City Auditor's Semi-Annual Recommendation Follow-Up Report:
January 2019 – June 2019

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City Auditor

City of
SACRAMENTO
Office of the City Auditor

August 2019

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https://www.cityofsacramento.org/Auditor/Reports/Recommendation-Follow-Ups

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January 2019 - June 2019

Semi-Annual Recommendation Follow-Up Report

Potential Benefit
$53,460,330

$

Realized Benefit
$28,291,417

Open/Closed

Open
181

Closed
373

Progress

Not Started
9

Started
76

Partly Implemented
96

Category

Transparency and Accountability
16

Regulatory Compliance
4

Efficiency and Effectiveness
69

Internal Controls
92

75 Progress

No Progress **106**

Outstanding Recommendations Based on Fiscal Year Issued

Fiscal Year	Outstanding Recommendations
2018-19	10
2017-18	72
2016-17	24
2015-16	6
2014-15	27
2013-14	11
2012-13	8
2011-12	19
2010-11	4

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Recommendation Follow-Up Process

The Office of the City Auditor (Office) makes recommendations to strengthen accountability and improve the efficiency and effectiveness of City programs. In many cases, this involves verifying compliance with laws and regulations, identifying internal control weaknesses and failures, and assessing whether the City has acquired and used its resources efficiently. The office monitors the implementation of all recommendations, and reports on the status of open recommendations every six months with a semiannual report.

In accordance with the City Auditor's approved Fiscal Year (FY) 2019/20 Audit Plan, we prepared a report of the status of open recommendations for the six-month period ending June 30, 2019. To prepare this report, we met with department staff, reviewed documentation provided by departments, and performed testing to determine implementation progress. We would like to express our appreciation to the City staff members for their cooperation and assistance during our reviews.

Recommendation Progress

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

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

Recommendation Categories

We grouped recommendations based on the fundamental intent of the recommendation, as follows:

- Efficiency and Effectiveness – The fundamental intent of the recommendation is to increase efficiency and effectiveness.

- Internal Controls – The fundamental intent of the recommendation is to strengthen internal controls.

- Regulatory Compliance – The fundamental intent of the recommendation is to enhance regulatory compliance.

- Transparency and Accountability – The fundamental intent of the recommendation is to ensure transparency and accountability.

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Benefits of Implementing Recommendations

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

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

We expect that most of our work will yield both financial and non-financial benefits. Some examples of benefits captured include identifying revenue the City should have collected, errors that led the City to overpay expenses, and potential savings by modifying practices or agreements. Figure 1 below illustrates the potential financial benefits identified in our reports as well as the estimated realized financial benefits resulting from the implementation of all recommendations made by the Office of the City Auditor. As this figure 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. 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.

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

Source: Auditor generated.

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Implementation Progress of Recommendations

67 Percent of All Recommendations Have Been Closed

Since the establishment of the Office of the City Auditor in 2010, the Office has issued 42 reports and made 554 recommendations. At the close of this recommendation follow-up period, 373 (67 %) of recommendations have been closed. Figure 2 below illustrates the number of recommendations open compared to the number of recommendations closed as of June 30, 2019.

Figure 2: Recommendations Open and Closed as of June 30, 2019
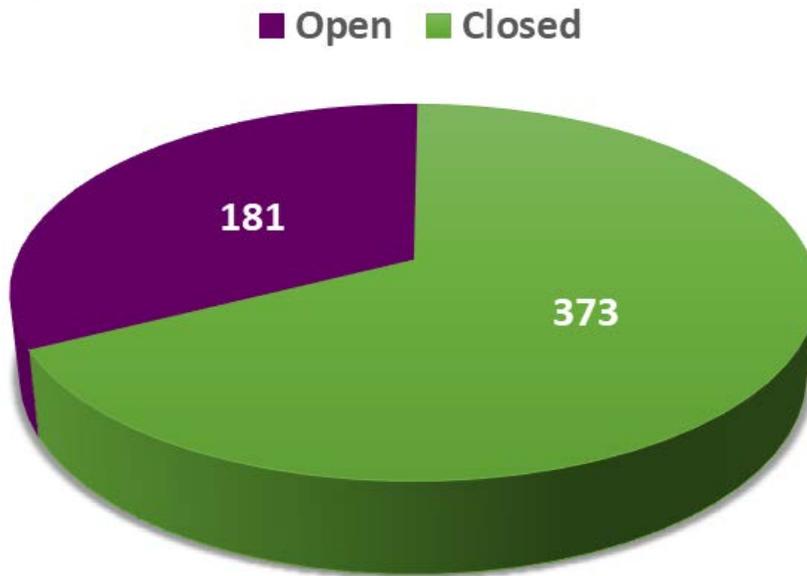
Source: Auditor generated.

Progress of Open Recommendations

As described previously, recommendations are classified based on the responsible party's progress and assigned categories based on the fundamental intent of the recommendation. Figure 3 below illustrates the breakdown on the progress and category of all open recommendations.

Figure 3: Breakdown of the Progress and Category for Open Recommendations
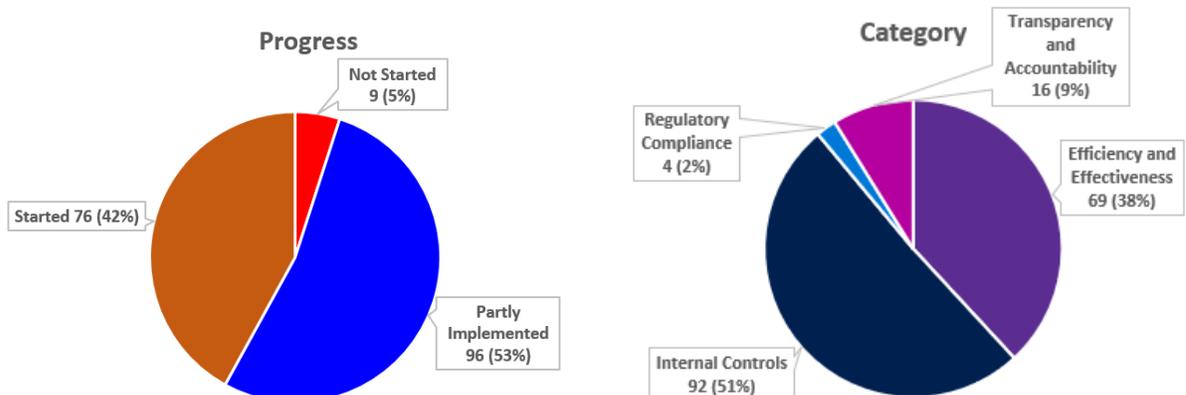
Source: Auditor generated.

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In addition to reporting on the current progress of open recommendations, our office tracks whether notable new progress has been made towards implementing the recommendation during the review period. Recommendations that made notable progress during the period are distinguished with a checked box. Figure 4 below illustrates how many recommendations made notable progress towards implementation and how many recommendations remained stagnant.

Figure 4: Breakdown of Recommendation Progress During the Period January 2019 through June 2019

Source: Auditor generated.

The Number of Open Recommendations Has Grown
The number of open recommendations has grown over time. Figure 5 illustrates the number of open recommendations as of the end of each fiscal year. As of the end of FY 2018-19, 181 recommendations remain outstanding.

Figure 5: Open Recommendations as of June 30 Each Fiscal Year

Source: Auditor generated.

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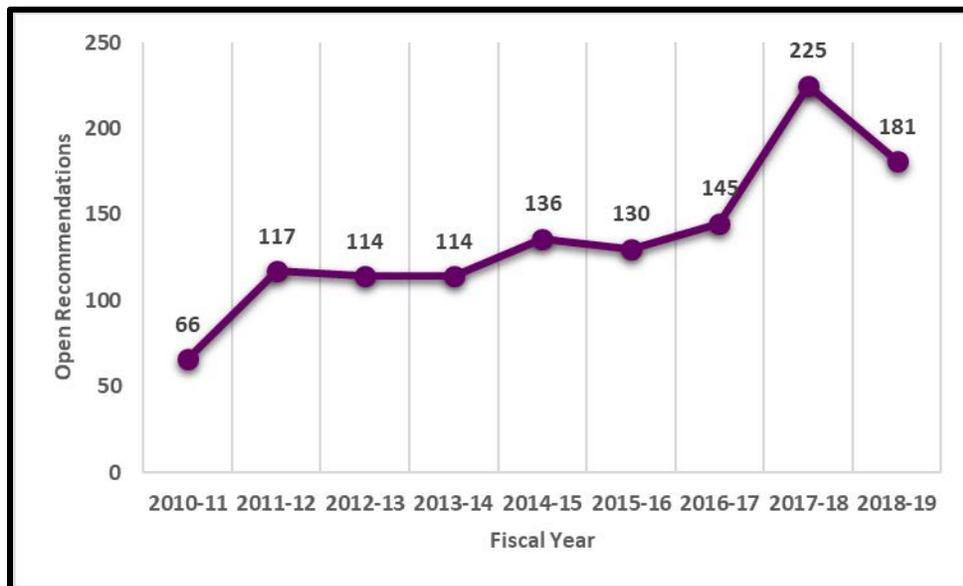
We recognize that the number of recommendations issued each year could have an impact on the growth of outstanding recommendations. Figure 6 below illustrates the number of recommendations issued and closed each fiscal year. As seen in the figure, in approximately half of the fiscal years, the number of recommendations issued outpaced the number of recommendations closed.

Figure 6: Recommendations Issued Compared to Recommendations Closed Per Fiscal Year
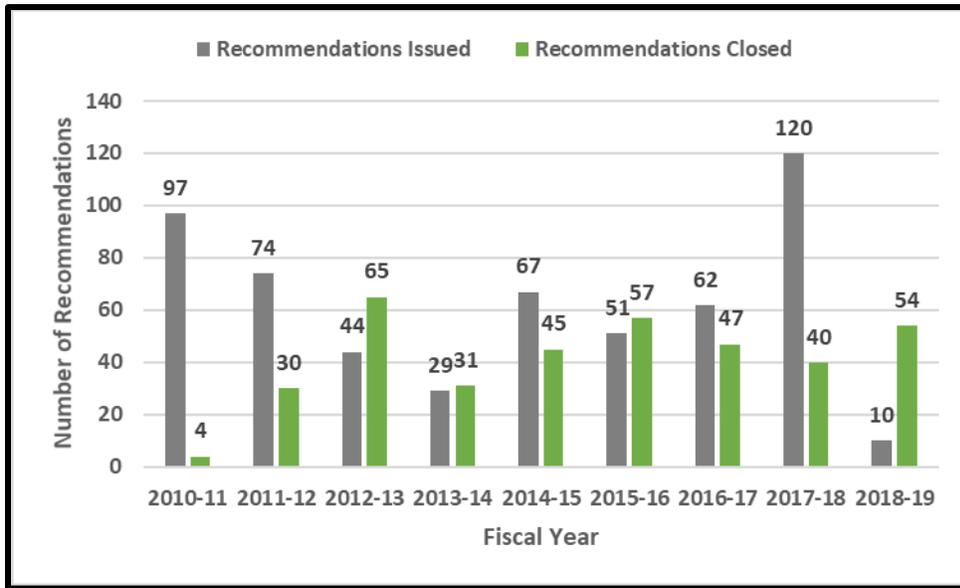
Source: Auditor generated.

Typically, the responsible party for each recommendation develops their own timeline on how long it will take to implement the recommendation. While this allows the subject matter experts to identify what they believe are reasonable timelines, certain factors may impede the responsible parties' ability to implement recommendations in a timely manner. Factors can include; lengthy administrative processes, staff turnover, unclear authority or responsibility, and misunderstandings of identified risks or potential benefits. Figure 7 below illustrates the number of outstanding recommendations relative to the fiscal year the recommendation was issued. As seen in figure 7, 42 recommendations have been outstanding for more than five years.

Figure 7: Open Recommendations Based on Fiscal Year Issued
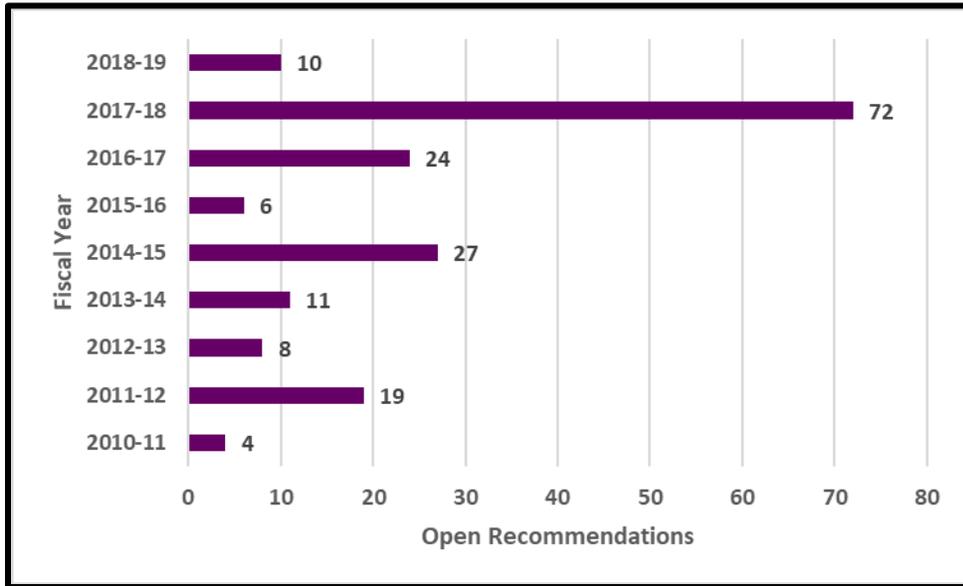
Source: Auditor generated.

Open Recommendations by Department

Recommendations made by the Office of the City Auditor are directed towards specific offices, departments, or divisions within the City. In some cases, implementation requires extensive coordination between multiple offices, departments, or divisions. Recommendations directed towards multiple responsible parties are listed under the lead department, typically the department listed first in the report. Figure 8 below illustrates the outstanding recommendations by department; for context, the number of closed and total recommendations issued to each department is also listed.

Figure 8: Recommendations by Department

Responsible Department	Open Recommendations	Closed Recommendations	Total Recommendations	Percent Closed
Finance	45	39	84	46%
Fire	25	34	59	58%
Utilities	24	71	95	75%
City Manager	23	28	51	55%
Information Technology	22	25	47	53%
Human Resources	14	20	34	59%
Public Works	14	75	89	84%
Youth, Parks, and Community Enrichment	11	5	16	31%
Sacramento Housing and Redevelopment Agency	3	9	12	75%
Sacramento Region Sports Education Foundation	0	8	8	100%
City Attorney	0	1	1	100%
Non-City Organization	0	7	7	100%
Community Development	0	42	42	100%
City Clerk	0	1	1	100%
Police	0	2	2	100%
City Council	0	6	6	100%
Total	181	373	554	67%

Source: Auditor generated.

Post Audit Summary of the Audit of On-Street Parking Meters

The City of Sacramento's parking modernization efforts began in mid-2012 and included plans to upgrade approximately 4,500 of the City's single-space parking meters to new "smart" meters that accept credit card payments, are solar-powered, have pay-by phone capabilities, and can be equipped with vehicle-detecting sensors.

The objective of the *Audit of On-Street Parking Meters* was to independently evaluate the performance of the new on-street smart meters and to identify areas for improvement. The audit was issued in February 2019, contained four findings, and made ten recommendations to improve parking meter performance and ensure a consistent customer experience. Of the 10 recommendations, 4 (40%) have been implemented or partly implemented.

Exhibit 1: Status of Audit Recommendations
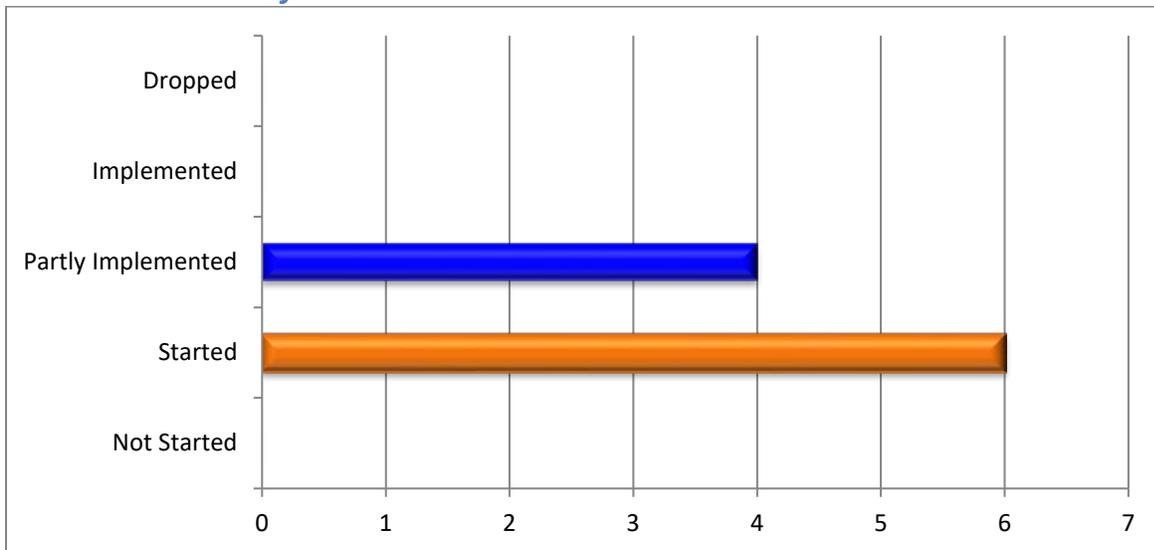
Finding 1: Improving Vehicle-Detection Sensor Accuracy Rates and Meter Battery Life Could Reduce the Potential for Erroneous Citations and Slow the Rate of Incoming Citation Disputes

#1 Continue to work with the vendor to achieve contracted vehicle-detection sensor accuracy rates or consider switching to a vendor that will meet the desired standard.

☑ Started The meter vendor has installed software updates in a selection of meters and is evaluating the effectiveness of the updated software using camera recordings.

#2 Work with the vendor to improve parking meter battery life or consider alternative products that will meet the desired standard.

☑ Partly Implemented The meter vendor has made hardware and software improvements to increase battery life. In addition, the vendor supplied some free replacement batteries, along with the resources to install them. Parking Services will continue to monitor meter battery life.

#3 Address deficiencies identified with parking meter sensor-accuracy and battery life to improve the customer service experience and reduce the number of incoming citation disputes.

☑ Started Parking Services will continue to monitor battery performance. When the vendor has completed recommendation #1, Parking Services will evaluate and determine if further work is required.

Finding 2: Mobile Payments Made in Event Zone B are Not Reflected on Parking Meters

#4 Continue to work with the vendor to ensure a consistent customer experience across all meters

☑ Started New handheld units were deployed that provide enforcement officers with real-time payment status for all zones. Customer outreach is in progress to eliminate the perception that meters will reflect time paid when using the mobile app.

#5 Evaluate parking meters that experience a significant delay in receiving mobile payments to see if the delay can be reduced.

☑ Started New handheld units were deployed that provide enforcement officers with real-time payment status for all zones. Customer outreach is in progress to eliminate the perception that meters will reflect time paid when using the mobile app.

Finding 3: Some Meter Configurations in the Data Management System User Interface Are Not Reliable

#6 Require that the information in the data management system user interface be the most accurate and up-to-date information.

☑ Started Parking Services is working with vendor to develop a timeline.

Finding 4: Usefulness of Contested Citation Data Has Improved

#7 Require enforcement officers enter citation data in a consistent format, to aid in data aggregation and analysis.

☑ Partly Implemented A new citation system was implemented in February 2019 that enforces stricter rules about data entry.

#8 Continue to optimize data fields to ensure the department is receiving the most useful data.

☑ Partly Implemented Some optimization has been completed. Parking Services will continually review trends and work to refine data fields.

#9 Conduct regular reviews of citation data to identify trends and correct anomalies.

☑ Partly Implemented Reports are generated and reviewed quarterly. Parking Services is working with the vendor to automate exception report generation on a more frequent basis.

Finding 5: The Prevalence of Disabled Parking Placards May Have an Adverse Effect on the Availability of Disabled Parking Spaces and the City's Ability to Effectively Regulate Parking Through Demand-Based Pricing

#10 Continue to lobby for changes to the California State Vehicle Code that improve the City's ability to effectively manage parking services and reduces incentives for placard abuse.

☑ Started Parking Services continues to work with the California Public Parking Association to lobby the legislature for changes.

Post Audit Summary of the Audit of the Department of Utilities Workplace Safety

The *Audit of the Department of Utilities Workplace Safety* contained five findings and made 22 recommendations aimed at improving compliance and enhancing accountability related to the Department of Utilities workplace safety. The audit was released in May 2018.

Since the audit's release, the department has implemented 9 recommendations and made progress towards implementing all other recommendations. The department is establishing policies and procedures, forms and templates, and developing implementation plans. The progress for these recommendations is shown in the exhibit below.

Exhibit 2: Status of Audit Recommendations
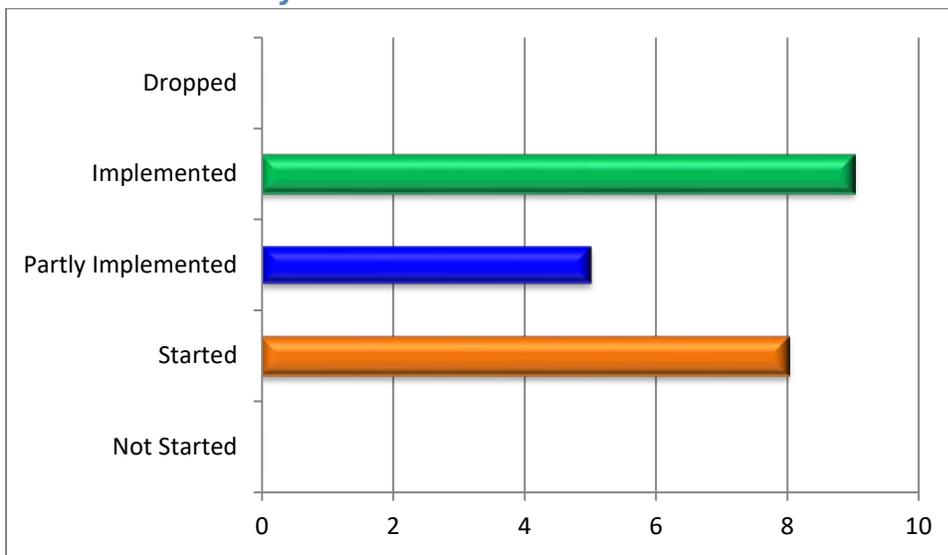
Finding 2: The Department of Utilities Lacks Sufficient Controls Over the Administration and Use of Safety and Personal Protective Equipment

#1 Review and update existing policies and procedures concerning safety and personal protective equipment to fill in gaps and clarify its appropriate use.

☑ Started The gas detector policy has been finalized. Job specific standard operating procedures (SOPs) are being finalized with more detail on required PPE usage. These have been pending while gas monitoring SOP progressed through the review process. The SOPs will be finalized in the near term and available for Human Resources and City Attorney review.

#2 Establish policies and procedures concerning safety and personal protective equipment where none currently exist.

☑ Started A draft PPE Policy will be finalized soon and made available for Human Resources and City Attorney review.

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#3 Establish a process for periodically inspecting safety equipment.

☑ Implemented DOU is inspecting safety equipment on a monthly basis and is doing so via a recurring work order in the work order system.

#4 Consider negotiating a more restrictive and thorough reimbursement or other process for providing PPE in all of the City's labor agreements.

☐ Partly Implemented Boot reimbursement has been negotiated with Local 447, Local 1176, Building and Construction Trades Council, and International Association of Machinists and Aerospace Workers. Vendors are in place and ready to move forward. A policy has been written and approved. Labor relations is currently engaged in negotiations with Local 39 regarding this issue.

#6 Formally establish who has responsibility over the department's gas monitoring program.

☑ Implemented The gas monitoring policy has been completed and reviewed and approved by all parties. The policy identifies who has responsibility over the department's gas monitoring program.

#7 Develop departmental policies and procedures for the administration and use of gas monitoring equipment.

☑ Partly Implemented The gas monitoring policy has been completed and reviewed and approved by all parties. The procedure is being developed.

#8 Perform periodic audits of gas monitoring data to ensure employees use gas monitors in accordance with departmental policies.

☑ Started Standard Operating Procedures (SOPs) are being developed.

Finding 3: The Department of Utilities Can Strengthen Compliance with Vehicle Safety Requirements

#9 Consider installing GPS tracking systems in all of the department's vehicles.

☑ Implemented DOU will continue to have discussions with the Fleet Management Division regarding installing GPS tracking in "non-drivable vehicles." However, until a solution to battery issues is identified, DOU will implement a check-in/check-out process for "non-drivable vehicles."

#10 Establish a process to periodically reconcile vehicle data with pre- and post-trip vehicle inspection data and hold employees accountable when pre- and post-trip inspections are not completed.

☑ Implemented A process to check pre- and post- trip vehicle inspections was created and implemented. Supervisors review reports monthly to ensure the inspections are complete.

#12 Update the City's Wireless Telephone Use While Driving policy and require employees to acknowledge the policy.

☐ Implemented While the City's Wireless telephone Use While Driving policy has not been updated, the 2017 Memo regarding distracted driving has been posted to the Citywide Policies and Procedures webpage. Additionally, new employees are required to review and acknowledge this policy during onboarding. This gives employees awareness of updates to State law regarding wireless telephone use while driving; employees are expected to follow State law. While it may have been clearer to employees

to update the City's Wireless Telephone Use While Driving policy, we believe the posting of the distracted driving memo sufficiently addresses the audit risk associated with this recommendation.

#13 Provide additional driver safety training to employees who frequently travel for City business.

☑ Started The Risk Management Division has developed a Driver Training Plan that identified which employees should take driver training and timelines for completing training. DOU is using this guideline to identify employees who frequently travel for City business to provide additional driver safety training. DOU will continue to provide driver training to employees per Risk Management's Driver Training Plan.

Finding 4: The Department of Utilities Can Enhance Compliance with City Safety Policies, State Laws, and Federal Regulations

#14 Establish written procedures for the control of hazardous energy (lockout/tagout).

☑ Partly Implemented DOU has created a template that is now in the work order system. A team of approvers and subject matter experts are developing individual procedures.

#15 Develop a process to ensure employees complete required forms for entry into confined spaces. Consider adding confined space procedures directly to work orders.

☑ Partly Implemented DOU has made confined space and trench entry required fields in Cityworks. The procedure for uploading forms is being developed and training will follow to ensure documents are uploaded properly with correct naming conventions so forms can be queried. This same process for Maintenance Connection will be implemented once it is completed in Cityworks.

#16 Develop a comprehensive implementation plan to address the Department of Utilities' fall protection concerns.

☑ Partly Implemented DOU had a consultant develop an assessment report and has begun to install measures to address fall protection concerns. This will be a long-term project due to the fact that these measures can be costly to implement. Staff have received training and are identifying fall concerns on an on-going basis.

#17 Develop a process to review tailgate safety meeting documentation periodically.

☑ Implemented DOU has developed processes to review tailgate safety meeting documentation periodically.

Finding 5: The Department of Utilities Should Implement Health and Safety Best Practices to Reduce Risks and Improve Accountability

#18 Conduct job hazard analyses for employee job duties and apply the hierarchy of controls to select the controls for mitigating health and safety hazards.

☑ Implemented A formal process and a template is in place. Field operations is required to fill out JHA's every day, and the Risk Assessments (plants and labs) are being done as they are identified. This is an on-going process that will be implemented over time due to the volume of job duties within the department.

#19 Develop a formal process for conducting incident investigations.

☐ <u>Started</u> No progress was made during the period.

#20 Develop a process for creating formal implementation plans when health and safety hazards are identified.

☑ <u>Started</u> DOU's Environmental Health and Safety Specialist has drafted a program and standard operating procedures that will be reviewed and approved by the team. Guidelines and training for staff will be developed.

#21 Develop a formal management of change process.

☑ <u>Started</u> DOU has collaboratively developed a draft Management of Change Policy, the policy was circulated among DOU Safety Committee staff for comments on April 23, 2019. On or around May 9, 2019, the draft policy was submitted to Labor Relations for comments to begin the meet and confer process with labor groups. The Policy was subsequently forwarded to the Auditor's Office for comments.

#22 Review and update departmental safety policies and procedures.

☑ <u>Started</u> DOU and the Risk Management Division drafted a charter establishing four Safety Committees. The safety committees include an executive team or steer committee and three employee level committees representing three distinct work groups within DOU. The three employee level work groups are field, plants, and office and include employees from each group. One of the safety committee functions is to review and update safety related policies and procedures in accordance with the City's overarching Illness and Injury Prevention Program. The Safety Steering Committee has oversight of the three employee level safety committees and is responsible for review, evaluation, and adoption of safety related policies. New and existing safety policies will be uploaded into the City's new APPS system.

Post Audit Summary of the Audit of the Department of Youth, Parks, and Community Enrichment's Strategic Planning and Part-Time Employee Benefits Management

The *Audit of the Department of Youth, Parks, and Community Enrichment's Strategic Planning and Part-Time Employee Benefits Management* contained three findings and made twenty recommendations aimed at improving the department's strategic planning efforts and employee benefits management.

During this audit engagement, the department was renamed from the Department of Parks and Recreation (DPR) to the Department of Youth, Parks, and Community Enrichment (YPCE). This audit included recommendations to update the master plan, strategic plan, define cost recovery goals and performance measures, and to more closely track employee training for those that perform Human Resources functions within the department.

Of the 20 recommendations, 9 (45%) have been implemented or partly implemented.

Exhibit 3: Status of Audit Recommendations
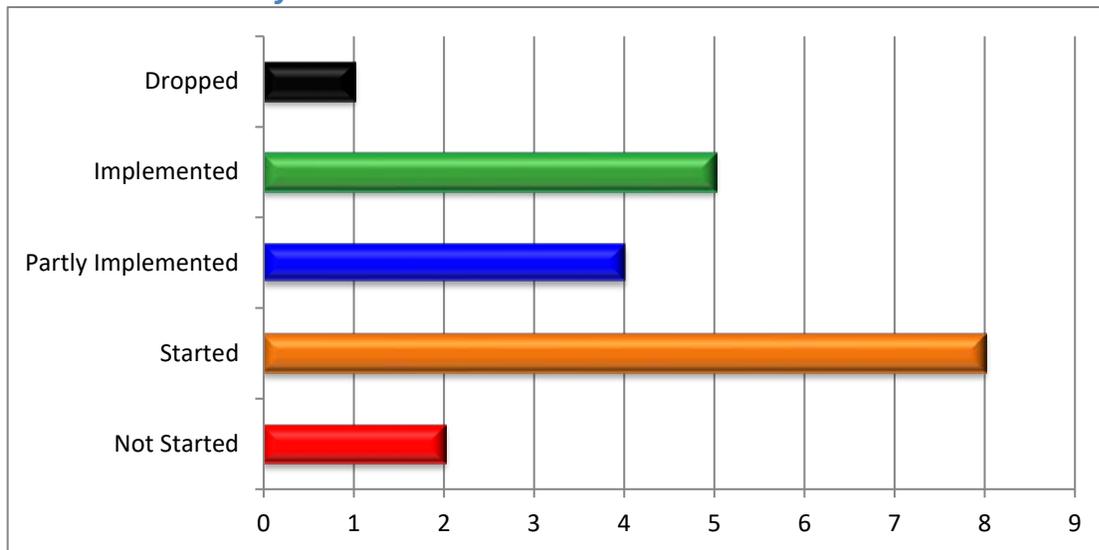
Finding 1: The Department of Parks and Recreation Has Not Updated Key Strategic Planning Guidance

#1 Update the Parks and Recreation Master Plan.
☑ Started The Department last updated the Master Plan in April of 2009, however, the staff position and resources for this effort were eliminated during the economic downturn. The Department plans to make a future budget request to restore the staff and resources necessary to update the Master Plan.

#3 Align the department's organizational structure to suit the department's objectives as defined by its mission, vision, and goals.

☑ Partly Implemented A Strategic Plan was completed and adopted in 2018. The Department has been working with the City Manager's Office to refine the Department's performance measures and the organizational structure to align with the strategic plan.

#4 Conduct a needs assessment survey.

☑ Started The Department plans to work with the City Manager's Office to incorporate a needs requests into the City-wide survey assessment that is being formulated.

#5 Track attendance for non-fee based programs and services to evaluate attendance and program success.

☐ Started The Department is currently implementing a more robust registration, payment, and data management system that will allow for increased tracking for both fee-based and non-fee-based programs. The Department is also piloting attendance tracking methods such as participant sign-in sheets, manual participant counts by staff, and meal counts for programs offering food to program participants. The Youth Portal has not yet launched, but will also be a tool to track this information.

#6 Define when it is appropriate to use the "General Info" or "Other" call categories.

☐ Partly Implemented The Department coordinated with 311 to provide an expanded list and an explanation of the categories and how they are to be used. The Department will continue to review call logs periodically to ensure this recommendation is fully implemented.

#9 Develop department-specific policies and procedures.

☐ Started The Department is developing human resources-related policies and will conform to adopted citywide policies established by the Department of Human Resources. YPCE is currently developing draft, department-specific policies and procedures to be reviewed and approved by respective labor bargaining units and the Department of Human Resources for compliance with labor agreements and citywide policy. Additionally, the Department will utilize the APPS program to ensure policies and procedures are vetted by the City's Budget Division.

Finding 2: Developing a Formal Cost Recovery Philosophy May Help the Department of Parks and Recreation Better Align Its Pricing Practices with Its Mission and Core Values

#10 Define the department's cost recovery goals and objectives.

☐ Started Using guidance from the strategic plan, the Department will be able to better define cost recovery goals and objectives and then align service delivery accordingly.

#11 Evaluate the department's fees and charges to determine if they are in alignment with the department's mission, vision, and cost recovery goals.

☐ Started YPCE is in the process of evaluating fees and charges. This is a two-phase process in which YPCE will first identify all actual revenues and expenditures for programs and services to determine the status quo. Once the Strategic Plan has been completed, the Department will begin to align service delivery fees and charges with the mission, vision, and cost recovery goals.

#12 Comply with the Citywide Fees and Charges Policy by establishing cost recovery goals and identifying cost recovery levels.

☐ Started The Department is in the process of establishing cost recovery goals. As referenced above, the Department will adopt and utilize the cost recovery model provided in the Audit to ensure compliance with the Citywide Fees and Charges Policy. In so doing, YPCE will first need to analyze current fee structures and after completing the Strategic Plan, identify the cost recovery goals and work to ensure that the fee structure comes into alignment with those goals.

#13 Consider implementing an advertising and sponsorship program.

☐ Not Started The Department established a formal Community Sponsorship Initiative (CSI) and related policy in 2010 in response to the economic downturn. The CSI efforts resulted in business and product advertising at various sports fields and amenities, and a sponsorship with supermarket chain SaveMart benefitting our Access Leisure Program. The staff position dedicated to the CSI and department media and marketing was unfortunately eliminated as part of required budget reductions. YPCE will continue to research new opportunities for advertising and sponsorships.

#14 Consider updating the fee structure for some programs and services to include a non-resident fee.

☐ Started The Department is currently researching and considering updating the fee structure for programs and services that require registration and/or reservations to include a non-resident fee.

#15 Consider developing and marketing a utility bill voluntary donation program.

☑ Dropped The Department evaluated this recommendation and determined that the increased marketing costs would outweigh the potential benefits of the program.

Finding 3: Nearly Half of the Supervisors Responsible for Administering and Monitoring Part-Time Employee Hours and Benefits Have Not Received Labor Relations Training

#17 Require that the identified employees attend human resources training and determine the frequency of subsequent training to ensure they remain current.

☐ Partly Implemented Human resources training courses have been conducted, including a Timesheet Approval course completed in January 2019. The Department is working on developing a training schedule for all employees performing human resources functions.

#18 Develop policies and procedures on part-time employee reporting, responsibility, and training.

☐ Started The Department has developed procedures for part-time employee reporting and is currently refining an accompanying policy. The Department is also working with Department of Human Resources to develop and implement formal training for responsible supervisory staff.

We recommend the Department of Human Resources:

#20 Verify that all current part-time employees who are eligible for CalPERS membership are enrolled with CalPERS.

☐ Partly Implemented Human Resources staff is working on a reconciliation of CalPERS appointments. Every other week, Human Resources staff runs a monitoring report and processes CalPERS enrollments as necessary.

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

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

During the reporting period of January to June 2019, the Office of Cannabis Policy & Enforcement (OCPE) implemented a review process of the dispensaries' financial documents to identify instances of underreporting of gross receipts. According to staff, the department finalized the review of the 2017 renewal application and collected $37,522 in additional Business Operations Tax from the dispensaries. As shown in Exhibit X below, we designated sixteen recommendations as implemented (80%), two recommendations as partly implemented (10%), and two recommendations as started (10%).

Exhibit 4: Status of Audit Recommendations
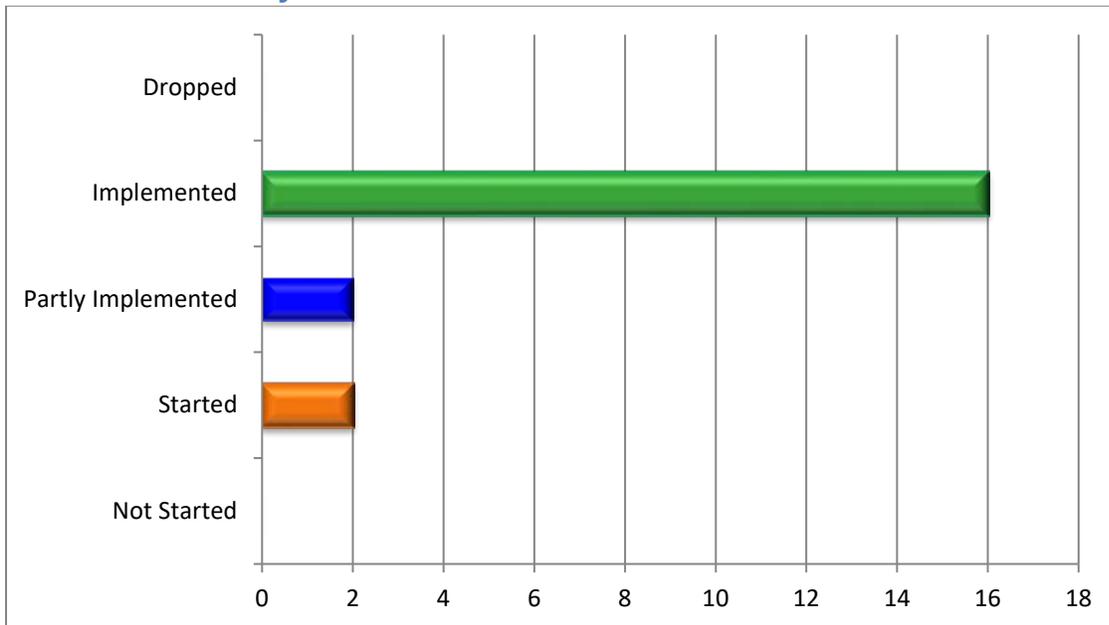
Finding 1: The Revenue Division Could Improve Its Monitoring of the Business Operations Tax (BOT) Collection Process to Better Detect Underreporting

#1 Determine why dispensaries failed to produce the requested financial and membership documentation and inspect the documentation for compliance with City Code.
☐ Partly Implemented The OCPE is working with the Office of the City Attorney to update City Code addressing financial and membership requirements.

#3 Develop a robust review process of the dispensaries' financial statements during the permit renewal process to identify red flags that may indicate potential underreporting of gross receipts.
☑ Implemented The OCPE implemented an internal procedure to review financial documents submitted by cannabis businesses. The procedure outlines the steps to identify discrepancies in BOT reporting and how to address those discrepancies.

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#4 Perform observation tests of dispensaries to identify underreporting of gross receipts.

☐ Started According to OCPE, the department is seeking a more comprehensive cannabis audit program. Staff will be issuing a Request for Proposal to find a vendor that incorporates observation tests as part of their cannabis audit program.

#5 Consider collecting monies owed from the dispensaries that underreport gross receipts.

☑ Implemented OCPE had implemented an internal procedure to review financial documents submitted by cannabis businesses. The procedure includes instructions how to coordinate with the Finance Department to collect discrepancies identified during the review. According to staff, the department finalized their review of the 2017 renewal applications and collected $37,522 in additional Business Operations Tax from the dispensaries.

#10 Reevaluate the frequency of MuniServices audits to ensure appropriate coverage of the medical marijuana dispensaries in a timely manner.

☐ Partly Implemented According to the OCPE, the department is seeking a more comprehensive cannabis audit program. The department will likely issue a Request for Proposal to find a vendor that performs tax and compliance audits.

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

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

☐ Started The OCPE anticipates issuing a Request For Proposal for audit and risk-based compliance services.

#16 Review and update the dispensaries' operating requirements to ensure consistent enforcement practices.

☑ Implemented OCPE evaluated the Conditional Use Permit (CUP) requirements for the dispensaries to ensure consistent enforcement practices. Based on the review, the conditions related to security, operating hours, and signage are location-specific and should vary from dispensary to dispensary. However, the department will continue to identify security requirements based on recommendations by the Police Department and update the dispensaries' operating requirements as needed.

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

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

Since the audit's release in September 2017, the City has already started to make progress on many of the recommendations. The City relaunched a consolidated procurement management system known as Automated Bids, Contracts, and Digital Signatures (ABCDs) in early 2019. Many of the recommendations below will be implemented through or impacted by ABCDs.

Exhibit 5: Status of Audit Recommendations
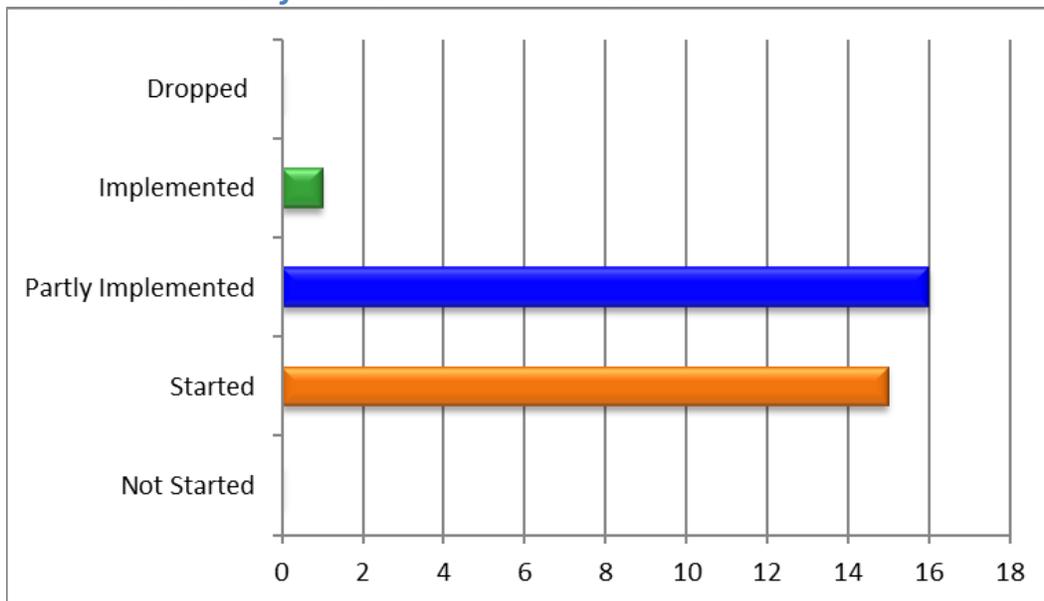
Finding 1: Procurement Guidance and Training were Insufficient to Ensure Employees Properly Procured Services on Behalf of the City

We recommend the Finance Department:

#1 Establish a code of conduct or other codified ethics, guidelines, and standards.
☑ Partly Implemented The Procurement Division has drafted a consolidated and comprehensive procurement manual, which is being routed for review and approval as a formal policy. The draft manual starts with a chapter on ethics and standards.

#2 Update EBO policies, templates, and other guidance for accuracy and consistency.
☑ Started The Procurement Division is corresponding with the City Attorney's Office regarding the City's EBO policies, templates, and other guidance.

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

☑ Started The Procurement Division is corresponding with the City Attorney's Office regarding the City's EBO policies, templates, and other guidance.

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

☑ Partly Implemented The Procurement Division has drafted a consolidated and comprehensive procurement manual, which is being routed for review and approval as a formal policy. This draft manual clarifies the process for bid protest.

We recommend the Finance Department and the City Manager:

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

☑ Partly Implemented Role-based access to ABCDs has been established. The Procurement Division has drafted a consolidated and comprehensive procurement manual, which is being routed for review and approval as a formal policy.

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

☑ Partly Implemented The Procurement Division has drafted a consolidated and comprehensive procurement manual, which is being routed for review and approval as a formal policy. This draft manual clarifies contract control and review procedures.

We recommend the Finance Department and the City Clerk:

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

☑ Started The procurement contract workflow and Adobe e-sign workflow replaced the need for the routing sheet with value-added reviews created in the system.

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

☑ Started As a result of the recent ABCDs implementation, the Procurement Contract modules contain an electronic workflow that require review by the Procurement Division for contracts and amendments (supplements) before execution.

We recommend the Finance Department:

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

☑ Partly Implemented The Procurement Division provides training that is consistent with established City Code and procurement best practices. Once the division's new procurement manual is finalized, the division will review and revise the procurement training program to reflect any updated policies.

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

☑ Partly Implemented Role-based access is established and the Procurement Division grants access to individual employees after they have completed applicable training. Currently, training is required for Purchase Requisitions, Strategic Sourcing, and Procurement Contract modules. The Procurement Division is utilizing Sharepoint to document and monitor training, and to verify training for employees prior to granting access to procurement systems.

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

☑ Partly Implemented Role-based access is established and the Procurement Division grants access to individual employees after they have completed applicable training. Currently, training is required for Purchase Requisitions, Strategic Sourcing, and Procurement Contract modules. The Procurement Division is utilizing Sharepoint to document and monitor training, and to verify training for employees prior to granting access to procurement systems.

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

☑ Partly Implemented The Procurement Division has drafted a consolidated and comprehensive procurement manual, which is being routed for review and approval as a formal policy.

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

☑ Started The Procurement Division is required to review and approve every Procurement Contract created using the new ABCDs Procurement Contract module. As part of this review, Procurement reviews that the appropriate template is used for each contract.

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

We recommend the Finance Department:

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

☑ Partly Implemented The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently being updated to match our current practice of requiring all sole (or single) source justification to be approved by the Procurement Manager or designee. In addition, the Procurement Division integrated a new electronic sole/single source form into their K2 Pre-req application to help enforce this process.

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

☑ Partly Implemented The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently being updated to match our current practice of requiring all sole (or single) source justification to be approved by the Procurement Manager or designee.

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

☑ Partly Implemented The Procurement Division is required to review and approve every Procurement Contract created using the new ABCDs Procurement Contract module. As part of this review, Procurement reviews that the sole source section is completed when applicable.

We recommend the City Manager:

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

☑ Started This is incorporated into the Adobe E-sign process.

We recommend the Finance Department:

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

☐ Started New bidders are now required to provide a valid BOTC upon a contract award during the bidder to supplier conversion process. New suppliers are required to provide a BOTC as part of the supplier registration process. The system will not allow the supplier to register without an active BOTC. The Procurement Division has met with the Revenue Division and IT Division to develop a query to allow the Revenue Division to develop a process for monitoring and reviewing expiring BOTCs.

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

☑ Partly Implemented New bidders are now required to provide a valid BOTC upon a contract award during the bidder to supplier conversion process. New suppliers are required to provide a BOTC as part of the supplier registration process. The system will not allow the supplier to register without an active BOTC. The Procurement Division has met with the Revenue Division and IT Division to develop a query to allow the Revenue Division to develop a process for monitoring and reviewing expiring BOTCs.

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

☑ Started The Procurement Division has met with the Revenue Division and IT Division to develop a query to allow the Revenue Division to develop a process for monitoring and reviewing expiring BOTCs.

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

We recommend the Finance Department:

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

☑ Started The Procurement Division is required to review and approve every Procurement Contract Amendment (supplement) created using the new ABCDs contract module prior to execution.

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

☐ Started The Department of Finance is reviewing procurement thresholds.

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

☑ Started The wizard questions in the Procurement Contract module and Strategic Sourcing modules ask the contract manager questions related to their specific sourcing event or contract and their respective thresholds. In addition, the PRC will not allow the not-to-exceed amount to be surpassed.

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

☑ Started The Procurement Contract module workflow requires procurement review for all contracts and supplements. In addition, the PRC will not allow the not-to-exceed amount to be surpassed.

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

☑ Partly Implemented The Procurement Contract module workflow requires procurement review for all contracts and supplements. In addition, the PRC will not allow the not-to-exceed amount to be surpassed.

#27 Revise contract forms to include a signature date.

☑ Partly Implemented The digital signature solution (Adobe e-sign) automatically adds a date stamp with each digital signature.

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

☑ Partly Implemented No system control can currently fully prevent a City Employee from authorizing work (i.e. verbally or through email) outside the system. However, City Code mandates suppliers may not render goods or services until they have received an authorized purchase order. System controls within eCAPS will not allow a requisition to be linked to a procurement contract until it is fully executed and approved. In addition, the Procurement Division offers training to inform contract managers of contracting and procurement compliance, policies, and best practices.

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

We recommend the Finance Department:

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

☑ Started The Procurement Division is working with the IT Department to require purchase orders that need a contract due to the threshold amount to have a contract linked in the Procurement Contract module.

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

☑ Started Workflow review will help ensure all invoices and purchase refer to a valid contract. Requires continued coordination with Accounts Payable.

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

☑ Started The Procurement Contract module prevents a contract from being linked to a requisition that will exceed a contract's not-to-exceed limit.

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

☑ Partly Implemented The eCAPS Accounts Payable system prevents payments that would exceed the contract's not-to-exceed limit.

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

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

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

Exhibit 6: Status of Audit Recommendations
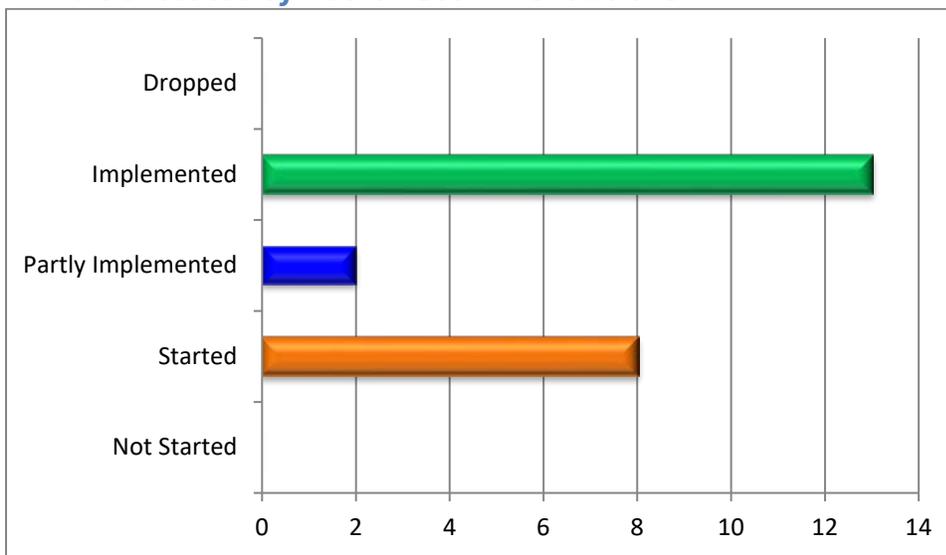
Finding 1: Strengthening the Physical Security of Department of Utilities Inventory Could Reduce the Risk of Fraud, Waste, and Abuse

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

☐ Partly Implemented No progress was made during this period due to staffing shortages. The project of installing pallet racking in Building 18 and relocating inventory items from Yard 22 to Building 18 will be completed by Spring 2020.

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

☐ Started According to the department, progress was made on this recommendation. However, the department did not provide us with sufficient time to verify progress. We will verify progress during the next round of recommendation follow-up.

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

☑ Started The department is in the process of approving the tool policy. Currently, the policy has been reviewed by both the City Attorney and Labor Compliance. The department is moving forward without APPS and will confer with the Unions. This process was delayed by the Citywide effort to use APPS.

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

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

☑ Started The DOU Inventory policies and procedures have been written and DOU is working to have them approved by all required parties. Currently, the policy has been reviewed by both the City Attorney and Labor Compliance. The department is moving forward without APPS and will confer with the Unions. This process was delayed by the Citywide effort to use APPS.

#9 Formalize specific count methodologies in a written policy.

☑ Started The DOU Inventory policies and procedures have been written and DOU is working to have them approved by all required parties. Currently, the policy has been reviewed by both the City Attorney and Labor Compliance. The department is moving forward without APPS and will confer with the Unions. This process was delayed by the Citywide effort to use APPS.

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

☑ Started The DOU Inventory policies and procedures have been written and DOU is working to have them approved by all required parties. Currently, the policy has been reviewed by both the City Attorney and Labor Compliance. The department is moving forward without APPS and will confer with the Unions. This process was delayed by the Citywide effort to use APPS.

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

☑ Started The DOU Inventory policies and procedures have been written and DOU is working to have them approved by all required parties. Currently, the policy has been reviewed by both the City Attorney and Labor Compliance. The department is moving forward without APPS and will confer with the Unions. This process was delayed by the Citywide effort to use APPS.

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

☑ Started The DOU Inventory policies and procedures have been written and DOU is working to have them approved by all required parties. Currently, the policy has been reviewed by both the City Attorney and Labor Compliance. The department is moving forward without APPS and will confer with the Unions. This process was delayed by the Citywide effort to use APPS.

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

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

☐ Partly Implemented According to the department, progress was made on this recommendation. However, the department did not provide us with sufficient time to verify progress. We will verify progress during the next round of recommendation follow-up.

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

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

☑ Started The DOU Inventory policies and procedures have been written and DOU is working to have them approved by all required parties. Currently, the policy has been reviewed by both the City Attorney and Labor Compliance. The department is moving forward without APPS and will confer with the Unions. This process was delayed by the Citywide effort to use APPS.

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.

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

Exhibit 7: Status of Audit Recommendations
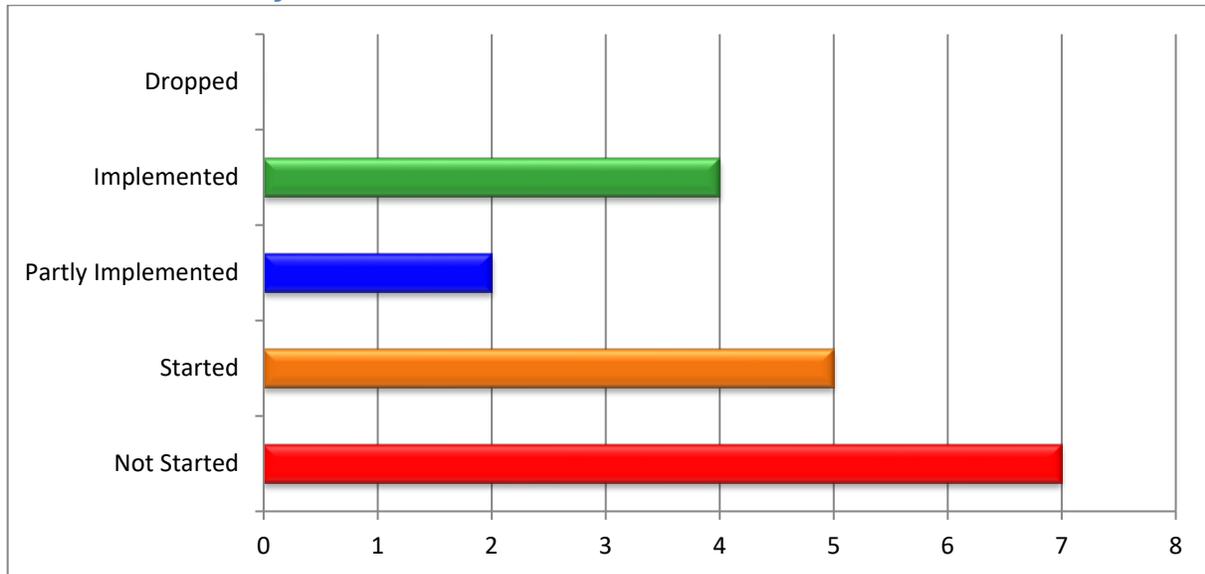
Finding 1: The Fire Department Has Relied on Increasing Levels of Overtime to Meet its Operational Needs

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

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

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

We recommend that the Human Resources Department:

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

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

For interactive dashboards and copies of past reports, visit our website:

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

☐ <u>Not Started</u> 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.

☐ <u>Not Started</u> 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.

☐ <u>Not Started</u> 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.

☐ <u>Started</u> According to the Fire Department, a policy has been drafted and is currently being reviewed by management.

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

☐ <u>Not Started</u> 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.

☐ <u>Not Started</u> 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.

☐ <u>Partly Implemented</u> The Department has notified employees that the practice of providing rest time after returning from strike team deployment will no longer continue.

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

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

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

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

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

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

☐ Started The Fire Department is preparing a workshop to discuss the benefits and drawbacks of three-person staffing.

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

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

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

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

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

Exhibit 8: Status of Audit Recommendations
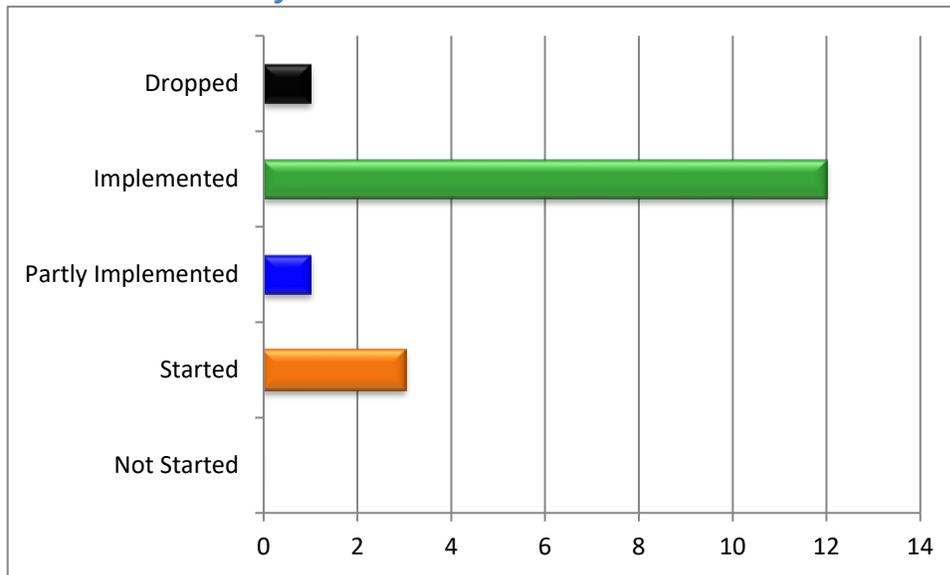
Finding 1: Some Transactions in the Two Risk Management Funds May be Inconsistent with Proposition 218 Requirements

#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 The review of retiree vision enrollment was completed in August 2018. Staff completed the review of retiree Delta Dental PPO enrollment in September 2018 and are currently working with Delta Dental on the reconciliation of retiree Delta Care enrollment. The City is currently working to move CalPERS retiree health benefits administration to eCAPS to provide for full implementation of retiree health benefits self-billing and the ability to produce monthly reports for reconciliation. The reconciliation of the monthly reimbursement checks from CalPERS for retiree health deductions against the monthly CalPERS deduction register was also completed during this reporting period. Staff completed reconciliation of the CalPERS reimbursement checks back to January 2018. No progress has been made on this recommendation during this reporting period.

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

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

☐ Started 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. As of the end of this reporting period, the Transportation Policy had not been implemented by the Department of Public Works' Fleet Management Division and no progress had been made on this recommendation.

#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. As of the end of this reporting period, the Transportation Policy had not been implemented by the Department of Public Works' Fleet Management Division and no progress had been made on this recommendation.

#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. As of the end of this reporting period, the Transportation Policy had not been implemented by the Department of Public Works' Fleet Management Division and no progress had been made on this recommendation.

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, fourteen recommendations have been fully implemented, six recommendations have been dropped, and progress has been made towards implementing six other recommendations. The progress for the recommendations made in this audit is shown in the exhibit below.

Exhibit 9: Status of Audit Recommendations
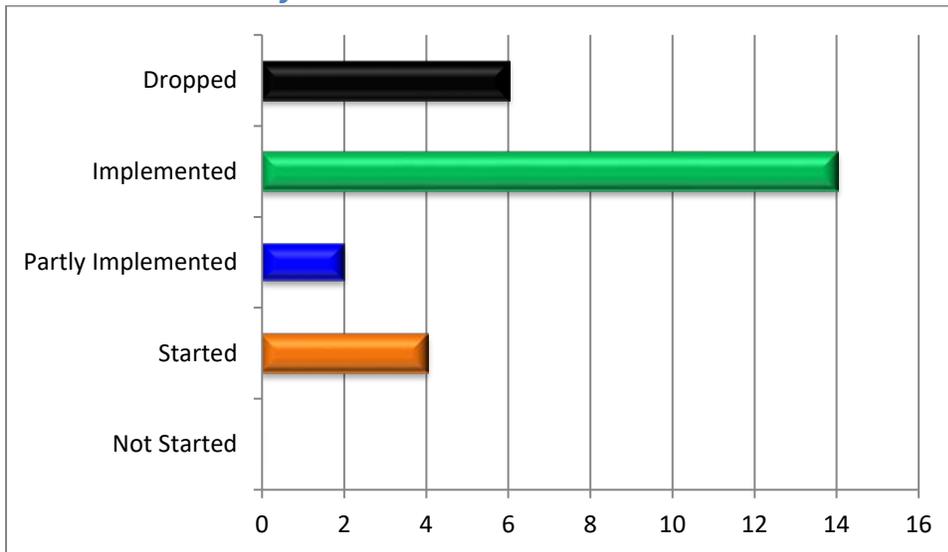
Finding 2: Policies Can Be Improved and Opportunities for Cost Savings Through Renegotiation Exist

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

☑ Implemented DOU sent an assignment to all staff through Target Solutions, advising them to read the Memorandum of Understanding (MOU) for their respective union. This assignment included a link to the City's intranet page where this information is officially posted and updated by the Human Resources Department. This to all new employees as they are hired into DOU. It should also be noted that during the new employee orientation conducted by HR's Benefits Division, information about each union's MOU is explained to all new employees, covering this recommendation at a City level.

#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 No progress was made during the period.

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

☐ Dropped Each of the City's labor agreements provide some provision for out-of-classification or "temporary work in a higher classification" assignments. The Labor Relations Division educates department heads, managers, and supervisors on the City's policies and state law regarding out-of-class assignments through a variety of methods. Additionally, the Labor Relations' intranet page has a FAQ that address the issue and instructs supervisors to contact Labor Relations for a review of out-of-class assignments. Establishing a Citywide policy regarding out-of-class would require negotiation with the City's unions. It is the City's intent to not further negotiate when employees receive out-of-class pay with the City's unions; therefore, we are dropping this recommendation.

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

☑ Implemented DOU sent an assignment to all staff through Target Solutions, advising them to read the Memorandum of Understanding (MOU) for their respective union. This assignment included a link to the City's intranet page where this information is officially posted and updated by the Human Resources Department. This to all new employees as they are hired into DOU. It should also be noted that during the new employee orientation conducted by HR's Benefits Division, information about each union's MOU is explained to all new employees, covering this recommendation at a City level.

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

☐ Dropped This recommendation has been incorporated into recommendation #14.

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

☐ Partly Implemented Policies are waiting to be entered into APPS.

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

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

☑ Partly Implemented While the initial plan for enforcement included a policy, the department has determined that a more efficient method of enforcement is to run monthly timesheet reports, checking for instances where an approver both entered _and_ approved someone's timesheet. The department will review these cases to determine appropriateness and whether any further action is necessary.

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

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

☐ Started No progress was made during the period.

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

☐ <u>Started</u> No progress was made during the period.

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

☑ <u>Started</u> The City's Payroll Division in the Finance Department is working in conjunction with the City's Information Technology Department (IT) to complete this process. Initial meetings with the IT group have been held. The next step is to schedule the timeline for the project. The initial phase of identifying the earning and time reporting codes for the 17 pay groups is expected to begin in August 2019.

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, 17 (90%) have been implemented or partly implemented.

Exhibit 10: Status of Audit Recommendations
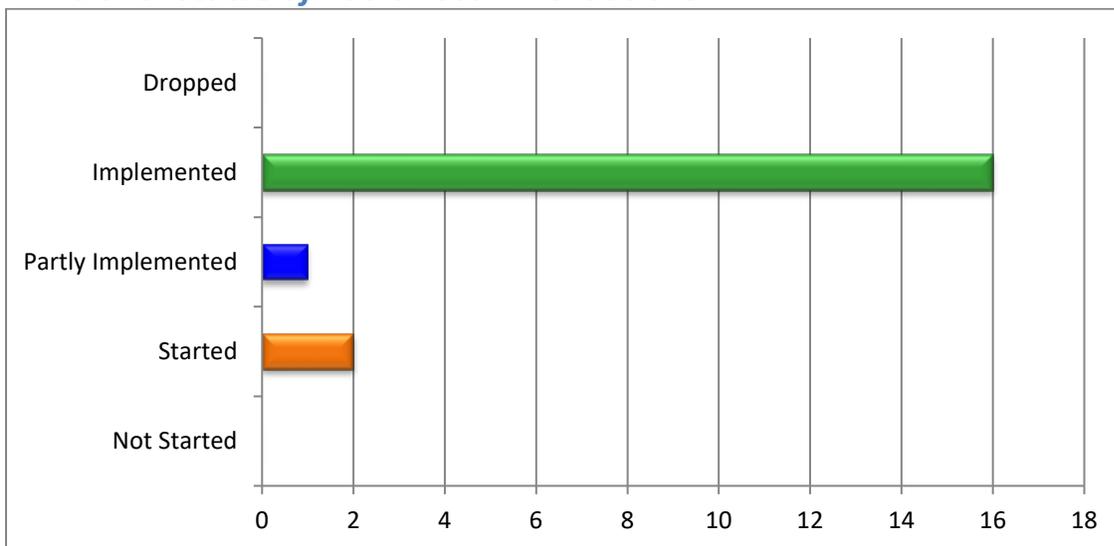
Finding 3: The City should improve controls over the Master Vendor File to increase data integrity and prevent fraud

#8 Verify the legitimacy of new vendors before adding them to the Master Vendor File.
☑ Implemented New ABCDs system requires vendors to supply details of their business and appropriate tax forms before acceptance by City staff.

#11 Review the change reports on a regular basis to detect errors.
☑ Implemented ABCDs allows vendors to update their contact information via the self-service portal. Audit trail logs provide City staff the ability to view changes made by vendors.

#14 Restrict the use of special characters in vendor names.
☑ Implemented New ABCDs system requires vendors to supply details of their business and appropriate tax forms before acceptance by City staff.

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

☑ Implemented New ABCDs system requires vendors to supply details of their business and appropriate tax forms before acceptance by City staff.

#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 2019.

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 2019.

#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 Procurement has started conducting training on ABCDs for 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 make progress on all recommendations throughout 2019.

Exhibit 11: Status of Audit Recommendations
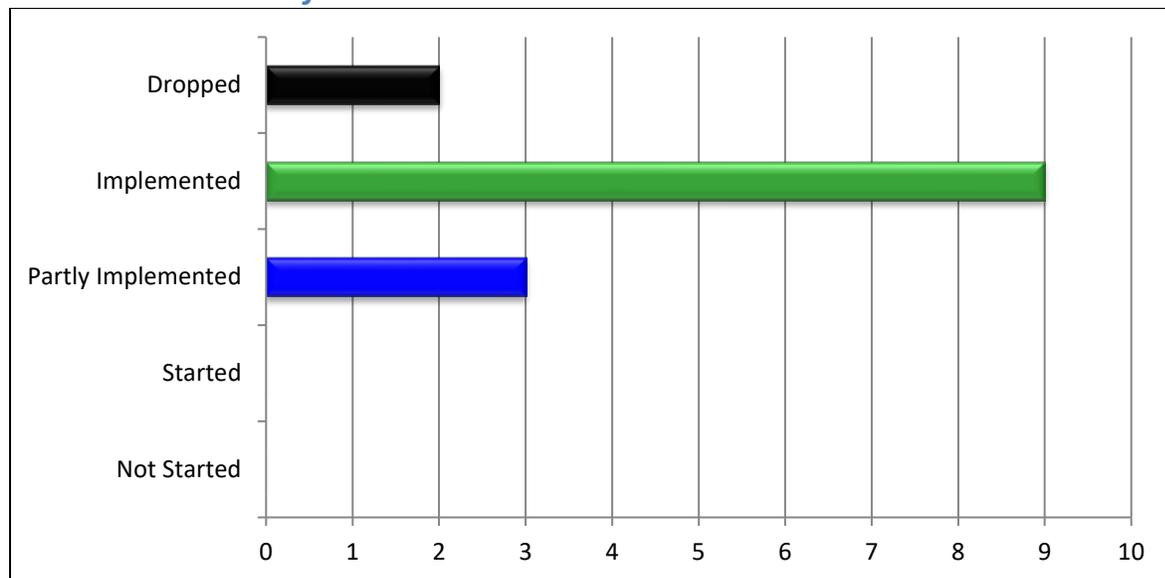
Finding 1: SHRA's Funding Practices and Project Selection Should Be More Transparent

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

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

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SHRA Staff held a workshop on the draft multifamily lending policies with the City Council on June 4, 2019 to receive feedback. The final policies are schedule to be approved Q4 2019.

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

☐ Partly Implemented According to SHRA, the first in a series of stakeholder meetings was held in January 2017. On September 12, 2017 staff released draft revised Policies. After incorporating public comment, staff released a second draft of the Policies on October 11, 2017. A Sacramento Housing and Redevelopment Commission workshop was held to receive public comments on October 25, 2017. SHRA Staff held a workshop on the draft multifamily lending policies with the City Council on June 4, 2019 to receive feedback. The final policies are schedule to be approved Q4 2019.

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

☐ Partly Implemented In 2016 SHRA began publishing project submission with deadline information as part of the annual budget process. In addition, submission criteria is posted on the SHRA website and updated annually. The first in a series of stakeholder meetings was held in January 2017. On September 12, 2017 staff released draft revised Policies. After incorporating public comment, staff released a second draft of the Policies on October 11, 2017. A Sacramento Housing and Redevelopment Commission workshop was held to receive public comments on October 25, 2017. SHRA Staff held a workshop on the draft multifamily lending policies with the City Council on June 4, 2019 to receive feedback. The final policies are schedule to be approved Q4 2019.

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 to June 2019, the 311 Call Center is working with the Information Technology (IT) Department to implement a new customer relationship management (CRM) system, Salesforce Service Cloud. According to the Division, the system has extensive capabilities and will be able to address data integration issues and service escalation concerns addressed in the audit.

Exhibit 12: Status of Audit Recommendations
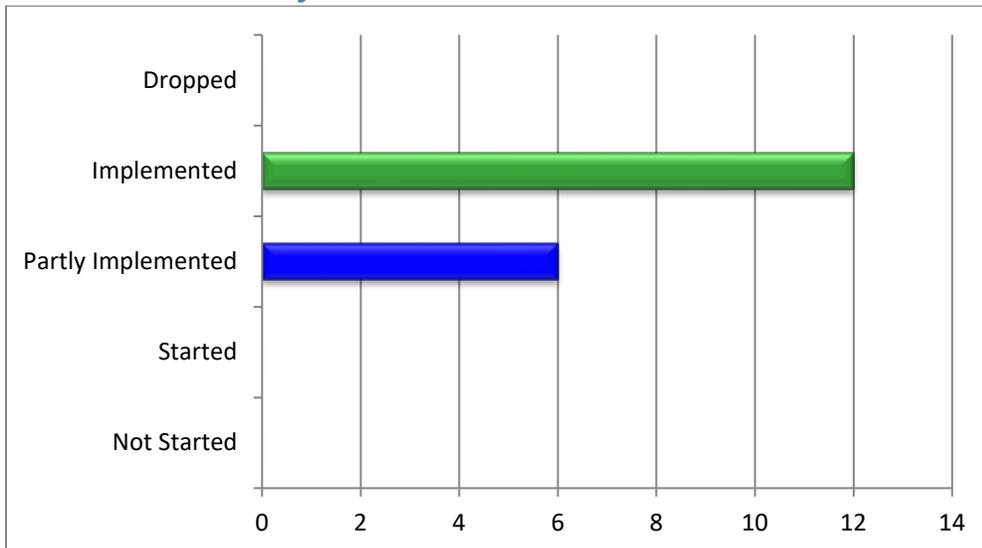
Finding 1: The Call Center is Unable to Meet Its Current Service Level Goals

#1 Review 311 Call Center staffing levels and ensure it is staffed to meet service level goals.
☐ Partly Implemented According to the Division Manager, the 311 Call Center performed a staffing analysis and found that the Call Center was understaffed and was unable to meet its service level goal of answering 80 percent of calls in 60 seconds. The Division's request for six additional full-time equivalent employees was approved for FY 2019/20. The Division is recruiting for the positions.

#7 Evaluate supervisor-to-agent and support staff-to-agent levels and consider increasing the number of supervisory and support staff in the 311 Call Center to be more in line with similarly sized 311 Call Centers.
☑ Implemented According to the Division Manager, the staffing analysis found the 311 Call Center has three Supervisors and three Specialist positions supporting 35 agents. The Division identified that its supervisor-to-agent and support staff-to-agent levels appears to be in line with comparable cities such as Denver, San Francisco, and Wichita.

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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 Division's request for funding to replace the existing mobile application was approved as part of the FY 2019-20 budget. The Division is working with IT to find a solution later this year.

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

☐ Partly Implemented The Division is working with IT to implement Salesforce Service Cloud that enables web-chat functionality and notifies users about incidents that have already been reported to the 311 Call Center.

#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 Division has replaced a number of systems since the release of the audit which required the integration process to start over. Specifically, Witness is no longer in use, Siebel has been replaced with Oracle Service Cloud, and soon, Oracle Service Cloud will be replaced with Salesforce Service Cloud (a customer relationship management system). In addition, Cisco is being upgraded. Once the Cisco and the Salesforce Service Cloud projects are implemented, the Division can begin to integrate data between various systems to gain insight and identify processes to improve customer service.

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

☐ Partly Implemented The Customer Information System (CIS) has been replaced with Customer Care and Billing (CCB). CCB has the ability to integrate with the Salesforce Service Cloud and will able to help agents with processing service requests.

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

☐ Partly Implemented With the implementation of Salesforce Service Cloud, escalation forms will no longer be needed. All City departments will either have access to Salesforce Service Cloud or will have workorder system integrations that will allow them to update Salesforce once they have reviewed, addressed, and closed-out service requests.

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 2019 to June 2019, the status of the recommendations did not change from the previous reporting period. Implementation of the Mobile Device Policy has halted the progress of many of the recommendations. As shown in the exhibit below, we designated 8 recommendations implemented (44.5%), 8 recommendations partly implemented (44.5%), and 2 recommendations as started (11%).

Exhibit 13: Status of Audit Recommendations
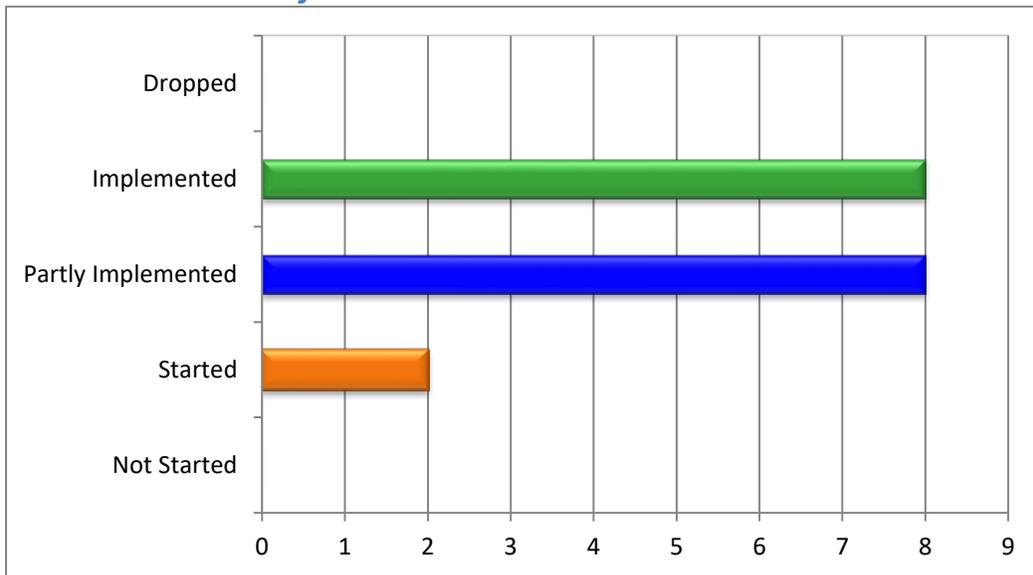
Finding 1: Improving How the City's Wireless Device Program is Administered Could Potentially Save the City $291,600 and Decrease the Risk of Abuse

#1 Establish controls to monitor overage charges.

☐ Partly Implemented The Information Technology (IT) Department implemented a mobile management application, NexTEM, to monitor wireless overage charges. In addition, the IT Department also sends monthly bills and quarterly usage details (including zero usage and overage changes) to departments for review. Department heads or their designees are responsible for reviewing monthly charges and making appropriate plan changes as required in the Mobile Device Policy. The policy is in draft form and has yet to be implemented. No progress has been made on this recommendation during this reporting period.

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

☐ Partly Implemented IT implemented a mobility management application to monitor monthly wireless charges. In addition, monthly bills and quarterly wireless usage details are available for management review. The IT Department has developed a Mobile Device Policy assigning department heads or their designees responsibility for reviewing and approving monthly vendor charges. Also, the IT Department implemented the Mobile Device Management solution that will provide better controls in monitoring, inventory, and securing the City's mobile devices. The policy is in draft form and has yet to be implemented. No progress has been made on this recommendation during this reporting period.

Finding 2: Wireless Device Policies are Insufficient

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

☐ Partly Implemented The IT Department has developed formal policies and procedures as part of the Mobile Device Policy. The policy is in draft form and has yet to be implemented. No progress has been made on this recommendation during this reporting period.

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

☐ Partly Implemented The IT Department will review and update the formal policy on an annual basis once it has been finalized and implemented. The policy is in draft form and has yet to be implemented. No progress has been made on this recommendation during this reporting period.

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

☐ Partly Implemented Roles and responsibilities of all players in the management of the City's wireless communication devices will be delineated in the formal Mobile Device Policy. The policy is in draft form and has yet to be implemented. No progress has been made on this recommendation during this reporting period.

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

☐ Started The IT Department developed a wireless communication request form. The request form is also addressed in the Mobile Device Policy. The policy is in draft form and has yet to be implemented. No progress has been made on this recommendation during this reporting period.

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

☐ Started The IT Department developed a wireless communication device request form to provide to existing employees with City-issued devices. The request form is also addressed in the Mobile Device Policy. The policy is in draft form and has yet to be implemented. No progress has been made on this recommendation during this reporting period.

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

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

and has yet to be implemented. No progress has been made on this recommendation during this reporting period.

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

☐ Partly Implemented Alerts are now sent to management when changes are made in the Mobile Device Management system. Wireless communication device request form will help prevent inappropriate orders. The IT Department also sends monthly charges to departments for review. Responsibility for reviewing changes and charges are assigned in the Mobile Device Policy. The policy is in draft form and has yet to be implemented. No progress has been made on this recommendation during this reporting period.

Finding 3: Inventory Records are Incomplete and Inconsistent

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

☐ Partly Implemented The IT Department continues to utilize the KACE system to manage all IT hardware equipment inventory and is currently selecting a random sample of 400 inventory items every quarter and tracking the items down to ensure inventory information is up-to-date. No progress has been made on this recommendation during this reporting period.

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

The *Audit of Fire Department Inventory System and Narcotics* contained three findings and made 19 recommendations aimed at improving the accuracy and accountability of the Fire Department's Emergency Medical Services (EMS) inventory systems. The audit, which was released in August 2014, provided both a high-level assessment of the newly acquired Operative IQ inventory management system and a comprehensive analysis of the existing narcotics inventory system. A Medical Supply Working Group (MSWG) was established in October 2017 to establish consistent policies and provide guidance on the Department's inventory management.

Of the 19 recommendations, 13 (68%) have been implemented or partly implemented. One recommendation was dropped.

Exhibit 14: Status of Audit Recommendations
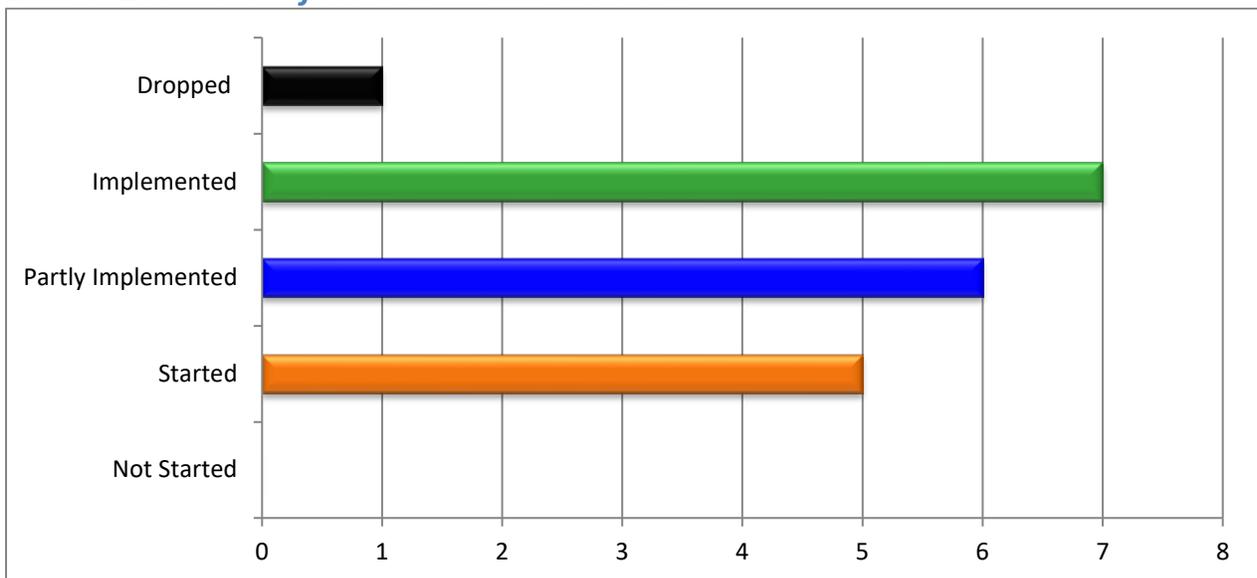
Finding 1: The Fire Department should implement inventory management best practices to improve accountability and accuracy

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

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

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

☐ [Started](#) The MSWG is working towards developing par levels for counting and maintaining inventory, but has not yet established specific performance goals for the inventory system.

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

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

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

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

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

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

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

☐ Started Inventory processes are still being developed and tested.

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

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

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

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

#9 Perform ongoing reviews of system access.

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

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

☐ Partly Implemented Some key reports have been created to monitor inventory ordering and supply levels.

#11 Set up automatic delivery of key reports.

☐ Partly Implemented Some key reports have been created to monitor inventory ordering and supply levels.

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.

The IT Department drafted updated IT policies that address many of the audits recommendations; however, the policy has not yet been 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 15: Status of Audit Recommendations
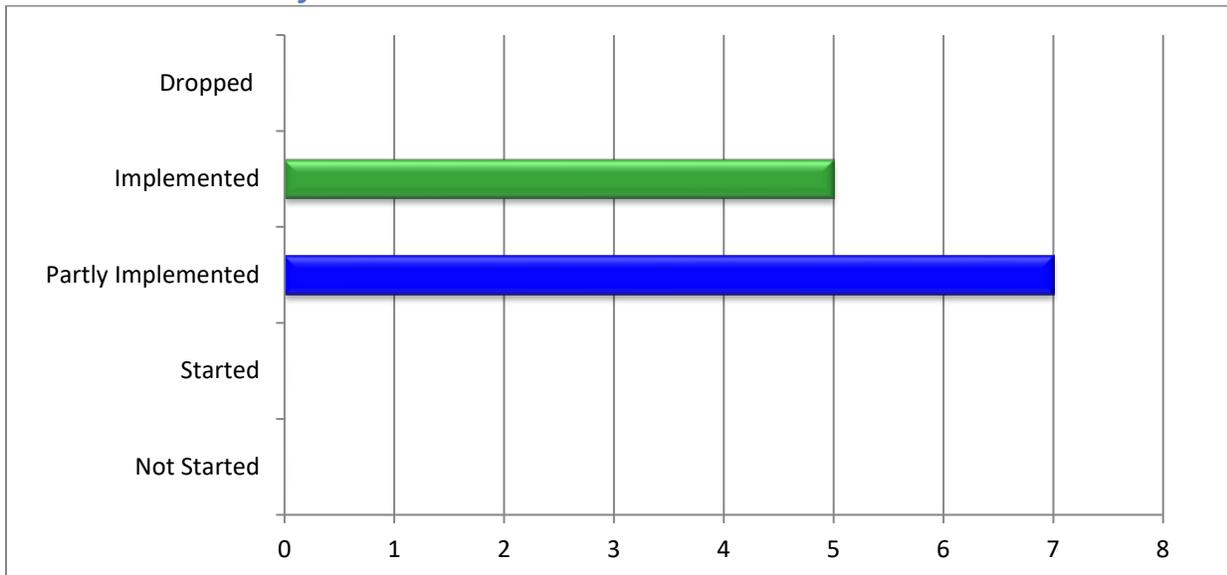
Finding 1: The Information Technology Department's inventory system contains significant errors and omissions

#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 process of being adopted.

#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 process of being adopted.

#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 process of being adopted.

#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 process of being adopted.

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 16, we designated 13 recommendations implemented (76%), 2 recommendations partly implemented (12%), and 2 recommendations as started (12%).

Exhibit 16: Status of Audit Recommendations
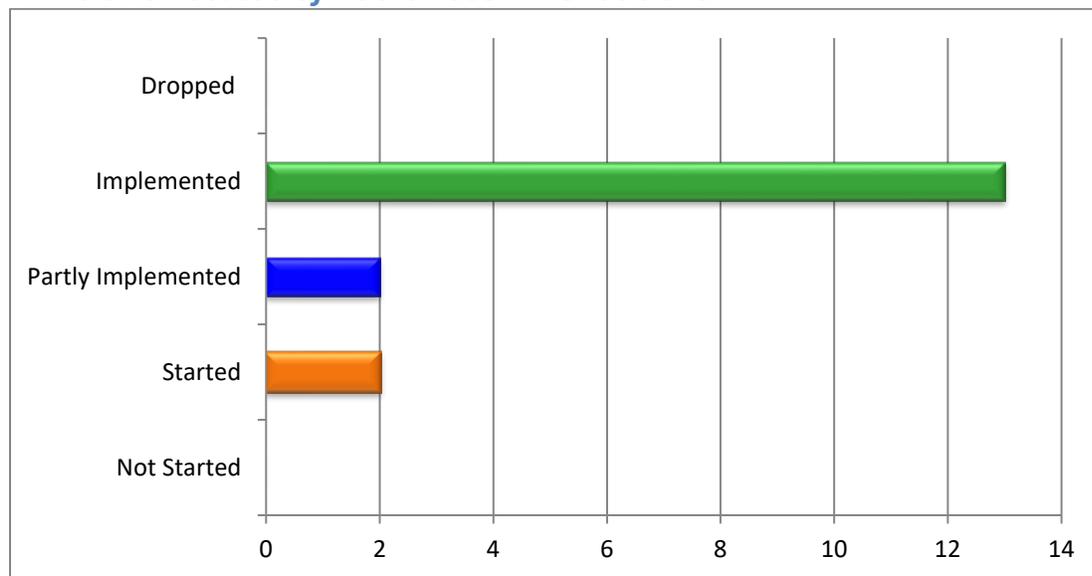
Finding 2: The City Could Reduce its Costs by an Estimated $336 Thousand Annually if it Discontinued Compounding the Paramedic Incentive

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. The Human Resources Department's Labor Relations Division began negotiations with the Sacramento Area Firefighters, Local 522 labor union in January 2019. A final negotiated contract had not been signed by the end of this reporting period.

Finding 3: Controls Over Employee Time Reporting Must be Improved

We recommend that the Fire Department:

#9 Create a policy and procedure for recording supervisor approval of individual employee time.
☐ Partly Implemented According to the Fire Department, City IT has met with Kronos and plans to implement fixes to move SFD Telestaff to version 6.0. In addition, the Department is working with City IT to determine the ability to use Telestaff's interface with eCAPS in order to utilize eCAPS' supervisor approval process. It is anticipated that one of these approaches will provide supervisors the ability to record approvals in a time keeping system. Once the approach has been determined, an implementation plan will need to be developed which will include testing, updating policy and procedures, employee training, and deployment. According to the Fire Department, they current review weekly payroll exception reports provided by Fire Human Resources staff and require exception approvals. However, a formal policy and procedure has not yet been drafted. No progress has been made on this recommendation during this reporting period.

#10 Discontinue allowing any employee to have administrative access to both Telestaff software and server, and create a policy to prevent it in the future.
☐ Partly Implemented The practice of employees having administrative access to both the Telestaff software and server has been discontinued. The Department has requested assistance from City IT to develop an administrative access policy and are awaiting a Citywide policy. No progress has been made on 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, City IT has met with Kronos and plans to implement fixes to move SFD Telestaff to version 6.0. The previous upgrade did not provide the functionality needed. Future iterations will allow a more tiered access to administrative controls. No progress has been made on this recommendation during this reporting period.

Post Audit Summary of Citywide Purchase-Card Use

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

Since the publication of the audit, Procurement Services has drafted a comprehensive Purchasing Card Policy and Program Handbook. During the reporting period of January to June 2019, the Division made updates to the Policy Manual which will serve as an authorities document for all purchase users. As shown in the Exhibit below, we designated 6 recommendations implemented (43%), and 8 recommendations partly implemented (57%). Nearly all of the recommendations are in the final stages being implemented, pending formal adoption of the Policy Manual.

Exhibit 17: Status of Audit Recommendations
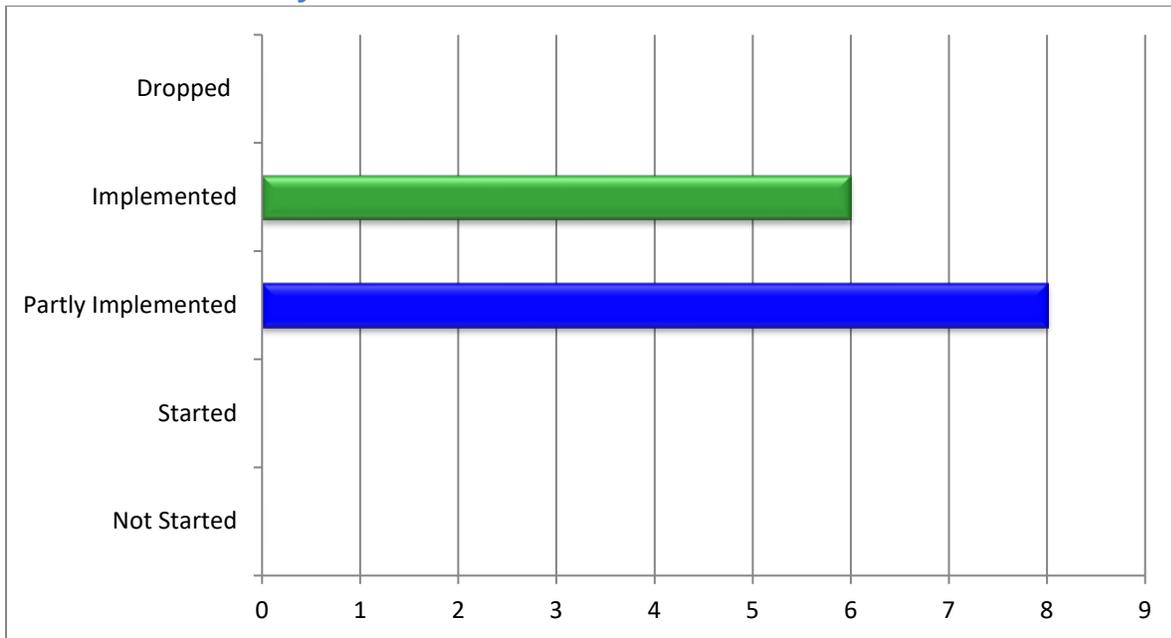
Finding 1: While transactions reviewed did not reveal extensive personal purchases, some charges violated policy and lacked complete support

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

☐ Partly Implemented   A Missing Receipt Form is available to City employees via the Procurement Department's intranet.

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 Policy Manual, pending formal adoption, has been updated to be consistent with other City policies.

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

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

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

☐ Partly Implemented The Policy Manual, pending formal adoption, is designed to be reviewed annually to reflect applicable policy changes.

#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 Division is creating an annual training course to be completed by all cardholders.

#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 Division is creating an annual training course to be completed by all cardholders.

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

☐ Partly Implemented The Division transitioned to a new p-card management platform and is working on revising procedures to perform surprise p-card audits.

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

☐ Partly Implemented The Policy Manual, pending formal adoption, specifies strengthened controls and additional clarification regarding prohibited uses of P-cards.

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.

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

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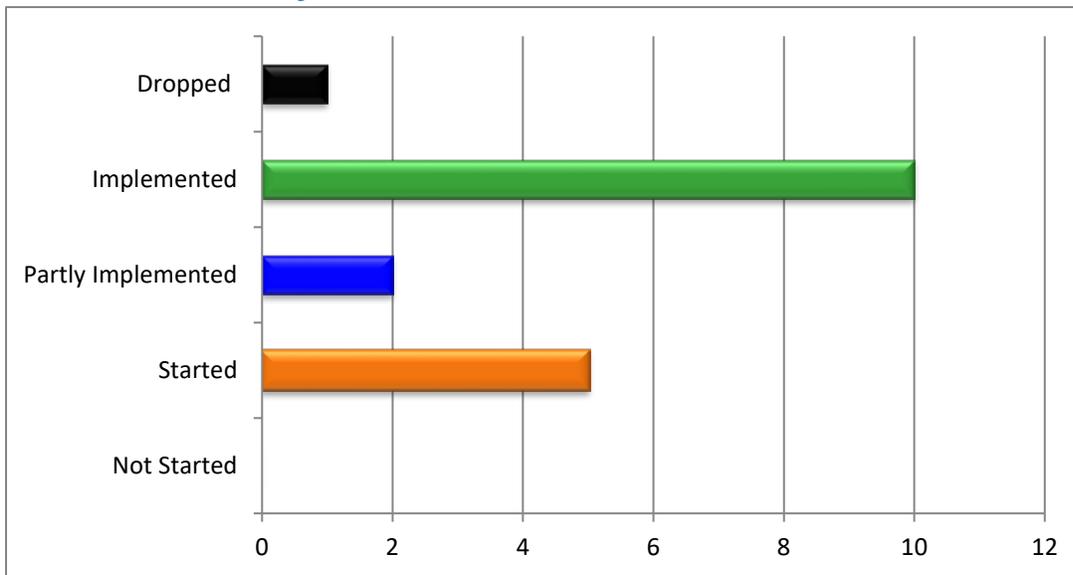
Finding 1: Removing and not replacing the City's light-duty vehicles that were driven less than 6,000 miles per year could yield more than $5 million in onetime and future benefits, with most of these benefits generated through avoided vehicle replacement

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

☐ Partly Implemented 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 management is working with the vendor on some functionality questions and is currently using the system for the FY2019/20 replacement budget. The system will be used to generate the FY2020/21 budget as that process begins in the October/November time frame. We will test the system during the next recommendation follow-up to confirm that the CAM module has been fully implemented and addresses the issues raised in the audit report.

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 No new progress was made for this recommendation during the January to June 2019 period. The City continues to work with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

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

☐ Started No new progress was made for this recommendation during the January to June 2019 period. The City continues to work with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

#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 No new progress was made for this recommendation during the January to June 2019 period. The City continues to work with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations

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

☐ Started The City's IT department developed a new, up-to-date, interactive color map for HR where individuals can type in an address and verify if an employee lives within the designated area. You can see the maps on Labor's Nexus FAQs, Question 9. The City continues to work with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

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

☐ Started No new progress was made for this recommendation during the January to June 2019 period. The City continues to work with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

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

☐ Partly Implemented No new progress was made for this recommendation during the January to June 2019 period. 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 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 Citywide Policies and Procedures

The City Auditor's *Audit of Citywide Policies and Procedures* contained fourteen recommendations to improve employee accountability, operations, and provide more consistent direction. The audit, which was released in July 2011, assessed the condition of citywide policies and procedures.

Since the audit's release, the City Clerk's Office has worked towards implementing the recommendation made in the audit. During the reporting period of December 2018 to June 2019, we designated the recommendations as partly implemented as shown in Exhibit X.

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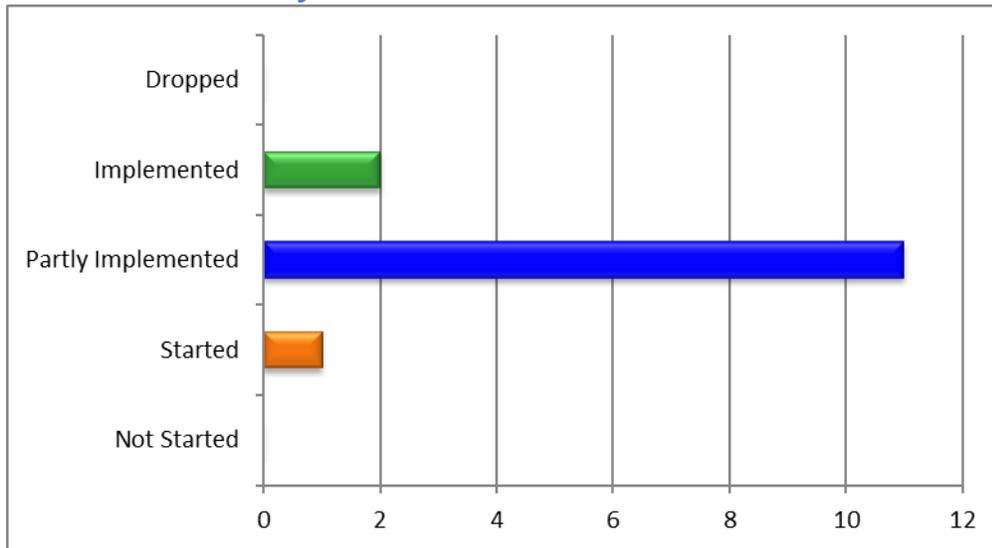
Finding 1: While the City has a System for Establishing Policies & Procedures, it is Generally Circumvented

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

☑ Partly Implemented The APPs software was retired 7/26/19. As of August 1, 2019, PolicyStar will replace APPs. All documents referred to or related to policies and procedures will be routed through the workflow concurrently though the process. It is the role of the Policy Coordinator to review all submittals to ensure that any referenced materials are also submitted for review.

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

☑ Partly Implemented AP-1001 was retired in 2016 and a new policy will replace AP-1001. The new policy, which documents the policy process, has been drafted and will be submitted for review.

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

☑ Partly Implemented The determination of the roles, responsibilities, and identification of subject matter experts have been identified but are in the process of being documented.

#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 PolicyStar has designated and defined roles such as Policy Coordinator, Policy Authors, and others. The new policy will define roles and access privileges.

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 Policy Coordinator is working with department managers to identify any policies that might be missing from the policy library or areas where new best practices or statutory regulations may require the revision of policies.

#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 A policy has been drafted to replace AP-1001. The new policy will require department directors and division managers to establish basic principles or rules over key operational areas.

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

☑ Started A staff person has been assigned to complete this research and it is currently underway. The research and findings complete by early September.

#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 Once the research from recommendation #11 is complete the findings will be compared to the City's existing policies to identify if the city is missing any essential policies and a workplan will be developed if necessary.

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

☑ Implemented Policies that have successfully completed the PolicyStar workflow, will upon completion of signing, be automatically transferred to CCM. Documents will be versioned as appropriate and maintain permanent retention. Policies and procedures are categorized into seven categories:

• Administration & Management
• Fiscal
• Personnel
• Procurement
• Technology
• Operations & Maintenance
• Real Property

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

☑ Partly Implemented A policy has been drafted to replace AP-1001. The new policy will provide a clear description of how to process, integrate, and access policies and procedures.

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

☑ Partly Implemented Policies that were previously stored on Nexus (previously CityNet) have been removed. Policies can be accessed on Nexus or the City's website, but only via a link to the repository which displays on the current version. As the new software is established, the Policy Coordinator will facilitate the review and the Department Director will perform the review of the outdated policy.

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

☑ Partly Implemented A policy has been drafted that defines the duties of a Policy Coordinator. Their duties include submitting policies and procedures for review using the City's approved Policy and Procedure workflow and requesting appropriate feedback from the policy review team.

#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 new software will have automated reminders sent once a policy is ready for review. All policies and procedures to be reviewed no less than every two years. The automated reminder will notify the Policy Coordinator and the original author of the policy. Department Heads will receive a list of all the policies and procedures attributed to their department for review.

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.

☑ Implemented The City Manager's office has assigned a PolicyStar Manager to collaborate with department staff on all citywide policies and procedures.

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 July 2018 to December 2018, the department worked with Delta Dental and VSP to update enrollment data for retiree plans. As shown in the exhibit below, we designated 23 recommendations implemented (82%) and 4 recommendations partly implemented (14%). One recommendation was dropped as it was not adopted during negotiations with Local 522.

Exhibit 20: Status of Audit Recommendations
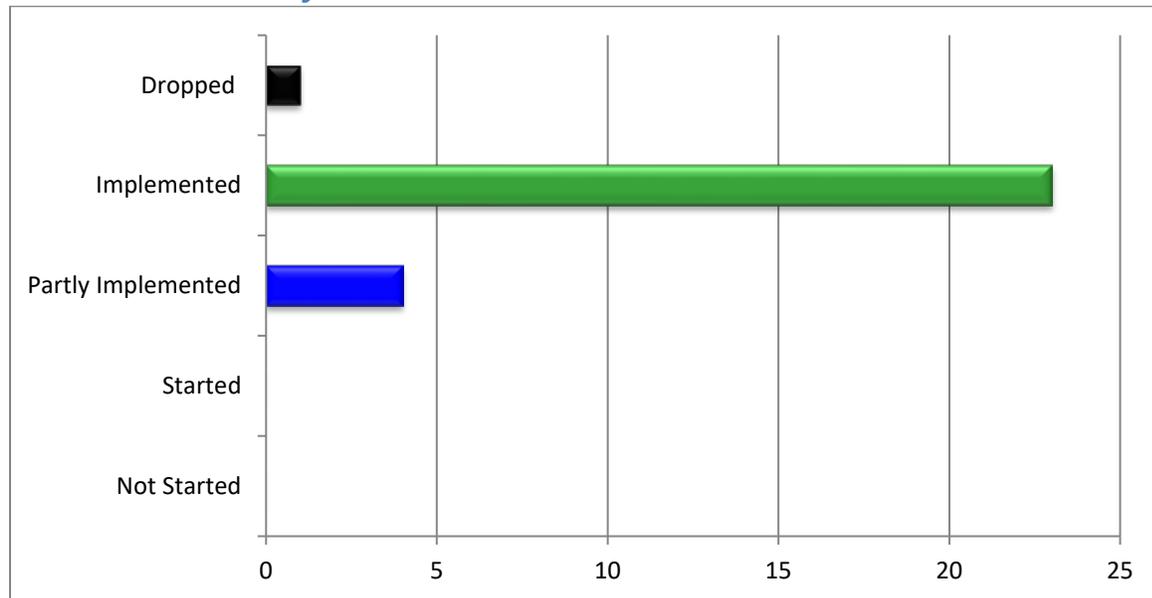
Finding 2: The City's Current Methods For Determining Premium Amounts and Shares Need Improvement

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

☐ [Partly Implemented](#) No progress was made for this recommendation during the January to June 2019 period.

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

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

☑ Partly Implemented Human Resources performed another review of Delta Dental retiree enrollment data to prepare for the transition to self-billing. In addition, the department worked with VSP to update dependent enrollment data for retiree vision plans.

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 No progress was made for this recommendation during the January to June 2019 period.

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

☐ Partly Implemented No progress was made for this recommendation during the January to June 2019 period.