CITY OF SACRAMENTO   Office of the City Auditor

CALIFORNIA   Jorge Oseguera, City Auditor

September 19, 2017

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

Honorable Members of the Budget and Audit Committee:

The Office of the City Auditor conducts performance audits and makes recommendations to strengthen accountability and improve the efficiency and effectiveness of City programs. In many cases, this involves verifying compliance with laws and regulations, identifying internal control weaknesses and failures, and assessing whether the City has acquired and used its resources efficiently. The office monitors the implementation of all audit recommendations, and reports on the status of all open audit recommendations every six months with a semiannual report. In accordance with the City Auditor's approved 2016/17 Audit Plan, we prepared a report of the status of open recommendations for the six months ending June 30, 2017. To prepare this report, we met with department staff, reviewed documentation provided by departments, and performed testing to determine implementation progress.

We categorized recommendations by Auditee progress:

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

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

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

One of the measures by which we evaluate the effectiveness of our function is by identifying more in benefit for the City than the City incurs in audit cost. The Office of the City Auditor's budget for Fiscal Year 2016/17 was approximately $798,000. Dividing the potential City benefit for 2016/17 by the Office's budget for Fiscal Year 2016/17 results in $14.41 in identified potential benefit for every $1 of audit cost.

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

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

Respectfully submitted,

Jorge Oseguera

Exhibit 1: Potential City Benefit and Recommendation Status

Report Title	Date Issued	Potential City Benefit	Estimated Realized Benefit	# of Rec's Made	Not Started	Started	Partly Implemented	Implemented	Dropped
2016-17 Audits									
Diversity Assessment of Boards, Committees, and Commissions	Apr 2017			1	NA	NA	NA	NA	NA
Fire Department Overtime Use	Feb 2017	$9,258,396		18	9	4	2	3	0
Risk Management Division	Nov 2016	$1,250,000	$535,031	17	0	4	2	10	1
Utilities Labor Reporting	Oct 2016	$998,100	$26,690	26	5	12	7	2	0
2015-16 Audits									
ESC Local Hiring	Feb 2016			8	0	0	0	8	0
City Master Vendor List	Dec 2015	$160,000	$4,820	19	0	5	6	8	0
SHRA	Sep 2015	Improve Service		14	0	0	3	9	2
Sexual Harassment Policy	Sep 2015	Reduce Liability		10	0	0	0	10	0
2014-15 Audits									
311 Call Center	May 2015	Improve Service		18	0	0	7	11	0
Sidewalk Repair Process	Nov 2014	$300,000		12	0	0	2	10	0
Wireless Communications	Aug 2014	$291,600	$20,000	18	0	2	11	5	0
Fire Inventory and Narcotics	Aug 2014	Reduce Liability		19	6	6	0	6	1
2013-14 Audits									
City Inventory Systems	Apr 2014	$288,000		12	0	0	7	5	0
Employee Supplemental Pay	Dec 2013	$336,000		17	0	2	4	11	0
2012-13 Audits									
Citywide Purchase Card Use	Oct 2012	Reduce Liability		14	0	0	8	6	0
Sacramento Regional Sports Education Foundation	Sep 2012	$400,000	$240,000	8	0	0	0	0	8
Audit of the Fire Prevention Program	Aug 2012		$1,150,000	22	0	0	0	22	0
2011-12 Audits									
Utility Billing Review	Jun 2012	$1,300,000	$613,000	11	0	0	1	10	0
AB 1825 Compliance	Jun 2012	Reduce Liability		9	0	0	0	9	0
Whistleblower Hotline Assessment	Feb 2012	Reduce Fraud		2	0	0	0	2	0
Fleet Management	Dec 2011	$6,100,000	$2,800,000	18	0	6	2	10	0
Municipal Golf Revenue and Expenditure Analysis	Sep 2011	$500,000	$500,000	0	0	0	0	0	0
Revenue Collections	Jul 2011	$3,600,000	$40,000	12	0	0	0	12	0
Citywide Policy and Procedures Assessment	Jul 2011	NA		22	0	0	14	7	1
2010-11 Audits									
DOU Operational Efficiency and Cost Savings Audit	Jun 2011	$8,641,000	$2,846,000	27	0	0	1	18	8

Audit of Employee Health and Pension Benefits	Apr 2011	$16,000,000	$7,470,000	28	0	0	5	22	1
Performance Audit of CDD	Oct 2010	$2,300,000		40	0	0	0	39	1
Total		**$51,723,096**	**$16,245,540**	**422**	**20**	**41**	**82**	**255**	**23**

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Post Audit Summary of the Audit of Fire Department Overtime Use

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

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

Of the 18 recommendations, 5 (28%) have been implemented or partly implemented.

Exhibit 2: Status of Audit Recommendations
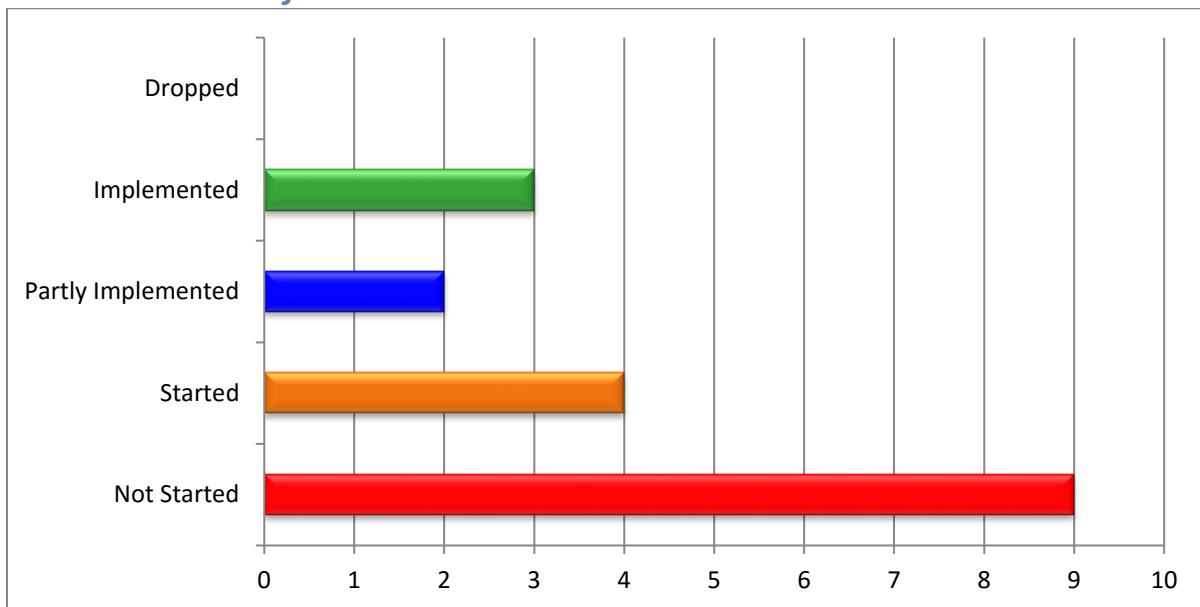
Finding 1: The Fire Department Has Relied on Increasing Levels of Overtime to Meet its Operational Needs

#1 More aggressively pursue hiring employees to fill approved positions.

☑ Implemented During the audit, the Fire Department began the process of more aggressively hiring employees to fill vacant suppression positions. Since January 1, 2016, the Fire Department has achieved a net gain of 55 suppression employees. This is a significantly higher rate than in previous years.

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

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

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

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

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

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

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

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

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

#6 Evaluate the necessity of Primary Paramedic Pay.

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

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

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

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

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

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

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

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

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

☑ Not Started No progress has been made towards this recommendation.

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

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

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

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

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

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

#14 Revise the language in the Roll Call Staffing Manual to ensure it is in compliance with the labor agreement and obtain a legal review from the City Attorney's Office.

☑ Implemented The Roll Call Staffing manual has been reviewed by Labor Relations and the City Attorney's Office.

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

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

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

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

☑ Not Started No progress has been made towards this recommendation.

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

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

#18 Add an Audit of Fire Department Emergency Medical Services to the Auditor's audit plan.

☑ Implemented The City Auditor's FY17/18 Proposed Audit Plan was approved by Council on April 18, 2017. The FY 17/18 audit plan includes an *Audit of Fire Department Emergency Medical Services* (EMS).

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

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

Of the 17 recommendations, 10 (59%) have been implemented, 2 (12%) are partly implemented, 4 (23%) have been started, and 1 (6%) was dropped.

Exhibit 3: Status of Audit Recommendations
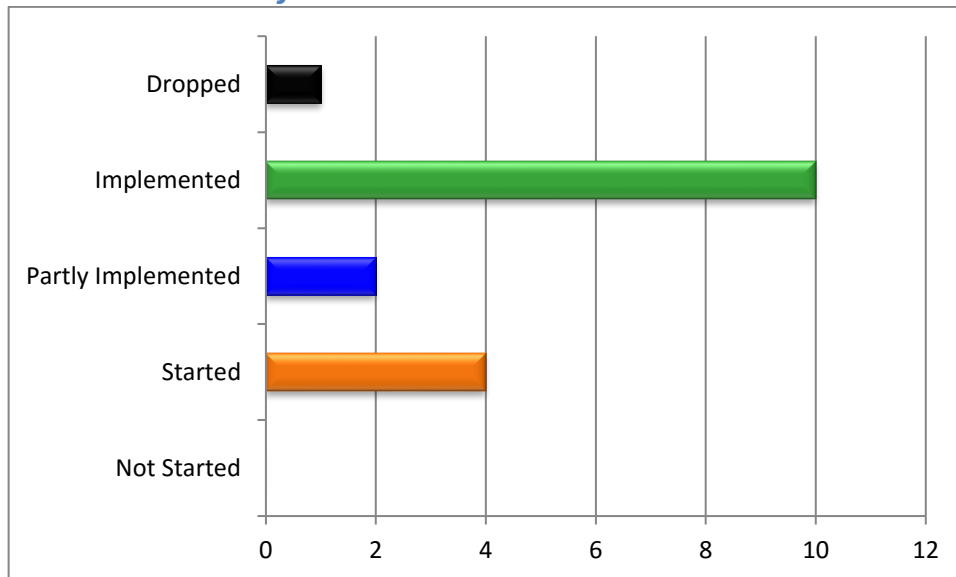
Finding 1: Some Transactions in the Two Risk Management Funds May be Inconsistent with Proposition 218 Requirements

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

☑ Partly Implemented According to the Human Resources (HR) and Finance Departments, staff utilize the deduction register queries in eCAPS to reconcile health bills and deductions for active employees. The audit of retiree medical enrollment has been completed and as of June 30, 2017, the City has begun to self-bill for retiree medical bills. Staff is now working on auditing the dental and vision enrollment to prepare to implement the self-billing process for these bills. It is unknown at this time what effect self-billing has had on the risk funds.

#2 Work with the health benefits vendors to attempt to recoup any overpayments that may have been made.

☑ Implemented According to the Human Resources Department, the City's contracts with its health carriers allow the City to go back two months plus the current period for corrections. In the instance where the City has discovered that the carrier billed the City incorrectly or enrolled the participant in the

wrong plan, the City was able to show proof of proper enrollment by the City to the carrier, the City has been issued billing credits by the carrier. We will be working with the Human Resources Department to calculate the net over or underpayments to the carriers as a result of their review of invoices.

#3 Determine if reimbursements to the General Liability and Auto Liability Fund from other City funds are necessary.

☑ Implemented According to the Finance Department, it is difficult to determine exactly what funding sources and the amount charged to each fund to reimburse the Risk Fund. However, effective with the FY 2017/18 Approved Budget, all funds are being charged for their actuarially determined contribution.

#5 Work towards repaying the WC Fund's golf operating loan including interest accrued.

☑ Implemented The Finance Department included a detailed explanation of the golf operating loan, waiver of interest and potential for loan repayment in the FY2016/17 Approved Budget and the FY2016/17 Midyear Budget for Council consideration. As part of the FY 17 midyear budget report, the General Fund paid the Risk Fund $438,152 of accrued interest as of June 30, 2016 for the Golf Fund operating loan. The General Fund will continue to pay the ongoing annual interest of $71,152 in future budgets. Given that staff has twice identified this issue to Council and the use of one-time General Fund resources has not been supported, staff will continue to look for opportunities to repay this loan. However, as the Proposition 218 issue associated with payment of accrued interest was addressed, we have identified this recommendation as implemented. Repayment of the outstanding loan will compete with all other Council funding priorities.

Finding 2: Actuarial Funding Levels Have Outpaced the City's Increase in Contributions to the General Liability Fund

#6 Consider pursuing reimbursement of the overpayment from the GL&AL Fund to the Public Works Department to ensure compliance with Proposition 218 requirements and the Property Claims Processing/Risk Fund Reimbursement Procedure.

☑ Implemented The FY 2016/17 Midyear Report included the repayment of $55,000 of overages that may be restricted funding subject to Proposition 218 to the General Liability and Auto Liability (GL&AL) Fund.

#7 Work with the Public Works Division to establish a process to ensure property claim reimbursements are approved prior to posting to the GL&AL Fund and are in compliance with the Property Claims Processing/Risk Fund Reimbursement Procedure.

☑ Implemented HR staff met with the Public Works (PW) Department and established a process requiring Public Works to provide a detailed monthly spreadsheet of all postings of property claim reimbursements to the GL&AL fund. HR Staff review each posting and conduct monthly audits of the associated work orders to verify the accuracy of the claims. Since the implementation of this process, HR has not found inaccurate postings by the PW Department.

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

#8 Review positions paid by the GL&AL Fund not in the Risk Management Division and determine if they are inconsistent with Proposition 218. If payments of the positions conflict with Proposition 218, the department should consider whether repayment to the GL&AL Fund for at least the portion of the positions paid by restricted enterprise funds is required.

☑ Implemented Human Resources and Finance staff reviewed all GL&AL funded positions in the Risk Division during the development of the FY2016/17 Proposed Budget. The review identified five positions not directly associated with Risk Management operations. These positions were moved to the General Fund in the Human Resources Department in the FY2016/17 Approved Budget. The Departments decided that no repayment to the GL&AL fund would be made.

#9 Develop policies and procedures that outline the types of expenditures that can be made out of the two Risk Management funds to limit payments not directly related to risk management programs.

☑ Implemented The HR Department developed the Risk Fund Expenditure Process to outline the types of expenditures that can be made out of the two Risk Management funds.

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

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

#11 Develop policies and procedures that establish guidelines on which employees should take drivers' training at the SRDTF and a reasonable timeline for completing the training.

☑ Implemented HR Risk Management Division staff presented a Drivers' Training Policy Proposal to the Vehicle Review Committee that was approved in May, 2017. The department is currently working on developing a process to implement the policy.

#12 Document guidance for the use of the Extraordinary Loss accounts and review expenditures in the accounts for appropriateness.

☑ Implemented The extraordinary loss accounts has been used to fund prevention projects based on departmental needs to minimize exposures to employee injuries and liability claims. Loss prevention projects have been reviewed for appropriateness by the Risk Manager and HR Director on an annual basis. The HR Risk Management Division developed policies to outline the appropriate use of the Extraordinary Loss accounts.

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

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

#14 Establish reasonable limits on the types of activities allowed to reduce the City's liability when an employee is injured off-duty.

☑ Dropped HR Risk Management staff analyzed the City's 52 workers' compensation claims for injuries to safety personnel working on-duty or off-duty in FY 2015/16. Further research shows that in the last five years only five of these types of claims were for injuries occurring due to off-duty exercise. All five of these claims were denied as the injuries took place off-duty. These claims are now closed. Based on this analysis and the success in denying these claims the HR Department does not believe a policy is required.

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

☐ Started HR is in the process of setting up a pre-employment policy that includes fingerprinting and appropriate pre-employment screenings based on position.

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

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

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

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

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

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

Exhibit 4: Status of Audit Recommendations
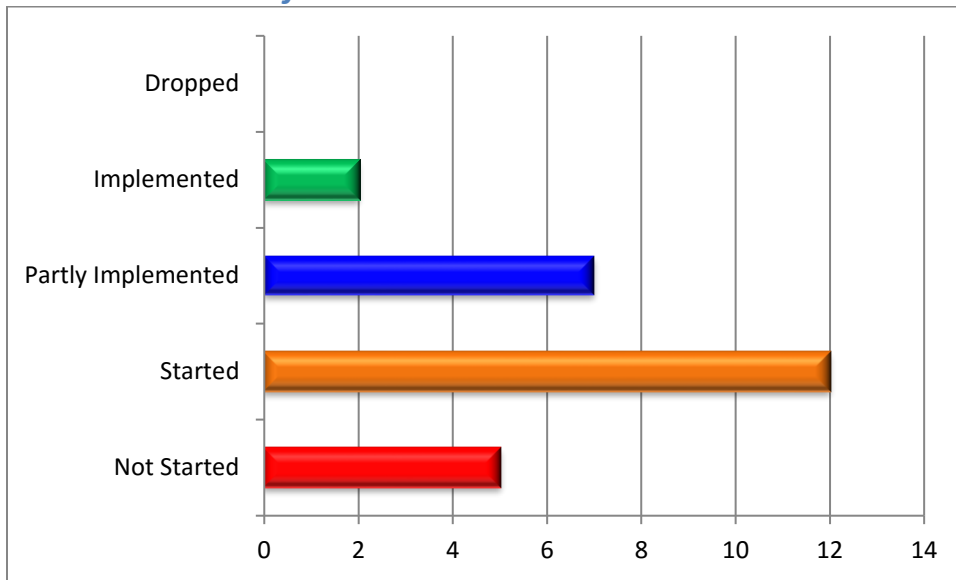
Finding 1: Lack of Interfund Reimbursements for Some Department of Utilities Costs May Be Inconsistent with the Cost Allocation Requirements of Proposition 218

#1 Establish cycles to regularly review and update the program code master web file, including reviewing transfer methodology and deactivating appropriate program codes in eCAPS.
☑ Partly Implemented All inactive program codes have been deleted from eCAPS. The Department expects the web file to be updated by the end of July 2017.

#2 Develop written policies and procedures for processing interfund reimbursements.
☑ Partly Implemented The department awarded a contract in February 2017 for analysis of evaluation of existing interfund reimbursement methodologies. A report of this analysis is expected by June 30, 2017. The scope of the contract included establishing policies and procedures for processing interfund reimbursements.

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

☑ Started Negotiations with Local 447 have been opened and this will be addressed during this round of negotiations.

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

☑ Started This will be addressed during the current round of negotiations.

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

☑ Partly Implemented Program code 14038 is established and interfund reimbursements are being processed. The remainder of this recommendation will be completed in conjunction with recommendation #2.

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

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

☐ Not Started The department will work with Labor Relations to secure training following the 2017 labor negotiations that are currently in process.

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

☑ Started This project is in the beginning stages. Testing and review of the various time reporting programs has been started. A timeline for completion of this recommendation has not been established.

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

☑ Started This will be addressed during the current round of negotiations.

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

☑ Started This will be addressed during the current round of negotiations.

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

☐ Not Started The department will work with Labor Relations to secure training following the 2017 labor negotiations that are currently in process.

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

☑ Started This will be addressed during the current round of negotiations.

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

☐ Not Started The department anticipates that changes to the standby policy will be made in July 2017.

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

☑ Partly Implemented DOU continues testing and implementation of the new Automated policy and Procedure System (APPS). One policy related to CMMS and eCAPS timesheet entry was routed internally through DOU and began the Citywide review process on 2/16/2017. It is now awaiting approval from Labor Relations. Another policy, the Business Services division Attendance Policy started the Citywide review process, and is currently awaiting approval from the City Attorney's Office. A third labor-related policy, Vacancy Filling & Interview procedure, is awaiting review from the DOU executive team before being submitted for Citywide review. An Engineering division timesheet entry policy was finalized and distributed via Target Solutions to all division staff.

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

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

☑ Partly Implemented The Department of Utilities has complied with the Human Resources Department's request to disseminate the policy and disclosure forms. The Department of Utilities will work towards one hundred percent employee acknowledgement by September 2017.

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

☑ Started The project kicked off in May 2017. The first focus of the project team is to scrub the time reporting group data that currently exists in eCAPS, and that effort is underway and is expected to be completed in fall 2017. Concurrently, the project team is analyzing the department's organizational structure to determine the appropriate timesheet approvers for each time reporting group, and to determine whether any of the current time reporting groups should be merged, deleted, or remain unchanged. The schedule for completion of this effort will be impacted if the currently contemplated department reorganization is approved for implementation in FY18. Based on the scope of work identified by the project team, these efforts should be completed in 2017, pending the impact of any reorganization.

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

☐ Not Started The employee assigned to developing the policies and procedures no longer works for the City. The department is working to develop the reconciliation report. Following the report development, the department will develop policies and procedures. The revised estimated timeline is August 2017.

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

☑ Partly Implemented The Electronic CMMS Timesheet Policy is awaiting approval from Labor Relations. Once the policy is approved by all required parties, it will be implemented. The department expects this to happen by August 2017.

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

☑ Partly Implemented The Timesheet Segregation of Duties policy is awaiting approval by the City Attorney's office.

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

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

☑ Started The Human Resources and Finance Departments plan to establish clear definitions for the frequency of payment of incentives and allowances during the current labor negotiations.

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

☑ Started The Human Resources and Finance Departments plan to consider negotiating consistent frequencies of payment for incentives and allowances across the labor agreements during the current labor negotiations.

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

☑ Started The Human Resources and Finance Departments plan to adjust the process for distributing the tool allowance to employees so that it is in compliance with current tax laws. Finance is working with Human Resources to change labor agreement language to comply with tax laws.

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

☑ Started The Human Resources and Finance Departments plan to review the labor agreements and document the calculation methodology for the supplemental pay types to confirm that they are compounded correctly. The labor agreements have been reviewed and negotiations between Human Resources and the unions is in progress.

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

☑ Started The Human Resources and Finance Departments plan to document the calculation methodology for the supplemental pay types including which should have compounding pay components. This work began in the spring of 2017 and it is anticipated that it will be completed by the

end of the calendar year. Finance has started discussions with Human Resources regarding the various supplemental pay types.

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

☐ <u>Not Started</u> The Finance Department plans to establish written policies and procedures for periodically reviewing and updating the earnings codes and time reporting codes and checking for duplicates and active earn codes that should be deactivated. It is anticipated that work will begin on this in the summer of 2017 and completed by the end of the calendar year.

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

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

Since the audit's release, the Sacramento Downtown Arena, LLC has worked towards implementing the recommendations made in the audit. During the reporting period of January 2017 to June 2017, Sacramento Downtown Arena, LLC and its partners have worked towards implementing the audit recommendations. As shown in table below, we designated all 8 recommendations as implemented (100%) during this reporting period.

Exhibit 5: Status of Audit Recommendations
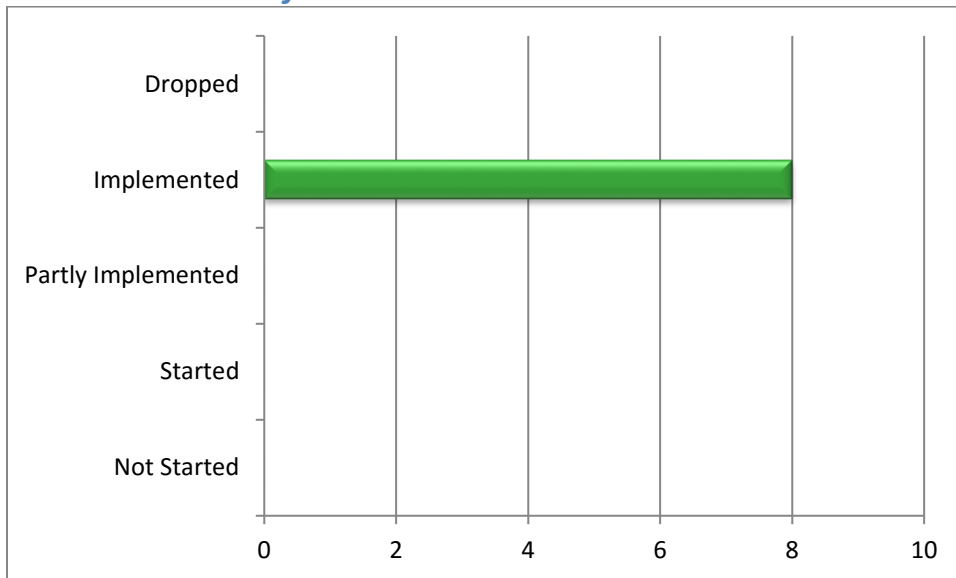
Finding 2: Although the Priority Apprentice Program appears to be on track to meet its goals, improvements to the program may result in a greater impact to the community

#4 Confirm the priority status of individuals by reviewing official documentation rather than relying on applicants' self-attestation.
☑ Implemented process improvements, including a new form that includes the Priority Apprentice, Employer/Contractor and Union Representative signatures. No Priority Apprentice is counted toward the PAP goals unless two of the three signatures are confirmed. SETA has confirmed the priority status of individuals by obtaining additional verification from either the employer, the local union and in some cases the pre-apprenticeship schools, to confirm that the candidate meets the priority apprenticeship standard. Self-attestation is only used to verify status as a last resort. Our review of SETA's files of

individuals identified as priority apprentices found documentation to support their status has greatly improved.

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

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

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

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

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

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

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

☑ Implemented DCM is tracking and reporting the total number of hours worked by each priority apprentice so that totals can be itemized based on an 80-hour minimum threshold. Although a threshold is not required and some priority apprentices had less than 80 hours of work on the project, most of the priority apprentices had more hours.

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

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

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

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

Exhibit 6: Status of Audit Recommendations
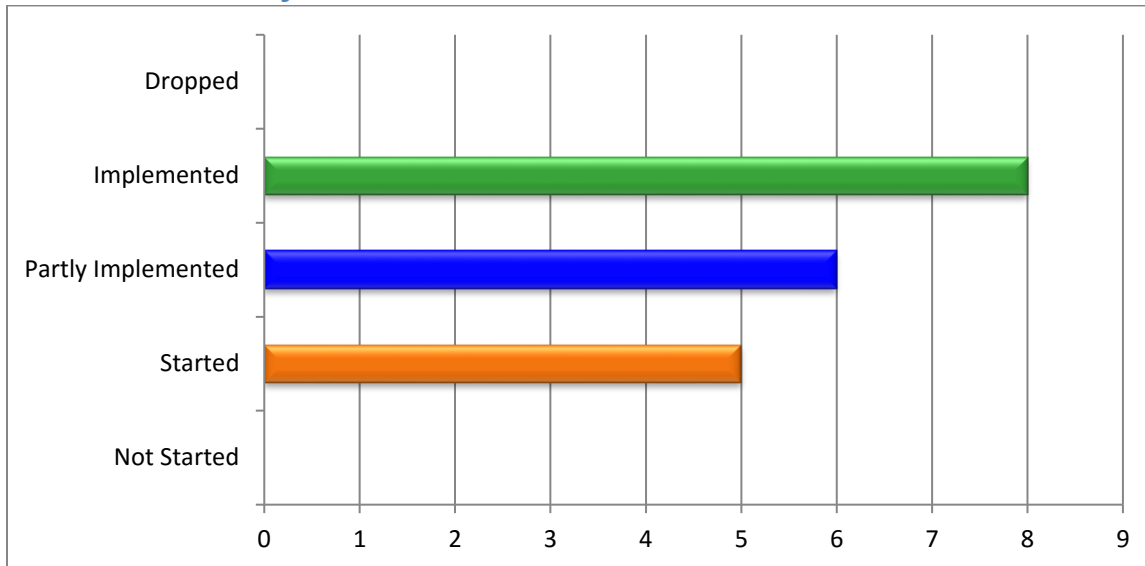
Finding 1: We identified instances of prompt payment discounts not being fully realized, employees failing to identify vendor billing errors, and questionable spending decisions by City Departments

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

☑ Implemented Finance has developed a Prompt Payment Inquiry reporting tool within the City's financial system that can generate regular reports of prompt payment activity. In addition, Accounts Payable (AP) sends out reports identifying invoices that require approvals so that invoices can be processed in a timely manner. To demonstrate their commitment to continuous improvement, in FY 15/16 Finance added a prompt payment goal of 98 percent to their annual budget report and has shown progress towards reaching this goal since it was introduced.

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

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

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

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

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

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

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

☐ Started A new process that will allow potential vendors to conduct business with the City of Sacramento will be added with the implementation of ABCDs. Potential vendors will be required to supply appropriate details of their business and appropriate tax forms before acceptance by City staff. Procedures will be incorporated once ABCDs comes on line in the Fall of 2017.

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

☑ Implemented A Supplier Audit Log was developed as part of an upgrade to the City's financial system. This report captures additions and changes to the Master Vendor File and also tracks who has requested the change.

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

☑ Implemented A Supplier Audit Log was developed as part of an upgrade to the City's financial system. This report captures additions and changes to the Master Vendor File and also tracks who has requested the change.

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

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

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

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

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

☑ Partly Implemented   Finance has begun quarterly TIN matching processes. The most recent TIN matching request was submitted on July 5, 2017.

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

☐ Partly Implemented   Finance prohibits the use of special characters in vendor names and expects that this requirement will be easier to maintain with the implementation of ABCDs and the new vendor portal. Finance plans to incorporate this recommendation into their policies and procedures by December 2017.

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

☐ Started Finance is in the process of developing policies and procedures to address maintenance of the Master Vendor File and expects to publish the guidance by December 2017.

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

☐ Started Finance is in the process of developing policies and procedures to address maintenance of the Master Vendor File and expects to publish the guidance by December 2017.

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

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

☑ Partly Implemented   Finance routinely checks new vendor requests for potential conflict of interest and is in the process of developing improved procedures for searching the Master Vendor File. Finance plans to have this new process documented and in place by December 2017.

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

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

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

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

Since the audit's release, SHRA has made measurable progress towards implementing many of the recommendations. Most notably, SHRA has amended the bylaws of one of its non-profits (SHARP) to reduce the potential for the appearance of favoritism. In addition, SHRA published a 2016 Multi-Family Loan Application Schedule in order to increase transparency of the agency's project selection and funding practices. To date, SHRA has implemented or partly implemented twelve of the recommendations. SHRA expects to have made progress on all recommendations by late 2017.

Exhibit 7: Status of Audit Recommendations
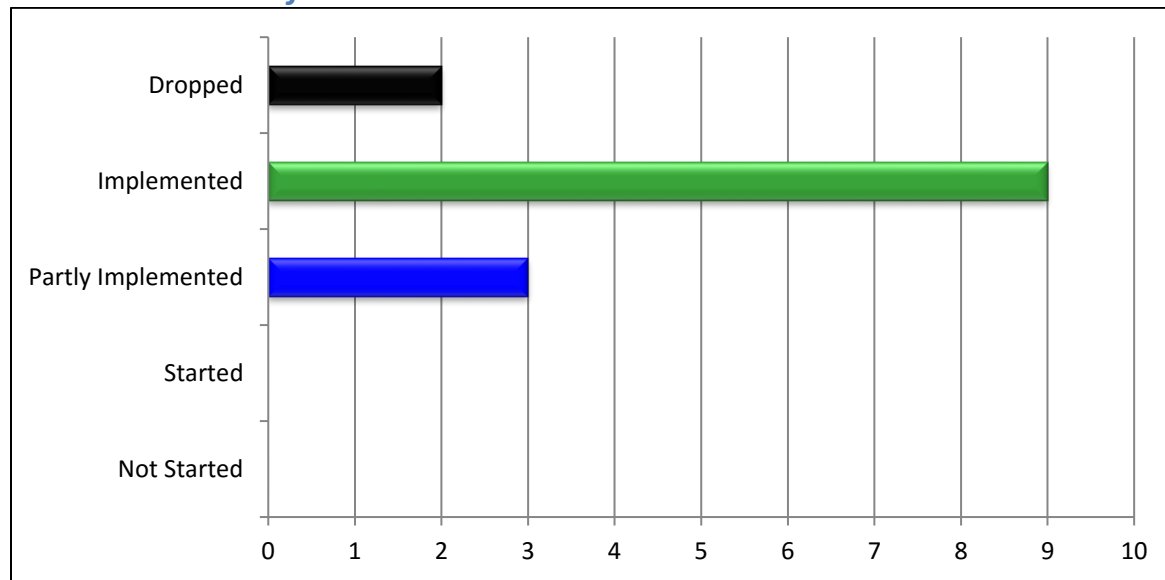
Finding 1: SHRA's Funding Practices and Project Selection Should Be More Transparent

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

☐ Partly Implemented According to SHRA, they have begun the process of updating their Multifamily Lending Policies. SHRA staff reviewed the outreach timeline and goals with stakeholders and the Sacramento Housing and Redevelopment Commission in November 2016. SHRA anticipates the revised policies will be presented to the City Council for final approval by fourth quarter 2017.

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

☐ Partly Implemented According to SHRA, they have begun the process of updating their Multifamily Lending Policies. SHRA staff reviewed the outreach timeline and goals with stakeholders and the Sacramento Housing and Redevelopment Commission in November 2016. SHRA anticipates the revised policies will be presented to the City Council for final approval by fourth quarter 2017.

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

☐ Partly Implemented According to SHRA, they have begun the process of updating their Multifamily Lending Policies. SHRA staff reviewed the outreach timeline and goals with stakeholders and the Sacramento Housing and Redevelopment Commission in November 2016. SHRA anticipates the revised policies will be presented to the City Council for final approval by fourth quarter 2017.

Post Audit Summary of the Audit of City's Sexual Harassment Policy (not updated)

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

Exhibit 8: Status of Audit Recommendations
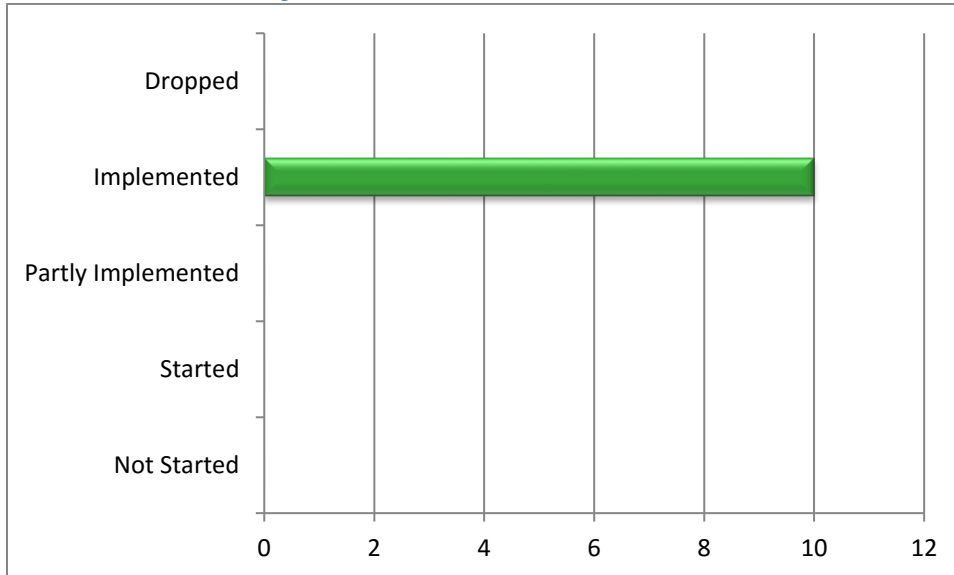
#2 Improve controls to better identify City Supervisors and track their compliance with training requirements.

☑ Implemented According to HR/Risk Management, all employees in a Supervisory class will complete AB 1825 training, whether or not they currently supervise other employees. HR have scheduled 40 classes for in person AB 1825 training in September, October and November 2017.

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

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

Since the audit's release, the 311 Call Center has worked towards implementing the recommendations made in the audit. During the reporting period of January 2017 to June 2017, the 311 Call Center added 2½ Agent FTEs and 2 Specialist FTEs which will allow the Call Center to answer up 145 calls per hour, an increase from the current 125 calls per hour. As shown in the exhibit below, we designated 11 recommendations implemented (61%), and seven recommendations partly implemented (39%).

Exhibit 9: Status of Audit Recommendations
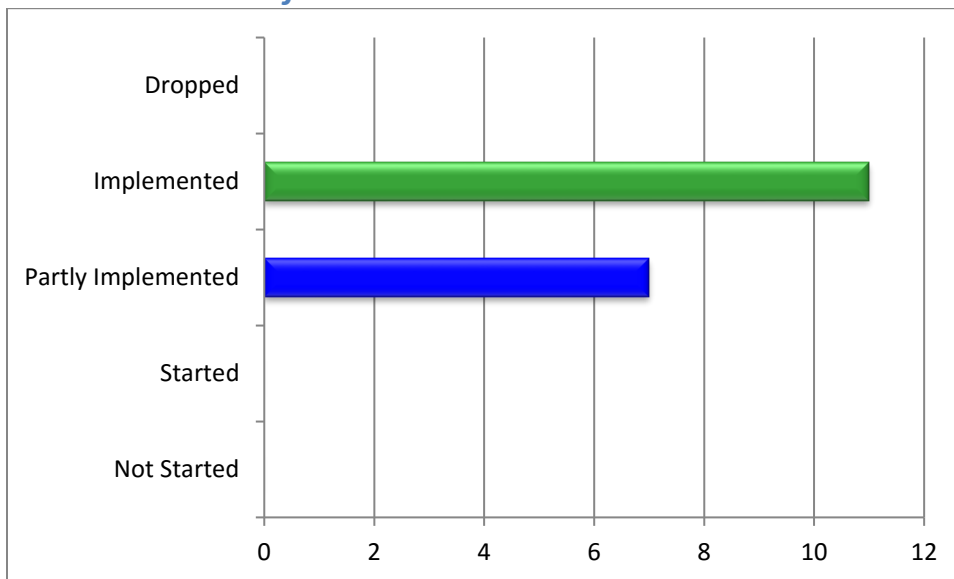
Finding 1: The Call Center is Unable to Meet Its Current Service Level Goals

#1 Review 311 Call Center staffing levels and ensure it is staffed to meet service level goals.
☐ Partly Implemented As of June 13, 2107, the City Council has approved 2 ½-311 Agent FTE and 2-311 Specialist FTE as part of the FY18 budget cycle. These additional FTEs will allow the 311 Division to answer up to 145 calls per hour, an increase from the current 125 calls per hour. This also will allow the Division to further increase employee feedback and quality reviews to ensure a positive experience for the public when working with the 311 contact center.

The Specialist positions will take over offline work currently performed by Agents, and will focus on improving the workload in Dispatching and Online to reduce repeat calls/emails. One position will be supporting new channels (chat, social media) to move residents from calling to using other tools to create incidents.

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

☐ Partly Implemented The supervisor to agent ratio is at 13:1, right in line with other 311 centers per the auditor's report, and in line with general call center industry standards. The division has also added two new 311 Specialist positions to assist in agent supervision, and escalated issues.

There have been no new administrative, or program support positions added since the audit. The division believes that to effectively manage the division, an additional program analyst position should be added to 311. The division has worked to identify a funding source for this position, but has yet to find a method to fund this position.

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

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

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

The 311 Division has continued to add new reporting options to the www.sac311.org website. These new options have helped drive use of non-phone reports to an all-time high, surpassing 23% of all inquiries in February 2017 (MTD), and increasing by over 50% YOY every month since September 2016.

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

☐ Partly Implemented The 311 Division is in the process of selecting a vendor to assist in extending the CRM system to provide additional services through Facebook such as access to Knowledge Base and accepting reports. In addition, the 311 Division is exploring IVR and exploring the use of natural language to provide residents with information. Meetings with the vendor were scheduled in December to review the statistics on the effectiveness and cost savings of cities that have already implemented IVR.

There has been a growth in online/smartphone/email requests with a 62% increase year over year for November. This was achieved with the "online-first" message encouraging the use of the web as the primary way to make requests, and the addition of direct links to request pages. With the launch of the new CRM system, safety related requests are included online and are routed directly to a dispatcher of to the responsible departments. These requests are now automated from start to finish via the website and reduced the turnaround time.

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

☐ Partly Implemented The 311 Division will begin using a new call recording system that will allow 311 Supervisors to easily track, score and report out on employee performance. Testing began in November

2016, and the trial is coming to a close. Launching the new system will require the deployment of new phones for agents, which is in the scheduling process with IT. Once launched, the Division will much more easily be able to match up phone calls with Customer Experience Surveys to analyze the causes of low customer experience scores, and to analyze the causes of positive customer experience scores. The new call recording system will also provide us with a simple way to score phone calls and provide feedback to agents and track progress over time.

#16 Address the limitations of the Customer Relationship Management system integration with the new Customer Relationship Management system and ensure agents utilize the integration while processing CIS-related service requests.
☐ Partly Implemented We have updated one of our major integration points (CIS) in late May to reduce handle time, and increase accuracy by automating a number of steps that were handled manually by Agents. Integration limitations identified in the audit are being addressed and will be implemented once testing is complete.

#18 Develop a process with City departments utilizing escalation forms that allows the 311 Call Center to follow up on previous requests.
☐ Partly Implemented We continue to investigate ways to move this process from email, which limits the ability to easily get a status, to one which provides tracking of status and the response provided. When our new Oracle Service Cloud partner comes on board this year we will be working with them to find the best possible method for closing this gap.

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

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

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

Exhibit 10: Status of Audit Recommendations
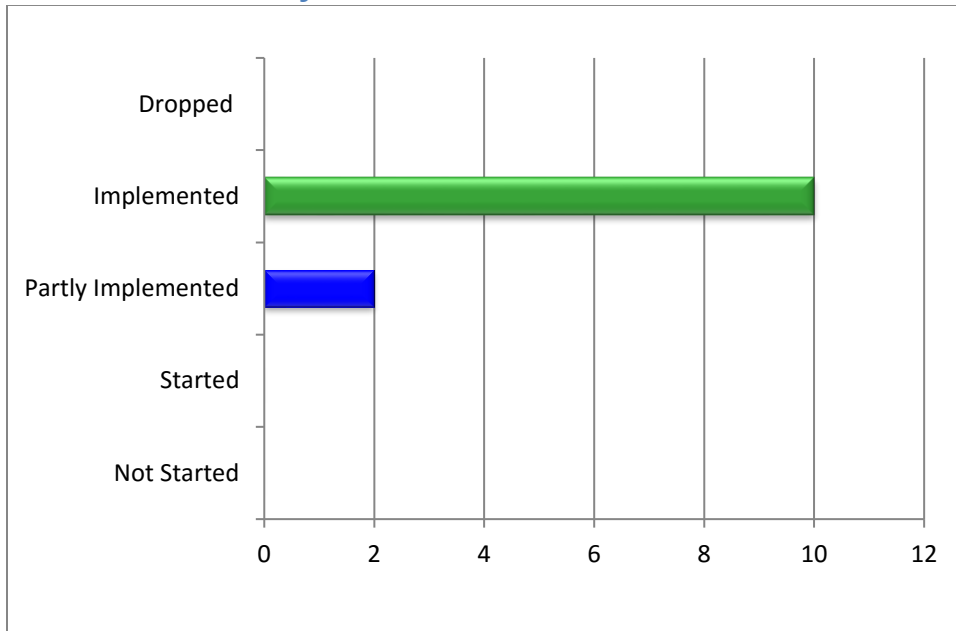
Finding 2: Some Local Governments Use Special Programs to Address Defective Sidewalks

#2 Evaluate the sidewalk repair programs of other local governments and determine if the City would benefit from pursuing similar strategies.
☑ Implemented Public Works researched sidewalk programs of other local governments. Specifically, Public Works evaluated the City of Pasadena's sidewalk program, which requires a sidewalk inspection prior to the sale of a residential property. These inspections are in addition to other sidewalk inspections, and are provided "on demand" as opposed to complaint-based. The City of Pasadena also requires the property owner to cover 100% of the cost; the City of Sacramento absorbs the cost of the curb and gutter repairs ("non-billable" items). Public Works determined a program like Pasadena's would require additional staff and additional funding to cover the additional repair volume, given the large number of home sales in the City of Sacramento. The current inspection volume, with five inspectors, is approximately 2,000 per year. Staff would need to increase by at least eight inspectors plus additional funding for non-billable costs. Although Public works determined that this type of

program would be unsustainable as a whole, they do respond to inspection requests from Real Estate agents as much as possible within the constraints of the city code.

Additionally, Public Works found that the City of Fairview, Oregon, has a very informative and comprehensive handbook that is provided to residents and describes the sidewalk repair process in detail. Public Works created a Sidewalks Repair Handbook and revised its current brochure that is provided to the property owner with the repair notification letters to include detail similar to Fairview's. In addition, Public Works expanded the sidewalk repair information provided on its website to include an FAQ section and working links to relevant City and State regulations and relevant information. Public Works is continuing to update links on the program public website and is including the location of the website in its notices, brochures, and other communications with the public.

Finding 3: Opportunities Exist to Enhance the Sidewalk Repair Process

#4 Continue to work towards reducing the backlog of sidewalk repairs to six months.
☑ Partly Implemented Due to Prevailing Wage legislation that significantly increased contractor costs, and other factors beyond the control of the City, efforts to reduce the backlog to six months are no longer realistic. The Office of the City Auditor and the Department of Public Works are in agreement to adjust this recommendation to a more realistic and sustainable goal of a one-year work order backlog. Efforts to reduce the backlog to one year were slowed by State legislation and accompanying budget issues, however Public Works is in the process of adjusting operations to continue reduction efforts and estimates it will reach the one-year goal in Fiscal Year 2018.

#6 Create a monitoring method for the City's sidewalk repair collection efforts. Once the method is in place, evaluate efficiency opportunities on a regular basis.
☑ Implemented Public Works met with the Revenue Division on 7/13/17 and received detailed reports on the collection efforts; all open accounts from October 2011 through June 2017 totaling $516,422.84, summary of annual special assessments with total number of accounts to be liened for FY16/17 totaling $81,200, and collection activities on State of California accounts. Out of 45 overdue State invoices being processed, 33 were recently paid for $95,173.80. This is a result of the process that was recently developed for pre-approval of state invoices to ensure prompt payment for all state invoices.

Public Works plans to meet annually with the Revenue Division to review open accounts and accounts to be liened prior to requesting lien from City Council.

#7 Create a policy and procedure outlining the criteria for temporary sidewalk repairs.
☑ Implemented Public Works redrafted the criteria for more specificity and accuracy regarding how the City determines when a patch is appropriate and has added this information to the website. Public Works works with the City Attorney's Office before finalizing any updates to the policy and procedures.

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

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

☑ Implemented Public Works completed training of field inspectors to ensure consistency in the comments and other fields used in the 7i system. Public Works has trained all users to enter comments in the same section of the work orders. Additionally, IT created a custom page for concrete work orders with fields that are specific to the sidewalk program, and added the street segment to the work orders that allow us to place it on a GIS Map.

#10 Make changes to the system as necessary and establish policies and procedures for these information requirements.
☐ Partly Implemented Public Works has worked with the Information Technology (IT) Department to create a new entry method for new sidewalk repair work order that greatly reduces the amount of time spent by employees by eliminating fields that are not relevant to the sidewalk process. This new entry method is not fully complete, but unnecessary fields have been identified for removal and new fields have been identified for addition. Once the new interface is available, employees will be trained to in its use. Public Works has also identified two employees that are super users and appropriately provided with this level of access to 7i work orders.

Post Audit Summary of the Audit of Citywide Wireless Communications

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

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

Exhibit 11: Status of Audit Recommendations
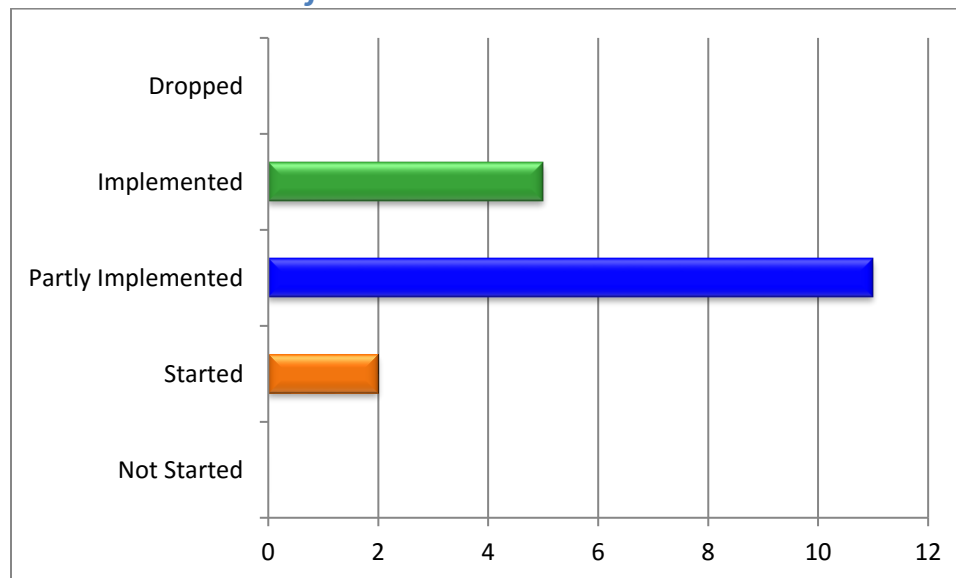
Finding 1: Improving How the City's Wireless Device Program is Administered Could Potentially Save the City $291,600 and Decrease the Risk of Abuse

#1 Establish controls to monitor overage charges.

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

#2 Develop testing mechanisms and protocols for detecting and eliminating excessive personal use.

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

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

☐ Partly Implemented The IT Department is currently working with departments to review and update wireless device inventory as required. The IT Department provides monthly 'Low or No Usage' reports to departments for their review. We found there are still a significant number of devices that had no use from June 2016 to December 2016 and more review and cancellations need to be done before this recommendation can be implemented.

#9 Assign responsibility for monthly review of device use.

☐ Partly Implemented Department heads or their designees will be responsible for reviewing monthly charges and making appropriate plan changes as required in the Mobile Device Policy.

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

☐ Partly Implemented Most departments have already taken steps to review optimization reports and make changes to suggested plans. IT will continue to work with other departments on a quarterly basis to review optimization reports. According to the IT Department, due to personnel changes, IT did not ask carriers for optimization reports until recently.

Finding 2: Wireless Device Policies are Insufficient

#11 Continue to develop and implement formal policies and procedures to reflect operational changes and advances in wireless device technology and security.

☐ Partly Implemented The IT Department has developed formal policies and procedures as part of the Mobile Device Policy.

#12 Develop a process to review policies on an ongoing basis so they remain up-to-date.

☐ Partly Implemented The IT Department will review and update the formal policy on an annual basis once it has been finalized and implemented.

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

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

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

☐ Started The IT Department has started the process of creating a wireless communication request form. The form is currently in the design and testing phase. The request form is also addressed in the Mobile Device Policy.

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

☐ Started The IT Department is currently in the process of creating a wireless communication device request form to provide to existing employees with City-issued devices.

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

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

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

☐ Partly Implemented Alerts are now sent to management when changes are made in the Mobile Device Management system. The IT Department also sends monthly charges to departments for review. Responsibility for reviewing changes and charges are assigned in the Mobile Device Policy.

Finding 3: Inventory Records are Incomplete and Inconsistent

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

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

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

The *Audit of Fire Department Inventory System and Narcotics* contained three findings and made 19 recommendations aimed at improving the accuracy and accountability of the Fire Department's Emergency Medical Services (EMS) inventory systems. The audit, which was released in August 2014, provided both a high-level assessment of the newly acquired Operative IQ inventory management system and a comprehensive analysis of the existing narcotics inventory system.
Operational restructuring and a general lack of consensus on who is responsible for inventory management and system access has resulted in delays in the implementation of many of the audit recommendations. However, the *Logistical Support Division* has recently begun tracking and monitoring the department's Personal Protective Equipment (PPE) inventory in the Operative IQ inventory management system.

The Department's narcotics inventory is still being tracked using paper tracking sheets and an Access database. An electronic tracking system would offer a more robust system of internal controls and is available in Operative IQ; however, the department has not made use of its full functionality. Fire Department staff tasked with inventory management are planning to attend Operative IQ training to learn more about inventory management, system access, and generating reports.
Of the 19 recommendations, 6 (35%) have been implemented or partly implemented. One recommendation was dropped.

Exhibit 12: Status of Audit Recommendations
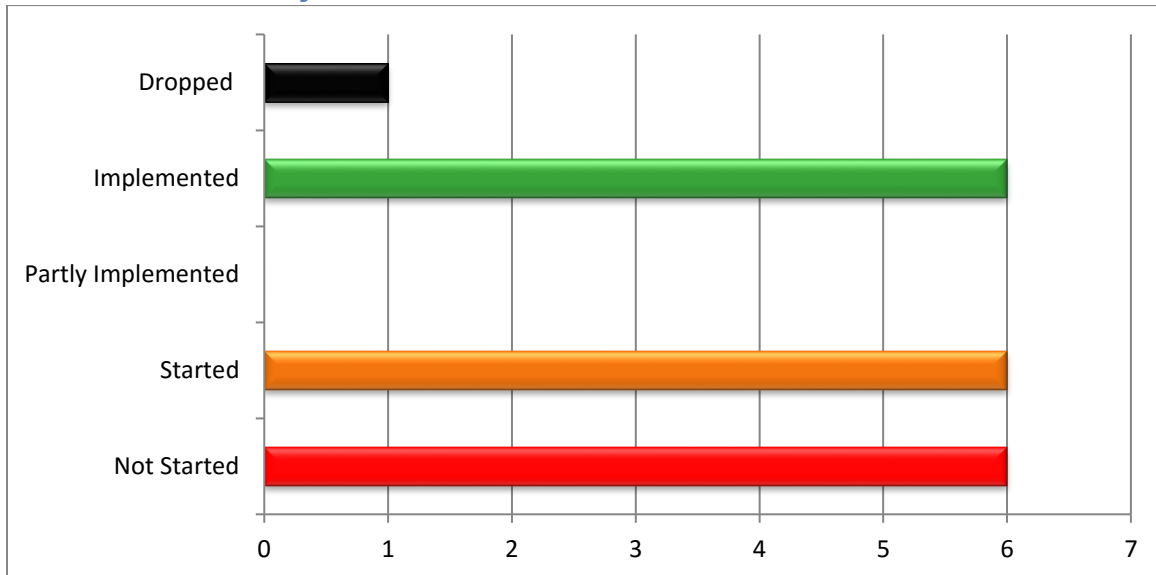
Finding 1: The Fire Department should implement inventory management best practices to improve accountability and accuracy

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

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

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

☐ Not Started The Fire Department is working towards developing controls over counting and maintaining inventory but has not yet established specific performance goals for the inventory system.

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

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

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

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

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

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

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

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

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

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

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

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

#9 Perform ongoing reviews of system access.

☐ Not Started An ongoing process has not yet been developed for ensuring regular system access reviews. Logistics and IT staff are in discussions on how to implement this recommendation and plan to include the results in the access policy.

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

☐ Not Started According to the Fire Department, no standard reports are currently being run to monitor inventory. Fire Department staff plan to attend training to learn more about inventory management and generating reports in Operative IQ.

#11 Set up automatic delivery of key reports.

☐ Not Started According to the Fire Department, no standard reports are currently being run to monitor inventory. Fire Department staff plan to attend training to learn more about inventory management and generating reports in Operative IQ.

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

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

☐ Not Started The Fire Department has not been performing reconciliations of the narcotics supply records to ensure that all narcotics are accounted for from receipt to disposal.

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

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

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

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

Exhibit 13: Status of Audit Recommendations
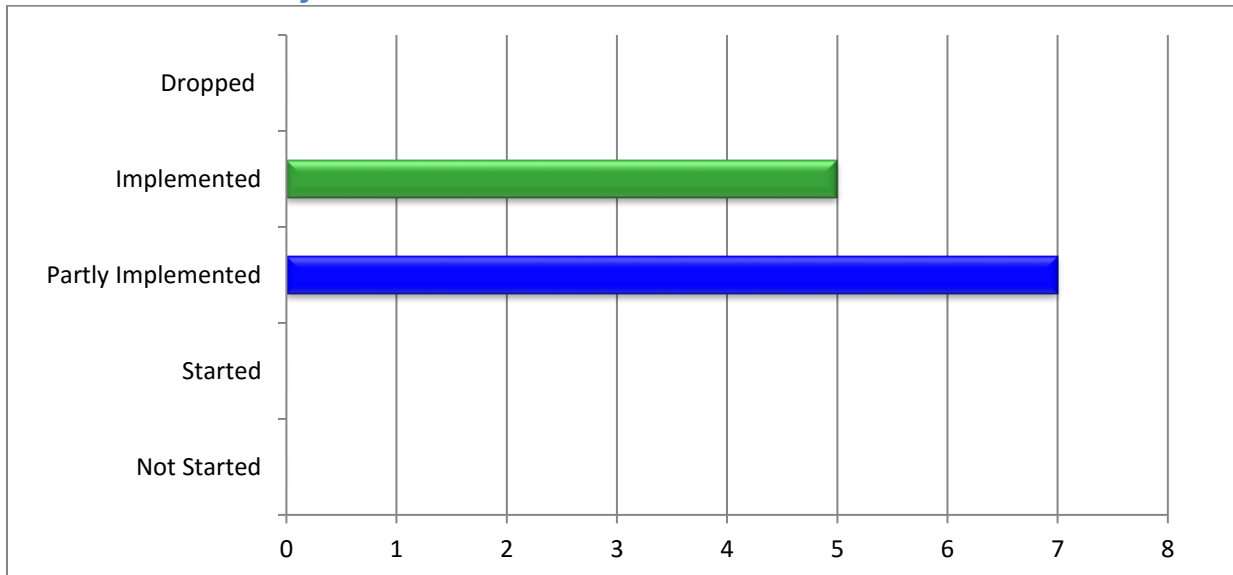
Finding 1: The Information Technology Department's inventory system contains significant errors and omissions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Post Audit Summary of the Audit of City Employee Supplemental Pay

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

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

Exhibit 14: Status of Audit Recommendations
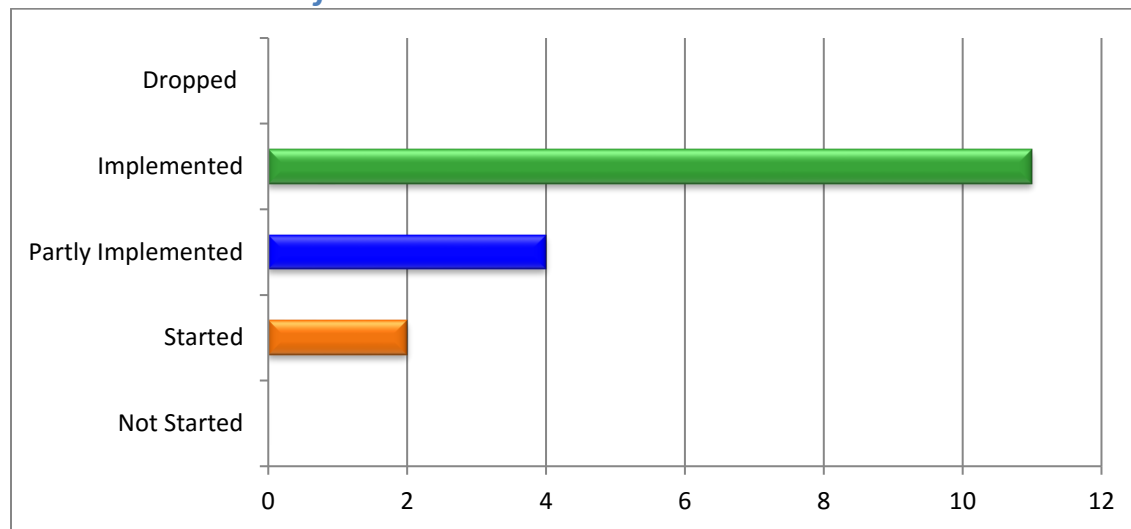
Finding 2: The City Could Reduce its Costs by an Estimated $336 Thousand annually if it Discontinued Compounding the Paramedic Incentive

We recommend that the Human Resources Department:

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

Finding 3: Controls Over Employee Time Reporting Must be Improved

We recommend that the Fire Department:

#9 Create a policy and procedure for recording supervisor approval of individual employee time.
☐ Partly Implemented According to the Fire Department, A newer version of Telestaff has been installed that, when fully integrated, will give the department full functionality and control of all processes. The Fire Department still relies on supervisors and staff from the department's human resources division and staffing office to review employee time. The policy addressing this recommendation currently still needs to be reviewed with staff and senior staff for approval. The formal policy will be discussed with the labor unit prior to full implementation.

#10 Discontinue allowing any employee to have administrative access to both Telestaff software and server, and create a policy to prevent it in the future.
☐ Partly Implemented The practice of employees having administrative access to both the Telestaff software and server has been discontinued. A formal policy is still in the development phase. The Fire Chief has created a Policy Working Group that has been tasked with, organizing existing, creating new and removal of outdated policies. There were no changes to this recommendation during this reporting period.

#11 Develop controls to monitor the activity of those provided with administrative rights to Telestaff.
☐ Started According to the Fire Department, they are in the process of upgrading their Telestaff System. Upon reaching this goal, they expect the Department will have full functionality and control of all Telestaff processes. They expect this will assist in ensuring the software is being administered as efficiently as possible. A change control policy has been developed and implemented, however the department is awaiting the final policy from the Fire Chief's Policy Group.

We recommend that the Police Department:

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

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

Post Audit Summary of Citywide Purchase-Card Use

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

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

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

Exhibit 15: Status of Purchase-Card Use Recommendations
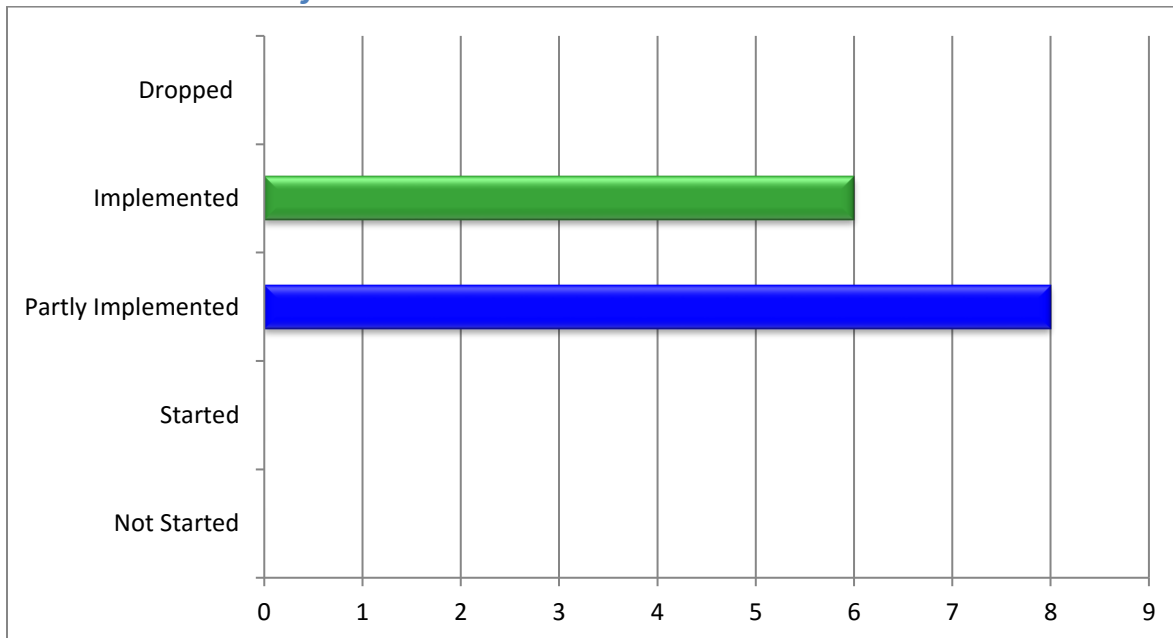
Finding 1: While transactions reviewed did not reveal extensive personal purchases, some charges violated policy and lacked complete support

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

☐ Partly Implemented A Missing Receipt Form is available to City employees via the Procurement Department's intranet. The City's Purchasing Card Policy and Program Handbook has been revised to include instructions on reporting missing receipts and the policy is expected to be published in Summer 2017.

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

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

☐ Partly Implemented The Purchasing Card Policy and Program Handbook are in the process of being finalized and are expected to be distributed in Summer 2017.

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

☐ Partly Implemented The Purchasing Card Policy and Program Handbook will serve as the authoritative document that clearly identifies what types of p-card transactions are allowable and prohibited. The document is expected to be approved and distributed in Summer 2017.

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

☐ Partly Implemented The Purchasing Card Policy and Program Handbook is expected to be distributed in Summer 2017. The policy will be set up for annual review in the City's Automated Policy and Procedure System (APPS).

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

☐ Partly Implemented The Purchasing Card Policy and Program Handbook, which is expected to be finalized in Summer 2017, sets annual training requirements and requires that cardholders sign a form acknowledging their responsibilities. Purchase Card use training started in 2014 through the City's CityYou program. Training for new cardholders and receipt of a signed acknowledgement form is now part of the process when a new card is issued.

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

☐ Partly Implemented The Purchasing Card Policy and Program Handbook, which is expected to be finalized in Summer 2017 will set annual training requirements. Purchase Card training started in 2014 through the City's CityYou program. A standard form acknowledging Approving Official program responsibilities will be developed in conjunction with training specific to approvers.

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

☐ Partly Implemented According to the Finance Department, Procurement staff performed transaction reviews during 2017. Transaction reports were also provided to various departments in response to their requests. Questionable items were identified and forwarded to the Finance Operations Manager for review. The Purchase Card Policy and Program Handbook will require all receipts to be submitted to Finance for storage in CCM. Access to all receipts will allow for more efficient reviews of cardholder activity.

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

☐ Partly Implemented The Purchasing Card Policy and Program Handbook specifies strengthened controls. Staff has begun conducting regular reviews of purchase transactions and forwarding questionable transactions to the Procurement Services Manager and/or Finance Operations Manager. The Purchase Card Policy and Program Handbook is expected to be issued in Summer 2017.

Post Audit Summary of the Audit of Utility Billing

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

Since the publication of the audit, the Department of Utilities (Utilities) has made progress towards implementing all 11 of the recommendations. We determined that the department has implemented or partly implemented all 11 recommendations. The division's progress is shown in the exhibit below.

Exhibit 16: Status of Audit Recommendations
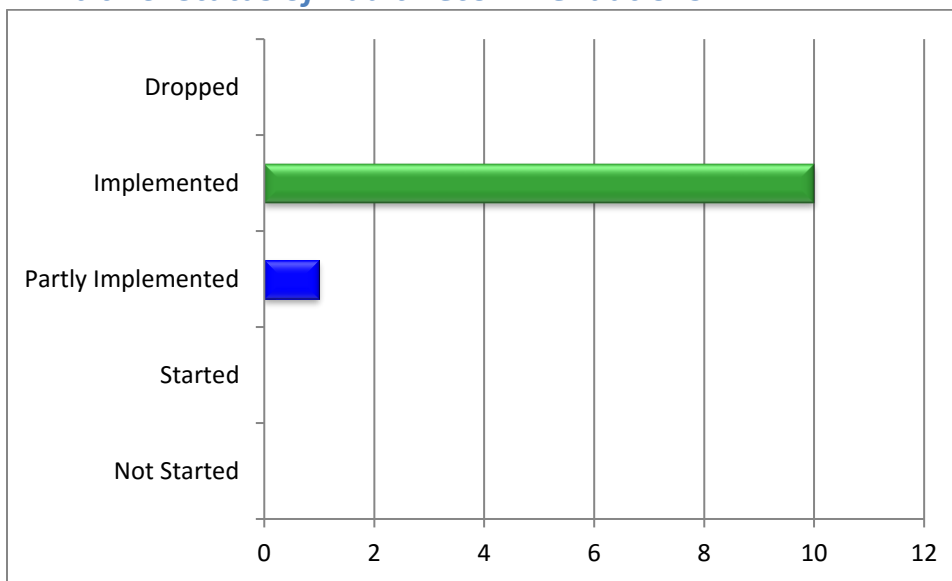
Finding 1: Preparation of Residential Commercial Bills are Highly Accurate, but Improvements are Needed to Ensure All Eligible Parcels are Properly Billed for Storm Drainage

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

☑ Partly Implemented Of the 14,641 parcels identified in the audit, a total of 13,915 (95%) parcels have been completed. This includes reviewing each parcel and setting up utility accounts for parcels that receive benefit of any utility service but are not currently billing. The Department continues to dedicate resources to reviewing and adding parcels to the billing system. The Department projects the 726 remaining parcels will be reviewed with billing for any utility services started for eligible parcels by the end of December 2017.

Post Audit Summary of the Assessment for Establishing a Whistleblower Hotline

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

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

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

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

#2 Direct the City Attorney and City Manager to establish a Citywide Code of Ethics.
☑ Implemented Staff from both offices have discussed parameters for moving forward and plan additional meetings. The Good Governance Ad Hoc Committee presented their final report and recommendations to the City Council in September 2015. Included in the good governance recommendations was direction to the City Clerk to work with the City Attorney to draft an Ethics Code, establish an Office of Compliance, and draft an ordinance implementing an Ethics Commission. On March 21, 2017, the City Council adopted Ordinance 2017-0025 adding Chapter 4.02 to the Sacramento City Code related to a Code of Ethics. The section of the Chapter includes, but is not limited to, a nepotism policy, a whistleblower protection policy, ethics and sexual harassment training, and the political reform act.

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

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

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

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

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

Exhibit 17: Status of Audit Recommendations
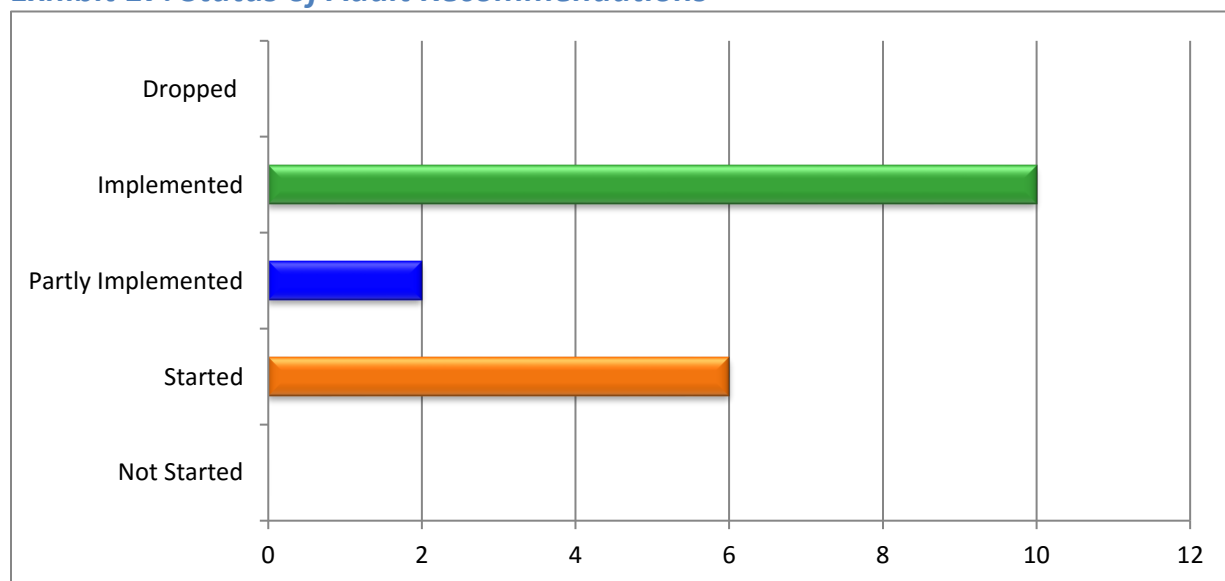
Finding 1: Removing and not replacing the City's light-duty vehicles that were driven less than 6,000 miles per year could yield more than $5 million in one time and future benefits, with most of these benefits generated through avoided vehicle replacement

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

☑ Partly Implemented Fleet hired a consultant to develop a Comprehensive Asset Management Replacement Solution to provide ongoing review and evaluation of equipment replacement criteria. The consultant hired by Fleet Management did not provide services comprehensive enough to meet the requirements of the audit recommendation. Since that time, the software company that provides the City with fleet management software has developed a module called CAM that is expected to provide the analytics needed to meet the audit recommendation requirements. Fleet is in the process of generating the contract for the purchase of the CAM module. Fleet anticipates CAM going live sometime in October 2017.

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

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

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

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

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

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

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

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

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

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

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

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

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. During the next meet and confer process with the Sacramento Police Officers Association, the City will work to clearly define and provide the intent of this policy. In Addition, during labor negotiations, projected to begin during mid-to-late 2016, these recommendations and the City Manager and City Council priorities will be discussed.

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

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

Post Audit Summary of the Audit of Citywide Policies and Procedures

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

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

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

Exhibit 18: Status of Audit Recommendations
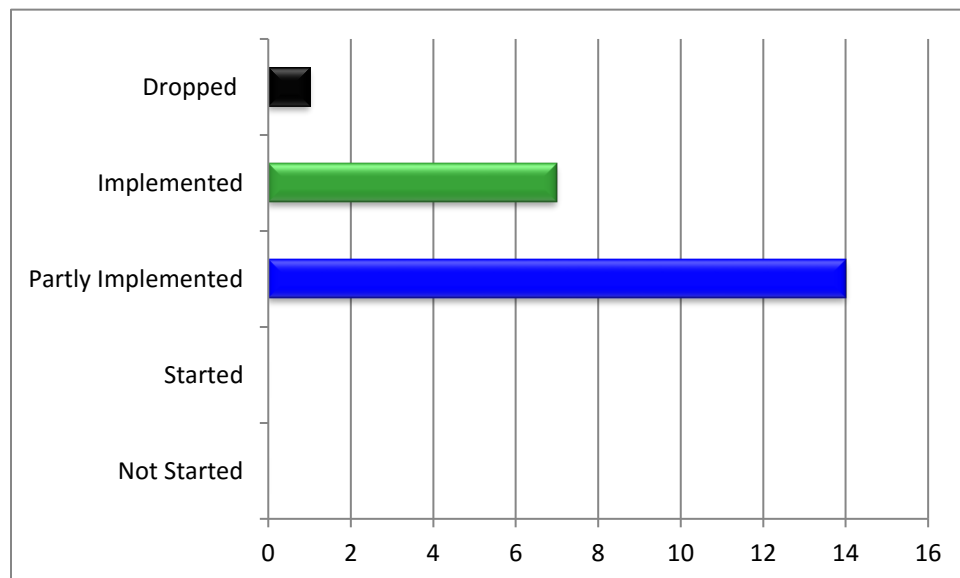
Finding 1: While the City has a System for Establishing Policies & Procedures, It is Generally Circumvented

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We recommend that the City Manager and City Clerk:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exhibit 19: Status of Audit Recommendations
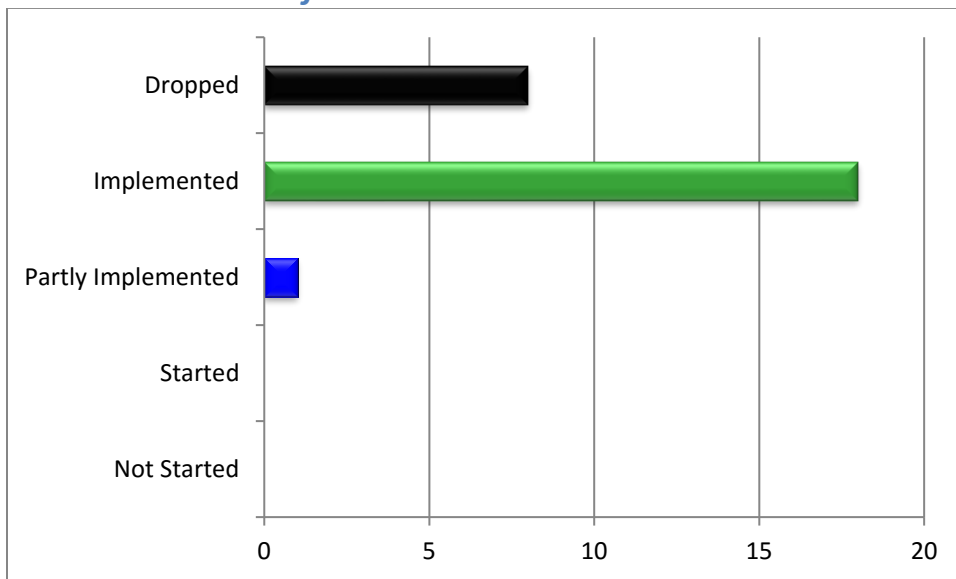
Additional Operational Efficiencies and Cost Savings

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

☑ Partly Implemented The December 2016 update stated that the Project Management Team (PMT) planned to begin training and roll-out of the project to Operations and Maintenance (O&M) staff starting in January 2017. However, after further discussion with the union and further analysis, additional issued were revealed. DOU determined that the roll-out should wait until these issues were resolved. Subsequent to resolving those issues in late May 2017, DOU decided to roll out the Cityworks time sheet management to Leadworkers only, as it would take more time for Serviceworkers and Apprentices to enter their time in Cityworks than it does for them to enter time into eCAPS, and most have little to no access to a computer and the learning curve for Cityworks is substantial. Cityworks is first and foremost a maintenance management system.

DOU is in the process of making requested changes to the system and work flow and will roll it out to a small pilot to work out system issues. DOU plans to roll it out to the rest of the Leadworker staff by individual work group, with full implementation expected by August 2017. Leadworkers currently enter time into Cityworks for themselves and the entire crew, while Serviceworkers and Apprentices continue to enter their time only into eCAPS, as they have always done. None of the Serviceworker and Apprentice time entered into Cityworks by the Leadworkers will ever automatically move into eCAPS. During the pilot program Leadworker time entries will migrate automatically from Cityworks into eCAPS, realizing some efficiency in timesheet data entry. Additional efficiency will come from no longer having to forecast and submit time off in eCAPS, which is time consuming. In eCAPS, Serviceworkers and Apprentices enter their regular 40 hours, associated with a program code if needed. In Cityworks, leadworkers will enter all time for all three groups of employees associated with the applicable work order. Then, the Leadworker will enter their non-wrench time into established time 'buckets' (administration, pre-work order trip, post-work order trip, and routine maintenance) in Cityworks. Between the time entered for each work order and the additional time entered into the 'buckets', each Leadworker's time will equal the same 40 hours entered into eCAPS.

Post Audit Summary of Employee Health and Pension Benefits

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

During the reporting period of January 2017 to June 2017, the Human Resources has implemented a system to reconcile self-billed amounts to actual amounts deducted in payroll. As shown in the exhibit below, we designated 22 recommendations implemented (81%) and 5 recommendations party implemented (19%). One recommendation was dropped as it was not adopted during negotiations with Local 522.

Exhibit 20: Status of Health and Pension Benefits Audit Recommendations
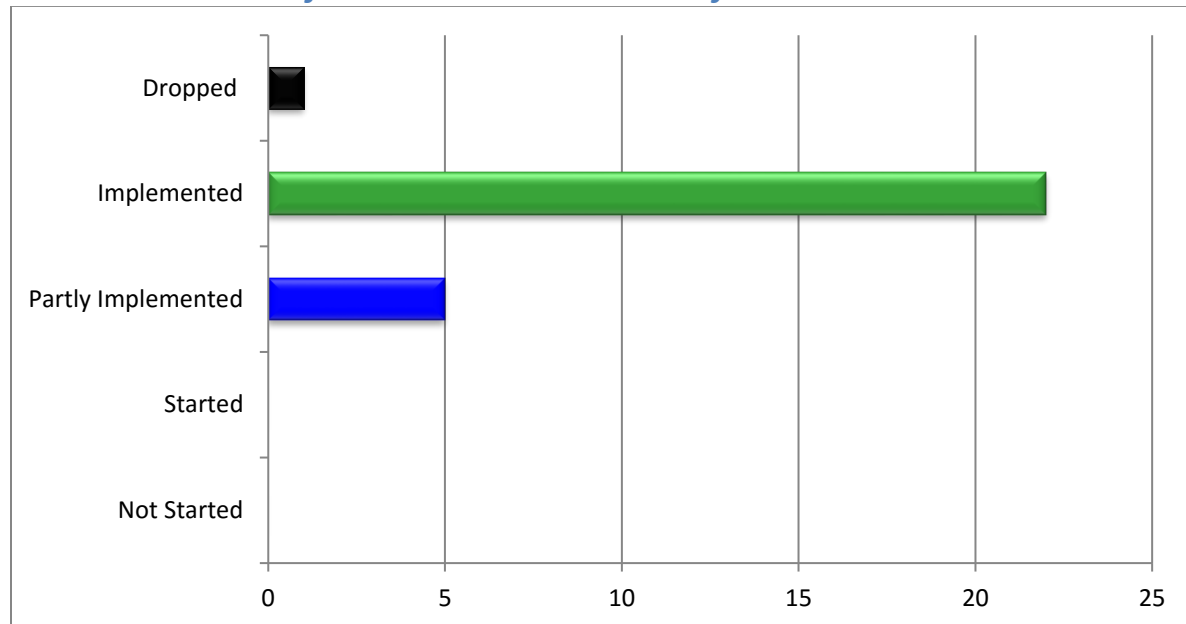
Finding 1: The Administration of Health Benefits Has Strengthened, But Areas of Concern Remain

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

☑ Implemented Human Resources has implemented system to reconcile the amounts paid to the providers with the amounts deducted in payroll for medical bills. The reconciliation is performed monthly.

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

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

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

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

#21 Continue pursuing options to reduce retiree health costs.

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

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

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

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

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

☑ Partly Implemented Monthly Wellness Newsletters are now distributed to City employees and posted on the City's Wellness webpage. HR is working with departments to establish Wellness Champions. In addition, HR is tracking the number of fitness center discounts provided to City employees.

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

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