REPORT TO AUDIT COMMITTEE

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

<u>**Staff Report**</u>
February 12, 2013

Honorable Members of the Audit Committee

Title: Post Audit Semi-annual Recommendation Follow-up Report For The Six Month Period Ending December 31, 2012

Location/Council District: Citywide

Recommendation: Accept the Auditor's Office Semi-Annual Recommendation Follow-up Report for the July 2012 to December 2012 period and forward to the City Council for final approval.

Contact: Jorge Oseguera, City Auditor 808-7270

Presenters: Jorge Oseguera

Department: Mayor and City Council

Division: Office of the City Auditor

Organization No: 01001201

Description/Analysis

Issue: According to Resolution No. 2009-407, the City Council should be kept apprised of the City Auditor's work. The Audit Committee shall receive, review, and forward to the full City Council the City Auditor's updates and reports. This report details the implementation status of open audit recommendations during the first half of fiscal year 2012-2013.

Policy Considerations: The City Auditor's presentation of the Semi-Annual Recommendation Follow-up Report is consistent with the Mayor and the City Council's intent to have an independent audit function for the City of Sacramento.

Environmental Considerations: None.

Sustainability Considerations: None.

Rationale for Recommendation: This staff report provides the Audit Committee with information that may be used to meet its responsibility to provide oversight and supervision to the City Auditor.

Financial Considerations: None.

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of this report.

Respectfully Submitted by: _____
Jorge Oseguera, City Auditor

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CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

February 12, 2013

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

Honorable Members of the Audit Committee:

The Office of the City Auditor conducts performance audits and makes recommendations to strengthen accountability and improve the efficiency and effectiveness of City programs. In many cases, this involves verifying compliance with laws and regulations, identifying internal control weaknesses and failures, and assessing whether the City has acquired and used its resources efficiently. The office monitors the implementation of all audit recommendations, and reports on the status of all open audit recommendations every six months with a semi-annual report. In accordance with the City Auditor's approved 2012-13 Audit Plan, we prepared a report of the status of open recommendations for the six months ending December 31, 2012. To prepare this report, we met with department staff, reviewed documentation provided by departments, and performed testing to determine implementation progress.

We categorized recommendations by Auditee progress:

- ➤ <u>Not started</u> – The Auditee temporarily postponed implementing the audit recommendation or did not demonstrate sufficient progress toward implementing the recommendation.
- ➤ <u>Started</u> – The Auditee began implementing the recommendation, but considerable work remains.
- ➤ <u>Partly Implemented</u> – The Auditee satisfied some elements of the audit recommendation, but additional work and testing remains.
- ➤ <u>Implemented</u> – The Auditee provided documentation and the Auditor verified the satisfactory implementation of the audit recommendation.
- ➤ <u>Drop</u> – The auditor recommends eliminating the recommendation since a change in circumstances rendered it unnecessary.
- ➤ ☑ – A checked box[1] indicates notable new progress since the last semi-annual report towards implementing the recommendation.

This report presents the implementation status of 213 audit recommendations, 44 of which were made during the six-month reporting period ending June, 2012.

One of the aims in performing audit work is to identify areas in which the City could reduce expenses or increase revenues. The Potential City Benefit shown in Exhibit 1 represents an estimate of possible financial benefits identified thought our audit work. Some examples of

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

benefits captured include identifying revenue the City should have collected, errors that led the City to overpay expenses, and potential savings by modifying practices or agreements.

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

One of the measures by which we evaluate the effectiveness of our function is by identifying more in benefit for the City than the City incurs in audit cost. The City Auditor's Office's budget for Fiscal Year 2012-13 was about $513,000. Dividing the Potential City Benefit for 2012-13 by half of the Office's budget (half is used because this is only reporting on the first half of the 20112-13) results in $1.5 in identified potential benefit for every $1 of audit cost.

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

Exhibit 1: Potential City Benefit and Recommendation Status

Report Title	Date Issued	Potential City Benefit	Estimated Realized Benefit	# of Rec's Made	Not Started	Started	Partly Implemented	Implemented	Dropped
2012-13 Audits									
Citywide Purchase Card Use	Oct 2012	Reduce Liability		14	1	6	5	2	0
Sacramento Regional Sports Education Foundation	Sep 2012	$400,000		8	0	0	0	0	8
Audit of the Fire Prevention Program	Aug 2012	Program Improvement		22	3	18	1	0	0
2011-12 Audits									
Utility Billing Review	Jun 2012	$1,300,000		11	1	4	5	1	0
AB 1825 Compliance	Jun 2012	Reduce Liability		9	1	4	1	3	0
Whistleblower Hotline Assessment	Feb 2012	Reduce Fraud		2	0	1	0	1	0
Fleet Management	Dec 2011	$6,100,000	$2,800,000	18	0	7	3	8	0
Municipal Golf Revenue and Expenditure Analysis	Sep 2011	$500,000	$500,000	0	0	0	0	0	0
Revenue Collections	Jul 2011	$3,600,000	$40,000	12	2	2	5	3	0
Citywide Policy and Procedures Assessment	Jul 2011	NA		22	2	16	4	0	0
2010-11 Audits									
Sacramento Utilities Department Operational Efficiency and Cost Savings Audit	Jun 2011	$8,641,000	$2,200,000	27	0	0	12	7	8
Audit of Employee Health and Pension Benefits	Apr 2011	$16,000,000	$7,400,000	28	4	1	14	9	0
Performance Audit of the Community Development Department	Oct 2010	$2,300,000		40	1	7	18	13	1
Total		**$38,441,000**	**$12,940,000**	**213**	**15**	**66**	**68**	**47**	**17**

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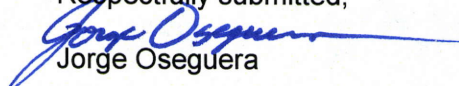
Respectfully submitted,

Jorge Oseguera

Jorge Oseguera

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Post Audit Summary of Citywide Purchase-Card Use

The *Audit of Citywide Purchase-Card Use* contained three findings and identified purchase card transactions that violated City policies. The audit, which was released in October 2012, included 14 recommendations to improve purchase program controls and administration.

To evaluate the Department of General Service's (DGS) progress in implementing recommendations, we first requested a self-assessment from the Department and asked for evidence to support progress. Using this information, we worked with DGS staff and obtained additional evidence.

Since the publication of the audit, DGS has reduced the number of purchase cards in use and have drafted a comprehensive Purchasing Card document. Progress has been made towards implementing 13 of the 14 recommendations. Of those, we determined that the Department has implemented or partly implemented seven recommendations (50%) and has started work on six other recommendations. Work has not started on one recommendation.

Exhibit 2: Status of Audit Recommendations
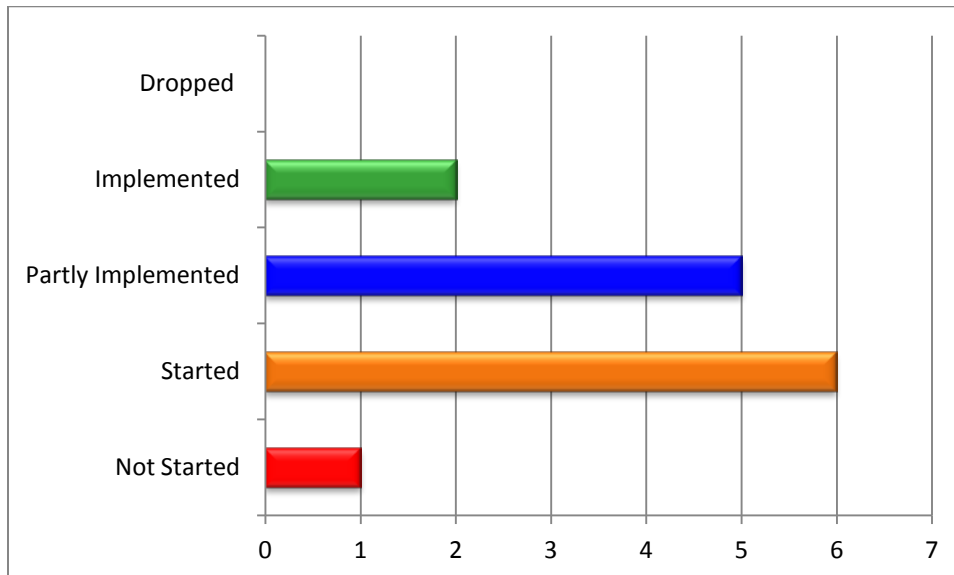
Finding 1: While transactions reviewed did not reveal extensive personal purchases, some charges violated policy and lacked complete support

#1 Work with the City Manager's Office to review unallowable transactions identified through this audit and take appropriate action.

Implemented The City Manager's Office investigated and remedied unallowable transactions. When appropriate, reimbursements were made to the City. Additional guidance has been incorporated into the Purchasing Card document, which is currently under review.

#2 Provide departments and cardholders more information about the benefits of purchasing through Citywide and cooperative agreements.

Partly Implemented The department distributed a list of Citywide and Cooperative agreements to department directors in November and added language in the draft Purchasing Card document that prohibits the use of purchase cards when Citywide and Cooperative agreements exist.

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

Partly Implemented The draft Purchasing Card document includes instructions related to missing receipts and a form to use to explain the missing receipts. The Purchasing Card document is expected to be completed in early 2013.

#4 Finance Department to provide training to ensure Accounting staff only process purchasing card statements with authorized signatures.

Implemented Finance management provided staff with emailed instructions about the purchase card statement approval process and discussed the issue at a staff meeting. Also, the department plans to remind staff of requirements at future trainings.

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

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

Partly Implemented The Purchasing Card document is in draft form and is expected to be finalized in early 2013.

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

Partly Implemented The Purchasing Card document, which is in draft form and is expected to be finalized in early 2013, will serve as the authoritative document.

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

Started The department has begun discussing annually updating the Purchasing Card document, and plan to do so as part of the City Manager's plan to require departments to conduct annual updates of their policies.

#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.

Started The draft Purchasing Card document, which is expected to be finalized in early 2013, sets annual training requirements and includes a form that cardholders sign to acknowledge their responsibilities.

#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.

Started The draft Purchasing Card document, which is expected to be finalized in early 2013, sets annual training requirements and includes a form that approving officials sign to acknowledge their responsibilities.

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

Not started This will begin in early 2013, after the Purchasing Card document is finalized.

#11 Consider running standard Works reports to help monitor purchasing card activity and provide this information to respective departments and the City Manager's Office.

Started The department has discussed using these reports and creating others, and plans to begin running them in early 2013.

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

Started The draft Purchasing Card document specifies strengthened controls. Also, staff will consider including "best practices" that were described in the audit.

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

#13 Work with the City Manager's Office to reduce the number of purchase cards so only necessary cards are in use.

Partly Implemented DGS has worked with the City Manager's Office and other departments to remove approximately 70 purchase cards from use. This is an ongoing process and DGS plans to monitor use and work with departments to further reduce the number of cards – if necessary. As of the end of January, there were approximately 210 active purchase cards.

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

Started The department has discussed blocking purchases by merchant categories and will work with cardholders' departments to ensure that cardholders can only make purchases from approved merchant categories. DGS plans to set restrictions by the middle of 2013.

Post Audit Summary of the Audit of the Sacramento Region Sports Education Foundation (SRSEF)

The *Audit of the Sacramento Region Sports Education Foundation (SRSEF)* contained two findings and made eight recommendations to comply with a City loan agreement and enhance financial management. City Council directed the City Auditor to complete the audit after SRSEF, a non-profit, failed to repay a $400,000 City cash-flow loan for a sporting event. The loan was made from the City's Parking Fund and was expected to be repaid after the sporting event.

Due to developments since the audit's publication in September 2012, it is no longer appropriate to follow up on our audit recommendations. Specifically, City Council approved a plan to transfer the marketing and management of sporting events away from SRSEF to the Sacramento Convention and Visitors Bureau (SCVB). Under the plan, which was approved in November 2012, the SCVB will pay the City $400,000 by 2017 for the right to perform sports marketing on the City's behalf. The money, which is the same as the amount loaned to SRSEF, will be deposited into the City's Parking Fund to replenish the $400,000 it originally loaned to the non-profit.

Since recommendations were directed to SRSEF, they have all been dropped.

Post Audit Summary of the Audit of the Fire Prevention Program

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

Since the audit's release in August 2012, we have been working with the Assistant Fire Chief to assess adequate implementation of the adopted recommendations. During the reporting period of July 2012 to December 2012, the Fire Department demonstrated a deep commitment toward implementing recommendations. Steps include working with City IT and the software vendor to improve the database, issuing an RFP in December for assistance in developing policies and procedures, and the assignment of responsibility for the implementation of the audit's recommendations to key staff. As shown in Exhibit 3, we designated one recommendation as partly implemented (5%), 18 recommendations as started (82%) and 3 recommendations as not started (14%).

Exhibit 3: Status of Fire Prevention Audit Recommendations
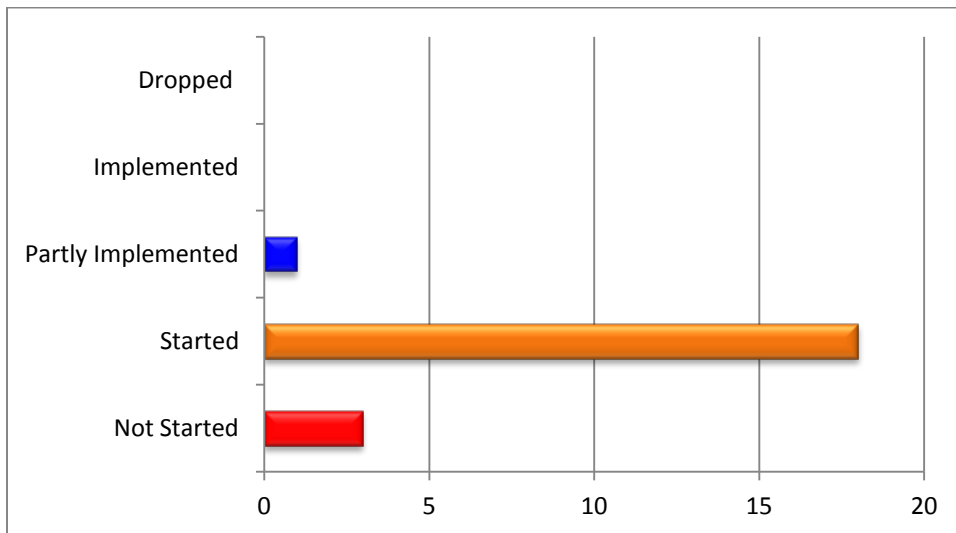
Finding 1: The Fire Department Needs to Formalize its Processes in order to Improve its Fire Prevention Program

#1 Establish a process that better identifies activities that require a permit per California Code, City Code or City Resolution and develop a plan on how the inspection needs will be met.

Started On November 30th the Fire Chief signed a policy memo instituting a voluntary self-certification of compliance with fire safety regulations for businesses, with an inspection by the Fire Prevention Division every fifth year. In addition, Fire Prevention is working with Public Safety Information Technology and FDM Software to identify business locations by comparing data systems. In addition the Fire Department has posted an RFP for Consultant Services to include this recommendation.

#2 Develop a process to ensure operational permits, and other permits jointly issued by the Fire Department with other City bodies, are signed by the fire code official or his delegate.

Started The Fire Chief, along with staff, will determine appropriate delegation and practices. Training will be conducted to clearly communicate practices throughout the organization.

#3 Formalize how inspections should be documented by its Fire Prevention Officers.

Started The Fire Prevention Division will establish departmental Standard Operating Guidelines. In addition the Fire Department has posted an RFP for Consultant Services to include this recommendation.

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

Started The Fire Department and City Clerk began implementation of a coordinated storage plan for inspection documents, including electronic filing of blue print and construction documents. In addition the Fire Department has posted an RFP for Consultant Services to include this recommendation.

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

Not started The Fire Prevention Division, in collaboration with CDD, will evaluate and make the necessary changes to Accela to track the issuance, inspections, and completions of construction permits. The Fire Department will establish a written MOA with CDD. The Fire Prevention Division will establish SOGs to ensure that all construction requiring fire protection systems are tracked, etc. and that the appropriate fees are collected.

#6 Work with the Chief Building Official to update the City's procedure to identify required fire construction permits when considering building permits.

Not started The Fire Prevention Division, in collaboration with CDD, will evaluate and make the necessary changes to ensure that all fire-related construction is tracked, etc. and will establish a joint MOA, and a Division SOG.

#7 Establish Fire Prevention inspection and permitting policies and procedures.

Started   On September 28 the Fire Chief issued a policy direction memorandum directing the Fire Prevention Division to apply fees established in Reso-2010-265 in totality, to each address of a company, to places of worship, and prohibiting fee waivers, modifications and reductions. This direction was emailed to Fire Prevention staff, and stored in a central drive dedicated to Fire Prevention policies and procedures. On November 30 the Fire Chief issued a policy memorandum establishing self-certification four out of five years by businesses that they are in compliance with fire safety requirements.

Finally, the Fire Department posted an RFP for Consultant Services to include this recommendation.

#8 Communicate minimum compliance expectations to business owners via a standard document.

Started Fire Prevention Division developing information for the web-page-based on fire code requirements.

Finding 2: The Fire Department's Revenue Collection Process Does Not Adhere to City Code, Lacks Internal Controls, and May Result in Lost Revenue

#9 Establish and implement cash handling procedures that incorporate best practices and are in line with the upcoming citywide Cash Handling Policy.

Started The Fire Department Fiscal Management Division is developing a department-wide cash handling policy in accordance with City Cash Handling Policy AP-2300. In addition Fire, IT and Revenue are working to transfer revenue collection to City Revenue.

#10 Establish and enforce a procedure that clearly dictates how the inspection and permit fees approved by the City Council are to be applied and detail under what circumstances exceptions to the Council approved fees are allowed.

Started   On September 28 the Fire Chief issued a policy direction memorandum directing the Fire Prevention Division to apply fees established in Reso-2010-265 in totality, to each address of a company, to places of worship, and prohibiting fee waivers, modifications and reductions.

This direction was emailed to Fire Prevention staff, and stored in a central drive dedicated to Fire Prevention policies and procedures. In addition the Fire Prevention Division is working with City IT GIS unit to reconcile data on properties needing permits. The Division will establish Standard Operating Guidelines including when possible exceptions for imposing fees may apply. Auditor recommends reviewing these with City Attorney prior to final approval.

#11 Pursue finalizing the move of its invoice and collection process to the Revenue Division.

Started The Revenue Division provided the Fire Department a work plan on December 7. The Fire Department and City's Department of Finance developed a three-phase move of the approximately 18,000 permits. The first phase will be invoicing and collection for code enforcement, then for self-certification, and finally for mandated inspections. The latter requires changes to the Fire Department's internal processes prior to moving invoicing to Revenue.

#12 Consider instituting an inspection application process and charging for inspections before they occur.

Started The Fire Department will establish operating guidelines to ensure City Code, Title 2, Chapter 2.24.090 requiring fees to be collected in advance is enforced. The Fire Department has started collaborating with the City Clerk and Revenue Division of the Department of Finance to establish a memorandum of understanding.

#13 Apply its current late fees consistently and in accordance with Resolution 2009-178.

Started On September 28 the Fire Chief issued a policy direction memorandum that, among other items, directed that fees established in the City's Resolution be applied in totality, and prohibiting fee waivers. This direction was emailed to Fire Prevention staff, and stored in a central drive dedicated to Fire Prevention policies and procedures.

#14 Consider augmenting the current late fee structure, with additional penalties for extended non-payment.

Started Established policy directive and work plan on December 7 with City IT and Revenue.

#15 Develop a process to document and track delinquent accounts in FDM

Started Established policy directive and work plan on December 7 with City IT and Revenue.

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

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

Started Currently working with PSIT and FDM Software to verify accuracy and validity of data, along with measures to deter future importation of invalid data. To identify addresses and businesses which should be in FDM, met with City GIS on September 17 to lay out business requirements, resources, data sources, plan to evaluate data, and develop a timeline.

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

Started The Department is working with City GIS specialists to improve management of the database, and specifically met with City GIS on September 17 to lay out business requirements, resources, data sources, plan to evaluate data, and develop a timeline.

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

Started Currently working with PSIT and FDM Software to verify accuracy and validity of data, along with measures to deter future importation of invalid data. To identify addresses and businesses which should be in FDM, working with City GIS to compare to master address database. Met with City GIS on September 17 to lay out business requirements, resources, data sources, plan to evaluate data, and develop a timeline.

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

Started Fire Chief is convening a meeting with Fire Senior Staff, and City IT, to make a policy determination. Met with City GIS on September 17 to lay out business requirements, resources, data sources, plan to evaluate data, and develop a timeline.

#20 Discontinue the maintenance of GISA licenses it is not using.

Started Fire Chief is convening a meeting with Fire Senior Staff, and City IT, to make a policy determination.

#21 Evaluate which properties to allow to self-certify and work towards improving compliance.

Partly Implemented On November 30th the Fire Chief issued a policy memo stating that businesses previously inspected by Fire companies convert to self-certification four out of five years. In addition, the Fire Department said it will inspect apartment buildings with 16 units or less every five years. This will be incorporated into the database so that these entities come up for inspection as required.

#22 Track all self-certification entities in the FDM database system rather than only entering those entities that submit self-certification forms and payments.

Not started The Fire Department will establish a method to include all occupancies in the FDM database regardless of the type of inspection and develop memorandums of understanding with other city departments, and establish departmental standard operating guides to improve compliance. Met with City GIS on September 17 to lay out data sources, and plan to evaluate data.

Post Audit Summary of the Audit of Utility Billing

The Audit of City Utility Billing contained seven findings and identified as much as $1.3 million in potential additional revenue. The audit, which was released in June 2012, included 11 recommendations and evaluated internal controls, tested the accuracy of utility service charge bills, and assessed the City's ability to recover amounts billed.

Since the publication of the audit, the Department of Utilities (Utilities) has made progress towards implementing 10 of the 11 recommendations. Of those, we determined that the department has implemented or partly implemented six recommendations (55%) and has started work on four others (36%). The division's progress is shown in the exhibit below.

Exhibit 4: Status of Audit Recommendations
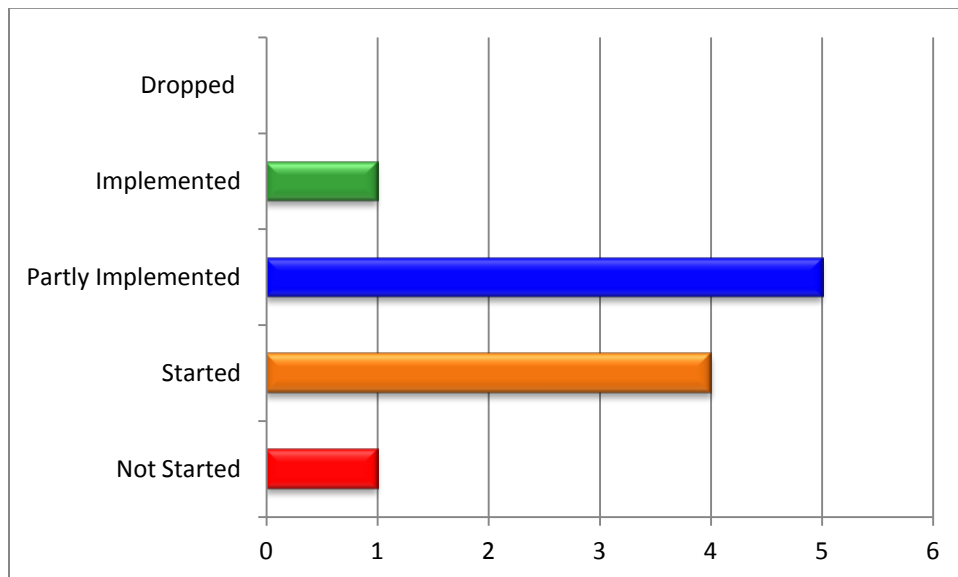
Finding 1: Preparation of Residential and Commercial Bills Are Highly Accurate, but Improvements are Needed to Ensure All Eligible Parcels are Properly Billed for Storm Drainage

#1 Continue to review all variances and update account records to reflect actual square footage, or document reason for exception.

Partly Implemented Utilities has been actively updating accounts since August 2012, resulting in the update of over 500 accounts with the correct square footage. Approximately 2,700 variances in storm drainage billing were identified through a comparison of County parcel data and the City's billing system. Of these 1,400 were over billings and 1,300 were under billings. Approximately half of the variances are $1 or less.

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

Started Approximately 14,000 parcels have been identified in the County's parcel database, without a unique account in the City's billing system. Of those parcels identified, 1,300 have been physically inspected since August 2012, and billing has been initiated on approximately 511 of the inspected parcels.

Finding 2: Liens and Special Assessments are an Effective Tool for Collecting on Delinquent Accounts, but Result in Higher Write-Offs than Necessary

#3 Consider initiating discontinuance process for delinquent accounts.

Partly Implemented Utilities conducted a survey of other municipality's discontinuance programs and is in the process of conducting an analysis on the cost and revenue recovery that may or may not be achieved with enforcement of a discontinuance program. Utilities anticipates providing a report back to City Council on the findings in first quarter of 2013.

Finding 3: The Department does not Monitor Collections' Performance

#4 Monitor collections performance and investigate policy changes to improve performance.

Partly Implemented Utilities is currently exploring opportunities for active account collections and plans to develop a process to closely monitor monthly collection reporting with actual write-offs. However, the City recently entered into a 5-year contract (3-year contract with 2 option years) with the existing collections vendor, which does limit the policy changes that can increase collection effectiveness in the near future. Utilities partnered with Financial Credit Network (FCN), our current Collection agency, in which they provided training on October 19th and 26th of 2012 in the area of handling bill disputes, and negotiating payments and liability, and confirming customer information to ensure FCN receives the most current information on the customer. FCN also provided the 2011 Top Collection Market Survey, produced by the Association of Credit and Collection Professionals, which reflected industry liquidation collection averages of 16.6% for non-government utility accounts and 21.7% for government accounts. At the time of the Audit, the City's collection rate was calculated to be approximately 9.4%.

#5 Increase assertiveness of billing and collection efforts immediately after a lien is canceled due to foreclosure, such as stronger worded invoices and clear communication that the Department will soon assign the account to collections.

Not Started Utilities is currently conducting an analysis on the discontinuance process for non-payment of water, as part of recommendation 3. A discontinuance process would also increase assertiveness of billing and collection efforts immediately following a lien, which would address recommendation 5. In addition, Utilities plans to begin exploring other opportunities to increase assertiveness within the first quarter of 2013.

Finding 4: Additional Performance Reporting Can Provide a Useful Tool to Monitor Billing Operations

#6 Determine critical leading (e.g., business process, account aging, lien rates, employee development) and lagging (e.g., revenue) performance indicators and incorporate into Balanced Scorecard measurement system. Use month-to-month trends to identify opportunities for operational improvement.

Partly Implemented A number of existing reports are currently generated and in use either on a monthly, quarterly or semi-annual basis, including bad debt, account aging, revenue, lien releases. In addition, Utilities is conducting an organizational assessment which will identify a resource(s) to measure key performance indicators in a balanced scorecard system.

#7 Monitor lien and foreclosure rates and anticipate revenue changes should significant changes in rates occur.

Partly Implemented As part of the bad debt analysis, data on foreclosures are reviewed to compare with annual bad debt trends. In addition, as part of the discontinuance analysis, a review of lien and foreclosure trends for current and prior years has been conducted, which will assist in developing a process for monitoring revenue changes related to these activities.

Finding 5: More Systematic Use of Audit Queries Would be Beneficial

#8 Develop schedules for all audit queries based on exception rates.

Implemented A Billing Audit schedule has been developed identifying the audit queries, frequency that they will be worked and expected dates to run each audit.

Finding 6: Most Billing Services Job Descriptions Align with Responsibilities of Position Incumbents

#9 Investigate alternative Class Specifications for a subset of Account Clerk IIs that perform more research and account troubleshooting tasks.

Started Utilities is in the process of completing a Position Description Questionnaire (PDQ) for the Account Clerk II position and will submit it to Human Resources Department upon completion in January 2013.

Finding 7: General and Application Controls on IT Systems Could be Improved

#10 Develop policies and implement procedures requiring periodic (e.g. monthly) reviews of CIS super user activities.

Started Utilities conducted a review of super user security and access rights in the CIS system and surveyed other agencies practices relating security rights of similar billing systems. Some best practices were identified, which Utilities is reviewing for implementation.

#11 Develop and implement a formal administrative policy increasing the minimum password configuration requirements for applications that impact Department revenue.

<u>Started</u> Utilities has contacted the external vendor who currently hosts the database that stores meter reads used for billing, requesting implementation of stronger passwords.

Post Audit Summary of Audit of the City's Compliance With AB 1825 Requirements

The *Audit of the City's Compliance with AB 1825 Requirements* contained one finding and determined that approximately 16 percent of the employees required to complete the training had failed to do so. The report, which was released in June 2012, contained nine recommendations for improving the City's compliance with the requirements established by AB 1825.

Since the publication of the audit, the Department of Human Resources (HR) has made progress towards implementing 8 of the 9 recommendations. Of those, we determined that the department has implemented or partly implemented 4 recommendations (44 %) and has started work on 4 (44 %).

Exhibit 5: Status of AB 1825 Audit Recommendations
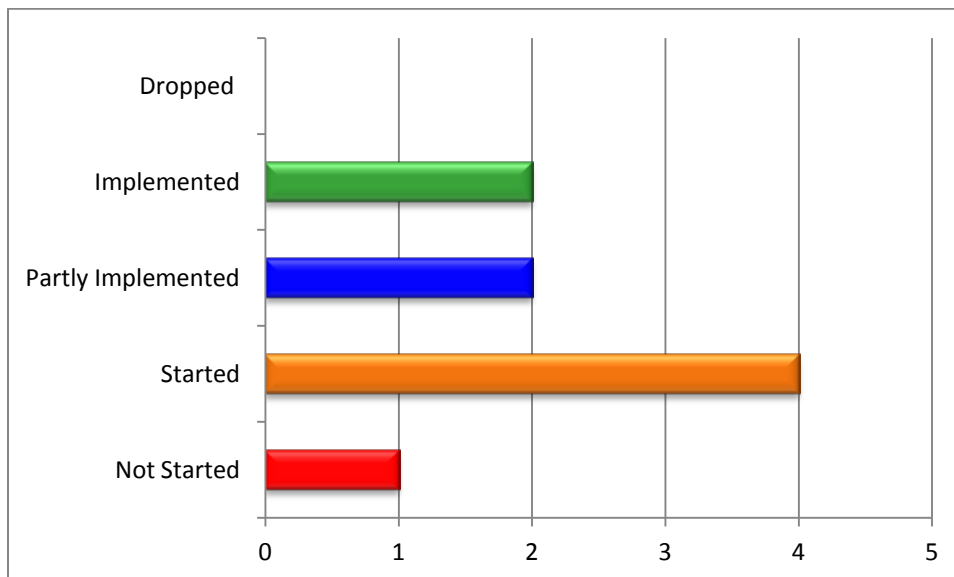
Finding 1: Approximately 16 Percent of Employees Required to Complete AB 1825 Sexual Harassment Prevention Training Did Not Complete the Training Within the Reporting Period

#1 *Provide training as soon as possible to those City supervisors who did not complete the AB 1825 training for the January 1, 2010 to December 31, 2011 period.*

Implemented During the audit, all City employees required to complete AB 1825 training completed the training as required. The current AB 1825 training cycle is planned for May – September 2013 to allow for utilization of the web-based training selected as part of the audit recommendation.

#2 *Develop controls to help test and reconcile AB 1825 training records.*

Started The Department of Human Resources is working with the Department of Technology to initiate electronic monitoring of employee training requirements and completion dates using training administration functions within the e-CAPS HR system. July 1, 2013 is the target date for implementation of this e-CAPS system upgrade.

#3 *Modify the CITY's (PAR) form to require that the appropriate person be notified of all new supervisors so that Human Resources can assign AB 1825 training to be completed within the six months of new supervisor's appointment.*

Not started *The Department has not modified the City's PAR form.*

#4 *Incorporate into the City's new employee orientation process a requirement that all City employees read and acknowledge receipt of the City's anti-harassment policy as well as any other critical City policies.*

Partly Implemented During the City's new employee orientation process the Department of Human Resources has incorporated a read and acknowledge receipt of the City's anti-harassment policy.

#5 *We recommend that City department heads and appointed officials provide written documentation that they have verified that their departments' list of supervisors is accurate and complete.*

Started Human Resource staff are currently identifying regulatory training requirements for all City employees as part of the e-CAPS training module upgrade. Verification of managers and supervisors required to complete AB 1825 training in the 2013 training cycle will occur as part of this process.

#6 *We recommend that Human Resources establish a contact person for the Mayor and City Council and determine which employees need to complete AB 1825 training.*

Implemented The City Clerk is the point of contact for the direction on which Mayor and City Council employees need the AB 1825 training.

#7 *We recommend that Human Resources and Fire Department consider entering a competitive bid process to identify a web-based training service for public entities that offer a variety of training modules.*

Partly Implemented   The Request for Proposal (RFP) was issued in November 2012. RFP proposals were received by 1/7/2013. A group representing stakeholders citywide are scheduled to review the proposals and select a web based training provider by the end of February 2013.

#8 Consider extending harassment prevention training to all City employees and consider expanding the harassment prevention training to include the many forms of discrimination and harassment.

Started Training on demand is currently available to address specific concerns pertaining to harassment. Options for expanding training will be considered after compliance with regulatory training requirements has been verified.

#9 Consider expanding the City's AB 1825 harassment prevention training to include the many forms of discrimination and harassment.

Started Training on demand is currently available to address specific concerns pertaining to harassment. Options for expanding training will be considered after compliance with regulatory training requirements has been verified.

Post Audit Summary of the Assessment for Establishing a Whistleblower Hotline

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

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

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

In addition to Council's general direction to begin implementing the whistleblower hotline program, Council directed the City Attorney's Office and City Manager's Office to take specific steps towards implementation. These two items were in line with report recommendations and their progress towards implementation was evaluated below.

#1 Direct the City Attorney's Office to draft a whistleblower resolution and non-retaliation resolution for adoption by Council.

☑ Implemented The City Manager's Office and City Attorney's Office worked together to establish the Whistleblower Protection Policy (AP-1002), which protects whistleblowers from retaliation. It became effective in October 2012. The City Manager sent an employee-wide e-mail to inform employees of the new policy and encourage them to report improper activity or misuse of funds to the hotline.

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

Started Staff from both offices have discussed parameters for moving forward and plan additional meetings this month.

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

The *Audit of City Light-Duty Vehicle Use* contained three findings and identified as much as $6.1 million in one-time and future benefits, with most of these benefits generated through avoided vehicle replacement. The audit, which was released in December 2011, included 18 recommendations and covered vehicle use, Fleet information, and take-home vehicles. To evaluate the Department of General Services' Fleet Management Division's progress in implementing recommendations, we first requested a self-assessment from the Department and asked for evidence to support progress. We reviewed this information, worked with DGS staff, and requested additional evidence as needed.

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

In addition to making recommendations to DGS, this report also included some recommendations to the City Manager's Office, City Attorney's Office, and Department of Finance. Of the 18 recommendations, we found work had already begun on all of them. We considered eight recommendations to be implemented (44 percent)(and three to be partly implemented (17 percent).

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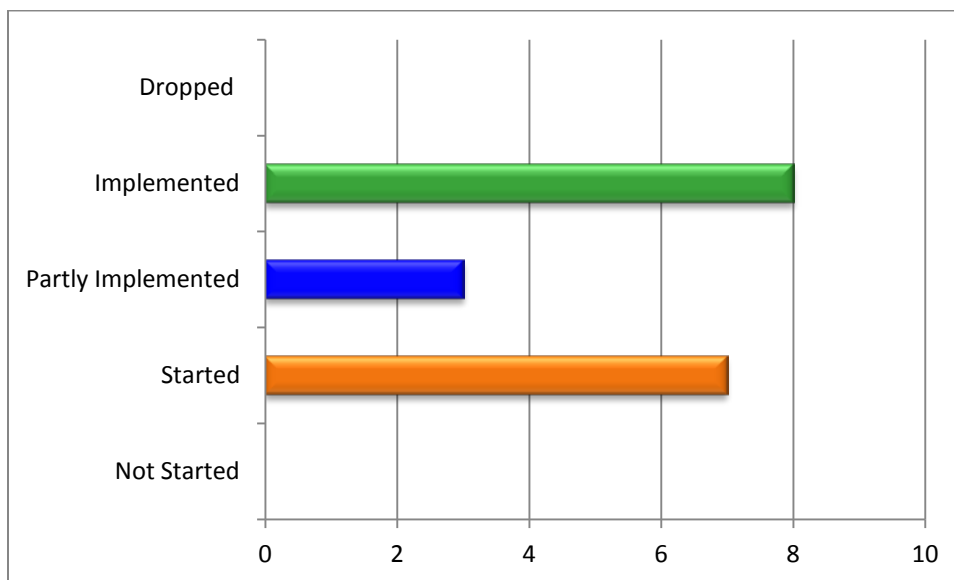
Finding 1: Removing and not replacing the City's light-duty vehicles that were driven less than 6,000 miles per year could yield more than $5 million in one-time and future benefits, with most of these benefits generated through avoided vehicle replacement

#1 Work with departments to find opportunities for rotating vehicles to ensure more even use.

☐ <u>Partly Implemented</u>   Fleet implemented the Fleet Business Intelligence Reporting System for departments to better monitor their vehicle usage and identify opportunities to rotate vehicles to ensure more even use.

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

☑ <u>Partly Implemented</u>   Fleet hired a consultant to analyze and recommend optimal replacement criteria based on fleet management best practices and the City's operating costs. Fleet management is evaluating these recommendations and will incorporate them in the next equipment replacement budget forecast.

#5 Work with the City Manager's Office to establish a Fleet Utilization Review Board that is empowered to set minimum use standards and remove low-use vehicles.

☑ <u>Partly Implemented</u>   The City Manager's Accident Review Committee is being expanded to include review of vehicle use. It will be renamed the "City Manager's Vehicle Review Board." The board will be tasked with reviewing and updating the current fleet utilization and employee transportation policies by July 1, 2013.

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

We recommend that the City Manager's Office:

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

☐ <u>Started</u> As noted in #5, the City Manager's Vehicle Review Board will review vehicle use. The board will be tasked with reviewing and updating the current fleet utilization and employee transportation policies by July 1, 2013.

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

☐ <u>Started</u> Work towards the implementation of this recommendation will fall under the purview of the City Manager's Vehicle Review Board.

We recommend that the City Attorney's Office:

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

Started This is pending ongoing labor discussions.

We recommend that the City Manager's Office:

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

☐ Started Work towards the implementation of this recommendation will fall under the purview of the City Manager's Vehicle Review Board.

We recommend the City Manager:

#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 Work towards the implementation of this recommendation will fall under the purview of the City Manager's Vehicle Review Board.

#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 Work towards the implementation of this recommendation will fall under the purview of the City Manager's Vehicle Review Board.

We Recommend that Finance:

#16 Update its form to fully capture different methods of reporting tax liability and add relevant references to IRS publications.

☑ Implemented The employee form was revised to include space for the employee to input the relevant data needed in the event the Annualized Leave Value method would be used. Additionally, a letter was provided to each employee that explained the relevant IRS documents, and why the information was needed.

#17 Work with the City Manager's Office and Fleet to compile an annual list of take-home vehicles.

☑ Implemented Fleet Management provided a detailed list of employee take-home vehicles by department, including the employee name and the year, make and model of the vehicle. The list allowed the Finance Department to provide the applicable letters and forms to the departments that had employees using these vehicles.

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

☑ Started Finance has begun the process to solicit the recommended legal review.

Post Audit Summary of the Audit of City Revenue Collection

The Audit of City Revenue Collection contained four findings and identified as much as $3.6 million in potential additional revenue. The audit, which was released in July 2011, included 12 recommendations and evaluated cash handling policies and procedures, and the effectiveness and efficiency of the Revenue Division's overall operations.

Since the publication of the audit, the Department of Finance's Revenue Division (Revenue) has made progress towards implementing 10 of the 12 recommendations. Of those, we determined that the department has implemented or partly implemented eight recommendations (67%) and has started work on two others (17%). In our last follow-up report, two of the recommendations were implemented and therefore not included in this report. The division's progress is shown in the exhibit below.

Exhibit 7: Status of Audit Recommendations
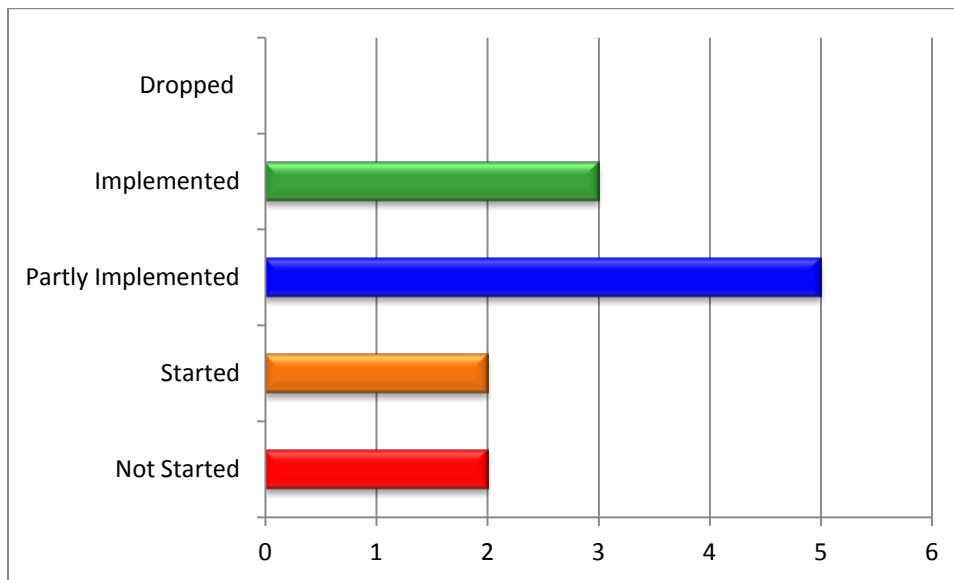
Finding 1: The City, Including The Revenue Division, Could Improve Its Cash Handling Policies and Procedures

#1 Establish a citywide cash handling policy that dictates that all City departments that handle cash create, maintain and distribute cash handling procedures that are both in line with the citywide policy and specific to each department.

☑ Implemented The City completed its citywide cash handling policy in May 2012 and designated it AP-2300.

#2 Continue to update its existing cash handling procedures and create those that it lacks. All cash handling procedures should be maintained, distributed, accessible and consistently enforced.

☐ Partly Implemented According to Revenue, the division has completed over half of the necessary work to update and create procedures related to cash management. For example, Revenue has drafted *Cash Handling Guidelines* that address separation of duties, physical security, reconciling balances, and other key principles.

#3 Create, maintain and enforce formal procedures for the processes the City uses to collect revenue from and on behalf of other City Departments. These procedures should be in writing and easily accessible to those City Departments that regularly interact with the Revenue Division. In addition, the Revenue Division should include these procedures in the training it provides other departments regarding the use of the Cashiering System.

☐ Partly Implemented Revenue has located, categorized, and sorted its policies and procedures. Also, it has begun writing new policies and procedures. According to Revenue, most of these procedures are substantially completed. Revenue is still revising those that needed more work and finalizing those that are ready for Department approval.

Finding 2: Efficient Revenue Division Management Is Hindered By Its Lack Of Performance Measures

#4 Develop and continues to implement meaningful performance measures.

☐ Partly Implemented The Revenue Division has made significant progress in gathering and using performance measures. According to the Division, it is capturing time sheet data, collection performance data by collector position, and has implemented a cue-flow system that tracks why customers are visiting the Revenue Division. This data is being used by the Division to make decisions, but have not put it in a formal analysis or report.

#5 Managers and Supervisors review data generated from performance measures to proactively make decisions and improvements.

☐ Partly Implemented The Revenue Division has made significant progress in gathering and using performance measures. According to the Division, it is capturing time sheet data, collection performance data by collector position, and has implemented a cue-flow system that tracks why customers are visiting the Revenue Division. This data is being used by the Division to make decisions, but have not put it in a formal analysis or report.

#6 Publicly reports the results of its performance measures.

☐ Not started   Implementing this recommendation is pending the Division determining which performance measures would be the most useful to report publicly.

Finding 3: The Revenue Division's Process For Collecting Transfer Tax Revenue Is Inefficient And Does Not Conform To City Code

#7 Consider options for a more efficient transfer tax collection system.

☑ Partly Implemented The Revenue Division has been working with the Sacramento County Clerk/Recorder's office to establish a process for the County to collect the City's transfer tax when properties are recorded. Revenue is also working with the City's Information Technology Department to ensure that this information sent electronically from the County Clerk/Recorder could be captured in a City database and easily reconciled with other property information in order for Revenue to research discrepancies and bill or refund appropriately.

#8 The Revenue Division Manager should either ensure that the transfer tax process is in line with City Code or explore proposing a change to City Code.

☐ Not Started This is pending the implementation of the process with Sacramento County, as explained in Recommendation #7.

#9 Pursue verifying the accuracy of transfer tax data to ensure the City is receiving complete revenue.

☐ Started According to Revenue, the division discussed with other governments how they verify the accuracy of transfer tax information. Also, Revenue reviews transfer tax data for anomalies. However, completing this recommendation is pending the implementation of the above process with Sacramento County (Recommendation #7).

Finding 4: The Transient Occupancy Tax Process Could Be More Effective

#11 Manager should either bring the transient occupancy tax process in line with City Code or explore proposing a change to City Code.

☐ Started   According to Revenue, it is initiating discussion to modify the City Code so that it no longer requires a transient occupancy registration certificate.

Post Audit Summary of the Audit of Citywide Policies and Procedures

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

Since the audit's release in July 2011, the City established an implementation team representing the City Manager, City Clerk and City Attorney. The Department of Finance, Revenue Division issued AP-2300 Cash Handling Policy in May 2012. The City Manager issued AP-1002 Whistleblower Protection in October 2012. In addition City management issued an RFP for a revamped website to include citywide policies. As shown is Exhibit 8, we designated four recommendations partly implemented (18%), sixteen recommendations as started (73%), and two recommendations as not started (9%).

Exhibit 8: Status of Audit Recommendations
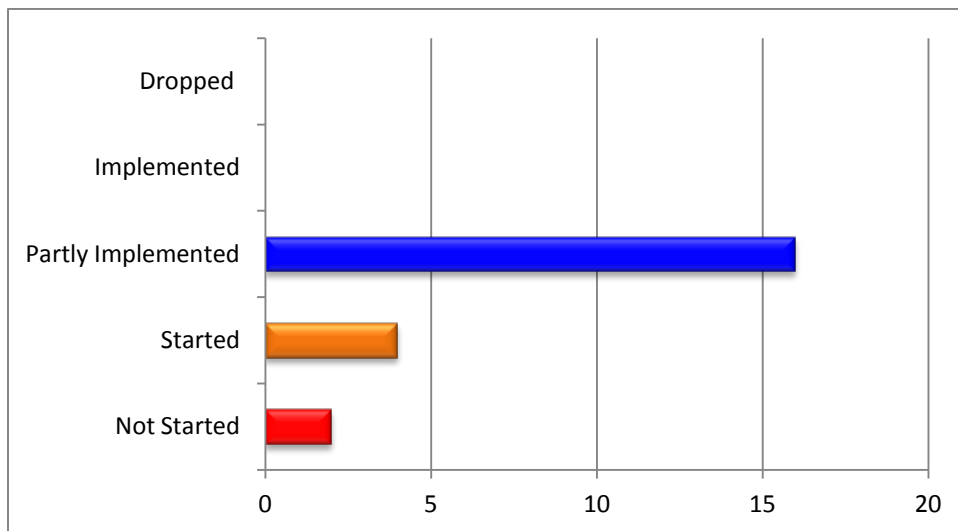
Finding 1: While the City has a System for Establishing Policies & Procedures, It is Generally Circumvented

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

☐ Started The City Manager's Office informed us they are updating *AP-1001* to require changes or updates be done by updating the policy or procedure document rather than using alternative modes of communication

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

☐ Started The City Manager's Office informed us they are updating *AP 1001* to ensure all attachments referred to in a policy document are available, and that the Administrative Policy Coordinator will not approve a policy document unless all referenced documents are included at the time the policy is submitted.

#3 Update *Developing Administrative Policies or Guidelines PR-1001.01* to clarify responsibility for linking documents within policies and procedures

☐ Started The City Manager's Office is updating *AP-1001* to assign responsibility for linking policy documents with associated procedures and/or relevant reference documents.

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

☐ Started The City Manager's Officer reported that *AP 1001* is being updated to require annual review of policy documents by respective departments.

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

☐ Started The City Manager's Office stated that *PR 1001-01* will be updated to incorporate a schematic to illustrate the process to update policy documents.

#6 Improve the controls to ensure City ordinances and resolutions are reflected in City policies and procedures.

Not started The City Manager is considering options to best implement the recommendation.

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

☐ Started The City Manager's Office informed us they will update *PR 1001-01* to require policy owners to define area experts' roles and responsibilities. We note that in addition, steps need to be taken to define the existing roles outlined on page 18 of the report.

#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.

☐ Started The City Manager's Office informed us they will update *PR 1001-01* to address segregation of duties, and that the Administrative Policy Coordinator will also review proposed policies for possible conflicts of interest within the policy documents prior to issuing policy numbers. While it's important that the City Manager is documenting roles going forward, in addition the City Manager needs to analyze current roles.

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

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

☐ Started The Department of Finance, Revenue Division, issued *AP-2300 Cash Handling* in May 2012. The policy outlines internal control of cash, credit card acceptance, accounting practices, balancing and reconciling and other key practices. It also requires departments which receive payments to establish department specific cash handling policies.

The Human Resources Department retracted its statement from June 2012 that 24 documents were completed. However, according to the City Manager's office, HR has reduced the number of documents from 85 to 39 in preparation for approval.

Other policies established include AP-1002 Whistleblower Protection (October 2012), and AP 4701 Healthy Vending Nutrition (September 2011). In addition the City Manager scheduled time with the Department of General Services in early 2013 to review final drafts of an updated policy for purchase cards, and a new Ethics Purchasing Policy.

#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.

☐ Started City Manager's Office is updating *AP 1001* to strengthen the language to require department directors and division managers to establish policies over key operational areas.

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

☐ Started The City Manager's Office informed us it has tasked Support departments with analyzing the list of policy documents referenced in the audit as well as a spreadsheet provided by the Auditor's office.

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

☑ Partly Implemented The City Manager's Office tasked Support departments with analyzing Exhibit 13. CMO will evaluate the list. The City Managers also implemented a citywide cash-handling policy in May 2012 and, in October 2012, a policy to protect whistleblowers.

We recommend that the City Manager and City Clerk:
#13 Revisit how Administrative Policies and related documents are housed in CCM.

☐ Started   The City Manager's Office and City Clerk report that they are developing a public website to interface with CCM with the intention of being more user-friendly and easy to search for particular documents. The anticipated timeline for this website to be completed was in February or March 2012. This has been extended to June 2013.

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

☐ Started City Manager's Office stated that they will update *PR-1001* once a new website is developed and the City Manager has documented its functionality. City Clerk was planning to provide, by March 15, 2012 procedure for how administrative policies are entered in CCM. This has been extended to January 2013 at the earliest. Auditor notes to ensure including issues raised in Recommendation #18.

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

☐ Started The City Manager's Office stated that department directors will remove policies and procedures from department Intranet and Internet websites once a new website is launched. The City Manager's Office is updating *AP 1001* to prohibit departments from housing policy documents in places other than CCM.

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

☐ Partly Implemented   The Human Resources Department retracted its statement from June 2012 that 24 documents were completed. However, according to the City Manager's office, HR has reduced the number of documents from 85 to 39 in preparation for approval.

#17 Design a control to ensure outdated policies and procedures are removed from CityNet and the City' public website.

☑ Partly Implemented The City Manager's Office stated that department directors will remove policies and procedures from department Intranet and Internet websites once a new website is launched. The City Manager's Office is updating *AP 1001* to prohibit departments from housing policy documents in places other than CCM.

 # 18 Change the department owners of policies to reflect correct owners.

☐ Started The City Manager and City Clerk are developing a website to optimize searches for City policies in CCM.

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

Not started The Clerk is discussing options to update the drop-down menu to reflect the current organization chart without losing former departments.

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

☐ Partly implemented The City Manager's Office archived the five outdated policies identified in the report so that they don't come up in CCM. The City Manager's Office indicated that *AP 1001* will be amended to reflect that requests for archived documents can be made to the Administrative Policy Coordinator in the City Manager's Office. Auditor recommends responsibility for archiving policies be documented in the *1001* series.

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

☐ Started The City Manager's Office is in final review of its update of *AP 1001*.

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

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

☐ Started The City Manager communicated to directors that policy development is a priority. In addition the City Manager is updating *AP-1001* to emphasize expectations of department specific operational policies.

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

The Performance Audit of the *Department of Utilities Operational Efficiency and Cost Savings Audit* contained seven findings and identified $8.6 million of potential savings in FY 2011-12. The audit, which was released in June 2011, was an objective examination of the DOU to evaluate whether the department was managing and/or utilizing resources in a responsive, economical and efficient manner. In addition to recommendations directly related to the seven key findings, the audit included further opportunities for operational efficiencies and cost savings that the DOU may want to explore.

Since the publication of the audit, the Utilities Department has made progress towards implementing 27 of 27 recommendations. The department's progress is shown in the exhibit below.

Exhibit 9: Status of Audit Recommendations
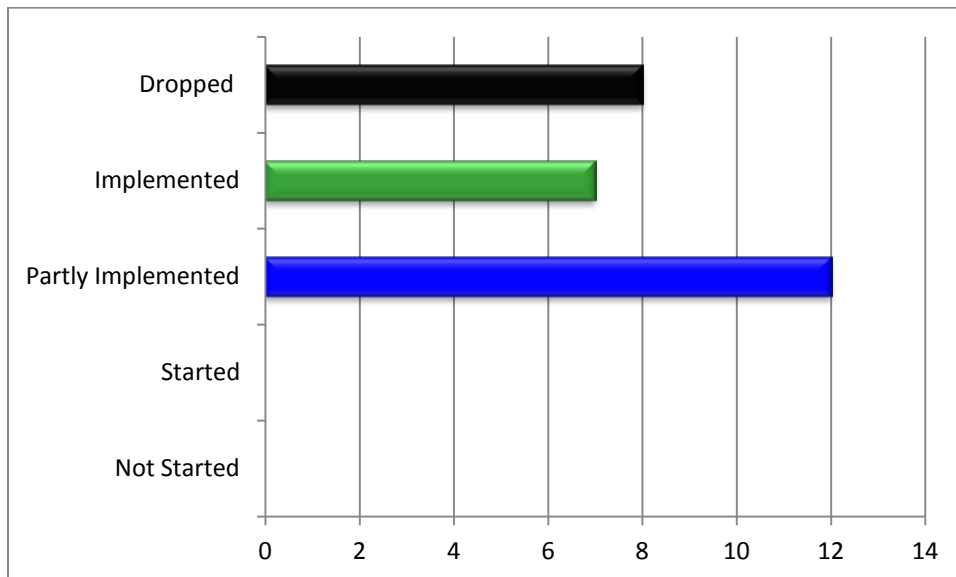
Finding 3: An Operations Energy Management Program should be implemented

#3 Implement a "best practice" operations energy program to achieve significant energy and cost savings

☑ Partly Implemented   DOU hired a consultant to prepare a detailed cost effectiveness study of the energy management approach outlined in the audit report.

DOU issued an RFP and completed a contract agreement in January 2012. The Energy Management Operations study is underway with the consultant evaluating electrical energy data, collecting operational equipment data and schematics, reviewing hydraulic models, and understanding facility operational constraints. Findings from the evaluation will be summarized in a Technical Memo, including specific energy and cost saving recommendations. Due to consultant staffing constraints, the completion date for the report is now January 2013.

DOU continues to implement energy efficiencies wherever possible. The department completed an Energy Management project to upgrade lighting at seven locations within the department. The department replaced outdated T-12 tubes and associated magnetic ballasts with energy saving T-8 tubes and electronic ballasts; and replaced outdated incandescent bulbs with high-power LEDs. This work resulted in an approximate energy savings of 31.4 KW. Due to the long hours of daily operation of these lamps, the annual energy cost savings are estimated to exceed $30,000. Including SMUD incentive rebates of nearly $14,000, the cost of the project is being recovered in less than one year.

Finding 5: Solid Waste is not fully utilizing its route optimizing software

#5 Solid Waste should utilize the routing software and follow the recommended routes,

☑ Partly Implemented Solid Waste, in conjunction with the GIS Department, began the recruitment for a new GIS III this past summer. After extensive vetting of the applicants, several were chosen for interviews with a successful outcome in the hiring of a new GIS III. The new staff person started on December 31, 2012. Her extensive background in routing and overall experience and education in GIS will clearly benefit the Division as we move forward with numerous changes in our programs.

Some of the program changes she will be immediately involved in include switching to bi-weekly recycling for all city residents, shifting of pick up days in the North Area to better utilize the location of the transfer station in relationship to daily workloads, development of a Downtown/Metro service area to service the unique needs of the downtown corridor, and the implementation of the containerized yard waste service city wide

Finding 6: There is excessive non-recyclable material in residential recycle bins

#6 Implement a more effective public information program that can reduce non-recyclables from 32% to 10%

☑ Partly Implemented   In May 2012, the Solid Waste division worked with R3 Consulting Services to oversee a new recycling load characterization which resulted in a decrease from 32 percent residual to 22 percent. With the contamination decrease, Solid Waste expects to see a savings of approximately $200,000 in disposal cost savings and increased recyclable revenue.

A comprehensive outreach and education plan is scheduled to be launched in February of 2013 to inform residents of the approved changes to residential services such as mandatory containerized yard waste, the appointment based neighborhood cleanup program and bi-weekly recycling. The objectives of the plan include:

- Reduce customer confusion on how programs operate
- Educate on proper disposal and recycling practices for all commodities
- Increase participation in recycling programs and reduce the contamination rate
- Communicate effectively about major program changes and new services so the transition is smooth for all residents

In October 2012, the division launched its first social media effort, a Facebook page, with a particular focus on promoting good recycling practices.

Finding 7: Investment in capital assets is likely insufficient, but DOU's proposed capital plan is not well defined and there are few projects identified

#7 Continue development of a capital master plan that includes a long-term financing plan

☑ Implemented   DOU agrees that investment in infrastructure is critical and towards that end, the department developed a rolling 3, 5, and 30 year capital plan that is maintained and updated annually. The city Council approved 3-year rate increases in March 2012 that will primarily be used to fund infrastructure replacement and regulatory compliance.

The Capital Improvement Programming Guide (programming guide) outlines the 5 year plan along with a 30 year forecast and is available on the City's website.

DOU presented an overview of the programming guide to the Utility Rate Advisory Commission (URAC) on 9/26/12. On 11/28/12, the URAC received an update on the Capital Financing Program and the Capital Infrastructure Program. DOU will continue to provide accountability reports to the URAC on the capitol program for monitoring by the commission.

DOU staff is currently providing internal training on the CIP Programming Guide to ensure consistent understanding and application of the guide. This task is scheduled to be complete by February 2013. DOU staff will then present the guide to other key stakeholder City Departments including Finance, the Treasurer's Office, and the City Manager's Office.

Additional Operational Efficiencies and Cost Savings

#8 Create and implement a Large Meter Replacement Program.

☑ Partly Implemented   DOU is in year two of a five-year replacement program. Approximately 300 of 1250 meters have been replaced and the program is ahead of schedule for the current fiscal year.

One example of the program success is at McClatchy High School where a 6" meter was being incorrectly billed at a 2" meter rate. As a result, the City recovered nearly $8,800 of previously uncollected revenue.

Another benefit of this program is that as field crews replace meters they are identifying unmetered bypasses. Water flowing through unmetered bypasses does not get billed and cannot be collected in arrears. Meters are being installed on those bypasses, allowing the department to accurately bill for future water use.

#11 Increase size of construction contracts (specifically directed at the meter retrofit program).

☑ Partly Implemented   DOU agrees with this recommendation, and is packaging Meter Retrofit Program projects in as an efficient manner as possible.

Prior to the audit, approximately 30 meter projects were bid, ranging from $400,000 to $2,700,000 per project. Project size was often dictated by grant funding requirements. After the audit was published, Engineering Services conducted informal research with several bidders and learned that the typical contractor bidding on the projects has limited bonding capacity ranging from $5M-$12M. Engineering combined projects which now range from $3.5M - $12.4M (see table 1, below).

#12 Accelerate completion of the Computerized Maintenance Management Systems (CMMS).

☑ Partly Implemented Phase 1 of this project is for Plant Services to integrate Maintenance Connection with eCAPS to auto-populate eCAPS timesheets from the Maintenance Connection timesheets. This automation will eliminate the need for staff to manually populate their working time in two different databases, reducing manual typographical errors and making better use of staff time. The integration is complete and Plant Services is currently testing the solution with City Finance, Payroll and IT staff. Full implementation is scheduled for spring 2013.

Phase 2 of this project is for Field Services to upgrade the existing client server CMMS application, Azteca Cityworks ANYWHERE, to a web-based platform. The primary objective of this project is to simplify data collection in order to improve data quality. DOU evaluated options and selected Cityworks Server AMS (Attachment C). The Professional Services Agreement is scheduled for City Council approval in April 2013. A pilot program is scheduled for late summer 2013, with full implementation by November 2013.

Plant Services has begun the process of populating the CMMS database with equipment assemblies and parts information. Staff developed a template that captures this information for new construction projects. Contractors and engineers populate the template that is then uploaded into Maintenance Connection.

Populating the database with existing equipment and parts information will commence by July 2013

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

☑ Partly Implemented DOU released an RFP to achieve this objective. Westin was awarded the contract in October 2012. Work is scheduled to be completed by January 2014 at four locations, including the Sacramento Water Treatment Plant (SWTP), Combined Wastewater Treatment Plant (CWTP), Sump 2, and Pioneer Reservoir.

#16 Reduce the number of supervisors.

☑ Partly Implemented DOU began a complete internal organizational assessment in June 2012. The outcome of the assessment may result in a revised organizational structure of the department and reallocation of resources. The DOU Organizational Assessment is approximately 75% complete. The final product of this effort will be the Department's Strategic Plan scheduled to be complete in March/April 2013.

#17 Reduce the number of superintendents.

☑ Partly Implemented DOU began a complete internal organizational assessment in June 2012. The outcome of the assessment may result in a revised organizational structure of the department and reallocation of resources. The DOU Organizational Assessment is approximately 75% complete. The final product of this effort will be the Department's Strategic Plan scheduled to be complete in March/April 2013.

#18 Downgrade O&M positions.

☑ **Dropped**   Plant Services worked with Human Resources on a review of the Machinist Classification series, comparing required tasks to classification duties and Knowledge, Skills, and Abilities (KSA) requirements. Modifications were made, but downgrades were deemed not to be appropriate.

#20 Develop additional Geographic Information System (GIS) functionality.

☐ Partly Implemented   DOU has been working with central City GIS staff to address this through the Enterprise Application Integration project. Phase I assessed Better Management Business Practices (BMBPs) and identified six to address immediately: Asset Inventory, SSMP, Plant Production, Drainage Pump Stations, Meter database, and Condition Assessment. Other BMBPs will be addressed at a future time. Phase II includes selecting the appropriate applications to address the six BMBPs. Estimated completion date for Phase II is August 2013.

#22 Develop a publicly-owned garden refuse site.

☑ **Dropped**   The SWA Board was scheduled to certify the Final Supplemental Environmental Impact Report (FSEIR) at a meeting in the fall. The SWA Board certified the FSEIR as complete at the meeting held on October 11, 2012. During the same time frame, SWA staff received three (3) responses to the bid that had been posted to the short list of qualified companies.

After reviewing the submittals, only two of the three companies responded in full; one company responded with no response. The remaining two proposals were reviewed, however the pricing in each of the proposals greatly exceeds the current pricing received by both the City of Sacramento and the County of Sacramento for greenwaste disposal.

As this time, there are no further plans to seek a publicly owned garden refuse site.

#23 Labor costs exceed the amount needed to pay regularly scheduled employees.

☐ [Partly Implemented](#)   Solid Waste worked with the City's Health and Safety Office to develop a voluntary stretching program to promote effective exercises for increasing employee health and well-being. Before the program could be implemented, it was determined that the program would be subject to mandatory bargaining with Local 39 and the union would object to its implementation (despite its voluntary nature).

Solid Waste is continuing to look at other options to minimize future job injuries.

#24 The Solid Waste Division has a higher than normal spare factor.

☑ [Partly Implemented](#) In FY11/12, Solid Waste began taking delivery of the first shipment of 53 new side-loader refuse trucks. 33 trucks were in the first order and all have been received and placed into service. This allowed for 33 of the Divisions oldest trucks to be removed from service and has greatly improved not only the appearance of the Division, but is starting to show a reduction in maintenance costs.

In FY12/13, Solid Waste will receive the next 16 side loader refuse trucks further allowing for the removal of older, higher maintenance trucks still currently in service. The remaining four side loaders will be delivered in FY13/14.

Post Audit Summary of Employee Health and Pension Benefits

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

To evaluate Human Resources' progress in implementing recommendations, we first requested a self-assessment from the Department and asked for evidence to support progress. Using this information, we worked with Human Resources staff and obtained additional evidence. Since the publication of the audit, Human Resources has made progress towards implementing 24 of 28 recommendations. Of those, we determined that the Department has implemented or partially implemented 23 recommendations (82%) and has started work on one other recommendation. Work has not started on four recommendations (14%).

Exhibit 10 summarized the implementation progress to date. While Human Resources is making progress in implementing recommendations, we anticipate that some recommendations could take several more months to fully implement.

Exhibit 10: Status of Audit Recommendations
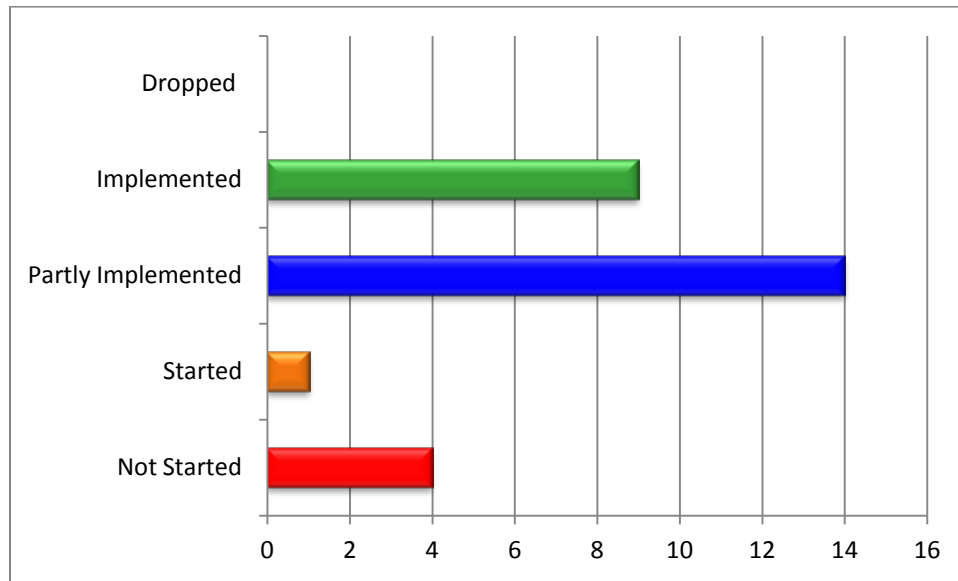
Finding 1: The Administration Of Health Benefits Has Strengthened, But Areas of Concern Remain

#1 Continue to work with health providers and the City Attorney's Office to determine if the City can recover overpayments.

☐ Partly Implemented The department has worked with the City Attorney's Office and health providers to pursue these amounts. One provider, Kaiser, credited the City about $401,000 for overpayments. Human Resources is working with the City's other health provider, Health Net, and expects to resolve this issue in the next few months.

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

☐ Started According to Human Resources, the department has begun working with Human Resources' information technology staff to develop a reconciliation process. However, this project is on hold pending the update of eCaps – the City's electronic human resources/payroll financial management system.

#3 Inventory all previous LOUs and present them to Council for incorporation into labor agreements as necessary.

☑ Partly Implemented The department has met with represented employee organizations to review which Letters of Understand (LOUs) are continuing and which have expired. In consultation with the City Attorney's Office, Human Resources has determined that it will incorporate continuing LOUs in future agreements.

#5 Post all active LOUs online along with labor agreements.

☑ Partly Implemented Many LOUs and updated agreements have been posted to Human Resources' web site.

#9 Work with Accounting and Information Technology to change electronic paycheck information to clearly display how much the City and employees contribute towards benefits

☑ Partly Implemented The information on electronic paychecks has changed for some employee groups to more accurately reflect the amount employees and the City contribute to benefits. Additional updates are pending the eCaps upgrade.

#10 Change the practices for crediting employees who leave the City to ensure that they are refunded the correct amounts for health premium payments.

☑ Partly Implemented This is being implemented as bargaining groups agree to remove the cash back payments for employees who waive benefits. The change eliminates the flex credit contribution, which played a role in the reimbursement issue.

#11 Formalize the out-of-area plan and the subsidy methodology in the labor agreements.

☐ Not started According to Human Resources, changes in this area must be agreed upon with represented employee organizations in future labor agreements.

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

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

☐ Not started According to Human Resources, the department plans to request in writing that the City's benefits broker provide this information every other year. The department expects to request this information in the next few months.

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

☐ Not started According to Human Resources, the department plans to report this information to Council when it becomes available. Reporting is contingent on the completion of Recommendation #12.

#14 Consider employee equity when negotiating with unions the City's contributions to health benefits.

☑ Implemented According to Human Resources, the department considers this recommendation to be on-going and will continue to address employee equity in future labor negotiations. Recent labor agreements reflect progress towards increased equity.

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

☐ Partly Implemented According to Human Resources, the department has met with the City's benefits consultant to review trends and created a strategy for benefits to be negotiated in future labor agreements. When agreements are negotiated, the Department considers trends related to other agencies. Additionally, Human Resources is conducting a compensation study that will include a review of health premium costs paid by the employer. This study is expected to be completed in the next few months.

#16 Consider regional trends when negotiating benefit shares.

☐ Partly Implemented As mentioned in Recommendation 15, Human Resources has reviewed trends and created a benefits strategy, and is conducting a compensation study.

#17 Negotiate terms that require increasing employees' contributions to their benefits.

☑ Implemented Most employees' contributions towards benefits have increased. Any future changes will need to be negotiated with employees' unions.

Finding 3: Moderate Changes Could Help Rein In Rising Pension Costs

#18 Negotiate a change in contributions to require that all employees pay some share of the employee contribution portion of pensions.

☑ Implemented The Department has negotiated that employees in most groups contribute to their pensions. Additionally, management has supported work towards this recommendation, and changes to state law also set requirements for employee pension contributions.

#19 Consider the employee contributions required by nearby government employers when negotiating the City's pension share.

☐ Partly Implemented City negotiators stay abreast of trends, proposed state legislation, and agreements reached by nearby government agencies. Human Resources is conducting a compensation study that includes amounts employers pay towards employees' pensions.

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

#20 Work towards negotiating a change to the City's contribution for Fire retirees' benefits to bring them more in line with contributions made toward other City retirees.

☐ Not started This is pending future negotiations.

#21 Continue pursuing options to reduce retiree health costs.

☐ Partly Implemented The department has researched Medicare Exchange plans and will present information to employee unions.

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

☐ Partly Implemented Human Resources has designed a self-billing method for retiree health benefits and is testing the process.

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

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

☐ Partly Implemented Human Resources has implemented a wellness program and has held frequent events, including a Wellness Expo. According to the Department, results might not be known for a few more years and that participating in health assessments could impact premiums in the future.

#26 Consider changes to the retiree health benefits program.

☐ Partly Implemented Newly hired employees represented by Local 39 and SCXEA will not be eligible for retiree health benefits. Also, new unrepresented hires will not be eligible for retiree health benefits. The City is pursuing such agreements with other unions and looking to reduce retiree health care costs.

#27 Consider changes to pension formulas and final compensation calculations for new employees.

☐ Partly Implemented According to Human Resources, the City has reached an agreement with Local 39 and SCXEA to implement a second tier pension system for new hires. Changes are pending agreements with other employee unions.

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

☐ Partly Implemented The City's Chief Negotiator will present the strategic healthcare plan to City Council.

Post Audit Summary of the Audit of the Community Development Department

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

During the reporting period of July 2012 to December 2012, CDD made significant progress towards implementing recommendations especially in controlling access to its permitting system. As shown in Exhibit 11, we designated 13 recommendations as implemented (33%), 18 recommendations as partly implemented (45%), 7 recommendations as started (18%), one started (3%) and one dropped (3%).

Exhibit 11: Status of Audit Recommendations
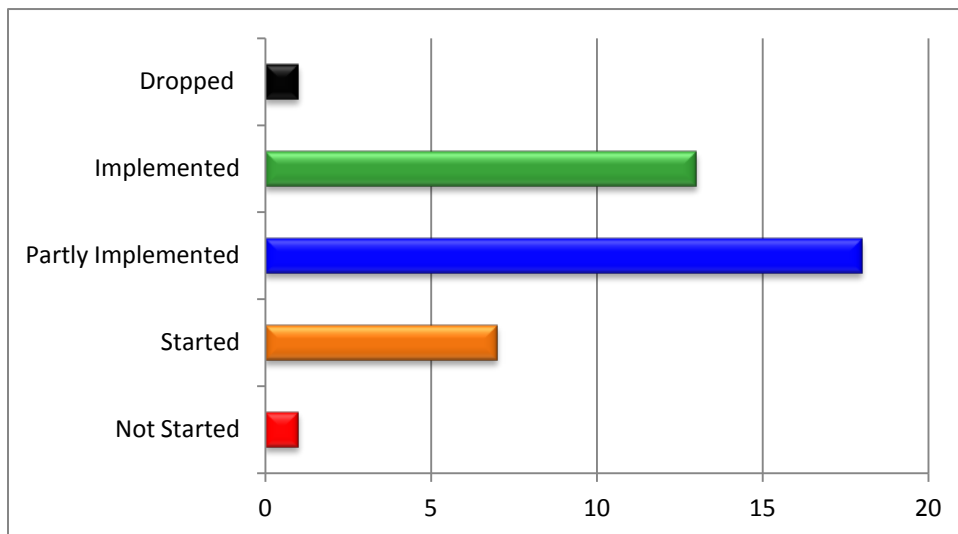
Section 1: Organization and Policies

#1 Ensure the necessary changes are made to the automated permitting system to limit access based upon critical job needs and position-analysis should include CDD employees as well as external users. This will likely require contracting with the system vendor as CDD recently lost its in-house Accela expert. (p. 10 of the performance audit report issued October 2010)

☑ Implemented On December 12 the Chief Building Official issued definitions of user groups and rights, authorized users, and change request forms. We tested a sample of users and found that all had access as described in documents provided by CDD.

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[2] According to the City Attorney's Office, the City has made efforts to recover uncollected fees against several of the entities identified in the auditor's report.

#2 Develop processes to create and regularly utilize system exception reports to monitor system usage, detect process errors, or identify unusual or abnormal activities to ensure all employees and system users follow proper permitting processes and policies and procedures. (p. 10)

☐ Started   When CDD has developed policies and procedures, auditor will sample.

#4 Draft a complete, detailed, formal, and comprehensive set of policies, procedures and guidelines, and standards for operations with specific parameters that cover all of CDD's permitting and fee assessment processes and practices that are widely distributed to all employees. Hold all employees accountable for following and adhering to all system and process policies and procedures. (p. 13)

☐ Partly Implemented   CDD added an index of its policies for employees on its CityNet page. In addition the Chief Building Official issued a memo authorizing 11 individuals to approve building plans and revised a Certificate of Occupancy form to require his signature. The Chief Building Official informed us that a *Building Permit Fee Procedure Manual*, referenced in the building permit Counter Procedures Manual, is nearly complete.

#5 Establish a formal employee training program to ensure all employees have sufficient knowledge and experience to handle job responsibilities and functions, particularly employees that handle permit counter operations and all employees that interact with the permitting system. (p. 13)

☐ Partly Implemented   The CBO identified five areas of knowledge required for counter staff, and for these staff to self-certify for each area or attend training sessions. The CBO is planning a more formal program and is determining how often and when it will occur. In order for #5 to be rated Implemented, CDD will provide documentation that shows CDD has formal training for all employees who interact with Accela, like training materials, schedule, and an attendance/sign in sheet.

#7 Establish an organizational culture that places importance on adhering to proper policies and processes while also meeting service level goals. Also, create a "tone at the top" that circumvention of proper permitting and fee assessment polices and processes will not be tolerated. (p. 15)

☐ Partly Implemented   CDD responded that the current director schedules monthly meetings with exempt managers to discuss department goals, policies, procedures and system controls. In addition, CDD created an excellent conflict of interest form for all employees to sign. This recommendation's implementation will be connected with implementation of Recommendation #4.

#8 Complete a comprehensive analysis of employee positions and organizational reporting structure to ensure proper control, oversight and authority is present. (p. 19)

☑ Partly Implemented   CDD provided the Chief Building Official with direct authority over permit counter operations and activities in October. In addition CDD determined a need for a Senior Supervising Building Inspector to provide supervision over permit counter operations and filled the position.

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

☐ Partly Implemented CDD revised the org chart in November 2011. The unit which approves building permits now reports to the Chief Building Official.

The City Attorney's Office confirmed that the Chief Building Official is ultimately responsible for enforcing Sacramento City Code Title 15, Buildings and Construction; relevant portions of Title 8 Health and Safety, and California law, and that the Code Enforcement Manager is principal assistant to the building official in enforcing relevant chapters of Title 8, and has powers of the building official for substandard housing and dangerous buildings. However, neither the Chief Building Official nor the Code Enforcement Manager appear to have responsibility for substandard housing and dangerous buildings. CDD should either align operations to comply with City Code, or discuss updating City Code.

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

☐ Partly Implemented CDD revised the org chart in November 2011. The unit which approves building permits now reports to the Chief Building Official.

The City Attorney's Office confirmed that the Chief Building Official is ultimately responsible for enforcing Sacramento City Code Title 15, Buildings and Construction; relevant portions of Title 8 Health and Safety, and California law, and that the Code Enforcement Manager is principal assistant to the building official in enforcing relevant chapters of Title 8, and has powers of the building official for substandard housing and dangerous buildings. However, neither the Chief Building Official nor the Code Enforcement Manager appear to have responsibility for substandard housing and dangerous buildings. CDD should either align operations to comply with City Code, or discuss updating City Code.

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

☐ Partly Implemented CDD revised the org chart in November 2011. The unit which approves building permits now reports to the Chief Building Official.

The City Attorney's Office confirmed that the Chief Building Official is ultimately responsible for enforcing Sacramento City Code Title 15, Buildings and Construction; relevant portions of Title 8 Health and Safety, and California law, and that the Code Enforcement Manager is principal assistant to the building official in enforcing relevant chapters of Title 8, and has powers of the building official for substandard housing and dangerous buildings. However, neither the Chief Building Official nor the Code Enforcement Manager appear to have responsibility for substandard housing and dangerous buildings. CDD should either align operations to comply with City Code, or discuss updating City Code.

#12 Analyze the duties of CDD staff to ensure all conflicting responsibilities are sufficiently segregated and controlled. (p. 20)

☐ Started   CDD responded that the director is evaluating specific roles and responsibilities based on classifications and available resources. He will further clarify duties during completion of procedures manuals. Director should work with the Human Resources and Finance Departments to evaluate job descriptions of account clerks, customer service specialists in particular as descriptions contain conflicts.

#14 Develop processes to ensure key documentation is maintained to support process decisions. (p.21)

☐ Partly Implemented CDD is enhancing existing policies and created an on-line index of its policies and procedures. The Chief Building Official informed us that the *Building Permit Fee Procedure Manual*, referenced in the building permit Counter Procedures Manual is nearly complete.

Section 2: Proper Permitting

#15 Develop formal policies and procedures that cover all permitting processes, including points where supervisory review is conducted. Hold employees accountable for not following proper processes. (p. 28)

☑Partly Implemented   The Chief Building Official issued a memo authorizing 11 individuals to approve building plans. The memo is dated December 19, 2012 and posted on CDD's internal website. We are awaiting the fee policy.

#17 Determine which system fields must be completed during permit application intake and program the system to not allow permits to proceed in the process without all required data inputs. Once project data is input and a permit application is accepted as complete, restrict the ability to make modifications to the permit record to managerial or supervisory staff. (p. 28)

☑ Implemented The IT unit added red asterisks to identify required fields which include job value, parcel number, and applicant name. In December 2012, the Chief Building Official issued definitions of user groups and rights, authorized users, and change request forms.

#18 Restrict system access and ability to provide approval of project plans in the system to only those employees employed by the City in such a capacity; ensure the employees given access to input approvals in the system have the necessary qualifications, training and education to review and approve project plans. Also, only allow those employees with proper qualifications to sign and approve the hard copy of project plans. (p. 29)

☑Partly Implemented   On December 12 the Chief Building Official issued definitions of user groups and rights, authorized users, and change request forms. This is in addition to a March 2012 memo in which the Chief Building Official authorized 11 individuals to approve building plans. The Building Chief's memo requires project plans to be signed by the final approver. We sampled 8 plans and found three approved in Accela by individuals who, while they were on the CBO's list of 11, did not have specific authority over the type of permit they approved.

#19 Ensure all professional approval stamps, such as engineering, plan review, etc. are secured and cannot be misused. (p. 29)

☑Partly Implemented In March 2012, the Chief Building Official issued a memo authorizing 11 individuals to approve building plans. He updated the list and posted it to CityNet in December 2012. The Building Chief's memo requires project plans to be signed by the final approver. We sampled 8 plans and found three approved in Accela by individuals unauthorized to do so.

#20 Create permitting process business mappings to ensure all required processes, participants, and stakeholders are identified and all corresponding roles are included and considered in the development of formal processes and procedures to ensure that key permitting process participants are not overlooked, such as CDD's environmental planning group. (p. 30)

☐ Started   The building division operations and code enforcement managers are drafting flow charts of the building permit process. When complete we will review, and survey stakeholders and employees.

#21 Establish protocols to require that counter staff review permit applications and other appropriate notices for conditions of approval and proof of payment and input such stipulations into Accela. Employees must be trained to ensure all required conditions are appropriately entered and tracked. (p. 32)

☐ Partly Implemented

The paper application for permit, revised in November 2010, includes a section listing 14 "disciplines" (processes to complete prior to issuing permits). In addition, management finalized the Counter Procedures Manual, which describes permit approval and issuance, on 9/1/11. While this is a milestone, management needs to identify counter staff responsibilities, as some of the procedures in the manual are performed by non-counter staff. The Chief Building Official has begun a training program to ensure counter staff identify conditions.

#22 Program the permitting system to ensure the acknowledgement and resolution of permitting conditions and require the signoff of such provisions by designated individuals before permits can be appropriately issued or finaled. (p. 32)

☑ Implemented In December 2012, the Chief Building Official issued definitions of user groups and rights, authorized users, and change request forms. IT is now the only group that has the ability to delete conditions with "Locks & Holds", and 7 of 28 User Groups do not have access to resolve permitting conditions.

#23 Limit approval or signoff authority to certain City employees and restrict access to the system for functions that would allow removal, resolution, or clearing of conditions of approval. (p. 32)

☑ Implemented In December 2012, the Chief Building Official issued definitions of user groups and rights, authorized users, and change request forms. IT is now the only group that has the ability to delete conditions with "Locks & Holds", and 7 of 28 User Groups do not have access to resolve permitting conditions. Earlier, the Chief Building Official issued a memo authorizing 11 individuals to approve project plans.

#24 Within policies and procedures, clarify when phased or partial permits can be utilized and ensure proper protocol is followed. Particularly, eliminate the ability to utilize phased permits when main permits are ready for issuance to simply avoid paying required permitting fees. (p. 33)

☐ Partly Implemented   Management finalized the Counter Procedures Manual, which describes phased permits on pages 7, 16, 18, and 62, and partial permits on page 62. Although CDD has drafted this manual, we think additional clarification could be useful. We'll be working with CDD staff to address areas where we think improvements can be made. Once clarified we will review and test samples for internal controls.

#25 Investigate the feasibility within the permitting system to link together related permit documents. Otherwise, develop an alternative process that will ensure all requirements of all permits associated with a project have been formally and appropriately completed and resolved prior to providing final approval of a project. (p. 38)

☑ Implemented CDD developed a "Related Record" tab in Accela. The CBO also distributed a Certificate of Occupancy procedural checklist directing "approved management" to research Accela for permit activities by address. The CBO directed approved management to verify all related permit applications are resolved. Finally the CBO signs Certificate of Occupancies, taking ultimate responsibility for this phase of a permit and that related permit documents have been formally and appropriately completed prior to providing final approval of a project.

#26 Ensure process policies and system controls are developed and maintained that require permits to be properly issued before any construction work begins. (p. 39)

☑ Implemented In September 2011, Management finalized the Counter Procedures Manual stating that construction work should not begin without a permit. In December 2012, the Chief Building Official issued definitions of user groups and rights, authorized users, and change request forms.

#29 Develop regular spot check processes where a sample of permits are selected and reviewed to ensure all required processes were appropriately completed. Determine any training needs or increase in frequency of spot checks based on the outcome of the review process. (p. 42)

☐ Started   CDD reported that the chief building official was checking deviations made in the Accela system at the time of occurrence and on a weekly basis. While this is an important control, we would like to see the department add a sampling component. The Chief Building Official will develop a quality control policy.

Section 3: Collecting Fees

#31 Ensure fees are finalized and approved by staff with sufficient training and experience and require signature approval and sign-off acknowledging acceptance of final fee assessment calculations. Once fee assessments are finalized, restrict the ability to make modifications to the fee assessment to managerial staff. Ensure sufficient support and justification for any fee assessment change is maintained. (p. 48)

☐ Partly Implemented   The Chief Building Official issued a memo authorizing 11 individuals to approve building plans. The memo requires the individuals to complete steps in the

"Processing" section of the building permits Counter Procedures Manual. These steps include verifying fees and documenting reasons for fee changes. In addition in December 2012, the Chief Building Official issued definitions of user groups and rights, authorized users, and change request forms. The Chief Building Official informed us that a *Building Permit Fee Procedure Manual* is nearly complete.

#32 Develop formal and detailed policies to guide fee assessment processes, including the proper establishment of job valuation figures on a project as well as points in the process where supervisory review is conducted. Hold employees accountable for not following proper processes. (p. 48)

☐ Started   The Chief Building Official informed us that a *Building Permit Fee Procedure Manual* is nearly complete.

#33 Insert automatic system calculation of all permitting fees to reduce the risk that required fees are missed as well as the ability of employees to disregard or circumvent proper fee assessment processes. (p. 48)

☐ Partly Implemented   While staff still enter some fees, CDD is in the scoping phase with the Accela consultant to grey-out fees fields for non-supervisors, once they've been entered. We will review evidence that the chief building official provided written guidance to the IT unit and has a plan to continue to do so as fees change.

#34 Establish strong system controls so that only employees with sufficient managerial authority have the ability to make critical changes in the permitting system, including changes to fee assessments (voids, deletions, etc.) and to key aspects of permit records such as addresses, parcel numbers, etc. (p.48)

☑ Implemented On December 12 the Chief Building Official issued definitions of user groups and rights, authorized users, and change request forms.

#35x Develop formal and detailed policies to guide fee assessment processes, including requiring project valuations to be submitted by all applicants and supported with sufficient justification and documentation, such as customer contract. (p.52)

☐ Started The Chief Building Official informed us that a *Building Permit Fee Procedure Manual* is nearly complete.

#35z Ensure that users cannot inappropriately modify critical project information of permits, such as addresses, parcel numbers, etc. Significant changes to project information and fee assessments should only be made by supervisory staff upon determination that changes are appropriate and justified. (p.54)

☑ Partly Implemented   On December 12 the Chief Building Official issued definitions of user groups and rights, authorized users, and change request forms. 16 of 28 User Groups, some of whom are not supervisory staff, have the ability to remove and add addresses and parcel numbers.

#36 Develop processes to formally approve fee payment credits, transfers, and refunds and ensure sufficient support is obtained and all associated documentation is maintained prior to fee payment adjustments being entered in the systems. Ensure

processes to credit, transfer, or refund fee payments comply with all aspects of the City code and such processes are only handled by accounting staff. Require accounting staff to review approvals for reasonableness and compliance with City rules. (p. 58)

☐ Partly Implemented   The Chief Building Official informed us that a *Building Permit Fee Procedure Manual* is nearly complete.

Section 4: Alignment of Operations and Finance

#37 Conduct a review of past Building Services' revenues to analyze how the monies were utilized and determine whether the usage was appropriate, complied with regulations, and was in the best interest of CDD and Building Services' operations. Make necessary adjustments in revenue utilization going forward. (p. 68)

Not started CDD will be working with the City Auditor's Office to determine how the department can best address this recommendation.

#38 Conduct a full-scale staffing and workload study to determine the appropriate levels of staffing to ensure staffing level goals can be met and related service fees are sufficient. Also, ensure the study includes analyzing and establishing a clear reporting structure and system so that Business Services' limited resources are efficiently allocated among competing priorities. (p. 68)

☐ Started According to CDD, the director is reformatting the department's structure by evaluating and re-classifying positions.

#39 Conduct a comprehensive fee study of its building services fees and analyze the relationship between the cost of providing service and fees charged, including whether fees should be assessed for services. (p. 71)

☑ Started CDD selected a consultant to perform a fee study by June 2013. The study will include the cost of providing services and a new fee schedule to reflect the appropriate level of cost recovery.

Section 5: Reporting and Control

#40 Request the City Auditor follow up on the implementation of not only the recommendations the audit report provides, but also follow-up and evaluate CDD's progress with implementing various initiatives. (p. 73)

☐ Partly Implemented We will report periodically to Council on the status of recommendations until complete. CDD's initiatives, listed in Appendix C of the performance audit, are important specific internal controls identified by CDD management which mostly fall under Recommendation #4 Draft…complete…policies, procedures. Thus we will review these as part of Recommendation #4.