parties for periodic review and updates of Citywide and departmental policies and procedures.

#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. 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.

#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.

#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.

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.

 # 15 Centralize citywide policies and procedures to a location where employees can easily find all current policies that relate to their position or employment at the City.

☐ Partly Implemented Staff has designed and built the APPS system to serve as a central repository for Citywide, department and division policies and procedures. The APPS system houses the "source" documents from which formal policy and procedure documents are "published" to the CCM (and intranet or website). The City's public website (see http://portal.cityofsacramento.org/City-Hall/Policies-and-Procedures) provides access to most of the current policies and procedures that can be provided to the public. The City's Learning Management System (Target Solutions) is being used to release policies and procedures to appropriate employee groups for their review and acknowledgement. The system provides an accounting of completion of the task. This process is used for citywide and departmental policies and procedures. The City continues to develop strategies for policy and procedure delivery to City staff and the public as appropriate.

#16 Evaluate the 250 documents and determine which warrant integration into the formal process described in *AP-1001* and related formats.

☑ Implemented The documents were reviewed and consolidated or incorporated into new policies and procedures. The APPS project team partnered with HR to convert the recently updated HR policies into the APPS format. Several draft HR policy/procedure documents have been converted to the APPS format including: Reasonable Accommodation, Employee Handbook, Educational Assistance, Wireless Communications, Health and Welfare, Leave Administration, and Employee Separation. During this collaboration, additional policy and procedure needs are identified. The APPS manager continues to work with departments in updating policy and procedure documents that are high priority such as Nepotism, Information Technology Resources, Transportation, Equal Opportunity Employment, and Social Media. This process is expected to be an ongoing effort.

#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.

 # 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.

#19 Update the department drop-down list to align with the current organization chart.

☐ Partly Implemented Policies and procedures are now compiled in APPS. CCM houses the policies and procedures and pulls the data from APPS to ensure all data in CCM are current. Responsibility for policy management is done in the APPS system, not CCM. The personal responsible for the management of a policy is not always the subject matter expert listed in the policy/procedure contact information.

#20 Consider making a change to CCM to allow for the distinction between active/current policies and inactive/replaced policies.

☐ Partly Implemented The updated Automated Policies 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. The active policy and procedure documents have been updated in CCM to reflect their current status. The City Clerk's Office is working on archiving inactive and replaced policies as they are updated.

#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.

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.

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

The Performance Audit of 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 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 18: Status of Audit Recommendations
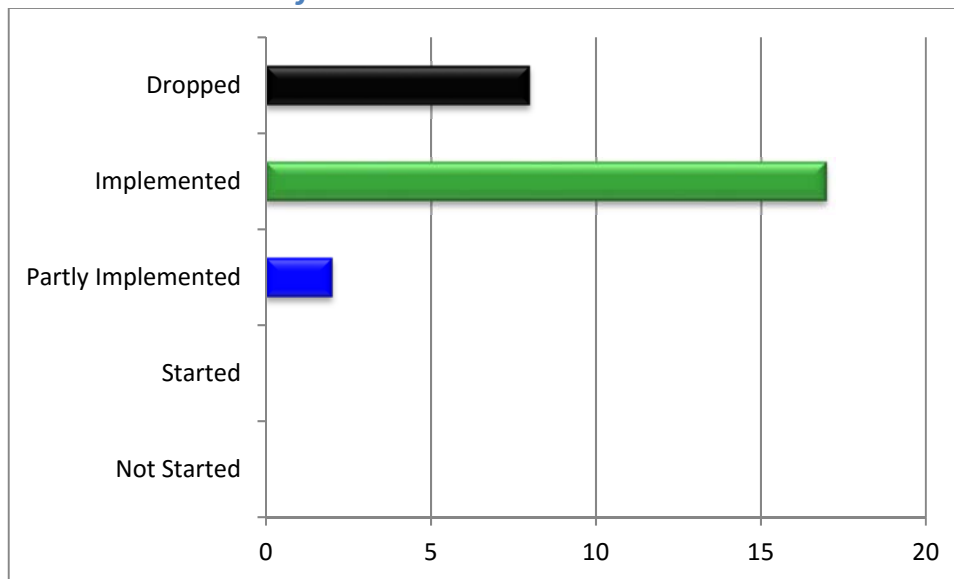
Additional Operational Efficiencies and Cost Savings

#12 Accelerate completion of the Computerized Maintenance Management Systems (CMMS).
☑ [Partly Implemented](#) The original start date for this project on the City of Sacramento Department of Utilities (DOU) contract with EEC was September 2015 with completion by September 2016. DOU completed the design phase of the Cityworks eCAPS time management project in January 2016. For the development phase of the project, DOU Operations & Maintenance (O&M) reviewed two prototypes, with review concluding on May 23, 2016. DOU met with two labor unions in early June and successfully addressed their concerns. The DOU Program Management Team (PMT) continues to liaison with labor and address issues as they arise, and anticipates completing all development tasks by the end of June 2016. Due to the eCAPS upgrade currently in progress and FY16 year-end activities, the PMT plans to begin integration testing with eCAPS during the second half of July 2016, and O&M will perform User Acceptance Testing (UAT) in August 2016. After UAT is complete, deployment begins with an initial time

management pilot project across O&M sections and a phased training and rollout to all Cityworks users. The complete deployment timeline after UAT is not yet finalized.

#14 Accelerate completion of the SCADA HMI software system replacement.

☑ Partly Implemented The Department of Utilities resolved the software licensing issues noted in the December 2015 audit update. The department has completed point-to-point testing for more than 150 sanitary and drainage sumps; these screens are fully functional. The department has completed testing at four of the five treatment plants. The department is currently point-to-point testing al of the inputs/outputs (I/O) and screens at the Fairbairn Water Treatment Plant. Issues arose with some of the control functions and approximately 16,000 data points need testing. More than 9,500 (60%) have been tested and testing for the entire plant will be complete by the middle of August 2016. As part of the testing at Fairbairn, the eleven reservoirs are being tested. Nine of the eleven reservoirs have been completed and the remaining two are scheduled to be completed by the end of July 2016.

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.

To evaluate Human Resources' progress in implementing recommendations, we requested a self-assessment from the Department and asked for evidence to support progress. Since the publication of the audit, Human Resources has made significant progress towards implementing the recommendations. Of the 28 recommendations, we determined that the Department has implemented, or partly implemented, 25 recommendations (90%). One recommendation was dropped as it was not adopted during the most recent round of negotiations with Local 522.

Exhibit 19 summarized the implementation progress to date. While Human Resources is making progress towards implementing recommendations, we anticipate that some recommendations could take several more months to fully implement.

Exhibit 19: Status of Health and Pension Benefits Audit Recommendations
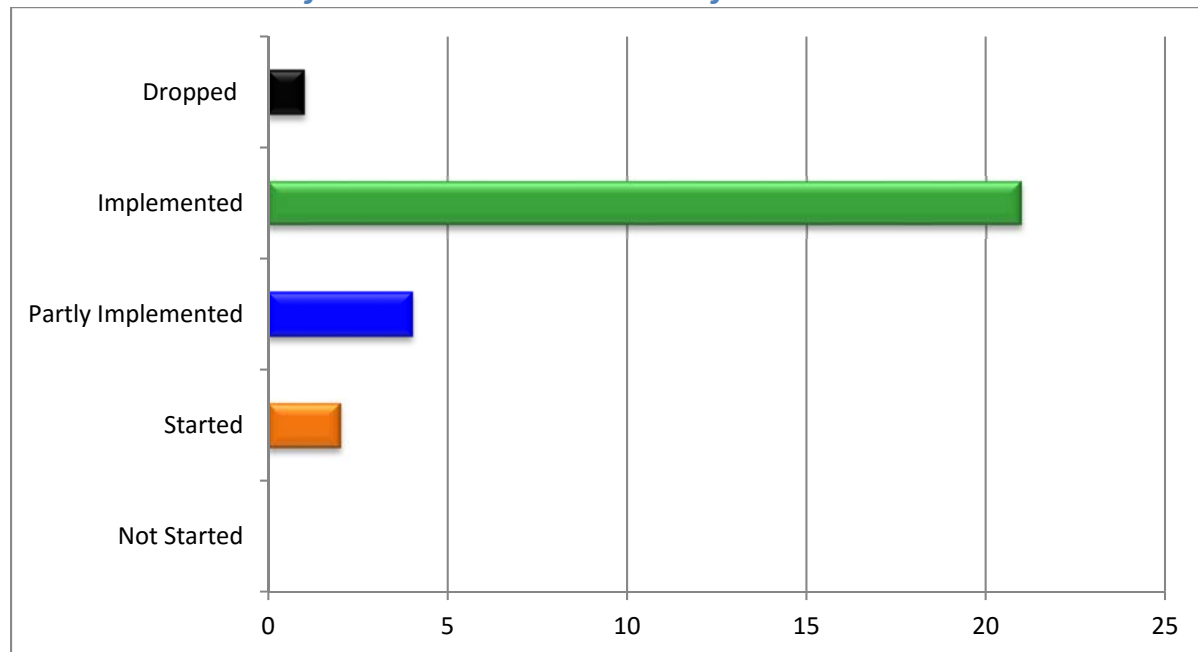
Finding 1: The Administration of Health Benefits Has Strengthened, But Areas of Concern Remain

#2 Develop a system to reconcile self-billed amounts to actual amounts deducted in payroll.

☐ Started An analyst has been assigned to this project and will be developing procedures to support the process. Discussion with IT has begun to review process for inputting CalPERS retiree benefit data in eCaps to ensure all benefit elections are done through the eCaps system thus aiding in the reconciling of self-billing amounts.

Finding 2: The City's Current Methods For Determining Premium Amounts And Shares Need Improvement

#12 Establish a formal process to periodically compare the costs of the City's health premiums to what other area governments pay.

☑ Implemented In June 2016, the City's broker provided detailed data to the City on CalPERS health rates for the upcoming 2017 plan year as a comparison tool. Health rates differ by region and many local governments in the Sacramento region provide medical benefits to their employees via CalPERS. However, the City's rates are driven by the City's own claims data. Therefore, it can be difficult to make an equal comparison between City of Sacramento health rates with other local governments in the region.

#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.

#15 Establish a process to obtain and review trends in area governments' contributions towards employees' health premiums.

☑ Implemented The Human Resources department works with its benefit broker during their yearly evaluation to survey regional trends as it relates to health plan premiums and contributions. The City's benefit broker will then use this information to negotiate premium rates during its contract renewal with the City's medical carriers.

#16 Consider regional trends when negotiating benefit shares.

☑ Implemented As mentioned in Recommendation #15, Human Resources works with its benefit broker during their yearly evaluation to survey other area governments' premiums and contributions to their health plans and use this information to negotiate future premium rates.

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 changes to Medicare retiree benefits. Some labor unions have already agreed to changes, others will have to discuss during the next round of negotiations. The target date for completion is July 2018. With changes made to Labor MOU's in the last couple rounds of negotiations, retiree medical benefits for most new employees have been eliminated and contributions provided to most current employees have been capped.

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

☐ Started An eCAPS 9.2 upgrade was completed in June 2016. This item is also dependent upon completion of recommendation #2.

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 The Training and Wellness Committee has implemented a wellness program that includes goals and measures.   The Committee is currently working with health carriers on the City's wellness plans. In addition, two health carriers have offered to provide funding to help support the City's wellness efforts.

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

☐ Partly Implemented The City has a strategic healthcare plan and the City Manager has outlined priorities for negotiations.

Post Audit Summary of the Audit of the Community Development Department

The Performance Audit of the Community Development Department (CDD) contained 5 chapters, identified $2.3 million[2] in required permitting fees that the City did not receive, and made 40 recommendations for improving CDD's operations, controls, and management. The audit specifically reviewed the City's processes for issuing building permits and collecting requisite fees. Since the audit's release in October 2010, my office has been working closely with CDD staff to assess and insure adequate implementation of the adopted recommendations.

During the reporting period of January to June 2016, progress was made to implement the final recommendations. As shown in Exhibit 20, we designated 36 recommendations as implemented (90%), 3 recommendations as partly implemented (7.5%), and one dropped (2.5%).

Exhibit 20: Status of Audit Recommendations
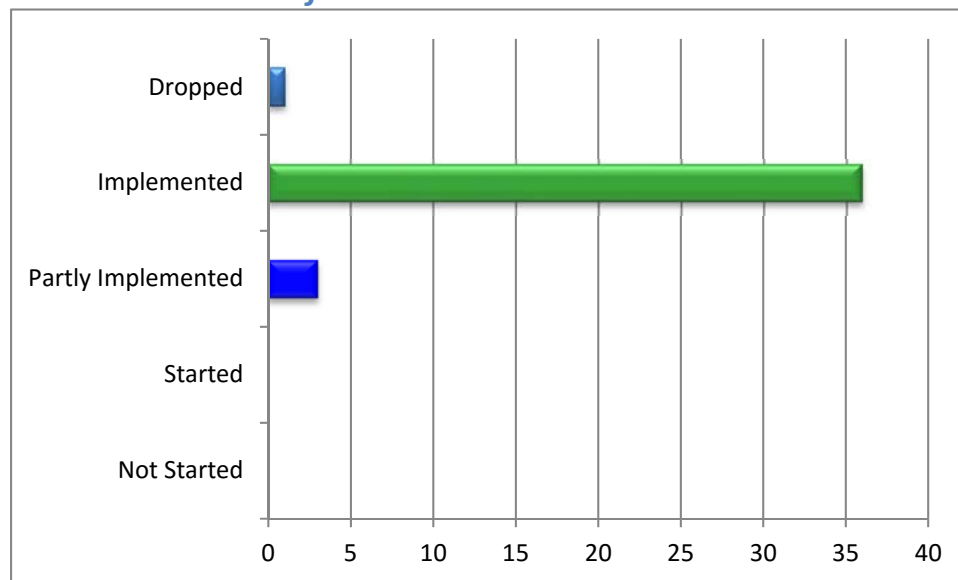
Complete List of Recommendations and Status

Performance Audit of the Community Development Department (CDD)

SECTION 1: ORGANIZATION AND POLICIES

#9 Ensure that the City's Chief Building Official, who is held responsible by state law and City Code for enforcing the City's building laws, codes and regulations, has the ability to control all of the activities and processes for which he or she is responsible. (p. 19)

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[2] According to the Attorney's Office, the City is still evaluating whether the City may successfully recoup some or all of the previously noted $2.3 million uncollected fees.

☐ Partly Implemented The Community Development Department met with the City Auditor's Office and the City Attorney's Office in April 2016 to make the appropriate changes to the City Code sections 8.96.050, 8.100.070, and 15.04.100 to clarify authority and responsibility for both the Chief Building Official and Code and Housing Enforcement Chief to enforce the City's building laws, codes and regulations. The changes are expected to be heard by the Law and Legislation Committee in July 2016 and then forwarded to the City Council for final approval.

#10 Ensure that the City's Chief Building Official has reporting authority over the positions that carry out those activities and processes for which he or she is responsible, including but not limited to Permit Counter staff, Process Assessment Unit staff, inspectors, plan reviewers, etc. (p. 19)

☐ Partly Implemented The Community Development Department met with the City Auditor's Office and the City Attorney's Office in April 2016 to make the appropriate changes to the City Code sections 8.96.050, 8.100.070, and 15.04.100 to clarify authority and responsibility for both the Chief Building Official and Code and Housing Enforcement Chief to enforce the City's building laws, codes and regulations. The changes are expected to be heard by the Law and Legislation Committee in July 2016 and then forwarded to the City Council for final approval.

#11 Consider the City's Chief Building Official's responsibilities related to housing and code enforcement activities, and ensure that proper control and reporting authority is provided, particularly since Building Services already provides plan review related to housing permits. (p. 19)

☐ Partly Implemented The Community Development Department met with the City Auditor's Office and the City Attorney's Office in April 2016 to make the appropriate changes to the City Code sections 8.96.050, 8.100.070, and 15.04.100 to clarify authority and responsibility for both the Chief Building Official and Code and Housing Enforcement Chief to enforce the City's building laws, codes and regulations. The changes are expected to be heard by the Law and Legislation Committee in July 2016 and then forwarded to the City Council for final approval.