City of

SACRAMENTO

Budget and Audit Committee Report

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File ID: 2019-00193   April 2, 2019   **Discussion Item 04**

Title: City Auditor's Recommendation Follow-Up Report for the Six-Month Period Ending December 31, 2018

Location: Citywide

Recommendation: Pass a Motion: 1) accepting the City Auditor's Recommendation Follow-Up Report for the July 1, 2018 to December 31, 2018 period; and 2) forwarding to City Council for final approval.

Contact: Jorge Oseguera, City Auditor, (916) 808-7270, Office of the City Auditor

Presenter: Jorge Oseguera, City Auditor, (916) 808-7270, Office of the City Auditor

Attachments:
1-Description/Analysis
2-City Auditor's Recommendation Follow-Up Report for the Six-Month Period Ending December 31, 2018

Matthew Ruyak, Assistant City Attorney   Mindy Cuppy, City Clerk   John Colville, City Treasurer
Howard Chan, City Manager

Description/Analysis

Issue Detail: According to the City Council Rules of Procedures, the Budget and Audit Committee shall receive, review, and forward to the council as appropriate, reports, recommendations, and updates from the City Auditor. This report details the implementation status of open audit recommendations during the first half of fiscal year (FY) 2018/19.

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

Economic Impacts: None.

Environmental Considerations: None.

Sustainability: None.

Commission/Committee Action: None.

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

Financial Considerations: The cost of the Recommendation Follow-Up Report was funded out of the FY2018/19 Office of the City Auditor budget.

Local Business Enterprise (LBE): Not applicable.

Report 2018/19-08   April 2, 2019

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

Honorable Members of the Budget and Audit Committee:

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

In November 2018, the Sacramento City Government Accountability and Efficiency Act (Measure K) was passed by Sacramento City voters and established the Office of the City Auditor as a Charter Office. The measure also incorporated Independent Budget Analyst responsibilities under the Office of the City Auditor. As a result, the combined budget for both the Office of the City Auditor and the Independent Budget Analyst was approximately $1,345,000. Although the two functions were combined during part of the reporting period, this report does not yet incorporate work done by the new division.

In accordance with the City Auditor's approved Fiscal Year (FY) 2018/19 Audit Plan, we prepared a report of the status of open recommendations for the six months ending December 31, 2018. To prepare this report, we met with department staff, reviewed documentation provided by departments, and performed testing to determine implementation progress.

We categorized recommendations by Auditee progress:

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

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

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

While much of our work aims to identify financial benefits, they 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 or the benefit of having policies in place that reduce the City's overall risk. We expect that most of our work will yield both financial and non-financial benefits. In cases in which the financial benefits are not easily quantifiable, we will include a narrative section in the Post Audit Recommendation Follow-up Report about potential non-financial benefits.

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

Respectfully submitted,

Jorge Oseguera

Exhibit 1: Potential City Benefit and Recommendation Status

Report Title	Date Issued	Potential City Benefit	Estimated Realized Benefit	# of Rec's Made	Not Started	Started	Partly Implemented	Implemented	Dropped
2017-18 Audits									
Utilities Workplace Safety	May 2018	Reduce Liability		22	2	16	2	2	0
2017 Audit of the City's Gender and Ethnic Diversity	Jan 2017			3	0	0	0	3	0
YPCE Strategic Planning and Employee Benefits Management	Nov 2017	$186,000		20	3	9	3	5	0
Medical Marijuana Dispensaries	Oct 2017	$417,700	$ 33,223	20	0	2	5	13	0
Procurement for Services $25,000 or less	Sep 2017	$6,034	$ -	32	1	29	1	1	0
Utilities Inventory	Jul 2017	$663,500	$24,024	23	0	8	2	13	0
2016-17 Audits									
Diversity Assessment of Boards, Committees, and Commissions	Apr 2017			1	0	0	0	1	
Fire Department Overtime Use	Feb 2017	$9,258,396		18	7	5	2	4	0
Risk Management Division	Nov 2016	$1,250,000	$535,031	17	0	3	1	12	1
Utilities Labor Reporting	Oct 2016	$998,100	$230,041	26	1	5	4	12	4
2015-16 Audits									
ESC Local Hiring	Feb 2016			8	0	0	0	8	0
City Master Vendor List	Dec 2015	$160,000	$57,600	19	0	5	2	12	0
SHRA	Sep 2015	Improve Service		14	0	0	3	9	2
Sexual Harassment Policy	Sep 2015	Reduce Liability		10	0	0	0	10	0
2014-15 Audits									
311 Call Center	May 2015	Improve Service		18	0	0	7	11	0
Sidewalk Repair Process	Nov 2014	$300,000		12	0	0	0	12	0
Wireless Communications	Aug 2014	$291,600	$20,000	18	0	2	8	8	0
Fire Inventory and Narcotics	Aug 2014	Reduce Liability		19	0	5	6	7	1
2013-14 Audits									
City Inventory Systems	Apr 2014	$288,000		12	0	0	7	5	0
Employee Supplemental Pay	Dec 2013	$336,000		17	0	2	2	13	0
2012-13 Audits									
Citywide Purchase Card Use	Oct 2012	Reduce Liability		14	0	0	8	6	0
Sacramento Regional Sports Education Foundation	Sep 2012	$400,000	$240,000	8	0	0	0	0	8
Audit of the Fire Prevention Program	Aug 2012		$1,150,000	22	0	0	0	22	0
2011-12 Audits									
Utility Billing Review	Jun 2012	$1,300,000	$12,307,097	11	0	0	0	11	0
AB 1825 Compliance	Jun 2012	Reduce Liability		9	0	0	0	9	0
Whistleblower Hotline Assessment	Feb 2012	Reduce Fraud		2	0	0	0	2	0
Fleet Management	Dec 2011	$6,100,000	$2,800,000	18	0	5	2	10	1
Municipal Golf Revenue and Expenditure Analysis	Sep 2011	$500,000	$500,000	0	0	0	0	0	0
Revenue Collections	Jul 2011	$3,600,000	$40,000	12	0	0	0	12	0
Citywide Policy and Procedures Assessment	Jul 2011	NA		22	0	0	14	7	1
2010-11 Audits									
DOU Operational Efficiency and Cost Savings Audit	Jun 2011	$8,641,000	$2,846,000	27	0	0	0	19	8
Audit of Employee Health and Pension Benefits	Apr 2011	$16,000,000	$7,470,000	28	0	0	4	23	1
Performance Audit of CDD	Oct 2010	$2,300,000		40	0	0	0	39	1
Total		**$52,996,330**	**$28,253,016**	**542**	**14**	**96**	**83**	**321**	**28**

Auditor Note: Yellow highlights indicate recommendations that have been outstanding for more than 5 years. Green highlights indicate an audit that has implemented all recommendations.

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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 2 recommendations and made progress towards implementing 18 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
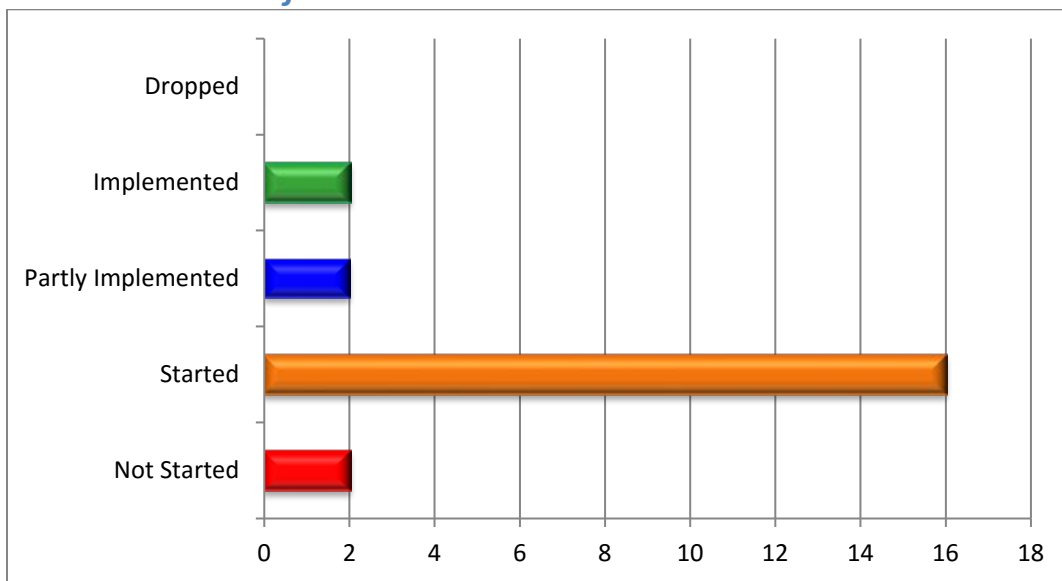
Finding 2: The Department of Utilities Lacks Sufficient Controls Over the Administration and Use of Safety and Personal Protective Equipment

#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 department has identified high level gaps and are currently updating these policies. One such policy is the department's gas monitoring policy. Upon approval of the gas monitoring policy, the Standard Operating Procedures (SOPs) will be completed and submitted to the Unions for review. A meeting regarding the gas monitoring policy with Local 39 and the Labor Relations Division is set for January 2019.

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

☑ Started The department has identified high level gaps and are currently updating these policies. One such policy is the department's gas monitoring policy. Upon approval of the gas monitoring policy, the Standard Operating Procedures (SOPs) will be completed and submitted to the Unions for review. A

meeting regarding the gas monitoring policy with Local 39 and the Labor Relations Division is set for January 2019.

#3 Establish a process for periodically inspecting safety equipment.

☑ Started The Wastewater and Drainage Division have created a new process for periodically inspecting their safety equipment. The Water Division is demo'ing a new database to decide if they will place inspections into it. DOU is currently modifying and developing inspection lists for Corp Yard and Plant facilities and buildings. DOU is also modifying and developing vehicle inspection lists for Corp Yard and Plan vehicles. Additionally, DOU is developing a training plan for staff to implement these new processes.

#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. The City intends to negotiate boot reimbursement with Local 39 in the upcoming negotiations.

#5 Implement a more restrictive and thorough reimbursement process for PPE for Department of Utilities' employees.

☑ 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. The City intends to negotiate boot reimbursement with Local 39 in the upcoming negotiations.

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

☑ Started The gas monitoring policies and procedures has been sent to the Unions for review. Local 39 has requested a meeting in January 2019.

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

☑ Started his policy has been sent to the Unions for review. Local 39 has requested a meeting in January 2019. Standard Operating Procedures (SOPs) are being developed.

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

☑ Started This policy has been sent to the Unions for review. Local 39 has requested a meeting in January 2019. Standard Operating Procedures (SOPs) are being developed. Quarterly inventory is occurring. Logistics is working on their internal process to update inventory. A formal process for reviewing and clearing alerts in iNET will be 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.

☑ Started DOU is developing a check-in/check-out process for "non-drivable vehicles." DOU continues to have discussions with the Fleet Management Division regarding installing GPS tracking in "non-drivable vehicles." The Fleet Management Division is working on a solution regarding battery issues.

#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.

☑ Started The Wastewater and Drainage Division has developed a process. This process is being worked on to facilitate implementation across the entire department.

#11 Develop a plan to promote compliance with traffic laws.

☑ Implemented The Risk Management Division has developed a Driver Training plan that identified which employees should take driver training and timelines for completing training.

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

☑ Started The Human Resources Department uploaded the Distracted Driving Memo to the Citywide policies page on the City's website. Additionally, new employees are required to review and acknowledge this policy during onboarding.

#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. The Department of Utilities is using this guideline to identify employees who frequently travel for City business to provide additional driver safety training.

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).

☑ Started DOU hired a consultant to complete an initial assessment and provide templates for documenting procedures. DOU staff has revised the template to fit their needs and is in the process of obtaining information from the different DOU facilities.

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

☑ Started DOU has added check boxes within Cityworks to indicate confined space entry occurs; if checked, forms are scanned and attached to the work order. DOU is working towards a central location to store the forms; this is in process for Cityworks and then incorporation into Maintenance Connection will follow.

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

☑ Started DOU has contracted with a consultant to assist with the implementation of this audit recommendation. The consultant has generated a report and will release the report to DOU upon receipt of partial payment.

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

☑ Partly Implemented DOU has developed a tracking spreadsheet for tailgate safety meetings.

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.

☑ Started DOU has successfully completed two JHAs. The Sacramento River Water Treatment Plant and the water quality lab have forwarded SOPs to the Risk Management Division to create JHAs; these are currently in process.

#19 Develop a formal process for conducting incident investigations.

☑ Started DOU is working with the Risk Management Division to develop a formal process. This policy will include disciplinary procedures as well. Training for supervisors will occur after the policy is implemented.

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

☑ Started DOU has created an Excel template for implementation plans. This is being reviewed by the Risk Management Division. Guidelines and training for staff will be developed.

#21 Develop a formal management of change process.

☐ Not Started DOU is currently reviewing examples of management of change forms and determining how best to implement management of change best practices.

#22 Review and update departmental safety policies and procedures.

☐ Not Started DOU is working with the Risk Management Division to establish the Illness and Injury Prevention Program Safety Committee. This task will be a function of the DOU Safety Committee.

Post Audit Summary of the 2017 Audit of the City's Gender and Ethnic Diversity

The *2017 Audit of the City's Gender and Ethnic Diversity* was completed to assess the diversity of City employees as it compares to the City of Sacramento residents. The report made three recommendations to improve the process of gathering employee ethnicity and gender data and reporting to the federal government.

Since the audit's release, the Human Resources Department has implemented all of the recommendations by updating processes and developing controls. The progress made in this audit is shown in the exhibit below.

Exhibit 3: Status of Audit Recommendations
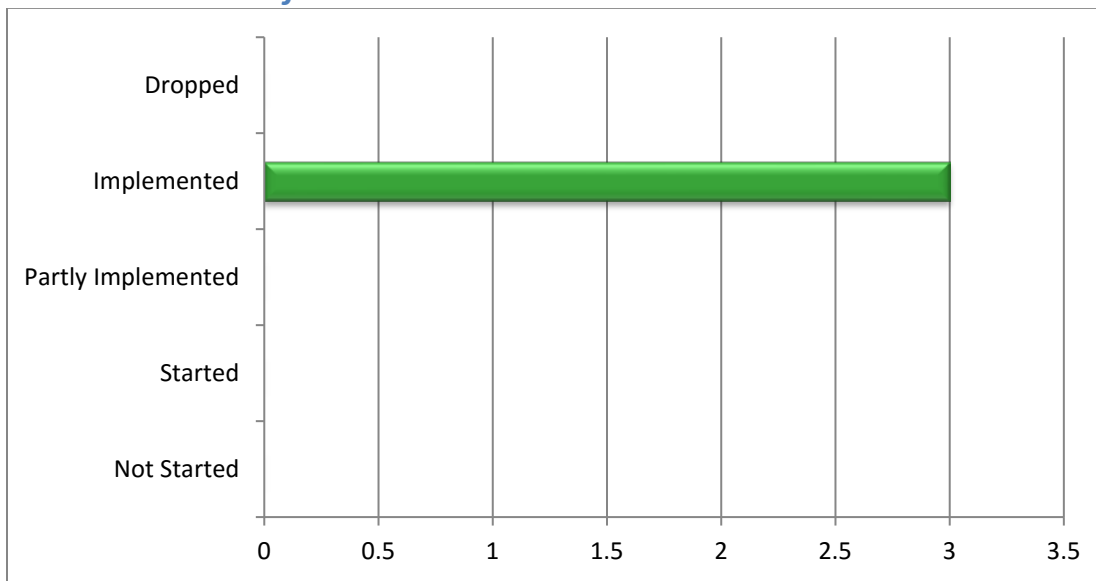
Finding 1: The Department of Human Resources Failed to Follow Federal Reporting and Documentation Requirements

#1 Develop a process to designate ethnicity and gender data for those employees who do not self-select.
☑ Implemented Most employees self-select race/ethnicity and gender categories during the application process. For the employees who do not self-select, Human Resources has developed a form as part of the orientation process so that employees may self-select. Additionally, Human Resources runs a report every two months to ensure complete data. If it is determined that some employees have still not self-selected, appropriate departments are then contacted to provide such information.

#2 Update the City's information systems and develop controls to ensure all required employees are reported to the EEOC.
☑ Implemented Human Resources determines which employees do not have race/ethnicity or gender information reported by running periodic queries. If a department has employees with missing race/ethnicity or gender information, the department is contacted to provide such information by

"visual" determination. Upon receipt of the information, eCAPS is updated with the race/ethnicity and gender information.

#3 Work with the EEOC to determine what actions, if any, are required to correct the 2017 EEO-4 report.
☑ Implemented Human Resources sent an updated EEO4 Report to EEOC on January 17, 2018. The number of reported races/ethnicities increased due to the new implemented processes.

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, 8 (40%) have been implemented or partly implemented.

Exhibit 4: Status of Audit Recommendations
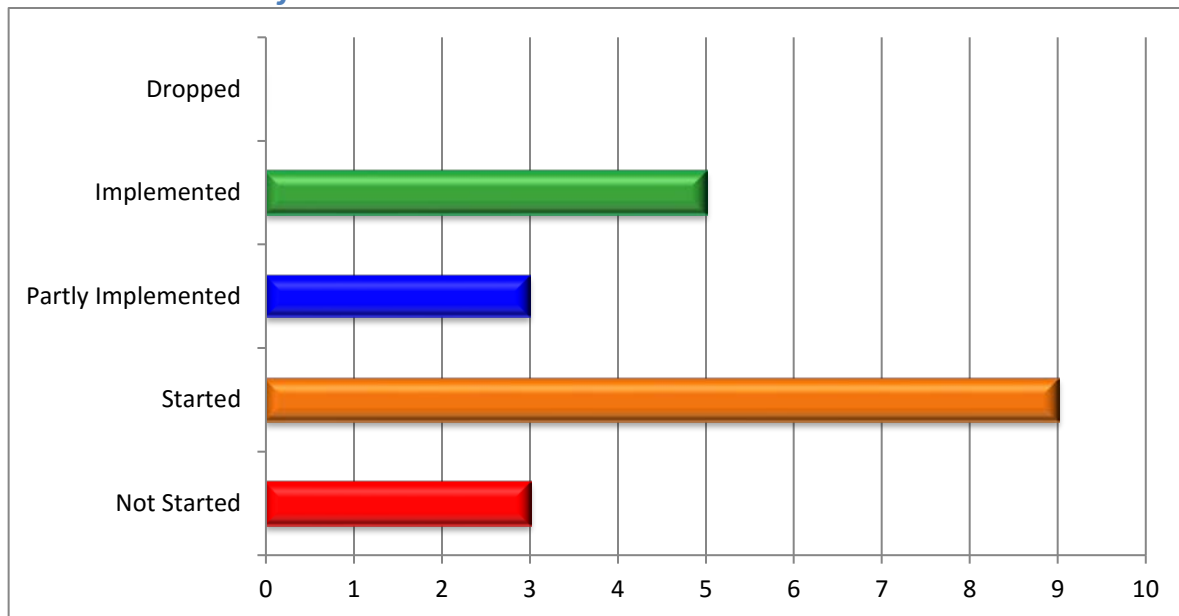
Finding 1: The Department of Parks and Recreation Has Not Updated Key Strategic Planning Guidance

#1 Update the Parks and Recreation Master Plan.

☐ Not 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.

#2 Complete the process of updating the Strategic Plan.

☑ Implemented YPCE has completed a *2018-2023 Strategic Plan* which outlines the department's core values, mission, objectives, goals, and performance measures.

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

☐ Started This recommendation will be addressed upon completion of the Strategic Plan.

#4 Conduct a needs assessment survey.

☐ Not 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.

#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.

#8 Develop programming performance measures.

☑ Implemented The Department has recently developed performance measures for all divisions, to assess and improve service delivery.

#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.

☐ Started The Department is researching the effectiveness of such a voluntary donation program, and if municipalities that have these programs also have other assessment programs concurrently.

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.

Since the last reporting period, the Office of Cannabis Policy & Enforcement (OCPE) and the Revenue Administration made great progress in addressing the recommendations identified in the audit report. Staff oversaw MuniServices audits of fifteen dispensaries, reviewed the audit reports, and performed follow up on those audit findings. Staff finalized their review of the 2017 renewal applications and will be invoicing any additional Business Operations Tax due. As shown in below, we designated thirteen recommendations as implemented (65%), five recommendations as partly implemented (25%), and two recommendations as started (10%).

Exhibit 5: Status of Audit Recommendations
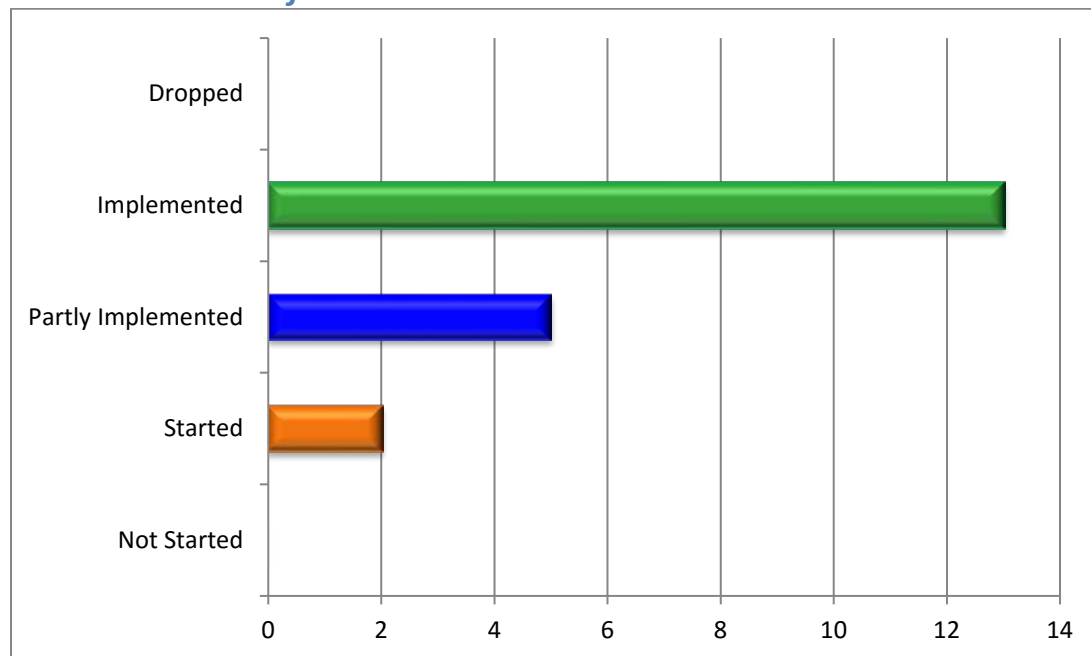
Finding 1: The Revenue Division Could Improve Its Monitoring of the Business Operations Tax (BOT) Collection Process to Better Detect Underreporting

#1 Determine why dispensaries failed to produce the requested financial and membership documentation and inspect the documentation for compliance with City Code.
☑ Partly Implemented City Code requires dispensaries to produce membership records within 24-hours of the City's request. To address the recommendation, OCPE has been in communication with the dispensaries identified in the audit to verify that all purchases and sales were to members of the collective with a valid physician's recommendation. As of December 2018, the OCPE has reported that four dispensaries lost all their data due to a direct attack on their vendor's, MJ Freeway, point-of-sale

system. In addition, one dispensary provided records to OCPE, and one dispensary's records are unavailable due to litigation.

On January 10, 2017, MJ Freeway informed the affected dispensaries that they will not have access to historic data and may experience some data loss. MJ Freeway indicated that they plan to recover the historic data and that much of their clients' data may be recovered manually. Based on MJ Freeway's statement, historic data may be impacted but patient and vendor data created after January 2017 is not affected. In our opinion, dispensaries that were impacted by the MJ Freeway data breach should have membership records and should have provided those records to demonstrate compliance with City Code.

In 2018, MuniServices performed audits of 15 dispensaries and reviewed records from January 2015 to December 2017. Our review of MuniServices audit results found that 5 out of 15 (33%) dispensaries audited did not provide MuniServices with all requested vendor documents. While we did not assess if these dispensaries were affected by the MJ Freeway's data disruption, MuniServices' audit period expands past the impacted dates and some, if not all, vendor records should have been provided to MuniServices for review. Based on our review, some of the dispensaries have not complied with the City's request for membership records which includes members and vendor records as specified in City Code. As a result, the intended review was not performed by MuniServices. The City should take measures to ensure that the dispensaries comply with requests for membership records in the future.

#2 Consider imposing penalties to encourage compliance with document requests.
☑ Implemented The OCPE worked with the Office of the City Attorney to assess penalties to encourage compliance with document requests. The Office of the City Attorney recommended the use of City Code Chapter 1.28 General Penalty to assess penalties for non-compliance.

#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.
☑ Partly Implemented According to OCPE, staff has developed a process to review dispensary applications. This includes an examination of the dispensaries' Federal and State tax returns, Profit and Loss Statements, and Business Operations Tax (BOT) payments. Staff has communicated discrepancies to the dispensaries.

#4 Perform observation tests of dispensaries to identify underreporting of gross receipts.
☐ Started According to OCPE, observation testing will be included in future audits by MuniServices.

#5 Consider collecting monies owed from the dispensaries that underreport gross receipts.
☑ Partly Implemented According to the OCPE, the department has added additional staff and established controls to evaluate dispensary financial documents to identify potential underreporting of BOT. For the 2016 reporting period, the department identified instances of underreporting of gross receipts and collected $33,150 in additional BOT. The department has reviewed dispensaries' financial documents for the 2017 reporting period and will be following up with each dispensary regarding any discrepancies.

#7 Establish a process to reconcile payments owed to payments received.
☑ Implemented The Revenue Administration Division established a process to reconcile payments owed and payments due for cannabis businesses. Monthly, the Division compares payment records (receipts,

Excel spreadsheet) to the cannabis businesses' gross receipts and note any payment or gross receipts discrepancies. Revenue Administration staff maintains payment records, gross receipts records, and reconciliation records in their shared drive.

#8 Implement controls to ensure complete reviews of MuniServices audit reports.
☑ Implemented The OCPE and the Revenue Administration Division established a MuniServices Audit Review procedure to ensure that audit findings are reviewed and addressed. All MuniServices audit reports are reviewed and signed off by the Revenue Administration staff and the OCPE staff. As needed, cannabis business will be invoiced for any Business Operations Tax due and other findings and errors will be addressed with applicable businesses by OCPE.

#9 Review and address MuniServices' audit findings regarding *River City Phoenix*.
☑ Implemented In response to the audit recommendation, OCPE requested financial documents from the dispensary and subjected the dispensary to a MuniServices audit in 2018. Staff noted the previous audit findings with Muniservices and requested the auditors to address those concerns during the second audit. River City Phoenix was cooperative and complied with the City and Muniservices' requests.

#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.

#13 Consider imposing penalties to encourage timely compliance with City Code.
☑ Implemented The OCPE worked with the Office of the City Attorney to assess penalties to encourage timely compliance with City Code. The Office of the City Attorney recommended the use of City Code Chapter 1.28 General Penalty to assess penalties for non-compliance.

#14 Engage the Office of the City Auditor to perform inspections at *All About Wellness* to assess whether the dispensary is complying with City Code and State laws.
☑ Implemented The Office of the City Auditor performed three on-site observations at All About Wellness between December 11, 2017 and December 20, 2017 and provided OCPE with audit findings. OCPE will incorporate the findings for All About Wellness into the applicable recommendations for follow-up.

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

☐ Partly Implemented According to OCPE, the department has compiled a list of Conditional Use Permit (CUP) requirements. Staff will review the conditions to identify any requirement that should be considered for addition to City Code.

#17 Reevaluate and clarify City Code regarding the timeframe associated with discontinuance of use.

☑ Implemented The OCPE worked with the Office of the City Attorney to evaluate the timeframe associated with discontinuance of use in which a dispensary may lose its permit for not operating continuously for a specific period of time. Since the release of the audit, City Code Chapter 5.150.270 has been updated extending the discontinuance of use from 30 consecutive days to 90 consecutive days or longer.

#18 Follow up on *Community Health Solutions* to determine if the dispensary is operating.

☑ Implemented Monthly inspections can help assess if dispensaries are operating in accordance with City Code and State regulations. To verify that the dispensary is operating, OCPE inspected the dispensary for 5 out of the 6 months during the July to December 2018 follow-up period.

Finding 3: The Revenue Division Could Benefit from Improved Recordkeeping and More Thorough Reviews of Dispensary Permit Applications

#19 Strengthen controls over the permit renewal application approval process to ensure that all required documentation is obtained and retained for all applicants.

☑ Implemented OCPE created a renewal checklist to ensure that all application documents are obtained and retained during the renewal process. Staff will review the checklist periodically to confirm that the checklist aligns with City Code's renewal application requirements.

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, and to determine whether existing controls were sufficient to ensure compliance with applicable laws and policies, and 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 is in the process of implementing a consolidated procurement management system known as Automated Bids, Contracts, and Digital Signatures (ABCDs). Many of the recommendations below will be implemented through or impacted by ABCDs, which the Procurement Division expects to relaunch in February 2019.

Exhibit 6: Status of Audit Recommendations
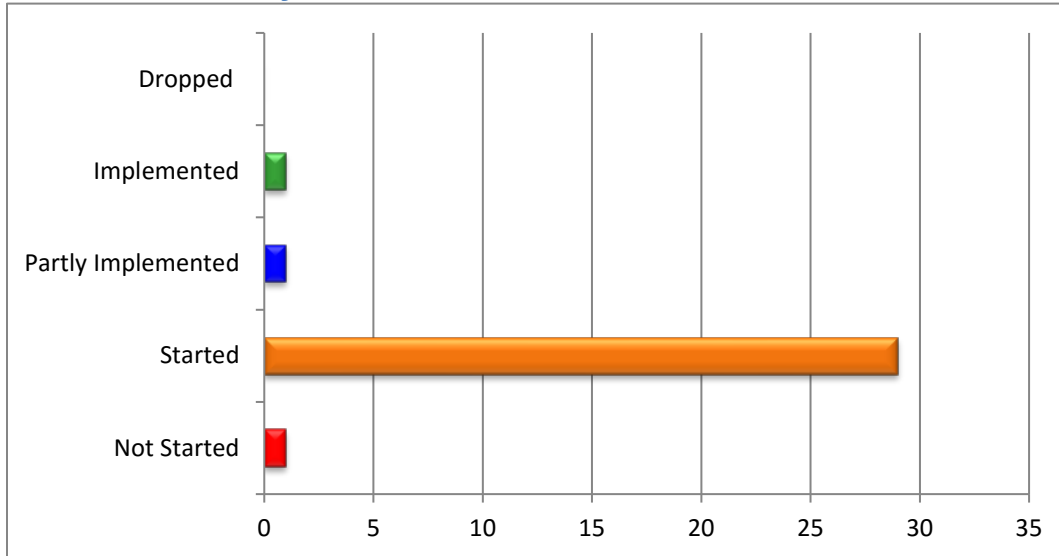
Finding 1: Procurement Guidance and Training were Insufficient to Ensure Employees Properly Procured Services on Behalf of the City

We recommend the Finance Department:

#1 Establish a code of conduct or other codified ethics, guidelines, and standards.
☑ Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently being updated. 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 drafting a consolidated and comprehensive procurement manual, which is currently being updated.

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

☑ Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently being updated.

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

☑ Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently being updated.

We recommend the Finance Department and the City Manager:

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

☑ Started Role-based access to ABCDs has been established. The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently being updated.

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

☐ Started The Procurement Division is currently reviewing City Code and policy for revisions. Once the new procurement guidance is finalized, they will review and revise the procurement training program to reflect updated 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 Division is currently pursuing a digital signature, routing, and quality review solution to replace the paper cover/routing sheet for procurement contracts.

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

☑ Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review. The Procurement Division is also currently pursuing a digital signature, routing, and quality review solution to replace the paper cover/routing sheet for procurement contracts.

We recommend the Finance Department:

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

☐ Started The Procurement Division is currently reviewing City Code and policy for revisions. Once new procurement guidance is finalized, they will review and revise the procurement training program to reflect updated procedures.

#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 plans to grant access to individual employees after they have completed applicable training. Currently, training is

required for purchase order requisition access, and more robust training/access requirements will phase in once a new procurement training program is in place. 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.

☑ Started ABCDs contract modules were in use during the testing period, which allowed access to be restricted. However, the implementation of the ABCDs program is currently delayed. This recommendation will also remain in progress until the ABCDs program is more mature and validated, and a new procurement training program is in place. 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.

☑ Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently being updated.

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

☑ Started The Procurement Division will be required to review and approve every procurement contract created using the new ABCDs contract module. As part of their review, the Procurement Division will ensure 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.

☑ Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently being updated to match the 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 the 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.

☑ Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently being updated.

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

☑ Started The Sole Source Justification is currently built into the K2 Pre-Requisition process and requires department approval and procurement review prior to award of Contract / Purchase Order. The new ABCDs contract module requires that the Procurement Division review of all contracts prior to awarding them. As part of the procurement review process, all Sole Source Justifications will be reviewed.

We recommend the City Manager:

#17 Consider a review of all currently active contracts signed by City Officers to determine the validity of those agreements and develop a plan to legitimize those agreements.

☑ Implemented The Office of the City Manager has conducted a review of all contracts which are active and signed by City Officers. Due to the lack of a consolidated repository and a lack of a comprehensive contract listing, it was not possible to compile a list of all active contracts signed before 2017. Despite this, the risk is believed to be low and the risk will continue to decrease as contracts expire. As a result of the Signing Authority Policy, which became effective on January 11, 2019, any contract supplements or new contracts should have a signature from a City Officer with the proper signing authority.

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

☐ Not started This will be incorporated into the digital signature process. Adobe Esign will go live with the ABCDs' contract module.

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 will be required to provide a valid BOTC upon a contract award. The Procurement Division is working with the Revenue Division to develop a process to monitor and review expiring BOTCs.

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

☑ Started New bidders will be required to provide a valid BOTC upon a contract award. The Procurement Division is working with the Revenue Division to develop a process to monitor and review expiring BOTCs.

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

☑ Started New bidders will be required to provide a valid BOTC upon a contract award. The Procurement Division is working with the Revenue Division to develop a process to monitor and review 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 will be required to review and approve every procurement contract created using the new ABCDs contract module after the ABCDs program is implemented.

#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 new ABCDs contract module workflow will require the Procurement Division to review all solicitations and contracts.

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

☑ Started The new ABCDs contract module workflow will require the Procurement Division to review all solicitations and contracts.

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

☑ Started Every contract will require an end date in ABCDs. Additionally, all contracts, and change requests will be reviewed by the Procurement Division.

#27 Revise contract forms to include a signature date.

☑ Started The digital signature solution will include an automatic date stamp.

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

☑ Started The new eCAPS routing and automated workflow is pending full implementation of the new ABCDs contract module. The digital signature and dating are under review. The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently being updated and will be incorporated into City staff training.

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 new ABCDs contract module workflow will ensure purchase orders are only authorized with a valid contract in place.

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

☑ Started The new ABCDs contract module workflow review will help ensure all invoices and purchase refer to a valid contract. This 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 new ABCDs contract module workflow review will help ensure all invoices and purchase refer to a valid contract, and that purchase orders and payments do not exceed contract limits. This requires continued coordination with Accounts Payable.

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

☑ Started The new ABCDs contract module workflow review will help ensure all invoices and purchase refer to a valid contract, and that purchase orders and payments do not exceed contract limits. This requires continued coordination with Accounts Payable.

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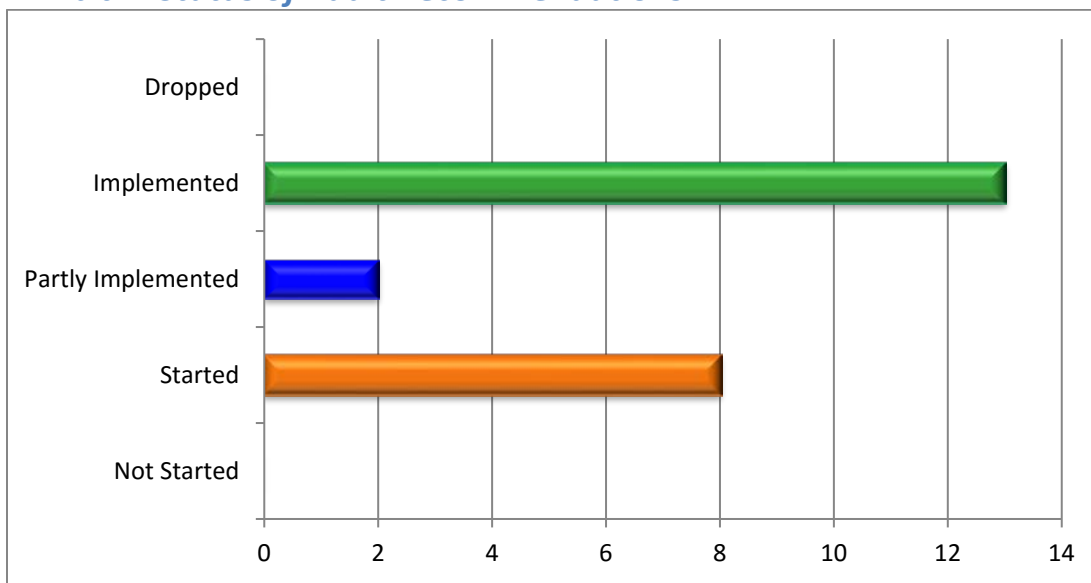
Finding 1: Strengthening the Physical Security of Department of Utilities Inventory Could Reduce the Risk of Fraud, Waste, and Abuse

#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 begin in the spring of 2019.

#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 No progress was made during this period due to staffing shortages.

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

☑ Started The tool policy is in the process of receiving approval. Currently, the policy is with the City Attorney's Office, waiting for approval.

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.

#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.

#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.

#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.

#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.

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

#15 Develop performance measures aimed at increasing data accuracy and publish accuracy rates for enhanced accountability.

☑ Implemented Logistics has developed four performance measures: 1) An inventory accuracy goal of 95%, this is the actual quantity on hand versus the system reporting, 2) Storage utilization percentage, which is the average occupied square foot versus the total storage capacity, 3) Report the reduction of slow moving parts in stock by monitoring the number of days parts are on hand, and 4) Increasing the Inventory Turnover Ratio, by showing how many times the warehouse inventory is sold and replaced over a period of time. Logistics is reporting Warehouse Inventory Accuracy on a link on the O & M Intranet page detailing blind count accuracy for each inventory system.

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

☑ Partly Implemented Key data fields have been determined for all of the department's inventory systems. Minimum data requirements have been set for two of the inventory systems.

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.

Post Audit Summary of the Diversity Assessment of Boards, Committees, and Commissions

The City Auditor's Diversity Assessment of Boards, Committees, and Commissions contained four Chapters and made one recommendation to improve data collection. The audit, which was released in April 2017, assessed the diversity of the City's board, committee, and commission members.

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 July to December 2018, we designated the recommendation as implemented (100%) as shown below.

Exhibit 8: Status of Audit Recommendations
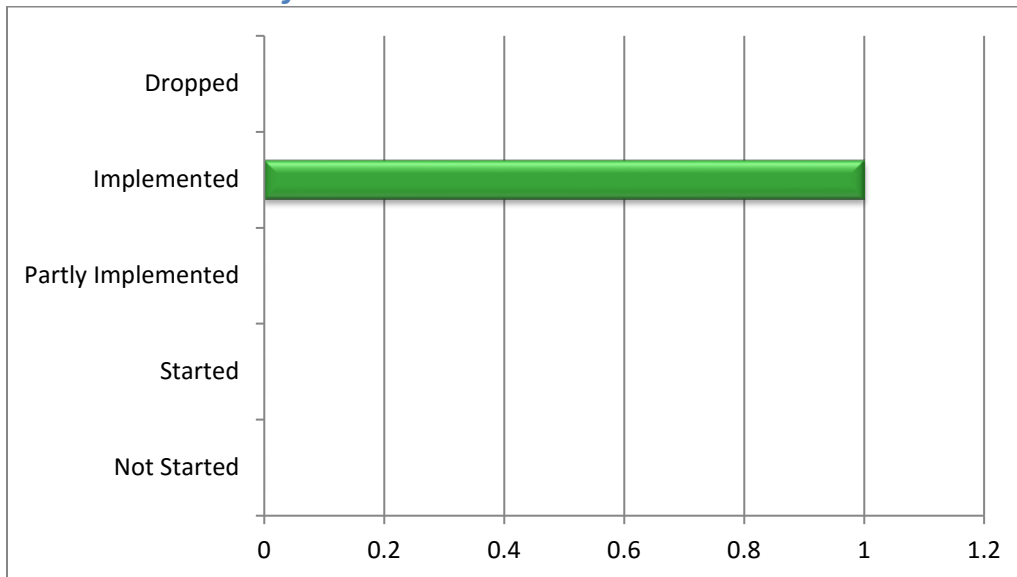
Chapter 1: Data Collection Improvements are Needed

We recommend the City Clerk's Office:

#1 Work with the City Attorney's Office to determine how best to capture, document, and retain desired information regarding City and Non-City appointed board, commission, and committee members.

☑ Implemented In April 2018, a new category for Sexual Orientation was added and all applicants are now presented with the sexual orientation question. The desired information regarding City and Non-City appointed board, commission, and committee members appears to be captured and documented in the new survey.

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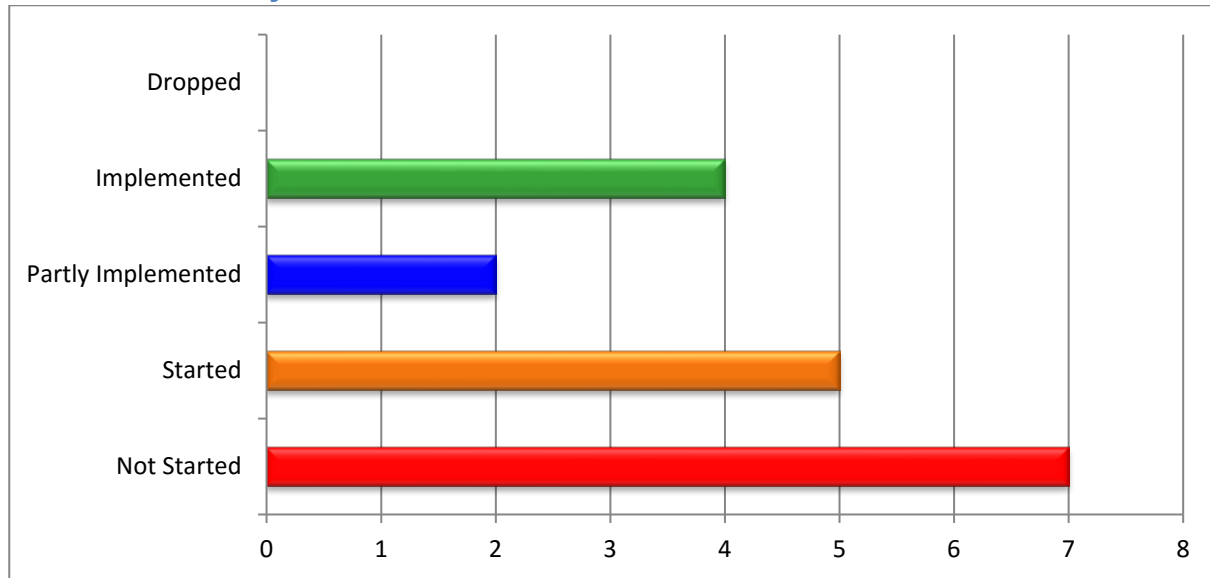
Finding 1: The Fire Department Has Relied on Increasing Levels of Overtime to Meet its Operational Needs

#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.

☐ <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.

#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.

☐ Partly Implemented 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.

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

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

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

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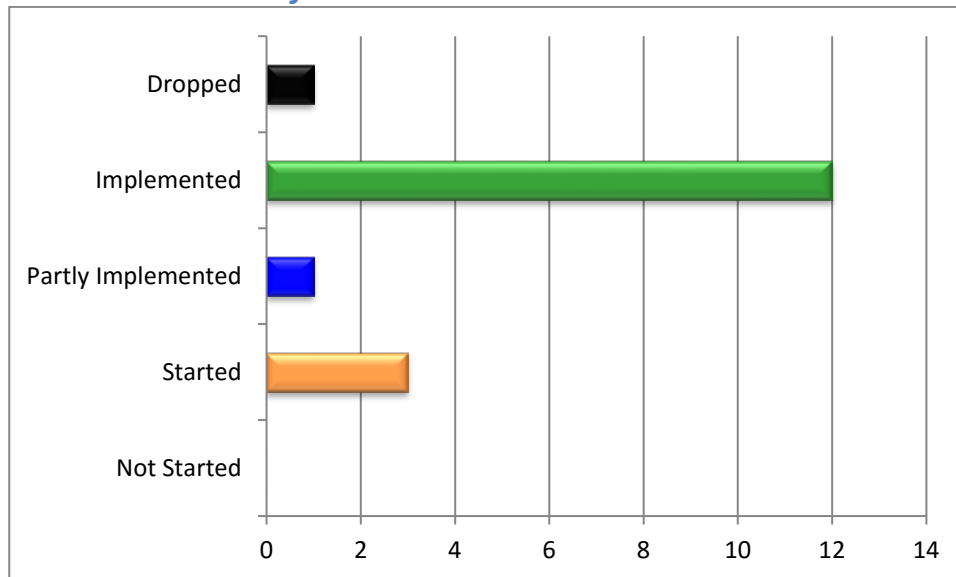
Finding 1: Some Transactions in the Two Risk Management Funds May be Inconsistent with Proposition 218 Requirements

#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.

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.

#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.

#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.

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

Exhibit 11: Status of Audit Recommendations
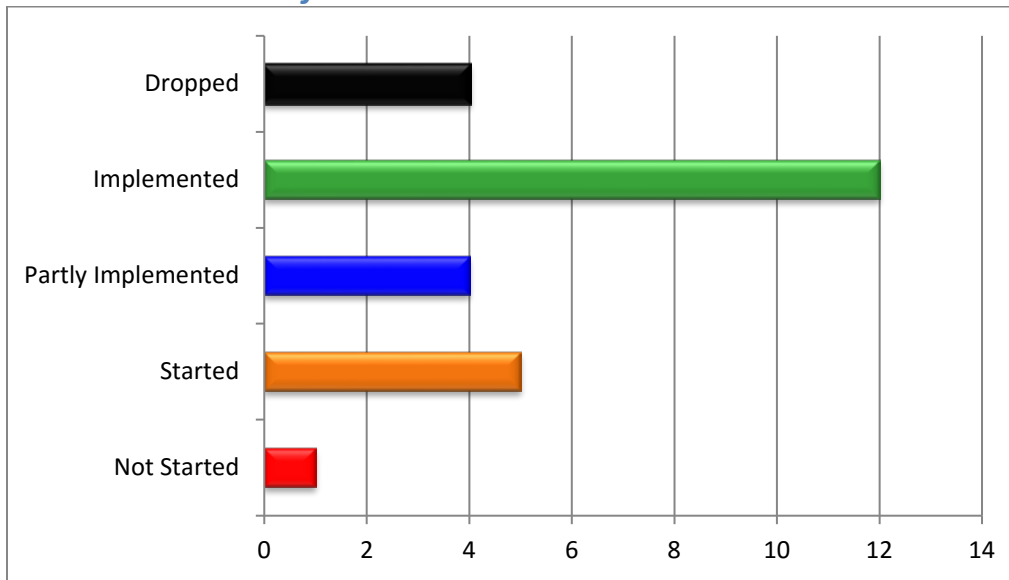
Finding 2: Policies Can Be Improved and Opportunities for Cost Savings Through Renegotiation Exist

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

☑ Partly 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 This is part of a larger project that will include analyzing all of the time reporting programs for all employees. Additionally, pay groups will be analyzed to determine which codes should be seen by which employees. The Finance Department has had initial talks with the City's Information Technology Department to begin this process.

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

☑ Dropped Each of the City's labor agreements provide some provision for out-of-classification or "temporary work in a higher classification" assignments. While some of the City's labor agreements provide more specificity than others regarding the selection and eligibility process, attempting to codify the exact scenarios by which an employee can be assigned out-of-class work might prove both difficult and time-consuming. 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. It is the City's intent to not further negotiate when employees receive out-of-class

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

☑ Started 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. For example, last year, the Labor Relations Division held a series of informational meetings to discuss the changes to the new collective bargaining agreements. Part of the meeting was discussion regarding when an employee can be assigned to out-of-class work and remain compliant with Government Code 20480 (which applies only to CalPERS agencies). 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.

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

☑ Partly 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.

☑ Started Many of the City's labor agreements that effect DOU employees were updated to include the following language: "With the exception of sick leave, employees may use any type of authorized leave, including, but not limited to, vacation; CTO; holiday credit; etc., during their standby assignment, so long as they remain available for their standby assignment. An employee utilizing sick leave who is unable to work due to a personal illness, shall not receive standby pay for the day(s) out sick. Employees who fall ill after hours while they are on standby, shall notify the Standby Supervisor who will find a replacement for the day(s) the employee is out sick. The standby assignment may resume when the employee returns to work." However, specific procedures in the department's Standby policy may still be outdated due to multiple department-wide reorganizations.

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

☑ Partly Implemented All policies are currently under review by a chartered DOU committee from every division. Review, revision, and approval is scheduled to be completed within the next 60 days with a targeted focus on labor reporting. Approved DOU policies will then be converted into the new City format and loaded into the new Automated Policy and Procedures System (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

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

☑ Implemented A policy has been written and approved by the Department of Utilities Director and executive team. The policy has been implemented and effective as of January 1, 2019.

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

☑ Implemented A policy has been written and approved by the Department of Utilities Director and executive team. The policy has been implemented and effective as of January 1, 2019.

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

☑ Partly Implemented The Timesheet Segregation of Duties policy is now scheduled to go into the new version of APPS within the next 30 days. As soon as the policy is routed via the new APPS, it will go into the City's document retention system and Target Solutions for dissemination to all DOU staff.

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 The Finance Department is currently working with City IT, testing codes for proper calculation.

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

☑ Started The Finance Department is currently working with City IT, testing codes for proper calculation.

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

☐ <u>Not Started</u> This recommendation is related to recommendation #8 above and will be worked on in conjunction with that process.

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.

The Finance Department experienced employee turnover in key positions, which has delayed the implementation of some of the recommendations.

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

Exhibit 12: Status of Audit Recommendations
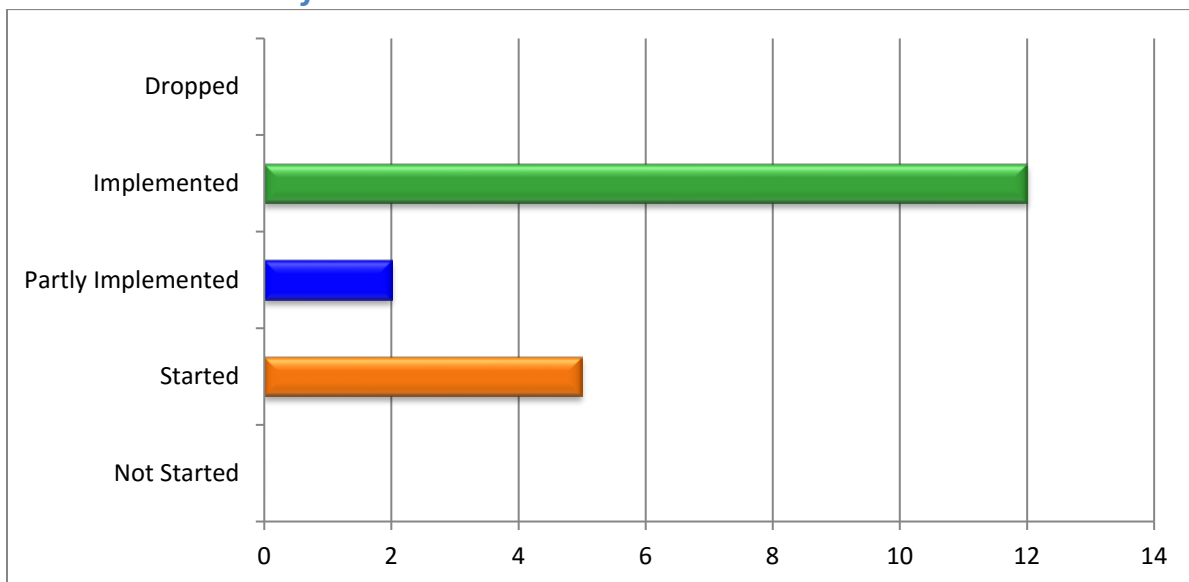
Finding 2: City employees with incompatible duties had access to the Master Vendor File

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

☑ Implemented A new Security Requisition Request form with electronic workflow has changed the user access approval process. Paper forms are no longer being accepted. IT procedures outline the new approval workflow process.

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

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

☐ Started A new process that will allow potential vendors to conduct business with the City of Sacramento will be added with the implementation of ABCDs. Potential vendors will be required to supply appropriate details of their business and appropriate tax forms before acceptance by City staff. Procedures will be incorporated once ABCDs comes on line in the Fall of 2019.

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

☐ Started Finance will memorialize the frequency and methodology for documenting a formal review of the Supplier Audit Log in their policies and procedures. With the implementation of the ABCD project, the suppliers will be able to change their addresses, add new remit addresses, change their contact information via the self-service portal.

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

☑ Implemented System controls have been put in place that require that all TIN's be limited to 9 digits.

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

☐ Partly Implemented Finance prohibits the use of special characters in vendor names and expects that this requirement will be easier to maintain with the implementation of ABCDs and the new vendor portal.

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

☐ Started Finance uses the supplier name provided on the W9 and CA-590 or CA-587 form to set up suppliers. With the implementation of the ABCDs project, the suppliers will be setting up their supplier information via the self-service portal.

#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. The policies and procedures will be in line with the ABCDs project implementation.

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

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

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

Since the audit's release, SHRA has made measurable progress towards implementing many of the recommendations. Most notably, SHRA has amended the bylaws of one of its non-profits (SHARP) to reduce the potential for the appearance of favoritism. In addition, SHRA published a 2016 Multi-Family Loan Application Schedule in order to increase transparency of the agency's project selection and funding practices. To date, SHRA has implemented or partly implemented twelve of the recommendations. SHRA expects to make progress on all recommendations throughout 2019.

Exhibit 13: Status of Audit Recommendations
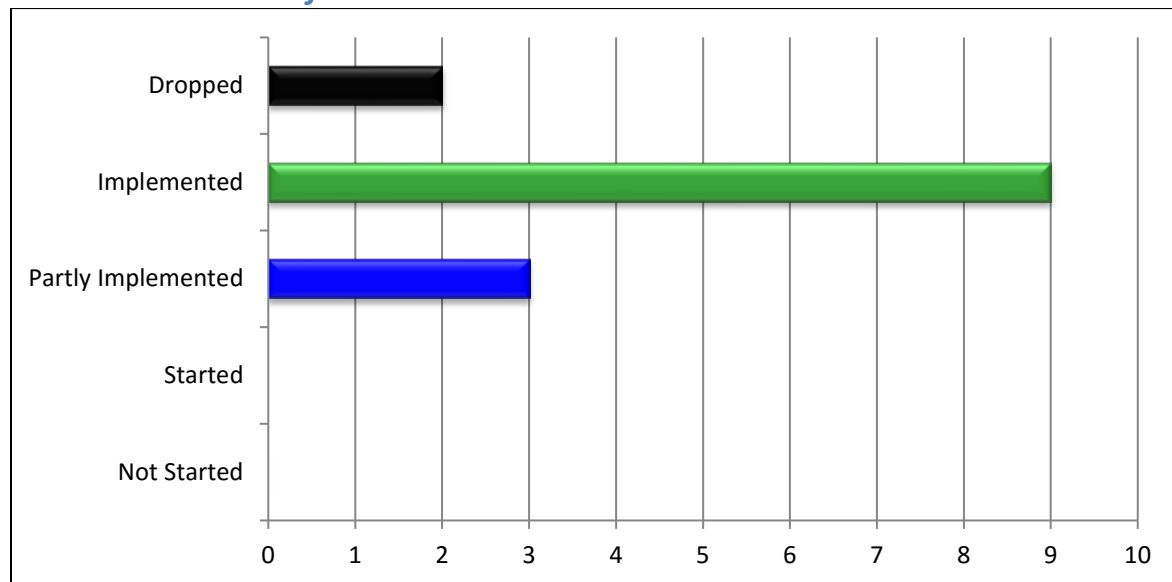
Finding 1: SHRA's Funding Practices and Project Selection Should Be More Transparent

#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. Staff anticipates holding a workshop with the City Council to discuss the policies in Q1 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.   Staff anticipates holding a workshop with the City Council to discuss the policies in Q1 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. Staff anticipates holding a workshop with the City Council to discuss the policies in Q1 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 July 2018 to December 2018, the 311 Call Center recruited and hired a new manager in December 2018. As shown below, we designated 11 recommendations implemented (61%), and seven recommendations partly implemented (39%).

Exhibit 14: Status of Audit Recommendations
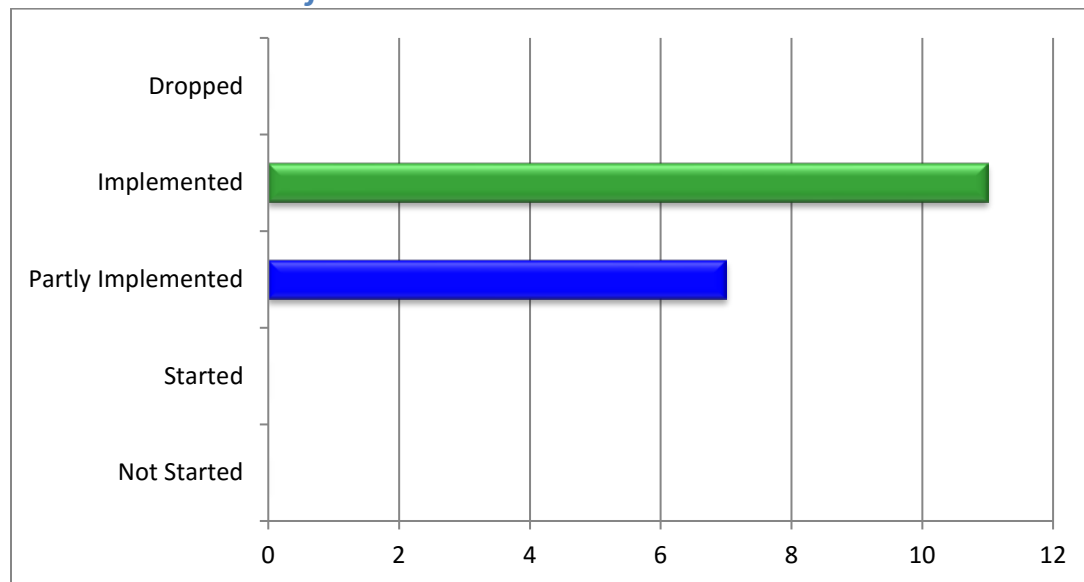
Finding 1: The Call Center is Unable to Meet Its Current Service Level Goals

#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 is unable to meet its Service Level Goal of answering 80-percent of calls in 60 seconds. The Division performed a staffing analysis in 2018 and found that the 311 Call Center is understaffed by approximately 6 full time equivalent employees. The Division is requesting for additional staff as part of the FY2019-20 budget.

#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.
☐ Partly Implemented The Division added a Supervisor and 2 Specialist positions in 2018. With the current staffing model, the supervisor-to-agent ratio is at 2:29 and the support staff-to-agent ratio is at 6:29; which appears to be slightly higher than the ratio of other call centers. The Division Manager will assess the call center's productivity over the next few months to determine if the current staffing level is appropriate.

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 is working with IT to identify a solution to replace the current Sac311 mobile application.

#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 in the process of identifying a software solution 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 Cisco is being upgraded. Once the Cisco project is 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 Relationship Management System (CIS) was integrated with Oracle Service Cloud CRM and resulted in over 150-percent utilization. However, there are limitations to the integration which require agents to use CIS to tie a service call to a service point.

#18 Develop a process with City departments utilizing escalation forms that allows the 311 Call Center to follow up on previous requests.
☐ Partly Implemented The Division has developed a process in the CRM to create escalation forms that may be sent out to appropriate departments. Currently, the Division is working with the Information Technology Department to close out the escalation form once the appropriate department has acted on the incident.

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

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

Since the audit's release, the Department of Public Works has implemented all of the recommendations by updating processes and developing controls. The progress made in this audit is shown in the exhibit below.

Exhibit 15: Status of Audit Recommendations
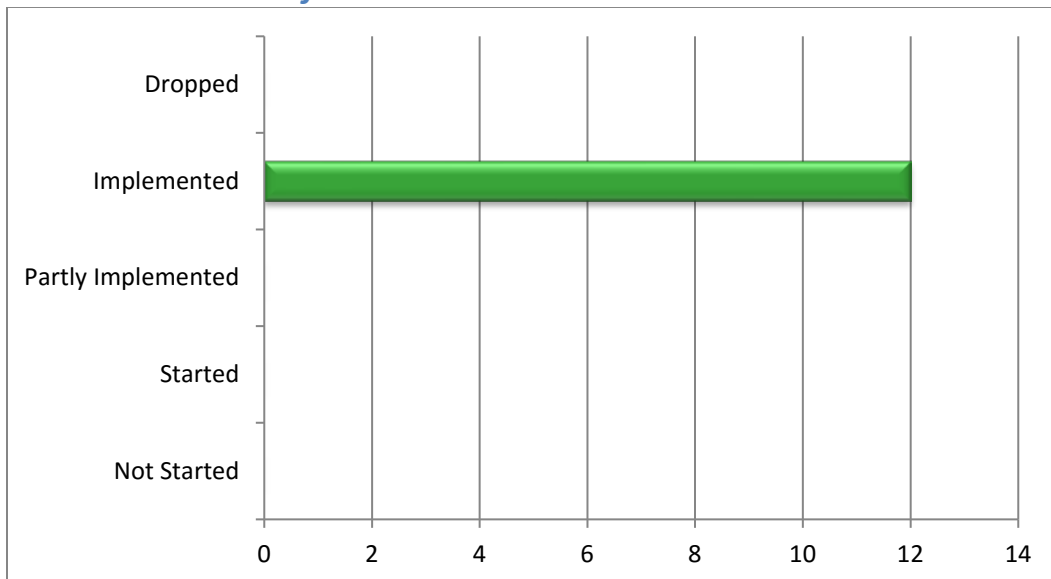
Finding 3: Opportunities Exist to Enhance the Sidewalk Repair Process

#4 Continue to work towards reducing the backlog of sidewalk repairs to six months.
☑ Implemented Due to Prevailing Wage legislation that significantly increased contractor costs, and other factors beyond the control of the City, efforts to reduce the backlog to six months are no longer realistic. The Office of the City Auditor and the Department of Public Works are in agreement to adjust this recommendation to a more realistic and sustainable goal of a one-year work order backlog. Public Works has adjusted operations and successfully reduced the backlog to one year. Additionally, inspectors will strive to keep the backlog down to one year.

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 July 2018 to December 2018, the status of many recommendations did not change from the previous reporting period. However, the IT Department did implement a few outstanding recommendations. 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 16: Status of Audit Recommendations
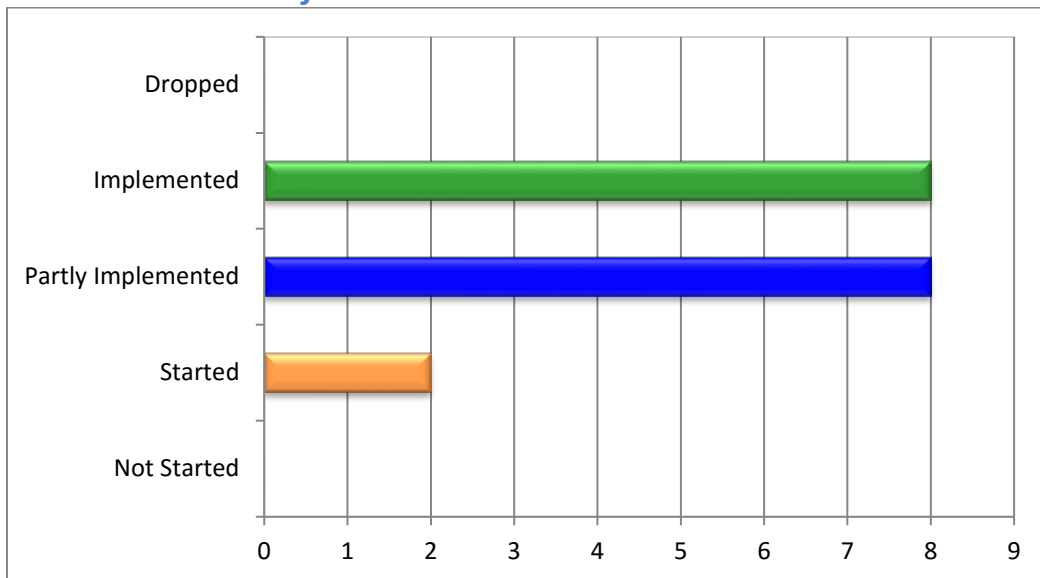
Finding 1: Improving How the City's Wireless Device Program is Administered Could Potentially Save the City $291,600 and Decrease the Risk of Abuse

#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.

#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.

#7 Consider cancelling or suspending services for devices not being used.
☑ Implemented The City Manager's Office, along with the IT Department, perform a review of underused devices every six months and cancel devices with six months or more of no usage. Consistently conducting this review every six months should reduce the number and cost of zero-use devices after a few iterations of the review.

#9 Assign responsibility for monthly review of device use.
☑ Implemented Department heads or their designees will be responsible for reviewing monthly charges and making appropriate plan changes as required in the Mobile Device Policy. In addition, the City Manager's Office, along with the IT Department, perform a review of underused devices every six months and cancel devices with six months or more of no usage.

#10 Perform analysis on the City's lines to ensure devices are in the most cost effective plans.
☑ Implemented Most departments have already taken steps to review monthly bills and optimization reports and make changes to suggested plans. IT will continue to produce optimization reports and work with other departments on a quarterly basis to review them.

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.

#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.

#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.

#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.

#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.

#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.

#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.

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.

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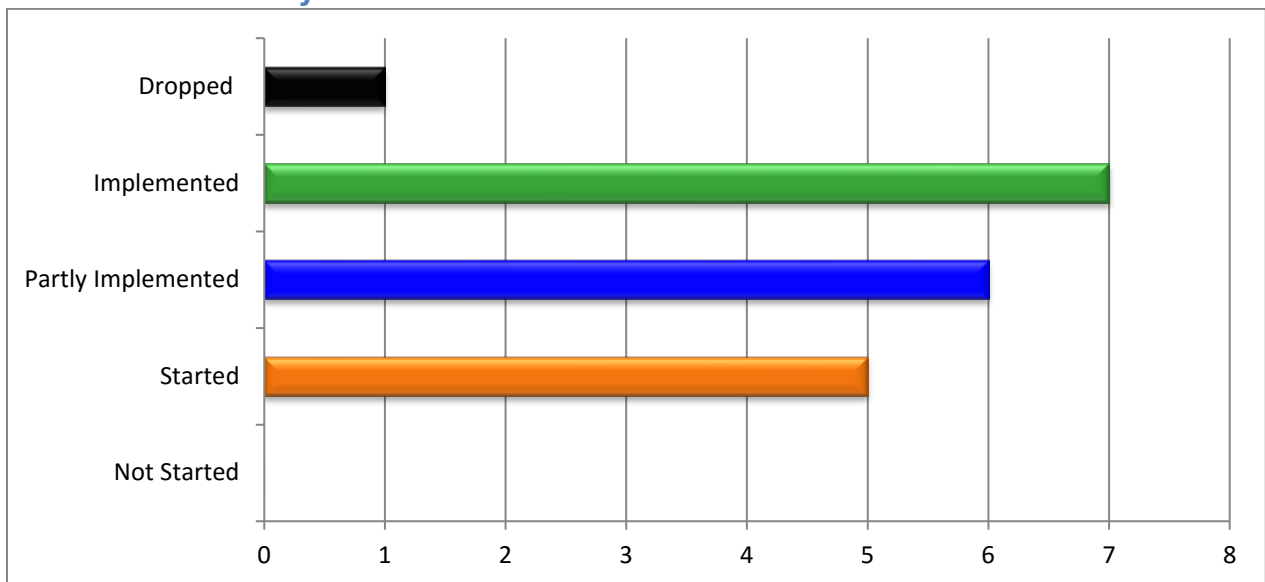
Finding 1: The Fire Department should implement inventory management best practices to improve accountability and accuracy

#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.

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

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

☑ Implemented The Fire Department has developed narcotics reconciliation reports and is conducting regular reviews.

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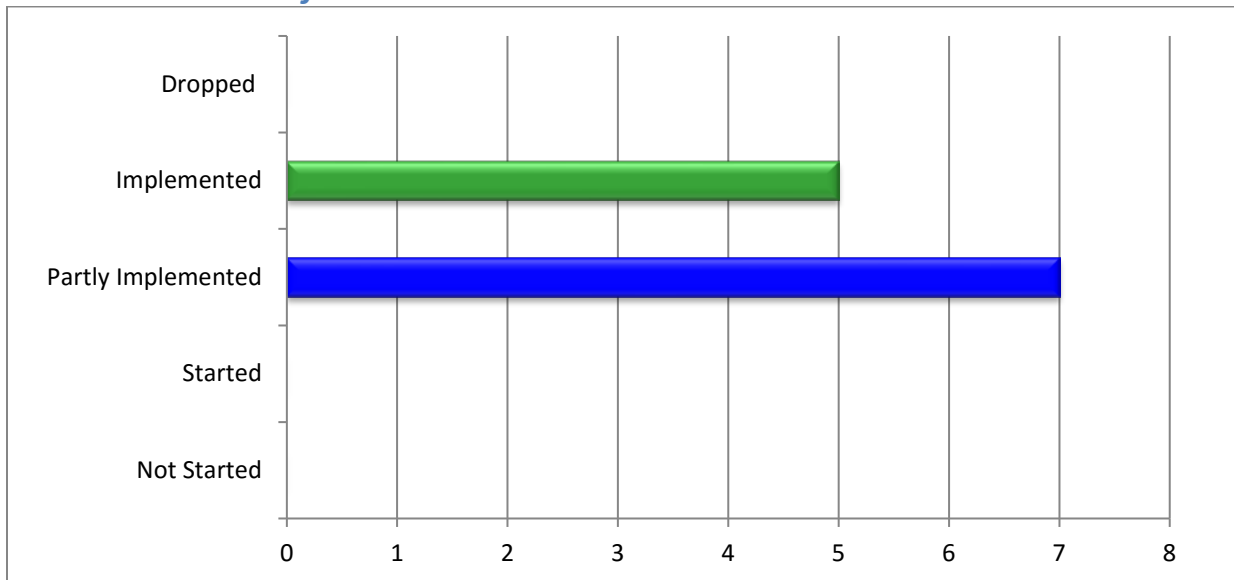
Finding 1: The Information Technology Department's inventory system contains significant errors and omissions

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

Exhibit 19: Status of Audit Recommendations
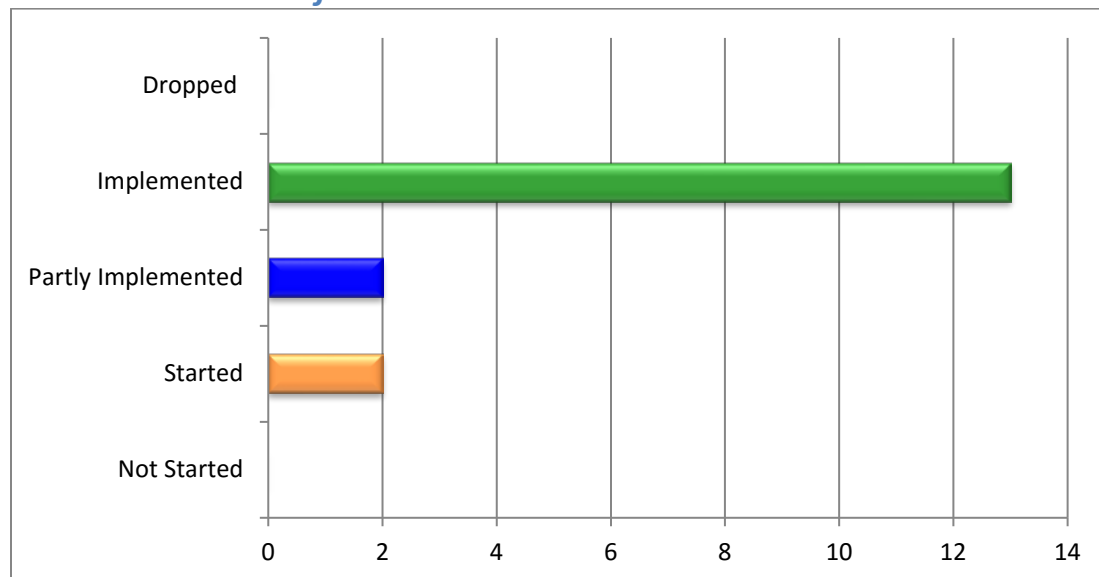
Finding 2: The City Could Reduce its Costs by an Estimated $336 Thousand annually if it Discontinued Compounding the Paramedic Incentive

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 is expected to be signed prior to the next recommendation follow-up reporting period in June 2019.

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 June 2018 to December 2018, the P-Card Administrator retired from City service and a new Administrator was hired at the end of November. Due to the staffing change, there was no progress to report during this period. 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 revised Purchasing Card Policy and Program Handbook.

Exhibit 20: Status of Purchase-Card Use Recommendations
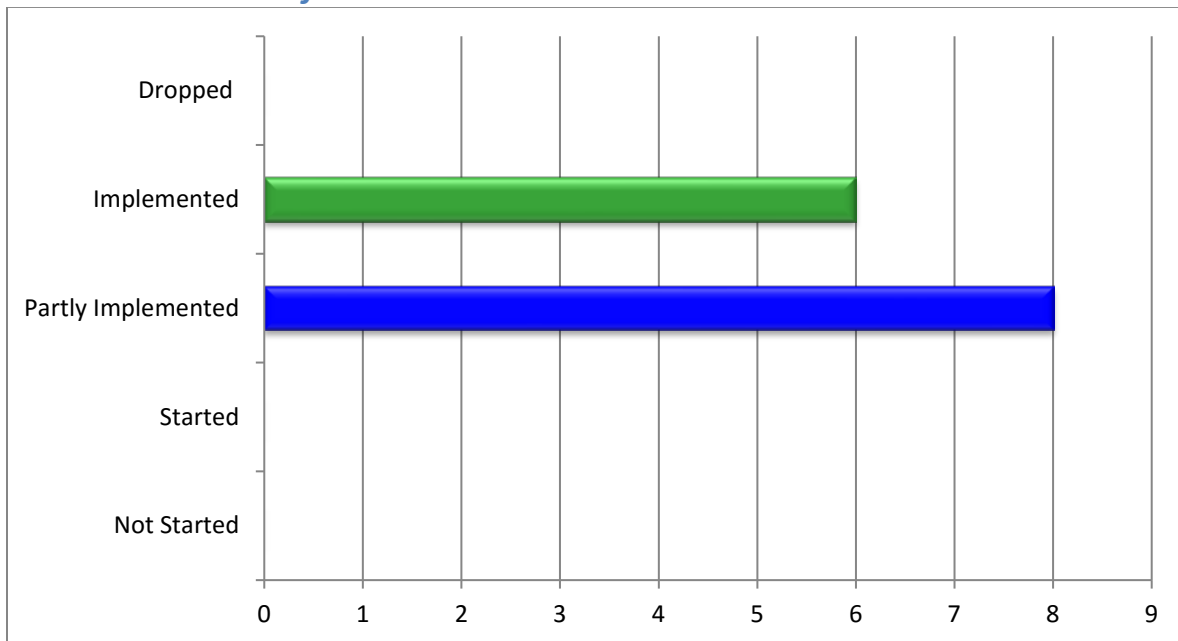
Finding 1: While transactions reviewed did not reveal extensive personal purchases, some charges violated policy and lacked complete support

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

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

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

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

☐ [Partly Implemented] The Purchasing Card Policy and Program Handbook, 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 Purchasing Card Policy and Program Handbook, 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 Purchasing Card Policy and Program Handbook, pending formal adoption, is designed to be reviewed annually by the Procurement Manager and P-Card Administrator.

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

☐ [Partly Implemented] The Purchasing Card Policy and Program Handbook, pending formal adoption, sets annual training requirements and requires that cardholders sign a form acknowledging their responsibilities. Procurement Services is working with the Human Resources Department to implement the annual P-Card training to users through Target Solutions.

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

☐ [Partly Implemented] The Purchasing Card Policy and Program Handbook, pending formal adoption, will set annual training requirements for P-card approvers. Procurement Services is working with the Human Resources Department to implement the annual P-Card training to users through Target Solutions.

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

☐ [Partly Implemented] Procurement Services performs ongoing reviews of p-card transactions in response to department requests.

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

☐ Partly Implemented The Purchasing Card Policy and Program Handbook, pending formal adoption, specifies strengthened controls and additional clarification regarding prohibited uses of P-cards. The policy will provide updated and consistent information to program participants.

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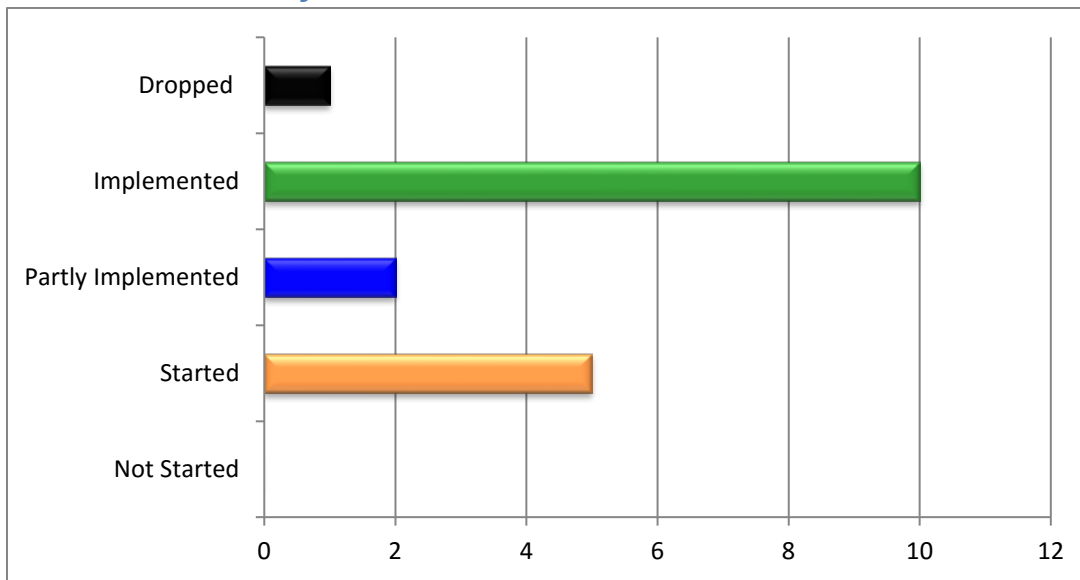
Finding 1: Removing and not replacing the City's light-duty vehicles that were driven less than 6,000 miles per year could yield more than $5 million in onetime and future benefits, with most of these benefits generated through avoided vehicle replacement

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

☐ Partly Implemented Fleet hired a consultant to develop a Comprehensive Asset Management Replacement Solution to provide ongoing review and evaluation of equipment replacement criteria. The consultant hired by Fleet Management did not provide services comprehensive enough to meet the requirements of the audit recommendation. Since that time, the software company that provides the City with fleet management software has developed a module called CAM that is expected to provide the analytics needed to meet the audit recommendation requirements. Fleet management has begun using the CAM Module for the FY 2018/19 purchases.

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

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

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. 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 The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. 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 The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. 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 Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. 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 The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. 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 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 the Audit 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 July to December 2018, we designated the recommendations as partly implemented as shown in Exhibit 22.

Exhibit 22: Status of Audit Recommendations
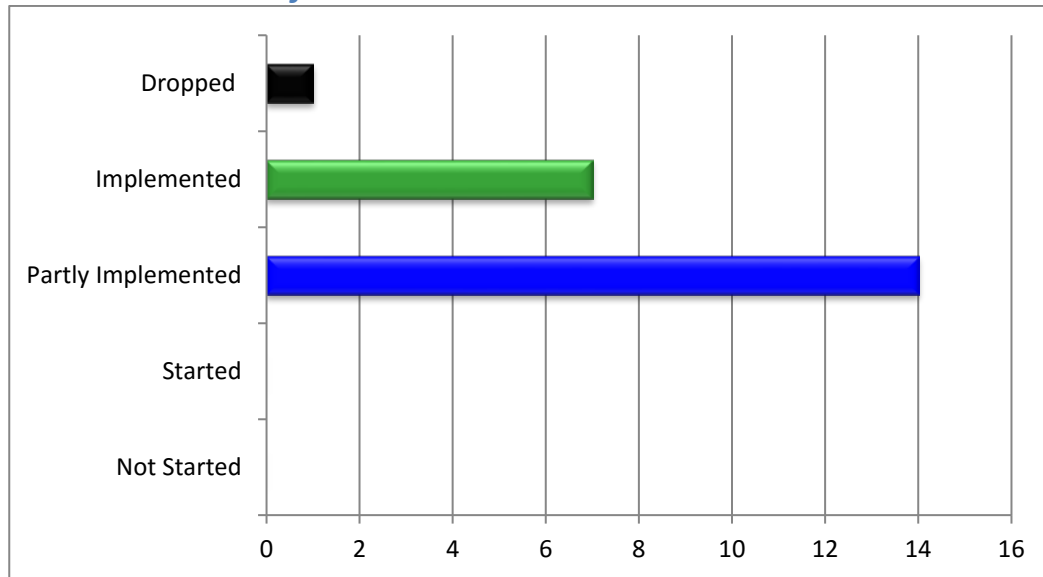
Finding 1: While the City has a System for Establishing Policies & Procedures, It is Generally Circumvented

#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 City Clerk's Office is working with Information Technology (IT) to establish a control.

#5 Update AP-1001 to clearly describe the mechanism for updating Administrative Policies
☐ Partly Implemented In January 2019, The City Clerk's Office will begin a roadshow to meet with all departments and educate employees in each department/division involved in policy development on the new application, the review, approval, and update process. After meeting with all departments, the City Clerk's Office plans to craft the structure of the new policy.

#7 Formally document the roles, responsibilities and processes of area experts.
☐ Partly Implemented The City Clerk's Office will remove the definition and role of the subject matter experts. Instead, the department will refer to them as authors and policy contacts.

#8 Analyze roles and access privileges of area experts to determine whether any are incompatible with others, to ensure segregation of duties and prevent conflicts of interest.
☐ Partly Implemented The roles and access privileges will be updated and analyzed once APPS is rolled out.

#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 During the roadshow, the City Clerk's Office will identify key staff in each department that will be responsible for developing policies and procedures.

#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 Language will be updated after the new software application (APPS) rollout. APPS will streamline the uploading, review, approval, and maintenance process of the City's Policies and Procedures.

#11 Assess the inventory of outside policies and procedures and determine whether they should be incorporated or retired.
☐ Partly Implemented The City Clerk's Office will assess the inventory of outside policies and procedures after education and training of the new APPS rollout.

#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 Following the rollout of APPS, the City Clerk's Office will assess whether the City adopts policy areas owned by other cities after education and training of the new APPS rollout.

#13 Revisit how Administrative Policies and related documents are housed in CCM.
☐ Partly Implemented Following the launch of APPS, the City Clerk's Office will revisit how Administrative Policies and related documents are stored.

#14 Update PR-1001-01 to include a clear description of how Administrative Policies and Procedures are integrated and accessed in CCM.
☐ Partly Implemented The City Clerk's Office will update the description of how Administrative Policies and Procedures once following the launch of APPS.

#17 Design a control to ensure outdated policies and procedures are removed from CityNet and the City's public website.
☐ Partly Implemented The City Clerk's Office is working to design a control that ensures outdated policies and procedures are removed.

 # 18 Change the department owners of policies to reflect correct owners.
☐ Partly Implemented The respective position responsible for the policy will be updated following education and training of the new APPS rollout. The City Clerk's Office will discontinue including staff names and will us the position responsible for the policy.

#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 City Clerk's Office will ensure department directors and division managers regularly review the polices following education and training of the new APPS rollout.

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

☐ Partly Implemented The City Clerk's Office will reinforce management's expectation during the education and training roadshow. The APPS manager/CMO team will continue to reinforce the expectation that all department operations policies and procedures are put in place and kept up to date.

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

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

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

Exhibit 23: Status of Audit Recommendations
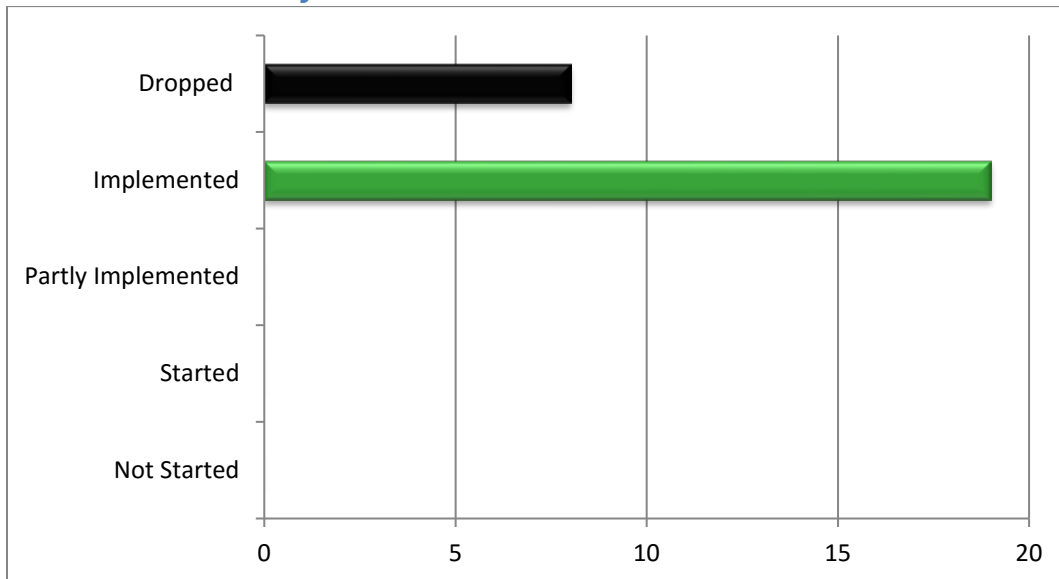
Additional Operational Efficiencies and Cost Savings

#12 Accelerate completion of the Computerized Maintenance Management Systems (CMMS).
☑ Implemented Since the release of this audit, DOU has implemented various phases of this audit recommendation. This includes integrating Maintenance Connection with eCAPS to auto-populate eCAPS timesheets from the Maintenance Connection timesheets; DOU estimates that this eliminates approximately 22 hours per month of duplicate entry as well as eliminating the time associated with correcting inconsistencies between two different timesheets. DOU also upgraded the existing client server CMMS application, Azteca Cityworks ANYWHERE, to a web-based platform. Additionally, DOU populated the CMMS database with equipment assemblies and parts information.

The final phase of this recommendation was to set up a similar auto-population system between eCAPS and Cityworks as was established between eCAPS and Maintenance Connection. Due to eCAPS system changes to forecasting of timesheets, technical issues have arisen that minimize the achievable efficiencies in continuing to pursue the full implementation of this audit recommendation. Additionally,

some of the City's unions have voiced concerns regarding this audit recommendation. Due to these system changes, lack of achievable efficiencies, and union concerns, the Department of Utilities and the Office of the City Auditor are in agreement that the final phase of this audit recommendation should be dropped.

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 completed a review of retiree enrollments with Delta Dental and VSP. 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 24: Status of Audit Recommendations
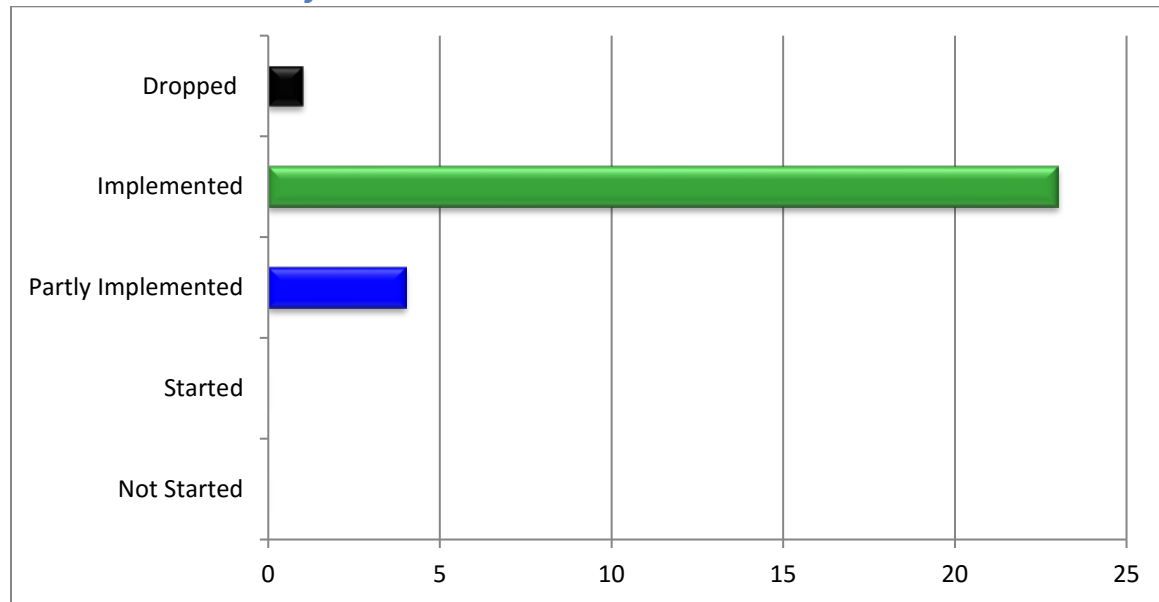
Finding 2: The City's Current Methods For Determining Premium Amounts and Shares Need Improvement

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

☐ Partly Implemented During the last round of negotiations HR staff presented to Council, in closed session, the health rates of local agencies and our standard comparator agencies throughout the State. The rates used in salary surveys, the amount of contribution the City, and all of the comparators pay to employees in the categories of employee only, employee plus one dependent, and employee plus 2 or more dependents. After reviewing the numbers, Council agreed to increase the City contribution provided to employees in the categories of employee plus one dependent and employee plus 2 or more dependents.

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

#21 Continue pursuing options to reduce retiree health costs.

☑ Implemented The department continues to pursue options to reduce retiree health costs through negotiations with labor unions. Since the release of the audit, the City has eliminated retiree health benefits for non-fire safety employees hired after November 2015, modified benefits for fire safety employees hired after January 2015 (tiered benefit with lower Medicare age benefit and established an OPEB trust with shared contributions), and enrolled retirees reaching Medicare age in Medicare supplement plans.

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

☑ Partly Implemented Human Resources has implemented a self-billing method for retiree medical bills. The department has completed the review of retiree enrollments with Delta Dental and Vision and plans will continue efforts to implement self-billing for these two providers.

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

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

☐ Partly Implemented The department is promoting the Western Health Advantage Community Fit program and distributing monthly wellness tips to employees. The department is evaluating resources needed to assess the impact of the wellness program. No progress was made for this recommendation during the July to December 2018 period.

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

☐ Partly Implemented The department will be requesting additional resources during the next budget cycle to address the recommendation. No progress was made for this recommendation during the June to December 2018 period.