

# City Auditor's Semi-Annual Recommendation Follow-Up Report: January – June 2021

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*City of*  
**SACRAMENTO**  
Office of the City Auditor  
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## Recommendation Follow-Up Process

The Office of the City Auditor (Office) 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 recommendations, and reports on the status of open recommendations every six months with a semiannual report.

In accordance with the City Auditor's approved Fiscal Year (FY) 2020/21 Audit Plan, we have prepared a report on the status of open recommendations for the six-month period ending June 2021. To prepare this report, we met with department staff, reviewed documentation provided by departments, and performed testing to evaluate implementation progress. We would like to express our appreciation to City staff for their cooperation and assistance during our reviews.

### Recommendation Progress

We classified recommendations based on the responsible party's progress:

- **Not started** – The responsible party temporarily postponed implementing the audit recommendation or did not demonstrate sufficient progress toward implementing the recommendation.
- **Started** – The responsible party began implementing the recommendation, but considerable work remains.
- **Partly Implemented** – The responsible party satisfied some elements of the audit recommendation, but additional work and testing remains.
- **Implemented** – The responsible party 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.

## Benefits of Implementing Recommendations

One of the goals in performing our work is to identify areas in which the City could reduce expenses or increase revenues. However, in some cases it can be difficult to calculate the financial benefit that a recommendation could produce. For example, it would be difficult to determine avoided costs of potential workers' compensation claims in the future.

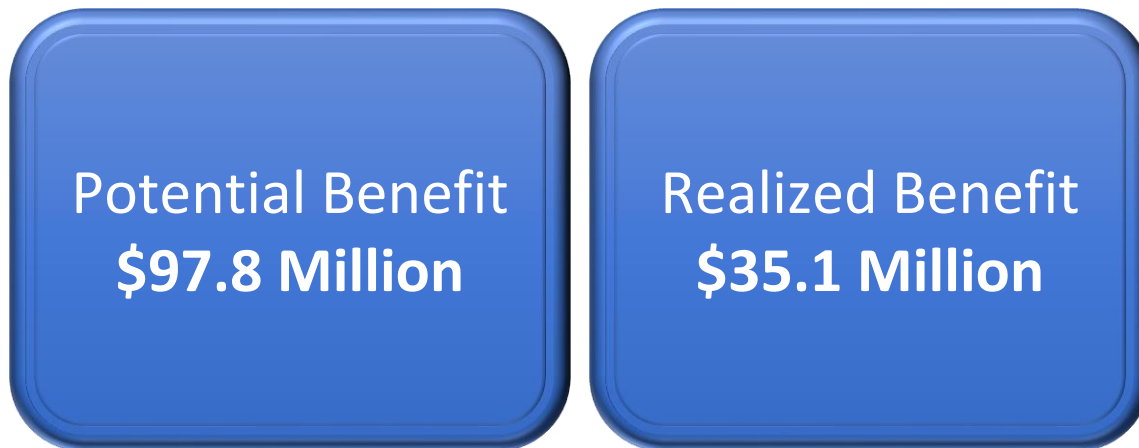
While much of our work aims to identify financial benefits, recommendations are not solely focused on identifying savings. Sometimes they focus on areas that identify key benefits that are not easily quantifiable. For example, it could be difficult to quantify the value of increased residents' satisfaction with City services due to implementation of recommendations, or the benefits of having policies in place that reduce the City's overall risk.

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We expect that most of our work will yield both financial and non-financial benefits. 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. Figure 1 illustrates the potential financial benefits identified in our reports as well as the estimated realized financial benefits resulting from the implementation of all recommendations made by the Office of the City Auditor.

**Figure 1: Potential Financial Benefit Identified vs Estimated Financial Benefit Realized Since Establishment of the Office of the City Auditor**



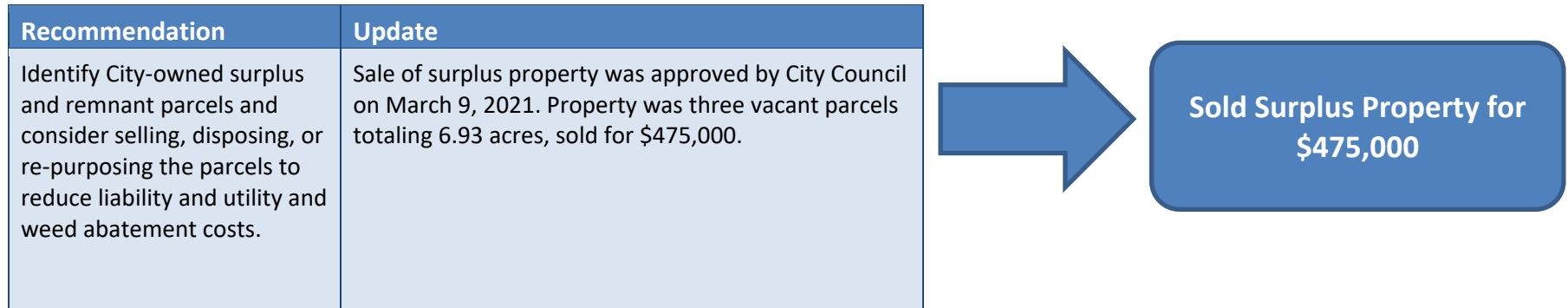
Source: Auditor generated.

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

## Recommendations that Resulted in Cost Savings During This Follow Up Period

Figure 2 summarizes audit recommendations that resulted in cost savings identified during this follow up period. The *Audit of City-Owned and Leased Real Property* identified that better controls were needed over surplus property tracking. The audit recommended identifying City-owned surplus and remnant parcels and consider selling, disposing, or re-purposing the parcels to reduce liability and utility costs. In March 2021, Council approved the sale of a vacant property for \$475,000.

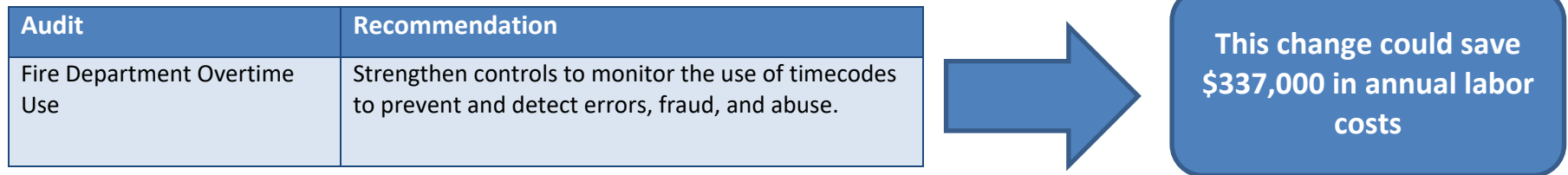
**Figure 2: Summary of Cost Savings Recognized During this Follow Up Period**



## Recommendation that Would Result in Cost Savings, If Implemented

Figure 3 highlights an audit recommendation that, if implemented, would result in cost savings for the City. The *Audit of Fire Department Overtime Use* identified considerable weaknesses in the Fire Department’s tracking and monitoring of overtime. Strengthening accountability of overtime use should result in significant cost savings.

**Figure 3: Implementing This Recommendation Would Result in Cost Savings**

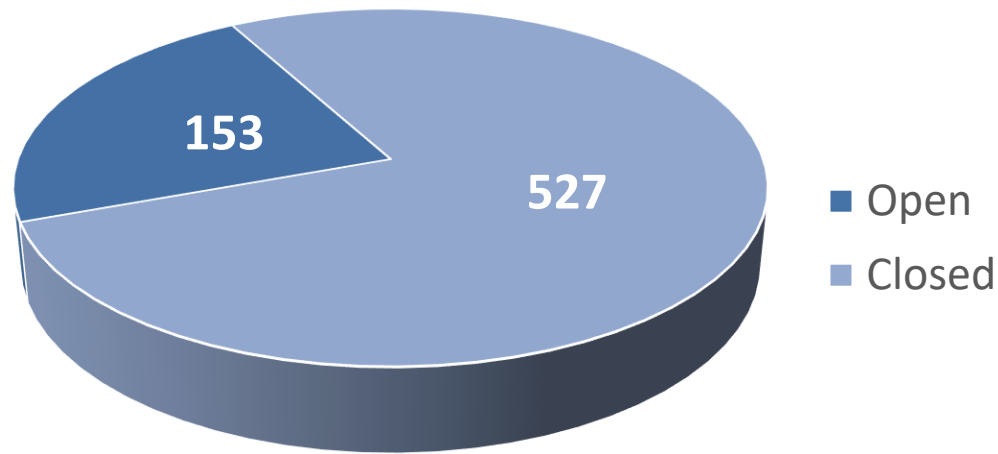


# Implementation Progress of Recommendations

## 78% of All Recommendations Have Been Closed

Since the establishment of the Office of the City Auditor in 2010, the Office has issued over 60 reports and made 680 recommendations. At the close of this recommendation follow-up period, 527 (78% of) recommendations had been closed. Figure 4 illustrates the number of recommendations open compared to the number of recommendations closed as of June 30, 2021.

Figure 4: Recommendation Status

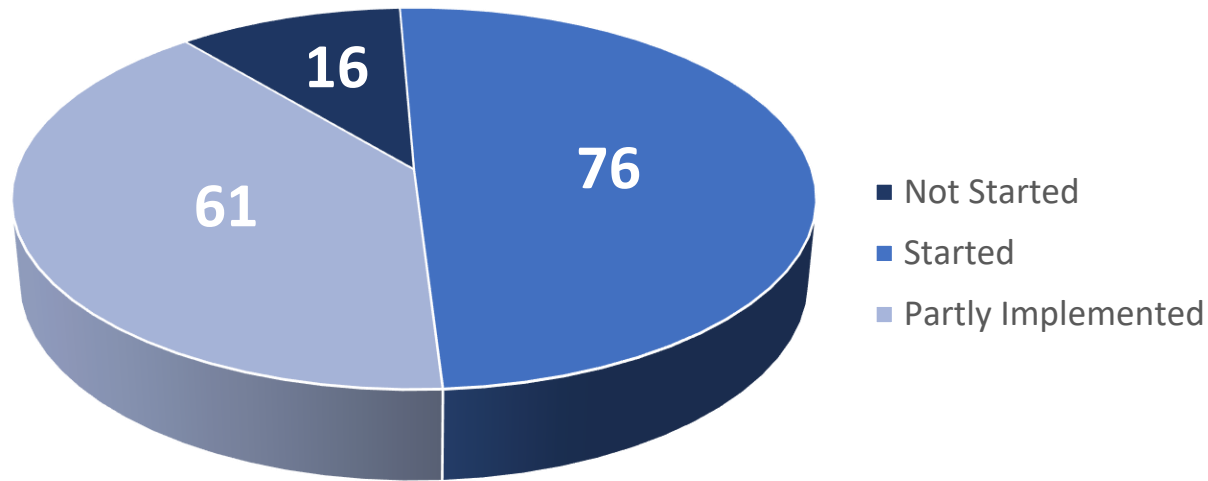


Source: Auditor generated.

## Status of Open Recommendations

Open recommendations are classified based on the responsible party's progress towards implementation. Figure 5 illustrates the progress of all open recommendations.

Figure 5: Status of Open Recommendations



Source: Auditor generated.

In addition to reporting on the current progress of open recommendations, our Office tracks whether notable new progress has been made towards implementing recommendations during the review period.

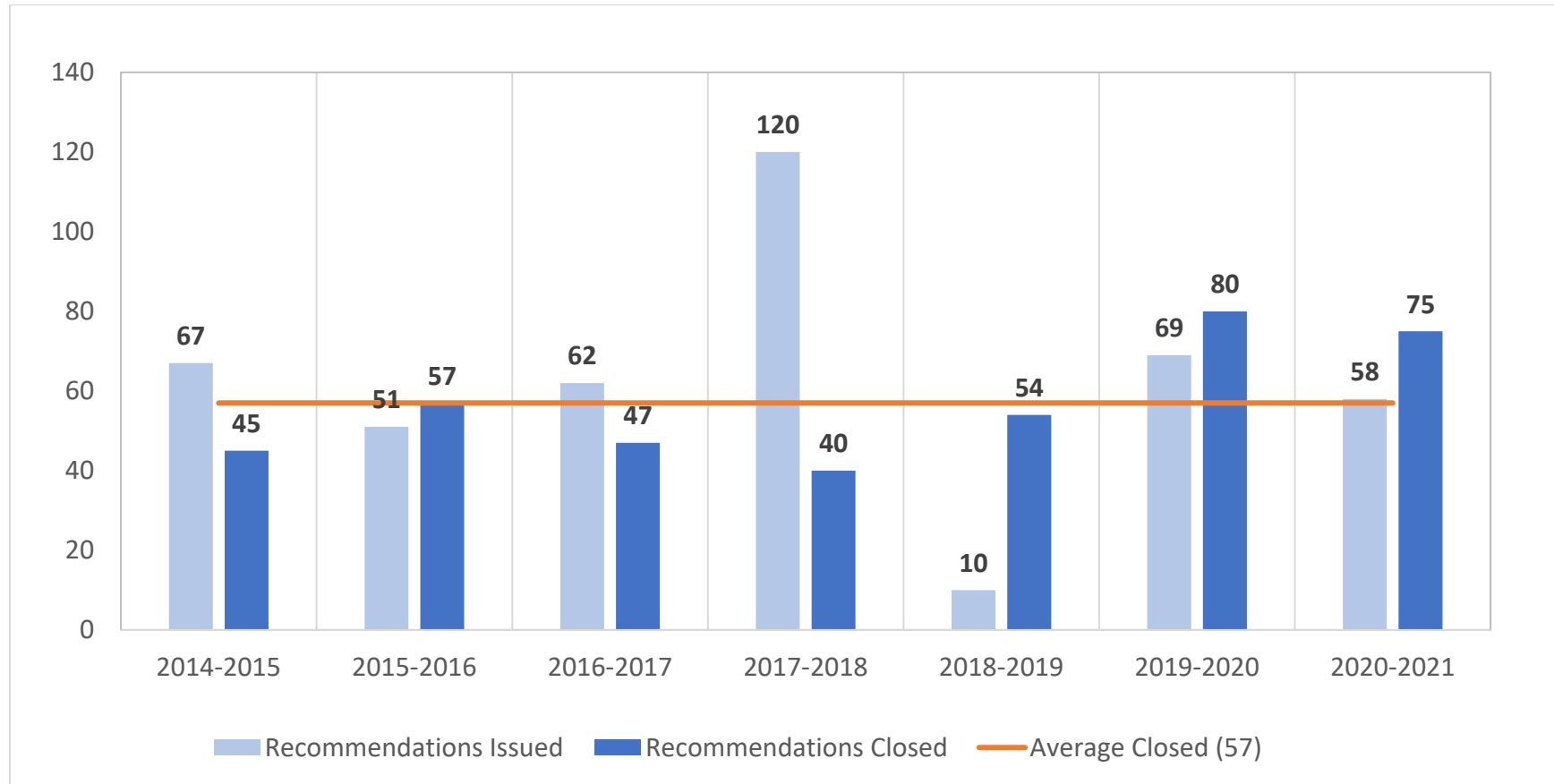
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## The Number of Recommendations Issued and Closed Per Year

Figure 6 illustrates the number of recommendations issued and closed in the last seven fiscal years. The average number of recommendations closed per year is 57. It is commendable that in FY2020/21 City Departments closed 75 audit recommendations, despite the ongoing COVID-19 pandemic.

**Figure 6: Recommendations Issued Compared to Recommendations Closed by Fiscal Year**



Source: Auditor generated.

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## Open Recommendations by Department

Recommendations made by the Office of the City Auditor are directed towards specific departments or entities. In some cases, implementation requires extensive coordination between multiple parties. Recommendations directed towards multiple parties are listed under the lead department. Figure 7 illustrates the outstanding recommendations by department. For context, the number of closed and total recommendations issued to each department is also listed.

**Figure 7: Recommendations by Department**

Department	Open	Closed	Total	% Closed
Public Works	31	35	66	53%
City Manager	39	46	85	54%
Youth, Parks, and Community Enrichment	8	11	19	58%
Fire	17	41	58	71%
Roberts Family Development Center*	3	10	13	77%
Police	3	10	13	77%
Finance	19	73	92	79%
Utilities	18	86	104	83%
Information Technology	5	43	48	90%
Human Resources	10	92	102	90%
Downtown Streets Team, Inc.*	0	5	5	100%
Golden 1 Center*	0	7	7	100%
City Attorney	0	1	1	100%
City Clerk	0	1	1	100%
City Council	0	6	6	100%
Community Development	0	40	40	100%
Sacramento Housing and Redevelopment Agency	0	12	12	100%
Sacramento Region Sports Education Foundation	0	8	8	100%
<b>Total</b>	<b>153</b>	<b>527</b>	<b>680</b>	<b>78%</b>

Source: Auditor generated.

\*Not a City Department or Division

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# Post Audit Recommendation Follow Up Status by Audit

The following tables provide the status of audit recommendations, by audit report, in the order the audits were issued. Please note that recommendations closed in a prior period are not listed.

## Audit of City Policies and Procedures

Finding	#	Recommendation	Status	Update
While the City has a System for Establishing Policies & Procedures, it is Generally Circumvented	5	Update AP-1001 to clearly describe the mechanism for updating Administrative Policies	Partly Implemented	During this period, the City Clerk's Office is no longer overseeing the citywide policy program and the responsibility has transferred to Labor Relations. Also, PolicyStar has been retired and Labor Relations is currently assessing the policy approval process.
While the City has a System for Establishing Policies & Procedures, it is Generally Circumvented	7	Formally document the roles, responsibilities and processes of area experts.	Partly Implemented	During this period, the City Clerk's office is no longer overseeing the citywide policy program and the responsibility has transferred to Labor Relations. Also, PolicyStar has been retired and Labor Relations is currently assessing the policy approval process.
While the City has a System for Establishing Policies & Procedures, it is Generally Circumvented	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	During this period, the City Clerk's office is no longer overseeing the citywide policy program and the responsibility has transferred to Labor Relations. Also, PolicyStar has been retired and Labor Relations is currently assessing the policy approval process.
The Inventory of Citywide Policies Could be More Complete and Organized	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	During this period, the City Clerk's office is no longer overseeing the citywide policy program and the responsibility has transferred to Labor Relations. Also, PolicyStar has been retired and Labor Relations is currently assessing the policy approval process.

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The Inventory of Citywide Policies Could be More Complete and Organized	14	Update PR-1001-01 to include a clear description of how Administrative Policies and Procedures are integrated and accessed in CCM.	Partly Implemented	During this period, the City Clerk's office is no longer overseeing the citywide policy program and the responsibility has transferred to Labor Relations. Also, PolicyStar has been retired and Labor Relations is currently assessing the policy approval process.
The Inventory of Citywide Policies Could be More Complete and Organized	17	Design a control to ensure outdated policies and procedures are removed from CityNet and the City's public website.	Partly Implemented	During this period, the City Clerk's office is no longer overseeing the citywide policy program and the responsibility has transferred to Labor Relations. Also, PolicyStar has been retired and Labor Relations is currently assessing the policy approval process.

## Audit of City Light-Duty Vehicle Use

Finding	#	Recommendation	Status	Update
The lack of a detailed City take-home vehicle policy has allowed the City to approve almost 250 take-home vehicles, resulting in a substantial cost	10	Revise the City's transportation policy to consolidate City direction and enhance criteria for allocating take-home vehicles.	Started	During this period, no progress was made since Labor Relations was inundated with the citywide COVID-19 framework. Also, PolicyStar has been retired and Labor Relations is currently assessing the policy approval process.
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	11	Require employees who receive a take-home vehicle to maintain a log of call back events.	Partly Implemented	No progress was made during the period.
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	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	During this period, no progress was made since Labor Relations was inundated with the citywide COVID-19 framework.

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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	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	During this period, no progress was made since Labor Relations was inundated with the citywide COVID-19 framework.
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	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	During this period, no progress was made since Labor Relations was inundated with the citywide COVID-19 framework.

## Audit of Citywide Purchase-Card Use

Finding	#	Recommendation	Status	Update
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	The department is developing a Purchasing Card Procedure Handbook to serve as a guidance for processing lost receipt justifications.
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 update is under development and will be consistent with other City policies.
The purchase card program lacked complete policy guidance and oversight	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 department is updating the Purchasing Card Procedure Handbook to reflect the types of transactions that are allowable and prohibited. Once the handbook is formally adopted, it will be distributed to all cardholders and approving officials.

The purchase card program lacked complete policy guidance and oversight	7	Ensure that the document is updated annually to reflect policy changes.	Partly Implemented	The Purchasing Card Policy, once formally adopted, will be reviewed annually to reflect applicable policy changes.
The purchase card program lacked complete policy guidance and oversight	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	A new training presentation has been created and is being used to train new cardholders. Once the new Purchasing Card Manual is complete and published, the training will be pushed to the City's training system and cardholders will be required to complete it annually.
The purchase card program lacked complete policy guidance and oversight	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	A new training presentation has been created and is being used to train new cardholders. Once the new Purchasing Card Manual is complete and published, the training will be pushed to the City's training system and cardholders will be required to complete it annually.
The purchase card program lacked complete policy guidance and oversight	12	Strengthen controls that are already in place and consider adding controls that are in line with best practices.	Partly Implemented	Clarification on allowable charges has been included in new training material and is included in the Purchasing Card Policy draft. Code restrictions on merchant categories were implemented to restrict purchases from vendors that there would not typically be a business purpose to purchase from.

## Audit of City Employee Supplemental Pay

Finding	#	Recommendation	Status	Update
Controls Over Employee Time Reporting Must be Improved	9	Create a policy and procedure for recording supervisor approval of individual employee time.	Partly Implemented	The Fire Department anticipates their Telestaff upgrade should allow for enhanced functionality that will help to address this recommendation. In addition, the Fire Department has transitioned some staff to eCAPS timekeeping, which facilitates supervisory approval.

Controls Over Employee Time Reporting Must be Improved	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 Fire Department anticipates their Telestaff upgrade should allow for enhanced functionality that will help to address this recommendation. In addition, the Fire Department has transitioned some staff to eCAPS timekeeping, which facilitates better system access controls.
Controls Over Employee Time Reporting Must be Improved	11	Develop controls to monitor the activity of those provided with administrative rights to Telestaff.	Started	The Fire Department anticipates their Telestaff upgrade should allow for enhanced functionality that will help to address this recommendation. In addition, the Fire Department has transitioned some staff to eCAPS timekeeping, which facilitates better system access controls.

### Audit of the Fire Department Inventory Systems & Narcotics

Finding	#	Recommendation	Status	Update
The Fire Department should implement inventory management best practices to improve accountability and accuracy	1	Assign responsibility for managing inventory and develop policies to provide clear and consistent direction.	Partly Implemented	The Department has hired a Stores Administrator who has been tasked with drafting the policies needed to provide clear and consistent direction related to inventory management. However, due to the COVID-19 response, completion of this policy has been delayed.
The Fire Department should implement inventory management best practices to improve accountability and accuracy	2	Establish performance goals to determine if the system is functioning properly.	Started	The Fire Department has been delayed in establishing performance goals due to the COVID-19 response. However, the department has drafted a controlled medications security and procurement policy.
The Fire Department should implement inventory management best practices to improve accountability and accuracy	3	Determine a schedule for regular and random inventory counts to ensure accuracy and identify outages.	Partly Implemented	Inventory reports and counts are being completed, while formal processes are still being developed.

The Fire Department should implement inventory management best practices to improve accountability and accuracy	4	Require supervisory approval of inventory count adjustments and document the cause of the variance.	Started	Inventory processes are still being developed and tested. An Inventory Change Log has been created in the inventory system to identify edits made by staff. However, a sudden shift in priorities due to the COVID-19 pandemic has delayed implementation.
The Fire Department should implement inventory management best practices to improve accountability and accuracy	5	Develop a mechanism to track discarded or expired medication.	Partly Implemented	Expiration dates for some supplies are being recorded in the electronic inventory system. Policies and reporting mechanisms are still being developed.
The Fire Department should implement inventory management best practices to improve accountability and accuracy	6	Develop a process to track actual usage of supplies.	Partly Implemented	The Fire Department has fully implemented a process to track the actual usage of narcotics, but other supply tracking has only been partially implemented.
The Fire Department should implement inventory management best practices to improve accountability and accuracy	7	Work with the IT Department to implement system access best practices, including the concept of "least privileges."	Partly Implemented	A formal access policy has not yet been established. Staff is actively working with the IT Department on how best to implement this recommendation.
The Fire Department should implement inventory management best practices to improve accountability and accuracy	8	Develop a formal process for approving new user access and changes to access levels.	Started	A formal access policy has not yet been established. Staff is actively working with the IT Department on how best to implement this recommendation.
The Fire Department should implement inventory management best practices to improve accountability and accuracy	9	Perform ongoing reviews of system access.	Partly Implemented	A formal access policy has not yet been established. Staff is actively working with the IT Department on how best to implement this recommendation.



## Audit of Citywide Wireless Communications

Finding	#	Recommendation	Status	Update
Wireless Device Policies are Insufficient	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	Partly Implemented	The Information Technology Department is currently working on updating the Mobile Device Request Form to conform to the Mobile Communication Device Policy. According to the Information Technology Department, the form is planned to go live in August 2021.
Wireless Device Policies are Insufficient	15	Submit a new wireless communication device request form for all existing employees with City-issued devices.	Partly Implemented	The Information Technology Department is currently working on updating the Mobile Device Request Form to conform to the Mobile Communication Device Policy. According to the Information Technology Department, the form is planned to go live in August 2021.
Inventory Records are Incomplete and Inconsistent	18	Update inventory records and ensure complete and up-to-date inventory is maintained.	Partly Implemented	According to the Information Technology Department, the department is in discussions with the Telecom Expense Management (TEM) vendor to build application integration between TEM and ServiceNow to ensure records in both systems match. The new integration would eliminate manual processes that lead to discrepancies between the asset inventory system (ServiceNow) and the TEM system (CLM).

## Audit of the City's 311 Call Center

Finding	#	Recommendation	Status	Update
Additional Technological Enhancements May Help the 311 Call Center Improve Performance	15	Integrate data from Cisco, Siebel or new CRM system, and Witness to better analyze 311 Call Center data and develop processes to improve customer service.	Partly Implemented	According to the 311 Call Center, implementation of the new Workforce Management/Quality Management that will integrate data from Cisco is currently under way. The project experienced some delays due to contract challenges. However, now that the contracts have been signed, the 311 Call Center will be implementing the solution in the coming months.

## Audit of the Department of Utilities Labor Reporting

Finding	#	Recommendation	Status	Update
Policies Can Be Improved and Opportunities for Cost Savings Through Renegotiation Exist	8	Review the existing employee user access to pay types and restrict access to only those pay types for which an employee is eligible.	Started	Due to COVID-19, no progress was made during this period.
Policies Can Be Improved and Opportunities for Cost Savings Through Renegotiation Exist	14	Review and update all Department of Utilities internal policies related to labor reporting.	Partly Implemented	Due to COVID-19, progress of completing this recommendation has been delayed. Labor Relations continues to review and will meet and confer with unions. The department expects this work to be completed by December 2021.
The Finance Department Uses an Excessive Number of Time Reporting Codes and Earn Codes as well as Complex Calculation Methodologies and Distribution Methods for Supplemental Pay that May Not Align with Labor Agreements or Tax Laws	24	Review the labor agreements and update the calculation methodology for the appropriate supplemental pay types so that they are compounded correctly, if necessary.	Started	Due to COVID-19, no progress was made during this period.

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The Finance Department Uses an Excessive Number of Time Reporting Codes and Earn Codes as well as Complex Calculation Methodologies and Distribution Methods for Supplemental Pay that May Not Align with Labor Agreements or Tax Laws	25	Review and update which pay types should have compounding pay components.	Started	Due to COVID-19, no progress was made during this period.
The Finance Department Uses an Excessive Number of Time Reporting Codes and Earn Codes as well as Complex Calculation Methodologies and Distribution Methods for Supplemental Pay that May Not Align with Labor Agreements or Tax Laws	26	Establish written policies and procedures for periodically reviewing and updating the earn codes and time reporting codes, checking for duplicates and active earn codes that should be deactivated.	Partly Implemented	Written procedures were developed for a semi-annual review of active time reporting and earning codes. The goal is to capture duplicate, invalid, and no longer in use codes to inactivate them. The Auditor's Office will schedule a meeting and verify the procedures are being followed during the next recommendation follow-up period.

## Audit of the City's Risk Management Division

Finding	#	Recommendation	Status	Update
The City May Reduce Risk and Liability by Making Improvements to Some Programs and Policies	13	Consider monitoring the drivers' licenses of all employees that drive City vehicles or receive City vehicle allowances.	Started	The Human Resources' Risk Management Division will implement pull notice monitoring for non-commercial drivers upon adoption of the Transportation Policy. As of the end of this reporting period, the Transportation Policy had not been implemented by the Department of Public Works' Fleet Management Division and no progress had been made on this recommendation.

The City May Reduce Risk and Liability by Making Improvements to Some Programs and Policies	16	Continue to work towards implementing the updated draft of the Transportation Policy to increase the insurance requirement of employees driving their personal vehicles for City business.	Started	The Human Resources Department will continue to work towards implementing the updated draft of the Transportation Policy. As of the end of this reporting period, the Transportation Policy had not been implemented by the Department of Public Works' Fleet Management Division and no progress had been made on this recommendation. According to the Risk Management Division, the Human Resources Department is working to put the new policy in a format City employee unions can review.
The City May Reduce Risk and Liability by Making Improvements to Some Programs and Policies	17	Work together to develop a monitoring mechanism to ensure employees maintain the required minimum insurance coverage when receiving a vehicle allowance.	Started	According to the Risk Management Division, a Citywide assignment that will ask employees who may drive their personal vehicle for work to review and acknowledge they have read the City Transportation Policy and that they have the insurance that meets the minimum state requirements will be rolled out through the City's new learning management system. When the Transportation Policy is updated with new minimum insurance requirements, employees will need to review and acknowledge the increased insurance requirements. The division is still working on getting the new Transportation Policy approved.

## Audit of Fire Department Overtime Use

Finding	#	Recommendation	Status	Update
Negotiated Overtime and Incentive Provisions May Have Unintentionally Increased Payroll Costs	6	Evaluate the necessity of Primary Paramedic Pay.	Not Started	This item will likely need to be negotiated as part of the meet and confer process between management and labor. No progress has been made on this recommendation. However, Human Resources is aware of this item for future negotiations.
The Fire Department Lacks Sufficient Controls Over the Administration and Use of Overtime	7	Establish policies on the administration and use of overtime.	Started	According to the Fire Department, a policy has been drafted. However, its implementation has been delayed due to the department's COVID-19 response.

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The Fire Department Lacks Sufficient Controls Over the Administration and Use of Overtime	8	Document the purpose for overtime use in a consistent and retrievable format.	Started	The Fire Department has migrated some administrative and salaried staff to eCAPS and is in the process of upgrading TeleStaff software, which is anticipated to improve reporting capabilities. The Fire Department expects the newer version of will have enhanced capability for documenting the overtime approval.
The Fire Department Lacks Sufficient Controls Over the Administration and Use of Overtime	9	Document supervisory approval of overtime use in a consistent and retrievable format.	Started	The Fire Department has migrated some administrative and salaried staff to eCAPS and is in the process of upgrading TeleStaff software, which is anticipated to improve reporting capabilities. The Fire Department expects the newer version of will have enhanced capability for documenting the overtime approval.
The Fire Department Lacks Sufficient Controls Over the Administration and Use of Overtime	11	Develop, document, and enforce system access controls for Telestaff users.	Started	The Fire Department is in the process of upgrading TeleStaff software, which is anticipated to improve reporting capabilities. The Fire Department expects the newer version of will have enhanced capability for documenting system access.
The Fire Department Lacks Sufficient Controls Over the Administration and Use of Overtime	12	Strengthen controls to monitor the use of timecodes to prevent and detect errors, fraud, and abuse.	Started	The Fire Department has migrated some administrative and salaried staff to eCAPS and is also in the process of upgrading Telestaff software. The Fire Department expects the newer version will have enhanced capability for documenting the use and approval of overtime.
Implementing Alternative Staffing Methods Could Reduce Costs and Improve Service Delivery	17	Consider incorporating peak-demand ambulance units into the current staffing model.	Implemented	The Fire Department staffs peak-demand ambulances when staff is available. The Fire Department continues to work towards a more permanent deployment model.

## Audit of the Department of Utilities Inventory

Finding	#	Recommendation	Status	Update
Strengthening the Physical Security of Department of Utilities Inventory Could Reduce the Risk of Fraud, Waste, and Abuse	3	Review the number and appropriateness of employees with access to the inventory warehouse and formalize which positions can be granted access to each warehouse in the inventory policies.	Partly Implemented	The Department of Utilities (DOU) received vendor quotes for racking systems and canopy covers. Due to size and weight, the racking will need to be secured by drilling into the concrete behind building 18 to ensure safety and stability. Public Works Facilities staff are evaluating and determining an estimated cost for the engineering work necessary to complete this project. Estimated completion is now December 2021.
Strengthening the Physical Security of Department of Utilities Inventory Could Reduce the Risk of Fraud, Waste, and Abuse	4	Establish and implement consistent procedures for the tracking of tools and equipment, including establishing and applying clear criteria for assigning asset identification numbers.	Partly Implemented	According to the department, the water plant inventory audits were completed in April 2021. However, no documentation was received.
Strengthening the Physical Security of Department of Utilities Inventory Could Reduce the Risk of Fraud, Waste, and Abuse	5	Establish a policy that prohibits employees from borrowing City-owned tools and equipment for personal use and document employee acknowledgement.	Partly Implemented	No progress was made during the period. The draft Inventory Policy remains with Labor Relations who state Local 447 shop stewards will be getting back to Labor Relations soon with whether a meeting needs to be scheduled to discuss any concerns/questions they may have with the policy.
While the Department of Utilities' Inventory Count Procedures Appear Robust, the Execution Breaks Down	7	Develop a process to ensure all warehouses are included in the inventory counts.	Partly Implemented	No progress was made during the period. The draft Inventory Policy remains with Labor Relations who state Local 447 shop stewards will be getting back to Labor Relations soon with whether a meeting needs to be scheduled to discuss any concerns/questions they may have with the policy.

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While the Department of Utilities' Inventory Count Procedures Appear Robust, the Execution Breaks Down	9	Formalize specific count methodologies in a written policy.	Partly Implemented	No progress was made during the period. The draft Inventory Policy remains with Labor Relations who state Local 447 shop stewards will be getting back to Labor Relations soon with whether a meeting needs to be scheduled to discuss any concerns/questions they may have with the policy.
While the Department of Utilities' Inventory Count Procedures Appear Robust, the Execution Breaks Down	11	Formalize a procedure for accurately recording inventory count adjustments in a written policy.	Partly Implemented	No progress was made during the period. The draft Inventory Policy remains with Labor Relations who state Local 447 shop stewards will be getting back to Labor Relations soon with whether a meeting needs to be scheduled to discuss any concerns/questions they may have with the policy.
While the Department of Utilities' Inventory Count Procedures Appear Robust, the Execution Breaks Down	13	Add an additional step to the water meter serial number count that reconciles the Water Meter Receipt and Issue Log with Cityworks.	Partly Implemented	The department did not respond with a status update for this recommendation.
While the Department of Utilities' Inventory Count Procedures Appear Robust, the Execution Breaks Down	14	Review, update, and enforce inventory policies related to the tracking of water meters.	Partly Implemented	The department did not respond with a status update for this recommendation.
The Department of Utilities Lacks Formal User Access Policies and Procedures Regarding Their Inventory Systems	22	Formalize logical access to the inventory systems in a written policy.	Partly Implemented	The department did not respond with a status update for this recommendation.

## Audit of Procurement for Services of \$25,000 or Less

Finding	#	Recommendation	Status	Update
Procurement Guidance and Training were Insufficient to Ensure Employees Properly Procured Services on Behalf of the City	2	Update EBO policies, templates, and other guidance for accuracy and consistency.	Started	The City's EBO policy is a duplication of the State of California's Equal Benefits Ordinance, which was adopted in 2007. Procurement will be working with the City Attorney's Office to determine how to reduce redundancies between State laws and City policies.

Procurement Guidance and Training were Insufficient to Ensure Employees Properly Procured Services on Behalf of the City	3	Develop processes to ensure EBO analysis and reports are completed as required by City policy.	Started	The City's EBO policy is a duplication of the State of California's Equal Benefits Ordinance, which was adopted in 2007. The Procurement Division will be working with the City Attorney's Office to reduce redundancies between State law and City policies.
Procurement Guidance and Training were Insufficient to Ensure Employees Properly Procured Services on Behalf of the City	4	Determine the City's intent regarding bid protests and update policies, templates, and other guidance for consistency.	Partly Implemented	Bid protests have been clarified and published in the Procurement Policy Manual, which is currently undergoing legal review. After review, the Procurement Policy Manual will be submitted for formal adoption as a city policy.
Procurement Guidance and Training were Insufficient to Ensure Employees Properly Procured Services on Behalf of the City	5	Define and publish specific roles and responsibilities of procurement stakeholders.	Partly Implemented	The role of the Department Contract Administrator, a procurement stakeholder within the City, has been clarified and published in the Procurement Policy Manual, which is currently undergoing legal review. After review, the Procurement Policy Manual will be submitted for formal adoption as a city policy.
Procurement Guidance and Training were Insufficient to Ensure Employees Properly Procured Services on Behalf of the City	12	Determine the intent and purpose of purchase orders, and clarify their requirements and use in City guidance and templates.	Partly Implemented	Purchase orders have been clarified and published in the Procurement Policy Manual, which is currently undergoing legal review. After review, the Procurement Policy Manual will be submitted for formal adoption as a city policy.
City Departments Did Not Ensure Contracts were Awarded and Executed in Accordance with City Code and City Policy	19	Consider conducting a review of active City contractors' tax certificate status to recover overdue taxes and penalties.	Implemented	The Revenue Division researched the list of contractors/vendors in the audit and have stated they will be reaching out to four contractors/vendors to report and pay back business operations tax (BOT) from 2019. In their review, the Revenue Division has taken into account whether contract values were fully spent, the timeframe to collect, and the cost-effectiveness of the staff time needed to monitor and administer the process, amongst other considerations. In general, the three-year statute of limitations for collection meant that the City would not be able to collect overdue BOT beyond 2018.



City Departments Failed to Ensure Contracts were Managed in Accordance with City Code and City Policy	24	Develop information system controls to ensure bids and contracts are initially written to the appropriate thresholds.	Implemented	The Procurement Division conducts manual reviews of contracts and compliance with bidding and approval thresholds prior to approving a pre-requisition for a purchase order.
Internal Controls were Insufficient to Prevent Inappropriate Payments to Contractors	29	Develop information system controls to ensure purchase orders are only authorized with a valid contract in place.	Implemented	Section 10.11 of the Procurement Division's Best Practice Manual details when contracts are required as there may be legitimate reasons as to why a purchase order is authorized without a contract in place. Additionally, the Procurement Division reviews all pre-requisitions in K2 prior to purchase orders being executed and have detailed written procedures. If a purchase requires a contract to be in place, the pre-requisition will be sent back to the requestor with instructions.

### Audit of YPCE's Strategic Planning and Part-time Employee Benefits Management

Finding	#	Recommendation	Status	Update
The Department of Parks and Recreation Has Not Updated Key Strategic Planning Guidance	1	Update the Parks and Recreation Master Plan.	Started	YPCE is currently working with a third-party vendor to develop a Master Plan. The expected completion date is Spring 2022.
The Department of Parks and Recreation Has Not Updated Key Strategic Planning Guidance	6	Define when it is appropriate to use the "General Info" or "Other" call categories.	Partly Implemented	Nearly 50 percent of YPCE calls are still being classified as 'General' or 'Other' instead of being put into a more descriptive category.
Developing a Formal Cost Recovery Philosophy May Help the Department of Parks and Recreation Better Align Its Pricing Practices with Its Mission and Core Values	9	Develop department-specific policies and procedures.	Started	A new Support Services Manager has been hired and is currently reviewing draft policies and working on developing additional policies.

Developing a Formal Cost Recovery Philosophy May Help the Department of Parks and Recreation Better Align Its Pricing Practices with Its Mission and Core Values	10	Define the department's cost recovery goals and objectives.	Started	A new Support Services Manager has been hired. YPCE is developing a comprehensive scope of work for a fees and charges study. One of the goals of the study is to establish cost recovery objectives.
Developing a Formal Cost Recovery Philosophy May Help the Department of Parks and Recreation Better Align Its Pricing Practices with Its Mission and Core Values	11	Evaluate the department's fees and charges to determine if they are in alignment with the department's mission, vision, and cost recovery goals.	Started	YPCE is developing a comprehensive fees and charges study which will help them to better align their fees with their mission, vision, and cost recovery goals.
Developing a Formal Cost Recovery Philosophy May Help the Department of Parks and Recreation Better Align Its Pricing Practices with Its Mission and Core Values	12	Comply with the Citywide Fees and Charges Policy by establishing cost recovery goals and identifying cost recovery levels.	Started	YPCE plans to establish cost recovery goals after the fee and charges study is concluded.
Developing a Formal Cost Recovery Philosophy May Help the Department of Parks and Recreation Better Align Its Pricing Practices with Its Mission and Core Values	14	Consider updating the fee structure for some programs and services to include a non-resident fee.	Started	A fees and charges study is being developed. Once the study is completed, YPCE will have the tools necessary to update the fee structure and guidelines.
Nearly Half of the Supervisors Responsible for Administering and Monitoring Part-Time Employee Hours and Benefits Have Not Received Labor Relations Training	18	Develop policies and procedures on part-time employee reporting, responsibility, and training.	Started	The newly hired Support Services Manager is reviewing the developed procedures for part-time employee reporting and is currently refining an accompanying policy. YPCE is working with the Human Resources Department to develop and implement formal training for supervisory staff.

## Audit of the Department of Utilities Workplace Safety

Finding	#	Recommendation	Status	Update
The Department of Utilities Lacks Sufficient Controls Over the Administration and Use of Safety and Personal Protective Equipment	1	Review and update existing policies and procedures concerning safety and personal protective equipment to fill in gaps and clarify its appropriate use.	Partly Implemented	DOU is in the process of reviewing and updating policies and procedures concerning safety and personal protection equipment. DOU expects to complete this recommendation in June 2022.
The Department of Utilities Lacks Sufficient Controls Over the Administration and Use of Safety and Personal Protective Equipment	2	Establish policies and procedures concerning safety and personal protective equipment where none currently exist.	Started	Updated procedures remain in review with Safety due to staffing issues. The new Safety Specialist has started and begun review of these procedures. DOU expects to complete this recommendation in June 2022.
The Department of Utilities Lacks Sufficient Controls Over the Administration and Use of Safety and Personal Protective Equipment	4	Consider negotiating a more restrictive and thorough reimbursement or other process for providing PPE in all of the City's labor agreements.	Started	According to Labor Relations, implementation of this recommendation has been delayed due to the COVID-19 pandemic.
The Department of Utilities Lacks Sufficient Controls Over the Administration and Use of Safety and Personal Protective Equipment	8	Perform periodic audits of gas monitoring data to ensure employees use gas monitors in accordance with departmental policies.	Partly Implemented	According to the Department, progress was made on this recommendation. However, they did not provide supporting documentation to show that it was completed. We will continue to follow up.
The Department of Utilities Can Enhance Compliance with City Safety Policies, State Laws, and Federal Regulations	14	Establish written procedures for the control of hazardous energy (lockout/tagout).	Partly Implemented	According to the Department, progress was made on this recommendation. However, they did not provide supporting documentation to show that it was completed. We will continue to follow up.
The Department of Utilities Should Implement Health and Safety Best Practices to Reduce Risks and Improve Accountability	21	Develop a formal management of change process.	Partly Implemented	According to the Department, progress was made on this recommendation. However, they did not provide supporting documentation to show that it was completed. We will continue to follow up.

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The Department of Utilities Should Implement Health and Safety Best Practices to Reduce Risks and Improve Accountability	22	Review and update departmental safety policies and procedures.	Partly Implemented	DOU is in the process of reviewing all of its policies and procedures. This work is expected to be completed by June 2022.
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## Audit of On-Street Parking Meters

Finding	#	Recommendation	Status	Update
Improving Vehicle-Detection Sensor Accuracy Rates and Meter Battery Life Could Reduce the Potential for Erroneous Citations and Slow the Rate of Incoming Citation Disputes	1	Continue to work with the vendor to achieve contracted vehicle-detection sensor accuracy rates or consider switching to a vendor that will meet the desired standard.	Started	Sensor accuracy testing has been delayed due to the COVID-19 pandemic.
Improving Vehicle-Detection Sensor Accuracy Rates and Meter Battery Life Could Reduce the Potential for Erroneous Citations and Slow the Rate of Incoming Citation Disputes	3	Address deficiencies identified with parking meter sensor-accuracy and battery life to improve the customer service experience and reduce the number of incoming citation disputes.	Partly Implemented	Parking Services is currently working on a battery replacement project, batteries have a projected lifespan of 2-3 years.
Some Meter Configurations in the Data Management System User Interface Are Not Reliable	6	Require that the information in the data management system user interface be the most accurate and up-to-date information.	Partly Implemented	Configuration data is now viewable, unless the meter is down or offline.

## Audit of the 911 Emergency Communications Center

Finding	#	Recommendation	Status	Update
Call Answer Times Have Improved and Are Exceeding State Standards	2	Consider improving the supervisor-to-dispatcher ratio to provide better supervisory coverage.	Started	Improving the supervisor-to-dispatcher ratio remains a priority of the 911 Communication Center. The 911 Communications Center will continue to request additional Dispatcher III (Supervisor) positions in the future.
Call Answer Times Have Improved and Are Exceeding State Standards	4	Develop a process to prevent multiple training officer codes from being applied to one employee at the same time.	Implemented	A query was developed to prevent multiple training officer codes from being applied to one employee at the same time.
Quality Assurance and Disaster Preparedness Could Be Improved by Adopting Industry Best Practices	7	Develop and document a continuous quality assurance program based on industry standards that includes reviewing a percentage of all calls and incorporates an evaluator calibration process.	Started	Progress remains slow in this area due to the 911 Communication Center's ability to commit the two supervisors working on this program full time. The 911 Communication Center will continue to seek additional supervisor positions.
Quality Assurance and Disaster Preparedness Could Be Improved by Adopting Industry Best Practices	10	Establish the 911 Center as a Critical Facility on Sacramento County's Local Hazard Mitigation Plan.	Partly Implemented	The City Council passed a critical infrastructure list in July 2021 that included Police Communications Facilities. As a result, the 911 Communications Center should be included in the County's next update.
Quality Assurance and Disaster Preparedness Could Be Improved by Adopting Industry Best Practices	11	Develop and implement a succession plan that will reduce the impact on the 911 Center when key personnel separate from City employment.	Implemented	The 911 Communications Center is actively monitoring classifications that are pending retirement and has started training staff and recruiting to take over these roles when needed.

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## Audit of the Department of Utilities Vehicle Fleet

Finding	#	Recommendation	Status	Update
The Department of Utilities Can Realize Cost Savings Through Improved Management of Their Vehicle Fleet	3	Perform an analysis to determine which, if any, of the identified potentially underutilized vehicles should be kept as part of the department's vehicle fleet. Consider mileage reimbursements, vehicle allowances, and shared vehicles as alternatives.	Started	The City's Fleet Management Division did not run the underutilized report for 2020 for several reasons, the most influential being changes in operations due to COVID-19. Fleet plans to run the underutilized report once FY21 closes. Results should be available within the next 2 to 3 months for DOU to review.
The Department of Utilities Can Realize Cost Savings Through Improved Management of Their Vehicle Fleet	5	Develop a process to periodically review vehicle usage for take-home vehicles to ensure operational utilization meets the City's utilization criteria.	Partly Implemented	DOU completed its first review of take-home vehicles in December 2020 and will continue to do so annually. According to DOU, as a result of this analysis, changes were made to seasonal take home vehicles that would result in approximately a 50% reduction in take home vehicles. However, due to COVID-19, the City's utilization criteria was not part of this analysis. DOU is currently pulling numbers to run the utilization report for the most recent seasonal period.
The Department of Utilities Can Realize Cost Savings Through Improved Management of Their Vehicle Fleet	6	Work with the Civil Service Board to review an update Section 13.3 of the City of Sacramento's Rules and Regulations of the Civil Service Board. Specifically, determine the appropriate radius to ensure 'effective response capability to emergencies' in statute miles.	Started	Due to COVID-19, implementation of this recommendation has been delayed.

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The Department of Utilities Can Realize Cost Savings Through Improved Management of Their Vehicle Fleet	8	Formalize the Fleet Engine Idling Limit Policy and post the policy on the City's Policies and Procedures webpage.	Started	The Engine Idling Limit Policy has been incorporated into the Transportation Policy. The Transportation Policy has been loaded into PolicyStar and awaiting the department review and approval.
Excessive Access to the City's Fueling Islands Created Data Integrity Issues and May Have Allowed for Fraud	10	Work with AssetWorks to identify and resolve or minimize system issues related to fuel transactions.	Started	Due to COVID-19, the implementation of this recommendation has been delayed.
Excessive Access to the City's Fueling Islands Created Data Integrity Issues and May Have Allowed for Fraud	15	Limit the number of active badges each employee can use to access the fueling islands.	Started	Due to COVID-19, the implementation of this recommendation has been delayed.
System Access and Data Quality Could Be Improved to Better Enable Management to Perform Analyses and Identify Trends	19	Review the data captured by the M5 system, determine key data fields, and implement controls to ensure these fields contain accurate and complete information.	Partly Implemented	According to the department, progress was made on this recommendation. However, the department did not provide us with sufficient time to verify progress. We will verify progress during the next round of recommendation follow up.
System Access and Data Quality Could Be Improved to Better Enable Management to Perform Analyses and Identify Trends	20	Establish a process to verify the accuracy of vehicle and GPS unit device ID assignments in the GPS tracking systems.	Partly Implemented	Samsara devices have been installed in all light-duty vehicles. Currently working to replace all remaining city vehicles, specifically Zonar equipped vehicles, with Samsara. Reports have been created to ensure accurate vehicle to Samsara device assignments.
System Access and Data Quality Could Be Improved to Better Enable Management to Perform Analyses and Identify Trends	21	Work with the Fleet Management Division to develop well defined regulatory compliance oversight roles.	Implemented	DOU and the Department of Public Works have entered into Memorandums of Understanding to establish their oversight roles for portable and stationary generators.

System Access and Data Quality Could Be Improved to Better Enable Management to Perform Analyses and Identify Trends	22	Work with the Department of Utilities to identify generators that do not meet the definition of a fleet asset, such as stationary generators, and remove them from the M5 system.	Partly Implemented	Due to COVID-19, implementation of this recommendation has been delayed.
The City Can Mitigate Risk by Better Documenting and Tracking Employee Licensure, Certifications, and Insurance Information	24	Revise the City Employee's Transportation Policy and Procedures to require employees to provide proof of licensure when using pool vehicles.	Partly Implemented	This recommendation is still in progress. The Transportation Policy is still being edited in PolicyStar and has not been approved yet.
The City Can Mitigate Risk by Better Documenting and Tracking Employee Licensure, Certifications, and Insurance Information	26	Develop a detailed insurance verification process for employees receiving a vehicle allowance.	Started	A policy is currently being worked on. We will continue to follow up.

## Audit of City-Owned and Leased Real Property

Finding	#	Recommendation	Status	Update
The City Has Potential Surplus and Remnant Parcels That Could Be Leveraged to Achieve A Variety of City Goals	1	Review all City-owned property and work with the City's asset-managing departments and divisions to identify and track the City's surplus property.	Not Started	According to the Real Estate Services Section, progress on this recommendation has not started due to staffing and project load.



The City Has Potential Surplus and Remnant Parcels That Could Be Leveraged to Achieve A Variety of City Goals	2	Develop policies and procedures to provide guidance on how asset-managing departments should ensure all City-owned properties are appropriately secured and maintained.	Not Started	According to the Real Estate Services Section, progress on this recommendation has not yet started due to staffing and project load.
The City Has Potential Surplus and Remnant Parcels That Could Be Leveraged to Achieve A Variety of City Goals	3	Identify City-owned surplus and remnant parcels and consider selling, disposing, or re-purposing the parcels to reduce liability and utility and weed abatement costs.	Started	According to the Real Estate Services Section the sale of surplus property, located at 2126 Garden Highway, was approved by City Council on March 9, 2021. The property, 3 vacant parcels totaling 6.93 acres, was sold to SAFCA for \$475,000. In addition, a vacant 24.98 acre City-owned property located at 3625 Fong Ranch Road was declared surplus by City Council on March 2, 2021. Notices of Availability were sent out as required by the Surplus Land Act. The Real Estate Services Section is currently collecting offer letters from interested affordable housing developers.
The City Has Potential Surplus and Remnant Parcels That Could Be Leveraged to Achieve A Variety of City Goals	4	Work with the City's asset-managing departments to identify alternative uses for the City's undesirable or unsellable surplus property.	Not Started	According to the Real Estate Services Section, progress on this recommendation has not started due to staffing and project load.
The City Has Potential Surplus and Remnant Parcels That Could Be Leveraged to Achieve A Variety of City Goals	5	Consider selling some of the City's surplus property to generate onetime revenue to achieve other City goals	Started	According to the City Manager's Office, due to a recent announcement of a homeless siting masterplan, staff will wait to see if any City-owned properties qualify prior to finalizing any surplus list for Council. Staff will continue with research efforts related to a list of properties to bring forward to Council for surplus.

The City Has Potential Surplus and Remnant Parcels That Could Be Leveraged to Achieve A Variety of City Goals	6	Conduct a staffing analysis to determine whether resources need to be added to the Real Estate Services Section to implement the recommendations made in this report.	Not Started	No progress has been made this period and there are no updates to report.
The City's Real Property Management Is Decentralized and Would Benefit from Detailed Policy Development	7	Review the Lease Centralization Plan and determine whether the Real Estate Services Section should manage all real property lease management as outlined in the Lease Centralization Plan.	Not Started	No progress has been made and there are no updates to report.
The City's Real Property Management Is Decentralized and Would Benefit from Detailed Policy Development	8	Work with the City Attorney's Office to create lease contract templates that include key contract provisions to ensure consistency in City lease contracts.	Not Started	According to the Real Estate Services Section, progress on this recommendation has not yet started due to staffing and project load.
The City's Real Property Management Is Decentralized and Would Benefit from Detailed Policy Development	9	Work with departments leasing non-City property to identify whether the departments can leverage City-owned property instead of leasing.	Started	The Real Estate Services Section reviews leases near the end of term (typically at least 6-9 months prior to end of term) to discuss with department best course of action (i.e. renew, relocate, etc). RESS met with the Office of Metropolitan Water planning (the 'Water Forum') and determined the best course of action was to renew the lease because of the cost of alternative rents and the expense associated with moving. RESS expects to renew the lease in early Q4 2021. Currently no other leases managed by RESS are near end of term.

The City's Real Property Management Is Decentralized and Would Benefit from Detailed Policy Development	10	Develop a process to regularly review City-leased property to determine whether it is an ongoing need and City-owned property is available to use instead.	Started	The Real Estate Services Section has negotiated the purchase of a building for the relocation of the North Sacramento Library. The City Council approved the purchase in July 2021. RESS anticipates that the library can be relocated in late 2022. If the City terminates the existing lease the savings are anticipated to be \$74,904 annually upon termination of lease. RESS also extended the lease for the Fire Department's Fire Station 3 for one year through June 30, 2022. RESS has not developed a documented process to regularly review leases yet.
The City's Real Property Management Is Decentralized and Would Benefit from Detailed Policy Development	11	Work with the Finance Department to establish a uniform policy that provides the process and steps required for acquisition and disposition of City-owned properties. Procedures should include details regarding compliance with Sacramento City Code and California State Law, financial reporting standards between the Real Estate Service Section and the Department of Finance, and the method of storing documents and financial records.	Started	According to the Real Estate Services Section, no progress has been made during the reporting period.
Appropriate Management of City-Owned and Leased Real Property Is Required to Ensure Financial Statements Comply with the Government Accounting Standards Board	15	Work with other City departments to identify data elements that may be helpful or necessary in decision making or reporting purposes and develop a process to collect and document the new data elements in the Asset Database.	Not Started	According to the Real Estate Services Section, progress on this recommendation has not yet started due to staffing and project load.

Appropriate Management of City-Owned and Leased Real Property Is Required to Ensure Financial Statements Comply with the Government Accounting Standards Board	16	Work with other City departments to identify real property tracking needs and utilize a Citywide software program or develop another platform to centralize the management of the City's real property	Started	According to the Information Technology Department (IT), they are meeting with business users to discuss requirements and establish project priorities. IT has not started system configuration and development yet.
Appropriate Management of City-Owned and Leased Real Property Is Required to Ensure Financial Statements Comply with the Government Accounting Standards Board	17	Centralize City lease inventory and document clear processes for all City departments to follow to standardize maintenance of City lease inventory, including utilizing the Asset Database or new platform used for real property inventory to ensure consistent tracking and consolidation of Citywide lease inventory.	Started	According to the Real Estate Services Section, limited progress has been made on this recommendation during the reporting period. Due to the economic distress caused by COVID-19, RESS has worked with other departments to develop a framework for dealing with past due rent for City retail tenants. The framework was adopted by the City Council on July 20, 2021.
Appropriate Management of City-Owned and Leased Real Property Is Required to Ensure Financial Statements Comply with the Government Accounting Standards Board	18	Work with the City's Finance Department to develop policies and procedures on lease revenue billing and collection processes	Not Started	According to the Real Estate Services Section, no progress has been made during this reporting period.

## Citywide Innovation and Efficiency Assessment

Finding	#	Recommendation	Status	Update
Innovation and Efficiency Strategies	1	Monitor recommendations identified in the innovation and efficiency assessment.	Started	On April 7, 2021, the City Manager provided the City Council a memo with an update to the Citywide Innovation and Efficiency Assessment, Potential Strategies report. In the memo, the City Manager's Office identified 6 recommendations as implemented, 4 recommendations as potential in the coming fiscal years, 12 recommendations that need further study, 5 recommendations that need additional Council direction, and 7 recommendations that staff do not recommend pursuing. The City Manager's Office also indicated that City departments will continue to study and incorporate the recommendations from the report.

## Audit of Retiree Health Benefits

Finding	#	Recommendation	Status	Update
Recordkeeping of Retiree Benefit Eligibility and Elections Could be Strengthened	3	Work with the IT department to identify and resolve eCAPS health benefit report errors for retirees.	Started	Human Resources and IT were unable to resolve this issue during the reporting period. Human Resources hopes to have the IT Consultant working on another eCAPS project assess this issue.
Performing Dependent Verifications Ensures Qualified Dependents are Enrolled in City-Sponsored Health Plans and Could Save the City up to \$600,000 Annually	6	Establish a process to perform regular dependent eligibility verification reviews that includes procedures on how to address instances of non-compliance with verification requests.	Not Started	No progress on this item during the reporting period.

Performing Dependent Verifications Ensures Qualified Dependents are Enrolled in City-Sponsored Health Plans and Could Save the City up to \$600,000 Annually	7	Review and address HMS' active employee dependent eligibility verification results.	Not Started	No progress on this item during the reporting period.
Performing Dependent Verifications Ensures Qualified Dependents are Enrolled in City-Sponsored Health Plans and Could Save the City up to \$600,000 Annually	8	Perform a retiree dependent verification review for participants of City-sponsored plans.	Started	The item was started by conducting a review of dependents enrolled as a City domestic partner. Human Resources has not moved to the next category of dependents for review.

## Audit of the City's Green Efforts

Finding	#	Recommendation	Status	Update
Improved Monitoring and Reporting of Sustainability Data, Progress, and Outcomes Is Essential for Tracking Impacts and Realizing the Intended Benefits	1	Evaluate whether more consistent LEED certification is beneficial to the City's reputation as a sustainability leader.	Started	The approved Midyear 2020/21 budget included a one-time \$1.2 million augmentation for the Energy Reinvestment CIP. The Midyear 2020/21 budget also identified three new FTEs, one of which will serve as an Energy Manager to advance energy initiatives. The Energy Manager recruitment is currently in progress.
Improved Monitoring and Reporting of Sustainability Data, Progress, and Outcomes Is Essential for Tracking Impacts and Realizing the Intended Benefits	2	Develop a process to monitor completed LEED buildings post-completion to accurately capture the benefits of building to LEED standards and to quantify their value to the City's overall sustainability objectives.	Started	The approved Midyear 2020/21 budget included a one-time \$1.2 million augmentation for the Energy Reinvestment CIP. The Midyear 2020/21 budget also identified three new FTEs, one of which will serve as an Energy Manager to advance energy initiatives like this. The Energy Manager recruitment is currently in progress.

Improved Monitoring and Reporting of Sustainability Data, Progress, and Outcomes Is Essential for Tracking Impacts and Realizing the Intended Benefits	3	Consider participating in the U.S. Green Building Council's LEED recertification option for certified LEED buildings.	Started	The approved Midyear 2020/21 budget included a one-time \$1.2 million augmentation for the Energy Reinvestment CIP. The Midyear 2020/21 budget also identified three new FTEs, one of which will serve as an Energy Manager to advance energy initiatives such as this consideration. The Energy Manager recruitment is currently in progress.
Improved Monitoring and Reporting of Sustainability Data, Progress, and Outcomes Is Essential for Tracking Impacts and Realizing the Intended Benefits	4	Require post-completion monitoring for all applicable sustainability projects, programs, and initiatives.	Started	In addition to hiring a new Energy Manager (still in progress), the City Manager's Office has hired a new Sustainability Analyst, who started May 24, 2021. This was one of the three new positions approved in the Midyear 2020/21 budget. This position is leading the development of a new tool to track City sustainability projects and performance and coordination has been initiated with key staff members to start developing an approach.
Improved Monitoring and Reporting of Sustainability Data, Progress, and Outcomes Is Essential for Tracking Impacts and Realizing the Intended Benefits	5	Develop a procedure that ensures internal stakeholders are involved in or made aware of relevant goals and performance measures.	Started	The City Manager's Office's team continues to convene the Green Team to ensure coordination and promote awareness of goals and sustainability initiatives. An array of staff across departments have participated. The City Manager's Office's team has also taken additional administrative steps to formalize a Citywide climate action program. The team has been formalized as the Office of Climate Action & Sustainability to help ensure institutionalization of the work. The team is now evaluating options for additional procedures to ensure engagement and awareness of sustainability across City departments.

Improved Monitoring and Reporting of Sustainability Data, Progress, and Outcomes Is Essential for Tracking Impacts and Realizing the Intended Benefits	6	Develop and track performance measures as they relate to published sustainability goals.	Started	The City Manager’s Office has hired a new Sustainability Analyst, as approved in the Midyear 2020/21 budget. With this additional staff capacity, the Analyst is leading team efforts to track the performance of sustainability goals. An initial outline has been developed and the team is engaging with key staff to confirm an approach and develop tools. The team has also audited existing department key performance indicators to identify gaps and embed sustainability within existing systems. Development of a shared Geographic Information System (GIS) resource is in process with the GIS team and the Department of Community Development, with the intent of using GIS data to help inform long-term reporting and monitoring of sustainability efforts.
Improved Monitoring and Reporting of Sustainability Data, Progress, and Outcomes Is Essential for Tracking Impacts and Realizing the Intended Benefits	7	Ensure sustainability reports consistently track and report progress over time.	Not Started	Once a monitoring approach is confirmed, the team will work to develop protocols for transparency and consistency. City staff provided the first quarterly update on the 2021 Climate Implementation Work Plan to City Council in April 2021, which identifies several near-term sustainability actions underway with Midyear 2020/21 budget allocations. Reporting will be integrated with the new monitoring tool being developed, along with tools being development for the Climate Action and Adaption Plan.
Improved Monitoring and Reporting of Sustainability Data, Progress, and Outcomes Is Essential for Tracking Impacts and Realizing the Intended Benefits	8	Develop a process to check for duplicated data when it is uploaded to EnergyCAP, monitor the data for discrepancies, and notify users of issues in or changes to the data in the EnergyCAP system.	Not Started	The new Energy Manager position, which was approved as part of the Midyear 2020/21 budget, will be responsible for implementing this action. The recruitment for this position is currently in progress.

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Improved Monitoring and Reporting of Sustainability Data, Progress, and Outcomes Is Essential for Tracking Impacts and Realizing the Intended Benefits	9	Review the data captured by the GIS streetlights system, determine key data fields, implement controls to ensure these fields contain accurate and complete information, and reconcile the various internal sources of streetlight counts.	Started	The Department of Public Works' Engineering Services successfully completed the current phase of streetlight retrofits. 2,450 streetlights have been installed and invoiced. As part of this process, Engineering Services worked with the GIS team to track the project status. The GIS team is currently updating the data for retrofitted streetlights in the City's OneMap Viewer, which should be available in July 2021. Updates in the GIS database to this first set of streetlights is a step towards reviewing and correcting existing GIS data.
Improved Monitoring and Reporting of Sustainability Data, Progress, and Outcomes Is Essential for Tracking Impacts and Realizing the Intended Benefits	10	Develop and implement a process to reconcile our internal streetlights dataset with SMUD to ensure that the City is correctly billed.	Started	Discussions with SMUD regarding the reconciliation of streetlight data have been initiated.
Centralized Management and Oversight of the City's Sustainability Efforts May Better Position the City to Establish Sustainability as an Organizational Priority and Core Value	11	Evaluate whether a centralized guidance, enforcement, and coordination body may better assist City staff in implementing the City's sustainability goals and vision.	Implemented	The Midyear 2020/21 budget identified three new full-time positions, including two positions that are tasked with establishing a centralized team responsible for implementing, leading, and supervising Citywide climate and sustainability efforts. In addition, the proposed 2021/22 budget describes the newly formed Climate Action & Sustainability program, which has since been formalized into the Office of Climate Action & Sustainability in the City Manager's Office, which will direct and accelerate City efforts to address climate change and support organizational capacity to achieve climate resiliency and carbon neutrality. Responsibilities include providing City leadership and accountability for climate efforts, evaluating, and reporting on progress towards greenhouse gas emission reduction goals, and building department capacity for implementation.

Centralized Management and Oversight of the City's Sustainability Efforts May Better Position the City to Establish Sustainability as an Organizational Priority and Core Value	12	Develop guidance on prioritizing Citywide sustainability goals.	Started	Work on this item is ongoing and in progress through continued Green Team meetings. With the hiring of a new team member in the City Manager's Office, the team is building capacity to develop new policies and procedures, based on input from key staff and sustainability goals.
Centralized Management and Oversight of the City's Sustainability Efforts May Better Position the City to Establish Sustainability as an Organizational Priority and Core Value	13	Establish a Citywide internal communication strategy and accountability mechanism for sustainability goals and priorities.	Started	The Midyear 2020/21 budget allocated funding to new staff members for sustainability. The new team is responsible for developing internal communication procedures and external climate-focused engagement. City staff also participated in an evaluation of City green efforts by graduate students from the USC Price School. They reviewed internal operations, internal protocols, and community engagement, then provided a recommendations report that City staff will use to evaluate and identify internal engagement strategies. In addition, recent coordination efforts included amendments to the water conservation Memorandums of Understanding between the Department of Utilities and other City departments, which demonstrated the collaborative work between departments to respond to City priorities and emergency drought conditions.
Centralized Management and Oversight of the City's Sustainability Efforts May Better Position the City to Establish Sustainability as an Organizational Priority and Core Value	15	Evaluate new funding strategies and consider whether additional funding support can be provided during the City's budgeting process.	Started	The Midyear 2020/21 budget included \$4.4 million to implement the 2021 Climate Implementation Work Plan and was allocated across several key categories: creation of a new program in the City Manager's Office, priority near-term program and planning efforts, and new CIP funding for both facility retrofits and transportation audits. These are one-time funds with the exception of the ongoing commitment for the three new full-time positions dedicated to these efforts, which were also approved as part of the Midyear 2020/21 budget. City staff will continue to evaluate options for ongoing and new funding support.

Centralized Management and Oversight of the City's Sustainability Efforts May Better Position the City to Establish Sustainability as an Organizational Priority and Core Value	16	Review City projects that may have immediate environmental savings and cost avoidance that currently lack funding, such as retrofitting the remaining streetlights to LED, and assist with identifying funding sources.	Started	The approved Midyear 2020/21 budget included a one-time \$1.2 million augmentation for the Energy Investment CIP and identified a new Energy Manager position, which is currently in the recruitment process. Once hired, the Energy Manager will be responsible for implementing priority energy-saving projects and initial retrofits at City buildings. Additionally, the Engineering Services Division was able to deliver streetlight retrofits significantly under budget by conducting the current phase of streetlight retrofits in-house. The team will evaluate options to scale the success of the current round of retrofits for more projects.
Centralized Management and Oversight of the City's Sustainability Efforts May Better Position the City to Establish Sustainability as an Organizational Priority and Core Value	17	Implement outreach efforts and programs to City employees to improve the City's sustainability culture.	Started	The City Manager's Office's new Climate Action and Sustainability team is continuing to coordinate with a range of staff members and the Green Team. Outreach will continue as the team seeks to embed and strengthen sustainability values within the internal culture of the organization. Recently completed work as well as recommendations presented by USC graduate students identify potential strategies that will help guide and inform the team.
Centralized Management and Oversight of the City's Sustainability Efforts May Better Position the City to Establish Sustainability as an Organizational Priority and Core Value	18	Assist other City departments and offices with incorporating sustainability into their department-level operations through the creation, implementation, and tracking of specific performance goals.	Started	The team in the City Manager's Office is evaluating metrics and engaging with key sustainability groups to confirm options for improved reporting and coordination. The new Climate Action & Sustainability Office has developed an initial monitoring and tracking approach, which will be further developed with other departments.
Centralized Management and Oversight of the City's Sustainability Efforts May Better Position the City to Establish Sustainability as an Organizational Priority and Core Value	19	Evaluate whether more formalized Citywide green teams may be beneficial for supporting the City's sustainability culture, programs, and goals.	Partly Implemented	Evaluation is ongoing. Staff will continue to convene the Green Team but the City Manager's Climate Action & Sustainability team is also preparing for a more focused group of key department representatives with greater accountability and leadership roles in their respective departments.

Awareness of and Compliance with Sustainable Policies, Procedures, and Plans Could Be Strengthened	20	Develop a process for notifying City employees of changes to Citywide sustainability policies, procedures, and plans and document their acknowledgement of these changes.	Not Started	The new Climate Action & Sustainability team in the City Manager's Office has two new positions, as established in the approved Midyear 2020/21 budget. The team will initiate this effort in conjunction with new policy changes happening through the 2040 General Plan Update as well as the Climate Action and Adaption Plan Update, which are anticipated to be released in September 2021.
Awareness of and Compliance with Sustainable Policies, Procedures, and Plans Could Be Strengthened	21	Ensure that the City website and any internal employee resources are up-to-date and accurate as they relate to sustainability policies, procedures, and plans.	Started	The public City webpage for Climate Action is up-to-date. Materials on the webpage include recordings from community events that occurred during the reporting period and the first two quarterly reports on the 2021 Climate Implementation Work Plan. With a new full-time position on the team, staff will start to outline and develop internal resources.
Awareness of and Compliance with Sustainable Policies, Procedures, and Plans Could Be Strengthened	22	Conduct internal outreach efforts to improve awareness of and facilitate further reductions in paper consumption.	Not Started	Internal education will be evaluated with the various departments, divisions, and staff members responsible for procurement.
Awareness of and Compliance with Sustainable Policies, Procedures, and Plans Could Be Strengthened	23	Identify instances of non-compliance with the Fleet Engine Idling Limit Policy and hold employees accountable.	Started	The Fleet Management Division previously prepared draft updates to the Fleet Idling Policy, which was pending approval. Since then, the Fleet Manager worked with the Clerk's Office to complete updates to the policy and to integrate relevant Fleet policies in a combined Transportation Policy, which is now pending approval. The Fleet Management Division also completed the installation of Samsara telematic devices on the City's light-duty fleet and is in the process of converting the heavy-duty fleet by the end of the calendar year. The division is currently working with Samsara on reporting outputs of the system to allow for efficient and accurate identification of non-compliance with the policy.

Awareness of and Compliance with Sustainable Policies, Procedures, and Plans Could Be Strengthened	24	Review and update the Sustainable Purchasing Policy.	Started	The Procurement Division has begun reviewing the Sustainable Purchasing Policy and has requested that the Green Team brainstorm how to better align current City practices with the policy during the upcoming August meeting.
Awareness of and Compliance with Sustainable Policies, Procedures, and Plans Could Be Strengthened	25	Develop a process for improving accountability with the Sustainable Purchasing Policy.	Started	The Sustainable Purchasing Policy is currently being reviewed and updates to the policy will be in alignment with City business practices, thus promoting compliance and accountability. The Procurement Division will release communication to procurement officials throughout the City to increase awareness and compliance once the update policy is released.
Awareness of and Compliance with Sustainable Policies, Procedures, and Plans Could Be Strengthened	26	Consider working with applicable City vendors to implement website controls that encourage more sustainable purchases.	Started	The Procurement Division is researching ways to promote sustainable products through some of the Citywide accounts that use online platforms (such as Staples and Amazon).

## Vendor Audit of the Roberts Family Development Center

Finding	#	Recommendation	Status	Update
RFDC's Financial Recordkeeping System is Disorganized and Contains Significant Material Weaknesses	1	Develop processes to ensure revenues and expenses are coded to the correct accounts in their financial system.	Implemented	RFDC has contracted with an accounting firm to assist with recording transactions in QuickBooks, processing payroll, and reconciling monthly bank statements. In addition, RFDC developed and implemented the Roberts Family Development Center Fiscal Policy and Procedure Manual that outlines the Center's accounting procedures, internal controls, financial planning and reporting, revenue and accounts receivable, and expenses and accounts payable procedures. The contracted bookkeeper oversees the accounting procedures of the Center to ensure revenues and expenses are coded in the correct accounts in the financial system.

RFDC's Financial Recordkeeping System is Disorganized and Contains Significant Material Weaknesses	2	Determine if these clearing accounts are necessary. If so, develop processes to ensure clearing accounts are reconciled monthly.	Implemented	RFDC has determined that clearing accounts are necessary but now work with their bookkeeper to ensure the accounts are cleared out monthly.
RFDC's Financial Recordkeeping System is Disorganized and Contains Significant Material Weaknesses	3	Develop accounting processes and procedures to ensure transactions are properly recorded in the accounting system by staff experienced in accounting procedures.	Implemented	RFDC has contracted with an accounting firm to assist with recording transactions in QuickBooks, processing payroll, and reconciling monthly bank statements. In addition, RFDC developed and implemented the Roberts Family Development Center Fiscal Policy and Procedure Manual that outlines the Center's accounting, internal controls, financial planning and reporting, revenue and accounts receivable, and expense and accounts payable procedures. The contracted bookkeeper oversees the accounting procedures of the Center to ensure transactions are properly recorded in the financial system.
RFDC's Financial Recordkeeping System is Disorganized and Contains Significant Material Weaknesses	4	Document the specific source of funds for which the State's debt will be paid and ensure restricted program funds and grants are not utilized to make the debt payments.	Partly Implemented	According to RFDC, fundraising and unrestricted sources of income have been designated to pay the settlement with the State of California. Based on reports provided by the RFDC bookkeeper, RFDC made \$60,000 in payments to the State of California and received \$68,000 in fundraising income during this reporting period.
RFDC's Financial Recordkeeping System is Disorganized and Contains Significant Material Weaknesses	5	Discontinue the practice of providing payroll advances or loans to directors, officers, or employees.	Implemented	As outlined in their Fiscal Policy and Procedure Manual, RFDC has discontinued the process of providing payroll advances to employees.
RFDC's Financial Recordkeeping System is Disorganized and Contains Significant Material Weaknesses	6	Develop processes and procedures to continue to monitor key financial performance indicators to monitor trends and identify potential upcoming financial issues.	Implemented	According to RFDC, a policy manual was put in place to ensure its financial procedures are up-to-date to minimize financial issues. A monthly finance committee was re-established to review financial performance and identify potential financial issues. In addition, the hiring of a full-time director of finance was approved.

RFDC's Financial Recordkeeping System is Disorganized and Contains Significant Material Weaknesses	7	Further evaluate and investigate the notable concerns listed in this section and determine if corrective action is warranted.	Implemented	RFDC implemented the Fiscal Policy and Procedure Manual to address some of the issues identified in the audit report. Additionally, according to RFDC, employee time is now tracked in QuickBooks and vacation accrual will be included in the year-end financial reports starting the 2020-2021 fiscal year.
RFDC Should Develop A Robust System of Internal Controls to Safeguard Charitable Assets, Prevent Loss, and Ensure the Reliability of Financial Records	8	Develop internal policies and procedures based on best practices.	Partly Implemented	RFDC has implemented the Fiscal Policy and Procedure Manual and is in the process of developing additional policies and procedures for other key functions.
RFDC Should Develop A Robust System of Internal Controls to Safeguard Charitable Assets, Prevent Loss, and Ensure the Reliability of Financial Records	10	Require all employees to complete RFDC Monthly Debit Forms and submit receipts that support transactions are for business purposes.	Implemented	RFDC implemented the Roberts Family Development Center Fiscal Policy and Procedure Manual that outlines the Center's accounting, internal controls, financial planning and reporting, revenue and accounts receivable, and expenses and accounts payable procedures. In addition, all employees are now required to complete RFDC Debit Card Monthly Reports and provide their receipts.
RFDC Should Develop A Robust System of Internal Controls to Safeguard Charitable Assets, Prevent Loss, and Ensure the Reliability of Financial Records	11	Discontinue the use of employee debit cards and provide employees with purchase cards.	Implemented	RFDC implemented the Roberts Family Development Center Fiscal Policy and Procedure Manual that outlines the Center's accounting, internal controls, financial planning and reporting, revenue and accounts receivable, and expenses and accounts payable procedures. Other employees are no longer provided debit cards and now purchase items on their own and submit reimbursement forms for reimbursement.
RFDC Should Develop A Robust System of Internal Controls to Safeguard Charitable Assets, Prevent Loss, and Ensure the Reliability of Financial Records	12	Ensure completion of registration requirements with the California Attorney General's Registry of Charitable Trusts and other state and federal agencies in a timely manner.	Partly Implemented	According to RFDC, processes to ensure RFDC is in compliance with all registration requirements are now part of the annual external audit review. RFDC is also currently working on re-establishing their exempt status with the California Franchise Tax Board.

RFDC Should Develop A Robust System of Internal Controls to Safeguard Charitable Assets, Prevent Loss, and Ensure the Reliability of Financial Records	13	Further evaluate the internal control concerns noted in this section and determine how to strengthen internal controls to reduce risk to an acceptable level.	Implemented	RFDC has discontinued payroll advancements to employees. In addition, according to RFDC, salaried employees are still the only employees that receive vacation time and donation of sick time has also been discontinued.
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## Vendor Audit of Downtown Streets Team, Inc.

Finding	#	Recommendation	Status	Update
DST's Human Resources Policies and Internal Complaint Procedures Should be Updated to Reflect Best Practices and Communicated to All Employees Annually	16	Address the potential conflict of interest between the CEO and Chief Programs Officer in the DST handbook and provide employees with instructions on how to file a complaint or report inappropriate behavior related to these key management employees.	Dropped	DST stated they changed the reporting structure and the CPO now reports directly to the COO to avoid conflict of interest between CEO and CPO. However, the City's contract with DST ended in February 2021 so we did not validate these changes.
DST's Human Resources Policies and Internal Complaint Procedures Should be Updated to Reflect Best Practices and Communicated to All Employees Annually	17	Reevaluate investigative procedure policy with the assistance of your HR services provider, Insperity, to ensure the policy meets best practices on how subsequent complaints will be addressed.	Dropped	According to DST, the Whistleblower policy was updated and gave employees more avenues to file a complaint. However, the City's contract with DST ended in February 2021 so we did not validate these changes.
Gift Cards Meant for Homeless Persons Were Signed For By DST Staff	18	Develop a process to ensure gift card receipt is acknowledged by the volunteer and not DST employees.	Dropped	According to DST, every Team Member now signs a physical voucher form upon receipt of any stipends, which is then filed at the Sacramento Office. However, the City's contract with DST ended in February 2021 so we did not validate these changes.



A Centralized Process for Receiving Grant Applications and Aggregating Funding Data Could Improve the City's Grants Management Practices	19	Develop a centralized process for receiving grant applications and aggregating funding data.	Started	The IT Department issued an RFP and is working through the scope of services to determine the best approach to develop a centralized grants management software system for the City.
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## Audit of Cannabis Dispensary Permitting

Finding	#	Recommendation	Status	Update
Ownership of Cannabis Dispensary Operating Permits were Transferred Between Individuals and Corporate Entities as a result of Ambiguity in the City Code and an Evolving Regulatory Environment	1	Seek direction from City Council to determine whether dispensary transfers should be allowed. The Office of Cannabis Management in conjunction with the City Attorney's Office should then propose a City Code update that clearly articulates the policy and legal goals of the City Council, that are in conformance with State law.	Started	A workshop on storefront dispensary ownership was held on February 2, 2021 before the Law & Legislation Committee. The Committee directed staff to hire a consultant to provide analysis and recommendations for regulating storefront dispensary ownership. OCM has executed a contract with the consultant and work has begun.

<p>The City Needs to Better Define Ownership if it Expects to Enforce City Code Restrictions on Ownership and Manage who is Truly Behind its Permitted Cannabis Related Businesses</p>	<p>2</p>	<p>In conjunction with the City Attorney’s Office, seek direction from City Council to determine whether both existing and new cannabis storefront dispensary owners must comply with City Code provision 5.150.355 that states: “No person who has an ownership interest in a storefront cannabis dispensary shall obtain an ownership interest in any other storefront cannabis dispensary” and clarify the City’s expectation on how the code provision will be enforced.</p>	<p>Partly Implemented</p>	<p>OCM has consulted with the City Attorney's Office which has resulted in the legal opinion that the City cannot retroactively deny or revoke cannabis permits that came under multiple ownership during a time when it wasn't prohibited, and that are otherwise in good standing. At the Law &amp; Legislation Committee's storefront dispensary workshop on February 2, 2021, the Committee requested that staff consult with experts to determine how other jurisdictions deal with ownership issues, and bring recommendations to a future storefront dispensary workshop. Staff intends to bring recommendations to the City Council based on the future storefront dispensary workshop.</p>
<p>The City Needs to Better Define Ownership if it Expects to Enforce City Code Restrictions on Ownership and Manage who is Truly Behind its Permitted Cannabis Related Businesses</p>	<p>3</p>	<p>Seek direction from City Council to determine standards and definitions of ownership of cannabis dispensaries in the City. At minimum, these discussions should include a definition of clear ownership and limits on ownership for all cannabis dispensary owners. The Office of Cannabis Management in conjunction with the City Attorney’s Office should then propose a City Code update that articulates the ownership policy and goals of the City Council, that are in conformance with State law.</p>	<p>Partly Implemented</p>	<p>A workshop on storefront dispensary ownership was held on February 2, 2021, before the Law &amp; Legislation Committee. The Committee directed staff to hire a consultant to provide analysis and recommendations for regulating storefront dispensary ownership. OCM has executed a contract with the consultant and work has begun.</p>

The City Needs to Better Define Ownership if it Expects to Enforce City Code Restrictions on Ownership and Manage who is Truly Behind its Permitted Cannabis Related Businesses	4	Design and implement an internal control framework over the cannabis permit application and renewal process based on best practices.	Started	OCM regularly reviews and updates internal policies and procedures in consultation with the City Attorney's Office. OCM is currently working with a consultant to provide analysis and recommendations for regulating storefront dispensary ownership. Once the consultant issues their report, a second storefront dispensary workshop will be held before the Law & Legislation Committee. OCM will incorporate stronger controls into internal processes based on the recommendations received from the Committee.
Determining Beneficial Ownership is Critical to Enforcing Ownership Restrictions in the City's Cannabis Regulations	5	Incorporate researching beneficial ownership into existing operations and provide training to staff on how to conduct this research or hire an outside consultant to conduct this work on the City's behalf.	Started	A workshop on storefront dispensary ownership was held on February 2, 2021, before the Law & Legislation Committee. The Committee directed staff to hire a consultant to provide analysis and recommendations for regulating storefront dispensary ownership. OCM has executed a contract with the consultant and work has begun.
Measured Expansion in the Number of Dispensary Permits Would be Consistent with Municipal Best Practices	6	Perform an economic analysis following the addition of the 10 permits to determine local cannabis dispensary market demand and whether the 40 dispensaries is a sufficient number of permits.	Started	The winners of the Storefront Dispensary Request for Qualification (RFQ) process were announced on April 1, 2021. As of July 2021, none of these individuals have applied for a cannabis Business Operating Permit (BOP). OCM anticipates that it will take between 12-24 months before any of the winning applicants establish an operational cannabis business. Following the addition of the new storefront dispensaries, an economic analysis of market demand for storefront dispensaries can be done.

## Continuous Cannabis Monitoring: Policymaking and Community Outreach

Finding	#	Recommendation	Status	Update
The Office of Cannabis Management Could Enhance Their Policymaking Process to Ensure New Policies are Effective at Addressing Identified Issues.	1	Enhance the current policymaking process by standardizing and documenting the approach to policy formulation and policy implementation.	Started	OCM is working to expand its current written policies and procedures regarding policy formulation and implementation.
The Office of Cannabis Management Could Enhance Their Policymaking Process to Ensure New Policies are Effective at Addressing Identified Issues.	2	Develop a formal process for policy evaluation that considers whether the policy achieved its intended objectives and identifies unintended consequences.	Not Started	OCM does not currently have the resources to implement this recommendation. As policy is the subject of the continuing review, we will revisit this item in the future, at which time implementation may be possible.
The Office of Cannabis Management Could Better Meet Their Stated Objectives by Providing More Focused Education and Increasing Community Outreach Activities	3	Proactively assess the educational needs of the local cannabis industry to identify any gaps and provide focused training programs that support business compliance.	Started	OCM has begun requesting industry stakeholders provide feedback that they would like more training or information on. Stakeholder meetings will continue to include requests for topics or speakers based on participant interest. Meanwhile, OCM has proactively identified topics for training such as cannabis labor issues, new city ordinances around electrification, security best practices and on-site consumption. Additionally, OCM will provide training on the recent consolidation of the state cannabis agencies and how the consolidation will impact local businesses and applicants.
The Office of Cannabis Management Could Better Meet Their Stated Objectives by Providing More Focused Education and Increasing Community Outreach Activities	4	Increase its youth education and community outreach efforts to better meet its stated objective.	Started	OCM has begun meeting with local experts in cannabis youth prevention to gain information on where youth education funds can be best utilized, and how to draft an RFP to ensure maximum impact from available funding.

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